MARKETING MANAGEMENT

CENTRE FOR DISTANCE AND ONLINE EDUCATION

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SYLLABUS
MARKETING MANAGEMENT

COURSE OBJECTIVE:

1. To understand the nature and significance of the Marketing Function and the Marketing management process.
2. To gain knowledge about the key aspects of the Buying Behavior of consumers and develop an understanding of the STP Process.
3. To explain the factors affecting various product, pricing, channel management and Marketing communication decisions.

COURSE OUTCOMES:

CO1 : Identify the marketing functions, environment and segmentation for effective positioning of the products.

CO 2 : Assess the factors influencing consumer behavior and apply recent marketing trends in business.

CO 3 : Develop new products and services that are consistent with evolving marketing needs.

CO 4 : Formulate effective pricing policy and select an appropriate channel of distribution.

CO 5 : Summarize the nature and functions of the elements of Promotion mix.

UNIT-I: INTRODUCTION

Nature, Scope and Importance of Marketing – Functions – Marketing Environment- Factors Influencing Marketing Environment – Market Segmentation – Need and basis of Market Segmentation Targeting and Positioning.

UNIT-II: CONSUMER BEHAVIOUR

Factors Influencing Consumer Behaviour - General Consumers, Industrial Consumers, Online Consumers - Recent Concepts in Marketing – Green Marketing, Digital Marketing, Relationship Marketing.

UNIT-III: PRODUCT

Product –Definition – Levels of Product - Classification of Products – Product Mix: Levels, Hierarchy, Classifications, Mix. Product Lifecycle: The Concept and its Strategic Implications, Significance of Branding, New Product Development Process.

UNIT-IV: PRICING AND PHYSICAL DISTRIBUTION

Price – Pricing Objectives – Pricing Policies – Methods of Pricing – Distribution Channel (Levels, Advantages and Disadvantages) – Factors to be considered in Selecting a Channel – Channel Conflicts (Causes and Overcoming Conflicts).

UNIT-V: PROMOTION

Eight Elements of the Promotion Mix: Basics of Advertising (5M‘s), Sales Promotion, Events & Experiences, Public Relations & Publicity, Direct Marketing, Interactive Marketing, Word of Mouth Marketing and Personal Selling. Factors Affecting the Promotion Mix.

TEXT BOOKS:

1. Dr. C B Gupta, Dr. N. Rajan Nair, Marketing Management - Sultan Chand & Sons, New Delhi.
2. Philip Kotler, Marketing Management - Prentice Hall of India Pvt Ltd., New Delhi.

REFERENCE BOOKS:

1. R.S.N.Pillai & Bagavathi, Marketing Management, S. Chand Publishing.
2. RajanSexna, Marketing Management, MC Graw Hill Education.
3. Ramaswamy,V.S.,Namakumari,S- Marketing Management: Global Perspective, Sage Publications India Private Ltd, New Delhi.
4. Philip Kotler, HermawanKartajaya, Iwan Setiawan, Marketing 4.0- John Wiley & Sons, Inc., USA.

WEB RESOURCES:

1. https://www.tutorialspoint.com
2. https://www.feedough.com
3. http://www.yourarticlelibrary.com
4. https://www.tutor2u.net

MAPPING-COURSE OUTCOME WITH PROGRAMME OUTCOME AND PROGRAMME SPECIFIC OUTCOME

CO/PO &PSO	PO1	PO2	PO3	PO4	PO5	PSO1	PSO2	PSO3	PSO4	PSO15
CO 1	S	M	L	L	M	S	M	L	M	L
CO 2	M	S	L	S	M	S	M	M	L	L
CO 3	S	M	M	L	S	S	S	M	M	L
CO 4	S	M	L	L	M	S	S	L	M	L
CO 5	S	M	M	L	L	S	M	M	L	L

S – Strong **M – Medium** **L- Low**

CONTENTS

UNIT – I

INTRODUCTION

1.1 Introduction to Marketing

Market provides a mechanism for the sale of goods. According to Prof. Philip Kotler market is an area or atmosphere for a potential exchange. Marketing includes all activities involved in the production and distribution of goods and services. Marketing concept refers to the philosophy of an organisation in relation to marketing of a product of service.

Market refers to a place where transactions take place between buyers and sellers with respect to exchange of goods and services.

Markets are bifurcated on the basis of the type of product. For instance, cotton market, grains market and flower market. Sometimes, they are also bifurcated on the basis of quantity. For example, wholesale market and retail market.

However, in modern times, the term market has a wider meaning. It now includes all potential buyers of goods or/and services.

1.2 Meaning of Market

The term market is derived from the Latin word 'Marcatus' which means merchandise, trade i.e. purchasing and selling of goods. It is a place where buyers and sellers meet together for the exchange of title to goods. i.e. it is a place where business is conducted. The market provides a mechanism for the sale of goods, but the actual delivery of goods may not take place in all the cases. However, for the students of marketing market refers to any region in which buyers and sellers are brought in contact with one another, and by means of which the prices of goods and services are finalized easily and quickly. According to Prof. Mitchel market is not a geographical meeting place but as any getting together of buyers and sellers, in person, by mail, telephone, telegraph and internet or any other means of communication. Prof. Philip Kotler expressed in his famous book 'Marketing Management', the term 'market' as area or atmosphere for a potential exchange.

Market is an arrangement that provides opportunity of exchanging goods and services for money or money's worth. Thus in market there are two groups of persons, one group holding the goods which they want to sell and another group of prospective buyers who want to pay for the goods they are going to buy. It means that three points are interlinked namely place, atmosphere, and demand. Place stands for a convenient place for the buyers and sellers to come together for the exchange of goods and services; atmosphere stands for the contact between the buyers and sellers; demand stands for the people with needs and wants to satisfy and purchasing power.

1.3 Concept of Marketing

- ✓ Marketing refers to the **process of interaction between buyers and sellers** with the objective of **exchange of goods and services.**
- ✓ Marketing is a much wider concept which comprises various activities involved in the process of exchange of goods and services between buyers and sellers.
- ✓ The activities which are part of marketing are basically the various **functions which are performed under marketing** such as planning, designing the product, packaging and labelling of the product, standardising, branding, warehousing, transport, advertising, pricing and distribution. In addition, it includes **after sales activities** such as customer care and feedback.

1.4 Nature of Marketing

Marketing is a never ending task. Marketing concerns itself with a arranging all the resources in a way that meets the needs of the customers. The following points will bring forth the nature of marketing.

1. **Marketing is customer oriented:** Marketing begins and ends with the customer. Marketing concerns itself not only with the satisfaction of the customer but also objects to delight him/her. All the organizational activities must be targeted and focused towards the customer. Customers must be allowed to decree product specifications and standards regarding quality. And for this, customer's needs must be examined continuously.
2. **Marketing is the delivery of value:** When a customer is satisfied from a particular product based on its overall performance, then the satisfaction that he has received is known as customer value. Customers consider the product's value and price before making a decision and make a trade-off between cost and benefit of the product. They will choose a product that gives them more value per rupee. According to De Rose, "Value is the satisfaction of customer requirements at the lowest possible cost of acquisition, ownership and use". Thus, the organization must aim to deliver greater customer value than that of their competitors.

3. **Marketing is network of relationships:** The focal point of all marketing activities is the customer. The term relationships marketing came into light in1990's. According to Philip Kotler, "Relationship Marketing is the practice of building long-term satisfying relations with key parties like customers, suppliers and distributors in order to retain their long term preference and business." So the marketers should aim at maintaining long term relationships by delivering high quality products, better services and fair prices than their competitors.
4. **Marketing is business:** All activities start from marketing i.e. through knowing customer's needs and wants and ends on the customer i.e. providing after sales service and knowing customer dissonance. The entire business revolves around marketing.
5. **Marketing is dynamic:** The word dynamic means ever changing. The needs and wants of the customer are changing constantly. Since the goal of marketing is to meet customer's needs and wants by furnishing them with the products they want to buy, therefore, marketing must also change constantly to meet those needs and wants.

1.5 Scope of Marketing

1. Marketing is a Science as Well as an Art:

A science is something that is done in a systematic manner following certain standard processes. Science is a systematic body of knowledge regarding a particular subject. Marketing too has a very systematic approach and practices. Right from developing a new product or service, understanding needs and wants through research, segmentation, targeting, positioning, pricing etc. or taking feedback from customers, everything is done in a systematic manner.

Marketing is a never ending process. At every stage of the process a marketer undertakes research to offer excellent products to customers, thus proving that marketing is based on scientific practices.

Art is the expression of human imagination and skill, it has an emotional connect. In Marketing we see this aspect in areas of customer relationship, product positioning, advertising, packaging, pricing etc. The process of segmentation, targeting and positioning is done in a systematic manner, but it also possesses creativity in communicating the message to the customer.

This creativity and emotional connect makes marketing an art. How effectively the marketer segments, targets and places the product in the minds of customers depends on the systematic process adopted and the creative skills applied. Either it is packaging of a product or placing products on the shelves, everywhere, we can see the application of science and art.

2. Marketing is Customer Oriented:

The key objective of marketing is to provide goods and services as per the needs of the customers. Before developing and providing a product, marketers try to find out, what exactly customers are looking for? Based on the findings, the product is created and provided to customers.

Once customer consumes or experiences the product or service, the marketer again does research about the performance of the product and service. So Marketing is totally customer oriented, which starts with customers and ends with customer.

3. Marketing Involves Human Actions:

Humans are an integral part of all marketing activities. Right from marketing research, product development, delivery consumption, post consumption etc. Humans help to satisfy other human beings needs and wants. Without proper human actions marketing would be impossible.

4. Marketing is an Exchange Process:

By exchange we mean transfer of something for one party to another. Every stage of marketing is an exchange and therefore we can rightly say that marketing is an exchange process. There is exchange between buyers and sellers, sellers offer products and buyers give money in exchange for the products. There is exchange of ideas and views between Company and Customer, Marketer offers some benefits in exchange for customer feedback.

Advertising agencies offer their services in return for money. There is an exchange of ideas, communication, money, products, experiences, technology etc. between all stakeholders and the Marketer.

5. Marketing is Strategy:

Strategy is a plan of action to achieve long term or overall goals. Marketing involve short term and long term goals. Every function of marketing needs a systematic plan of action. Questions such as, “What to Produce”, “What to Sell”, “When to Sell”, “Whom to Sell to”, etc. is answered only thorough strategy of the Organization.

6. Goal Oriented:

The main goal of marketing is customer satisfaction, all activities or functions of marketing are undertaken for achievement of one major goal that is customer satisfaction. To achieve the major goals many smaller goals need to be addressed by marketing. Therefore it is rightly said that Marketing is Goal Oriented.

1.6 Importance of Marketing

Marketing has become a very significant aspect in business since a firm's financial success largely depends on marketing. Most facets of business depend on successful marketing. Therefore, no firm today can afford to ignore the significance of marketing. And it is not surprising that companies now have CMOs, that is, Chief Marketing Officer along with CEOs (Chief Executive Officer) and CFOs (Chief Financial Officer). Marketers have now come to appreciate the importance of their prudent marketing efforts and have understood that the success of a product will depend on how well the product is introduced and promoted into the market.

The umbrella term 'Marketing' covers advertising, promotion, public relations, and sales. A firm might be offering the best products or services in an industry but without marketing it would be impossible for the firm to inform its potential customers about the product. If no one knows about a company's product, there will be no demand, company will make no sales and hence there will be no profits. This highlights the significance of marketing i.e. to create awareness about the products and make loyal customers and retain them. Marketing enables the customers to know what marketers are offering to them and at the same time it enables the marketers to convince their customers to buy their offerings.

Successful marketing strategies help in not only understanding the customer and his needs but also in the following ways:

1. **It promotes awareness among the public** – Marketing enables the customers to become aware about the various products that are available in the market. A firm's product must be known to the potential buyers for it to succeed. If there were no marketing or advertising, the customers would not know about the products. A company must capitalize on marketing activities so as not to miss the opportunity of being discovered. Attempts should be made to reach as many customers as possible and tell them what the company has to offer with the help of effective marketing strategies.

2. **It helps in boosting sales-** Once the prospects become aware about the company's products or services it boosts up the chances that customers will make a purchase. New customers also start to spread the word, informing their friends and family about the company's product and consequently company's sales starts to increase rapidly. No matter what a company is selling, it will generate sales once the people come to know about it through TV advertisements, commercials, newspaper advertisements, etc. The more the people see and hear about a new product, the more inclined they will be to buy it.
3. **It builds company reputation** – Marketing helps to build brand name recognition or product recall and hence enables the customers to relate the brand name with the images, logos and captions that they see or hear in advertisements. When the company is able to satisfy the expectation of its customers, its reputation stand on a concrete ground. And once a company succeeds in establishing its name, its business will grow and expand and more and more customers will start purchasing its products and services.
4. **4. It helps in fostering healthy competition** – Marketing promotes a climate of healthy competition in the marketplace. It helps to position the company as being superior to its rivals so that the customers will prefer its products rather than buying from other firms that sell similar products and services. Competition drives the firms to invest in research and development in order to produce better quality and innovative products and services. Thus marketing also helps to foster innovation.

1.7 Definitions of Marketing

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

"Marketing is the process that seeks to influence voluntary exchange transactions between a customer and a marketer". **William G. Zikmund, Michael D'Amico**

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

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

"Marketing consists of the performance of business activities that direct the flow of goods and services from producers or suppliers to consumers or endusers". **American Marketing Association**

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

"Marketing is the performance of activities that seek to accomplish an organizations objectives by anticipating customer or client needs and directing the flow of need satisfying goods and services from producer to customer or client". **William D. Perreault and E. Jerome McCarthy**

"Marketing is the combination of activities designed to produce profit through ascertaining, creating, stimulating, and satisfying the needs and/or wants of a selected segment of the market." **Eldridge**

1.8 Functions of Marketing

1. Analyzing and assembling market information

- ✓ Analyse the market and **identify the best opportunities.**
- ✓ Collecting information of the target market segment including the size of the market as well as behaviour, culture, needs and wants of customers.

2. Marketing planning

Creating a market plan to **achieve the marketing goals and objectives** of the organization.

3. Product designing and development

- ✓ **Design of a product like shape and style attracts** customers towards the product.
- ✓ Good design **improves the performance** of the product and **helps the product to gain a competitive advantage in the market.**

4. Standardisation and grading

- ✓ Standardisation: Production of goods with certain specific qualities (such as durability,safety and utility) and achieve uniformity of goods to ensure that the goods meet the expectations of the predefined standards.

- ✓ Grading: Classification of the product according to certain important characteristics such as size, quality etc.

5. Packaging and labeling

- ✓ Packaging: Developing a cover or a package for the product to protect it from damage.
- ✓ Labelling: Developing a label or slip to be put on the package and providing the necessary information about the product.
- ✓ Both these functions are important for the success of a product.

6. Branding

- ✓ Producers need to decide whether to sell the products using its generic name (i.e. general name used for an entire category of the product) or a brand name (i.e. name specific to that particular product such as Lexi pens or Lays wafers).

7. Customer support services

- ✓ Involves handling complaints and feedback of customers
- ✓ Customer support services are developed such as credit, maintenance, technical services, consumer information etc.

8. Product pricing

- ✓ Price refers to the amount of money to be paid by consumers for purchasing the product.
- ✓ Price of the product is inversely related to the demand of the product which means lower the price of the product, higher is its demand.

9. Promotion

- ✓ Promotion includes informing customers about products and **encouraging them to purchase products.**
- ✓ Various promotional techniques are used such as sales promotion, personal selling, advertising,maintaining public relations etc.

10. Physical distribution

- ✓ **Channels of distribution** are to be decided through which products would be **moved from the place of production to the place of consumption.**
- ✓ It includes activities like managing the inventory, storage and warehousing.

11. Transportation

- ✓ Actual movement of goods from the place of production to the place where it will be consumed or used.
- ✓ Goods transportation helps in **increasing the reach of the product to a large area.**

12. Storage and warehousing

- ✓ Goods are stored in the warehouses properly **till the time they are sold in the market.**
- ✓ This ensures **smooth flow of the supply of goods.**

1.9 Marketing Management

Marketing management means management of the marketing function. In other words, marketing management refers to planning, organising, directing and control of the activities which facilitate exchange of goods and services between producers and consumers or users of products and services. Thus the focus of marketing management is on achieving desired exchange outcomes with the target markets. Taking a management perspective, the term marketing has been defined as "the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organisational goals" by American Management Association, similarly Philip Kotler has defined Marketing management as the art and science of choosing target markets and getting, keeping and growing customers through creating, delivering and communicating superior customer values of management.

A careful analysis of the definition reveals that the process of management of marketing involves: (i) Choosing a target market, say a manufacturer may choose to make readymade garments for children up to the age of 5 years; (ii) In respect of the target market chosen, the focus of the process of management is on getting, keeping as well as growing the customers. That means the marketer has to create demand for his products so that the target customers purchase the product, keep them satisfied with the firm's products and also attract more customers to the firm's products so that the firm can grow; and (iii) The mechanism for achieving the objective is through creating, developing and communicating superior values for the customers. That means, the primary job of a marketing manager is to create superior values so that the customers are attracted to the products and services and communicate these values to the prospective buyers and persuade them to buy these products.

Marketing management involves performance of various functions such as analysing and planning the marketing activities, implementing marketing plans and setting control mechanism. These functions are to be performed in such a way that organisation's objectives are achieved at the minimum cost.

Marketing management generally is related to creation of demand. However, in certain situations, the manager has to restrict the demand. For example, if there is a situation of 'overfull demand', i.e., the demand being more than what the company can or want to handle, (like what the situation in our country was before the adoption of policies of liberalization and globalisation, in early 90's, in most consumer products be it automobiles or electronics goods or other durable products. The job of marketing mangers, in these situations would be to find ways to reduce the demand temporarily by say reducing the expenditure on promotion or increasing the prices. Similarly, if the demand is 'irregular', such as in case of seasonal products, (say fans, woollen clothes) the marketer's job is to change the time pattern of demand through such methods as providing short-term incentives, to the buyers. Thus, the marketing management in not only concerned with creating demand but with managing the demand effectively, as per the situation in the market.

1.10 Definitions of Marketing Management

Philip Kotler, "Marketing Management is the art and science of choosing target markets and building a profitable relationship with them. Marketing management is a process involving analysis, planning, implementing and control and it covers goods, services, ideas, and the goal is to produce satisfaction to the parties involved"

The Institute of Marketing Management has defined "Marketing Management as the creative management function which promotes trade and employment by assessing consumer needs and initiating research and development to meet them. It coordinates the resources of production and distribution of goods and services, determines and directs the total efforts required to sell profitably to the ultimate user".

1.11 Functions of Marketing Management

Various functions of Marketing Management required to satisfy consumer wants are described below:

1. Marketing Research

Marketing Research is the careful study of the product's design, markets, and other activities. It aims to provide management with factual information as a basis for marketing decisions and actions. In the following areas, marketing management helps management to develop policies: products, markets, marketing policies, and sales methods.

2. Product Planning Development

It is the act of supervising the search for products, screening development, and commercialising new products, refitting existing lines, and closing down the unprofitable business. Businesses must satisfy consumers' wants and needs for their long-lasting existence, assured by offering products and services that meet consumer requirements. Therefore, product planning is a very important function.

3. Standardization and Grading

Standardization is the process of setting up standards and producing products in adherence to those standards and also includes the process by which this conformity is assured. Therefore, it confirms the uniformity of the product's size, shape, design, colour, and physical properties. Grading is the process of storing goods in several grades or classes.

4. Product Pricing

One of the crucial decisions is the product's pricing, as it affects all the parties involved in production, distribution, and consumption. The price of the product affects the volume of production and the amount of profit of a product. A marketing manager has to make decisions on pricing very crucially.

5. Packaging

Packaging a product is also an important marketing function. A package helps to contain, protect, and identify a product. It is an important sales tool. Good and attractive packaging helps in increasing sales of a product. Therefore, the marketing manager has to decide on the type and material of packing, its shape, size, design, and colour.

6. Advertising and Sales Promotion

Advertising is an activity of advertisement of commercial products or services to prospective customers. Advertising aims to promote the sale of products. The marketing manager has to make several decisions relating to advertising, such as selecting a suitable and economical medium, planning advertising programmes, preparing the advertising budget etc.

7. Distribution Management

One of the important functions of marketing management is the distribution of products. It involves the decision regarding the channel of distribution and its management. The distribution of products involves a long series of middlemen between the producer and consumer; the marketing manager has to ensure that it takes place well.

1.12 Features of Marketing Management

- ✓ **Want and Needs -** Marketing management deals with the function of satisfying and fulfilling the wants and needs of the organisation and individuals.
- ✓ **Creating Offers in the Market -** Marketing management helps create a complete market offer for a service or product.
- ✓ **Consumer Value -** It helps provide value to the money invested by the consumer and provides the greatest benefit to their money.
- ✓ **Exchange Mechanism -** Exchange services/ products for money or something that is of value for them, like a barter system.

1.13 Characteristics of Marketing Management

The important characteristics of Marketing Management are described below.

- ✓ **Specialised Business Function -** Marketing management is a specialised business function. In the past, there was no need to develop a proper theory for the sale of a product, but with the dynamic changing environment, the requirement for the development of a specialised function for the promotion of goods is felt, which results in the development of marketing management.
- ✓ **Integrative Function -** Marketing is an integrative function. To accomplish the organisational objectives, it integrates the various other business functions like production, finance, personnel, etc.
- ✓ **Social Function -** As a social function, marketing impacts the lifestyles of people by influencing people's tastes, attitudes, desires, and more. The behaviour of consumers in the market is shaped by the marketing activities of sellers.

- ✓ **Management Function -** Like other management functions, marketing is also a management function. The preparation of policies, strategies, and programmes related to marketing are mostly managerial functions. They must be planned, organised, directed, coordinated, and controlled to achieve marketing objectives.

1.14 Need and Importance of Marketing Management

1. Marketing facilitates exchange of goods

Marketing ensures goods are available to end consumers from the producers Uninterrupted and at a reasonable price and quality. Even though the supplier of product may have sound production system. Marketing is critical for making it reach to end user. Without marketing it will take lot of time to reach or may not reach adequately.

2. Marketing helps in growth of business

Marketing creates demand of the products thereby boosts production and makes the business profitable. Moreover it may also open up new avenues for business leading to exponential growth of business.

3. Marketing helps in right product positioning in minds of customers

Marketing generates awareness regarding actual usage of the product giving demonstration regarding how to use through personal selling, advertisement etc. the product is positioned in the minds of customers.

4. Marketing helps to introduce new products

Marketing educates the end user about the product and encourages to buy the product which they will not buy otherwise. Hence aggressive advertisement, celebrity endorsement etc. induce impulsive buying behaviour by customers. In the era of moment marketing when business create innovative products related to what customers are already looking for.

5. Marketing generates employment

Marketing activities include various activities right form procurement to the delivery of products to end consumers. All these activities requires human interventions with various departments of the business without which it is impossible to generate business. Marketing creates the pressure to supply chain management and achieved required target results in overall economic growth and Employment to many related sectors.

6. Marketing is complex set of activities

Marketing consisting of procurement, supply, finance, transport, warehousing Buying and Assembling, Storage, Standardization and Grading, Information gathering etc. In order for business to run smoothly business to ensure all these activities are running smoothly.

7. Marketing helps in growth of economy

Marketing raises the standard of living to the community by providing large scale employment opportunity, better quality goods and services at competitive prices. Hence marketing rightly sets the pace of economic development in the country

8. Marketing utilizes excess capacity of business

By making business reach its Optimum capacity marketing utilizes excess capacity of business. Business may also diversify it's production capabilities in various segments once the existing product lines are well established. Thus marketing scale up business activities.

9. Marketing sometimes may overpromise the product specifications to generate sales

It may also hide some faults of products through excessive marketing. Eg Publicity, celebrity endorsement etc makes customers belief that product is actually of same quality as shown in advertisement.

10. Marketing creates competitive advantage

Even though sometime marketing may overpromise nonetheless it is an important determinant in generating goodwill for the company. By engaging in cause related marketing, raising social awareness, customer feels that the businesses actually cares which results in rising share prices and growth for the business. These factors also create an edge over its competitors and a product differentiation in the eyes of its customers.

1.15 Functions of Marketing Management

We need to know the major functions of marketing management so as to realise and condition our business. Below are some of the important functions of marketing management − 1. Selling 2. Buying and Assembling 3. Transportation 4. Storage 5. Standardization and Grading 6. Financing 7. Risk Taking 8. Market Information

1. Selling

Selling is the essence of marketing. It involves persuading the prospective consumers to make purchases. It includes transfer of title of goods manufacturers to the buyer. Selling plays a vital part in realizing the ultimate aim of profitability for business.

Selling includes personal selling, advertising, publicity and sales promotion. Effectiveness and efficiency in selling decide the magnitude of the firm's profitability.

2. Buying and Assembling

Business has to decide on quantity, quality, sourcing, time of purchase, price etc. Business makes purchase to drive sales or to reduce costs. Purchasing intermediaries are much enticed by quality, service and price. The products that the retailers buy for resale are picked as per the requirements and tastes of its customers.

Assembling refers to buying required components and to fit them together to construct a product. 'Assembly line' defines a production line consists of purely assembly functions. The assembly operation consists of individual component, parts at the work place and sending these parts for compilation.

Assembly line is a system of employees and machines in which each employee has a particular role and the work is passed right from one employee to the next until the product is thoroughly compiled.

3. Transportation

Transportation is the physical movement of goods and raw materials from the places where they are manufactured or procured to those places where they are needed for consumption or further processing. It creates location convenience.

Transportation is crucial from the sourcing of raw materials to the delivery of finished products. Transportation includes mainly on railroads, trucks, waterways, pipelines and airways.

4. Storage

Storage refers to holding of products in proper, i.e., functional or serviceable, condition from the time they are produced until they are required by customers in case of finished products or by the production department in case of raw materials and stores.

Storing safeguard the products from decay and helps in carrying over excess for future consumption or usage in production.

5. Standardization and Grading

Standardization refers setting up of definite standards or classification for products based on the native physical qualities of any item. This may include quantity weight and size or quality like shade, form, appearance, material, taste etc. Setting a benchmark gives rise to uniformity of products.

Grading means classification of standardized products into certain well defined brackets or groups. It includes the division of products into separate categories having similar features of size and quality.

Grading is crucial in raw materials; agricultural produce like wheat and cereals; mining products like coal, iron and manganese and forest products like timber industries

6. Financing

Financing involves the usage of the funds to meet the financial needs of organisation dealing with various activities of marketing. Business must ensure uninterrupted flow of credit. Further the costs of getting merchandise into the hands of the customers are largely referred to as the finance function in marketing.

Financing in business have several needs like finance for the working capital and fixed capital, which may be procured from three sources — owned capital, loans and advance & trade credit. In other words, different kinds of finances are short-term, medium-term, and long-term finance.

7. Risk Taking

Risk means probability of loss due to some unexpected situations. Risk bearing in marketing means the capacity of business to indulge in the ownership of goods held for an unexpected demand, including the future losses because of decrease in prices and the losses from breakdown, depreciation, antiquation, natural calamities like floods, fire, pandemic or any other loss that may occur with the passage of time.

They may also be due to decomposition, deterioration and accidents or due to variation in the prices induced by changes in supply and demand. The various risks generally termed as place risk, time risk, physical risk, etc.

8. Market Information

The significance marketing information as one of the functions of marketing management is recently noticed. The sole foundation on which marketing decisions rely is timely and accurate market information. Business is driven by data regarding needs and wants of its current and prospective customers and the macro level changes in the economy.

1.16 Marketing Environment

Marketing environment consists of various factors that influence the company's capacity to provide products and services to its customers. There can be factors related to internal activities too which affect the decision making example organization culture, management ideology etc. However marketing environment is generally referred as external environment which can be broadly classified as micro and macro environment.

A. Micro environment

Micro environment refers to immediate environmental factors where the company has some control. Whereas macro environment is where the company has no control over these factors rather business has to strategies according to changes in macro environment. Micro environment factors consist of all those factors which may immediately influence the decision making of firm. The following are major micro environmental factors:

1. Customers

In the era of social marketing where customer are digital connected to business 24*7. Marketers try to focus on providing seamless connectivity to it's customers with the help of technology. India being a young country, with ever largest increasing social media. Marketers are constantly engaging in mobile 1st marketing, creating virtual experience for customers to keep customers constantly engaged. Eg lenskart let's you make a video try glasses on yourself from all angles and compare looks leaving users with over thousands of frames options.

2. Public

Marketers are using social media platform to build brand image in the eyes of the public. By asking users for reviews on every purchase, creating knowledge based visuals regarding products, services. Creating visibility by engaging in trending social issues in also a great way to let the public know that their opinion matters.

3. Suppliers

Suppliers are yet another important determinant having direct influence on business. The price of raw materials received, their frequency of uninterrupted supply ensures business has adequate resources to keep its wheels moving. Also the credit terms agreed with the suppliers directly impact the cash flow of businesses. If businesses are able to negotiate longer credit terms with the suppliers it helps to roll the cash in business and vice versa. Hence business has to ensure harmonious relationship with its suppliers. Indian supply chain major challenges are its inadequate infrastructure, loopholes in distribution network and technology adoption issues.

4. Intermediaries

Intermediaries are those middle man who provide promotion, sales and distribution of goods and services from manufacturers to end users. Major marketing intermeddles consists of Agents, Wholesalers and retailers, and several other service providers like transporters, warehouses, financing companies and freight forwarders. Manufacturers need to consider not only the requirements of the end users but also requirements of these marketing intermediaries.

Some of roles of intermediaries may include:

a) Expansion and keep up of the infrastructure. Sometimes intermediaries maintain warehousing facilities, technical platform etc. to help the businesses better serve its customers.
b) Accumulate information from end users /whole sellers regarding their demands and pass on relevant information to supply chain.
c) Ameliorate marketing processes by bringing necessary changes in the entire supply chain right from manufacturers till the end users thereby providing seamless experience to both.

The intermediaries eco-system with reference to Indian markets are still unfolding, The large online intermediaries in India are reputable global companies eg. Amazon handles secondary packaging distribution, promotion etc on behalf of its clients. Owing to its large tech base and user friendly interface, along with robust delivery services. Internet users today find it convenient to shop for variety of products through these online companies.

5. Competitors

Competitive Environment The competitive environment includes the number of competitors providing similar kinds of products and services to its competitors. Some of the factors which impact a company are the relative magnitude of competitors and the tie up within the industry.

Majority of companies catering to masses encounter competition either in domestic or international markets. It is well known fact that only the best companies will remain in the long run. Others either will be wiped out or merged with greater giants.

With the advent of technologies up gradation competition has become global Customers are provided with a large range of choices and quality product and services. Customers are redefining their requirement more frequently than ever before. This is seen in terms of products and services they are buying. They want their demands to be fulfilled differently and in most cases by different facilitators.

For example earlier family holidays may just merely mean an outing, sightseeing etc. Nowadays with increase in customer purchasing power the definition of holidays have evolved like customers may expect a naturopathy sessions, mountain climbing, bonfires, satvik food etc. Marketers should attempt to understand the change in attitude, taste and preferences of its customers in order to better serve them in timely manner. Marketers also need to keep an eye on competitors offering in order to create a product differentiation, what is their unique selling proposition which makes them different from its competitors.

To conclude, both micro and macro factors have a strong influence on success of business is. Every choice that business makes depends on these two environments. Business marketing activities have to be based on these factors to ensure businesses remain productive, and continue their reputable position in the market.

B. Macro Environment

The company may have the finest resources eg, most advanced technologies, skilled manpower, and the leading suppliers still it may breakdown badly if external factors like exchange rate, government policies, Changes in customers taste and preference etc are not in favor of the company. Macro-environment consists of political forces, economic factors, Social factors, Technological factors and legal forces.

1. Political forces

The market is driven by the political and legal forces an enterprise operates in. Every business has to understand the political ideologies of the economy to make its business decisions.

For example rise in taxes would effectively rise the price of the goods and services. Likewise policies on importing raw materials or finished goods may also influence the supply chain's procurement norms. Furthermore the governmental rules regarding environmental sustainability like e-waste management and recycling may impact packaging and scrapping of goods. Also, business profitability could be affected by various factors such as changes in demographics and income levels of the consumers, the economic conditions of India and changes to recent labour laws amendments.

2. Economic factors

The economic factors can also impact the organization's output as well as consumer's decision-making process. Economic Factors includes interest rates, taxes, labour costs, inflation, demand supply forces in the economy etc. These factors do not directly impact the business however it impacts the level of investment value in the businesses. For example Recession reduces the purchasing power of publics. Hence businesses are compelled to reduce the prices of their products which will otherwise not sell.

Similarly Manpower costs paid to worker or employee is a direct expense for a business, the burden of this is added to the price of goods or services making it dearer for the public to buy it. Another way wages affect the economy is rise in wages increases the purchasing power of public and thereby increasing public spending.

3. Social factors

The business must take into account the influence of its product and services. A social factor includes demographics, education, cultural norms, income distribution etc. A social factor affects the products customers buying habits, the prices they are willing to pay, how, where, and when customers buy products. Social factors constituents are dynamic. Some transpose gradually and some factors will be unnoticeable if not watched closely. Social factors are also the most demanding factor for marketers to predict, influence and integrate into marketing activities.

Social factors can make business existing products and services totally useless if not monitored closely. For example society has been increasingly advocating for boycott of Chinese goods due to low quality of goods, human rights issues, borders standoffs, land dispute etc with China.

4. Technological factors

The expertise to produce a product, the technology and raw materials needed for its production also influence accelerate the pace of the business and must be taken into account. Technical factors constitute emerging technologies, knowledge transfers, expenses on innovation, research and development efforts, communication etc.

For example successful e companies in India like Flipkart, Myntra, Paytm etc are using technology base to redefine selling and purchasing of goods and services in Indian markets.

5. Legal forces

Legal environment refer to the legal framework of a country within which the business operates. The legal environment constitutes constitutional provisions affecting businesses, laws, enforcement mechanism, court machinery for dispute settlement etc.

The success of businesses is directly impacted by their capacity to understand the regional laws and to abide by them. At the same time they have to also ensure that businesses are not compromising on the quality and innovation feature making their products less competitive.

Marketers prefer to run in countries where rule of law prevails. Businesses consider strength of the legal system of a country, dispute redressal mechanism while setting up business. Each and every element of the marketing mix is subject to laws of the land. It is important that business understand these laws and abide by them, because failure to comply with laws may have serious consequences for a company.

It is also crucial that a business may proactively sense trends and take active steps before the laws penalize them. For example Business may hold up sales of a desirable new product by warning that the package design could prompt a copy right infringement suit. Thus it is important that the marketers should have a thorough understanding of the laws of the land.

6. Environmental

Companies must consider the impact of business activities on the environment and its resources. Some resources can be renewed, like forests and agricultural products, marine products and some cannot, like coal, minerals, oil etc. Environmental factors constitute Climate change, Pollution, resource management, environment laws, endangered species management etc.

For examples Climate change, water crisis and deforestation are significant risks that influence investments avenues for companies and many a times companies do not disclose these adequately for the fear of losing investors to its competitors.

1.17 What is Segmentation?

Segmentation refers to a process of bifurcating or dividing a large unit into various small units which have more or less similar or related characteristics.

Market Segmentation

- ✓ Market segmentation is a marketing concept which divides the complete market set up into smaller subsets comprising of consumers with a similar taste, demand and preference.
- ✓ A market segment is a small unit within a large market comprising of like minded individuals.
- ✓ One market segment is totally distinct from the other segment.
- ✓ A market segment comprises of individuals who think on the same lines and have similar interests.
- ✓ The individuals from the same segment respond in a similar way to the fluctuations in the market

1.18 Basis of Market Segmentation

1. Gender

The marketers divide the market into smaller segments based on gender. Both men and women have different interests and preferences, and thus the need for segmentation.

Organizations need to have different marketing strategies for men which would obviously not work in case of females.

A woman would not purchase a product meant for males and vice a versa.

The segmentation of the market as per the gender is important in many industries like cosmetics, footwear, jewellery and apparel industries.

2. Age Group

Division on the basis of age group of the target audience is also one of the ways of market segmentation.

The products and marketing strategies for teenagers would obviously be different than kids.

- ✓ Age group (0 - 10 years) - Toys, Nappies, Baby Food, Prams
- ✓ Age Group (10 - 20 years) - Toys, Apparels, Books, School Bags
- ✓ Age group (20 years and above) - Cosmetics, Anti-Ageing Products, Magazines, apparels and so on

3. Income

Marketers divide the consumers into small segments as per their income. Individuals are classified into segments according to their monthly earnings.

The three categories are:

- ✓ High income Group
- ✓ Mid Income Group
- ✓ Low Income Group

Stores catering to the higher income group would have different range of products and strategies as compared to stores which target the lower income group.

Pantaloon, Carrefour, Shopper's stop target the high income group as compared to Vishal Retail, Reliance Retail or Big bazaar who cater to the individuals belonging to the lower income segment.

4. Marital Status

Market segmentation can also be as per the marital status of the individuals. Travel agencies would not have similar holiday packages for bachelors and married couples.

5. Occupation

Office goers would have different needs as compared to school/college students.

A beach house shirt or a funky T Shirt would have no takers in a Zodiac Store as it caters specifically to the professionals.

1.19 Types of Market Segmentation

1. Psychographic segmentation

The basis of such segmentation is the lifestyle of the individuals. The individual's attitude, interest, value help the marketers to classify them into small groups.

2. Behaviouralistic Segmentation

The loyalties of the customers towards a particular brand help the marketers to classify them into smaller groups, each group comprising of individuals loyal towards a particular brand.

3. Geographic Segmentation

Geographic segmentation refers to the classification of market into various geographical areas. A marketer can't have similar strategies for individuals living at different places.

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

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

1.20 Need for Market Segmentation (Why Market Segmentation?)

Not all individuals have similar needs. A male and a female would have varied interests and liking towards different products. A kid would not require something which an adult needs. A school kid would have a different requirement than an office goer. Market Segmentation helps the marketers to bring together individuals with similar choices and interests on a common platform.

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

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

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

1.21 Steps in Market Segmentation

Segmentation refers to the process of creating small segments within a broad market to select the right target market for various brands. Market segmentation helps the marketers to devise and implement relevant strategies to promote their products amongst the target market.

A market segment consists of individuals who have similar choices, interests and preferences. They generally think on the same lines and are inclined towards similar products. Once the organizations decide on their target market, they can easily formulate strategies and plans to make their brands popular amongst the consumers.

Steps in Market Segmentation

1. Identify the target market

The first and foremost step is to identify the target market. The marketers must be very clear about who all should be included in a common segment. Make sure the individuals have something in common. A male and a female can't be included in one segment as they have different needs and expectations.

Burberry stocks separate merchandise for both men and women. The management is very clear on the target market and has separate strategies for product promotion amongst both the segments.

A Garnier men's deodorant would obviously not sell if the company uses a female model to create awareness.

Segmentation helps the organizations decide on the marketing strategies and promotional schemes.

Maruti Suzuki has adopted a focused approach and wisely created segments within a large market to promote their cars.

- ✓ Lower Income Group - Maruti 800, Alto
- ✓ Middle Income Group - Wagon R, Swift, Swift Dzire, Ritz
- ✓ High Income Group - Maruti Suzuki Kizashi, Suzuki Grand Vitara

Suzuki Grand Vitara would obviously have no takers amongst the lower income group.

The target market for Rado, Omega or Tag Heuer is the premium segment as compared to Maxima or a Sonata watch.

2. Identify expectations of Target Audience

Once the target market is decided, it is essential to find out the needs of the target audience. The product must meet the expectations of the individuals. The marketer must interact with the target audience to know more about their interests and demands.

Kellogg's K special was launched specifically for the individuals who wanted to cut down on their calorie intake.

Marketing professionals or individuals exposed to sun rays for a long duration need something which would protect their skin from the harmful effects of sun rays. Keeping this in mind, many organizations came with the concept of sunscreen lotions and creams with a sun protection factor especially for men.

3. Create Subgroups

The organizations should ensure their target market is well defined. Create subgroups within groups for effective results.

Cosmetics for females now come in various categories.

- ✓ Creams and Lotions for girls between 20-25 years would focus more on fairness.
- ✓ Creams and lotions for girls between 25 to 35 years promise to reduce the signs of ageing.

4. Review the needs of the target audience

It is essential for the marketer to review the needs and preferences of individuals belonging to each segment and sub-segment. The consumers of a particular segment must respond to similar fluctuations in the market and similar marketing strategies.

5. Name your market Segment

Give an appropriate name to each segment. It makes implementation of strategies easier.

A kids section can have various segments namely new born, infants, toddlers and so on.

6. Marketing Strategies

Devise relevant strategies to promote brands amongst each segment. Remember you can't afford to have same strategies for all the segments. Make sure there is a connect between the product and the target audience. Advertisements promoting female toiletries can't afford to have a male model, else the purpose gets nullified.

A model promoting a sunscreen lotion has to be shown roaming or working in sun for the desired impact.

7. Review the behavior

Review the behavior of the target audience frequently. It is not necessary individuals would have the same requirement (demand) all through the year. Demands vary, perceptions change and interests differ. A detailed study of the target audience is essential.

8. Size of the Target Market

It is essential to know the target market size. Collect necessary data for the same. It helps in sales planning and forecasting.

1.22 Difference between Market Segmentation, Targeting and Positioning

A market refers to a set up where two or more parties are involved in transaction of goods and services in exchange of money. The two parties here are known as sellers and buyers.

It is the responsibility of the marketers to create awareness of their products amongst the consumers. It is essential for the individuals to be aware of the brand's existence. The USPs of the brands must be communicated well to the end-users.

An organization can't afford to have similar strategies for product promotion amongst all individuals. Not every individual has the same requirement and demand.

The marketers thus came with the concept of **STP**.

STP stands for:

S – Segmentation

T – Targeting

P - Positioning

1. Segmentation

The first step in the process of product promotion is **Segmentation**

The division of a broad market into small segments comprising of individuals who think on the same lines and show inclination towards similar products and brands is called Market Segmentation.

Market Segmentation refers to the process of creation of small groups (segments) within a large market to bring together consumers who have similar requirements, needs and interests.

The individuals in a particular segment respond to similar market fluctuations and require identical products.

In simpler words market segmentation can also be called as Grouping.

Kids form one segment; males can be part of a similar segment while females form another segment. Students belong to a particular segment whereas professionals and office goers can be kept in one segment.

2. Targeting

Once the marketer creates different segments within the market, he then devises various marketing strategies and promotional schemes according to the tastes of the individuals of particular segment. This process is called targeting. Once market segments are created, organization then targets them.

Targeting is the second stage and is done once the markets have been segmented.

Organizations with the help of various marketing plans and schemes target their products amongst the various segments.

Nokia offers handsets for almost all the segments. They understand their target audience well and each of their handsets fulfils the needs and expectations of the target market.

Tata Motors launched Tata Nano especially for the lower income group.

3. Positioning

Positioning is the last stage in the *Segmentation Targeting Positioning* Cycle.

Once the organization decides on its target market, it strives hard to create an image of its product in the minds of the consumers. The marketers create a first impression of the product in the minds of consumers through positioning.

Positioning helps organizations to create a perception of the products in the minds of target audience.

Ray Ban and Police Sunglasses cater to the premium segment while Vintage or Fastrack sunglasses target the middle income group. Ray Ban sunglasses have no takers amongst the lower income group.

Garnier offers wide range of merchandise for both men and women.

Each of their brands has been targeted well amongst the specific market segments. (Men, women, teenagers as well as older generation)

Men - Sunscreen lotions, Deodorant

Women - Daily skin care products, hair care products

Teenagers - Hair colour products, Garnier Light (Fairness cream)

Older Generation - Cream to fight signs of ageing, wrinkles

A female would never purchase a sunscreen lotion meant for men and vice a versa. That’s brand positioning.

Questions for Self Study:

1. Discuss the marketing concept and explain functions of marketing management.
2. Explain the Objectives of Marketing.
3. Define Marketing Management. Explain the importance of Marketing Management.
4. Define marketing and outline the steps in marketing process. Give suitable examples.
5. Discuss the meaning, scope and role of marketing function in the exchange process. Illustrate with suitable examples. How is marketing different from selling?
6. Critically analyze the importance of marketing department relationships with other functional departments in the organization.
7. Define marketing environment. How should marketer respond to the changing environment.
8. Distinguish between Market Segmentation and Product Differentiation. Describe the bases that you will use in segmenting the market for the following products : i) Hair dryer ii) Low calorie sweetener
9. Define market segmentation. What are the various bases for segmenting a market?
10. What is STP? Discuss the STP strategies adopted by TATA salt, I10 and ICICI Prudential

UNIT – II

CONSUMER BEHAVIOUR

2.1 Introduction to Consumer Behaviour

Consumer behaviour is a rapidly growing discipline of study. It means more than just how a person buys products. It is a complex and multidimensional process and reflects the totality of consumers' decisions with respect to acquisition, consumption and disposal activities. We, as consumers, exhibit very significant differences in our buying behaviour and play an important role in local, national or international economic conditions. One of the very few aspects common to all of us is that we are all consumers and the reason for a business firm to come into being is the presence of consumers who have unfulfilled, or partially fulfilled needs and wants. No matter who we are – urban or rural, male or female, young or old, rich or poor, educated or uneducated, believer or non-believer, or whatever – we are all consumers. We consume or use on a regular basis food, shelter, clothing, education, entertainment, brooms, toothbrushes, vehicles, domestic help, healthcare and other services, necessities, comforts, luxuries and even ideas etc. Organisations realise that their marketing effectiveness in satisfying consumer needs and wants at a profit depends on a deeper understanding of consumer behaviour. Our consumption related behaviour influences the development of technology and introduction of new and improved products and services.

To succeed in a dynamic marketing environment, marketers have an urgent need to learn and anticipate whatever they can about consumers. The better they know and understand consumers, the more advantageous it would prove in accomplishing their organisational objectives. Marketers want to know what consumers think, what they want, how they work, how they entertain themselves, how they play etc. They also need to comprehend personal and group influences which have a significant impact on consumer decision-making process.

2.2 Who is a Consumer?

Any individual who purchases goods and services from the market for his/her end-use is called a consumer. In simpler words a consumer is one who consumes goods and services available in the market.

2.3 Meaning of Consumer Behaviour

Behaviour is a mirror in which everyone shows his or her image. Behviour is the process of responding to a thing or event. Consumer behaviour is to do with the activities of individual in obtaining and using the goods and services. The term consumer behviour is defined as the behaviour that consumer display in searching for purchasing using, evaluating and disposing of products and services that they expect will satisfy their needs.

2.4 Definition of Consumer Behaviour

Consumer behavior is the process whereby individuals decide what, when, where, how and from whom to purchase goods and services. **Walters and Pau**

Consumer behaviour as "The dynamic interaction of cognition, behaviour and environmental events by which human beings conduct the exchange aspect of their lives. **American Marketing Association (AMA)**

Consumer behaviour refers to the actions and decision processes of people who purchase goods and services for personal consumption. **Peter D. Bennett, ed. Dictionary of Marketing Terms, 2nd ed. 1995**

Consumer behaviour refers to "the mental and emotional processes and the observable behaviour of consumers during searching for, purchasing and post consumption of a product or service. **James F. Engel, Roger D. Blackwell and Paul W. Miniard, "Consumer Behaviour" (1990)**

According to Kotler, "Consumer behaviour is the study of how people buy, what they buy, when they buy and why they buy.

According to Solomon, "Consumer behaviour is the study of the processes involved when individuals or groups select, purchase, use, or dispose of products, services, ideas, or experiences to satisfy needs and desires"

According to Professor Bearden and Associates, "Consumer behaviour is the mental and emotional process and the physical activities of people who purchase and use goods and services to satisfy needs and wants."

2.5 Consumer Behaviour Characteristics

Characteristics of consumer behavior are:

a) **Consumer behavior is the part of human behaviour.** This cannot be separated. Human behavior decides what to buy, when to buy etc. This is unpredictable in nature. Based on the past behavioral pattern one can at least estimate like the past he might behave.

b) **Learning the consumer is difficult and complex as it involves the study of human beings.** Each individual behaves differently when he is placed at different situations. Every day is a lesson from each and every individual while we learn the consumer behavior. Today one may purchase a product because of its smell, tomorrow it may vary and he will purchase another due to some another reason.

c) **Consumer behavior is dynamic. A consumer's behavior is always changing in nature.** The taste and preference of the people vary. According to that consumers behave differently. As the modern world changes the consumer's behaving pattern also changes.

d) **Consumer behavior is influenced by psychological, social and physical factors.** A consumer may be loyal with a product due to its status values. Another may stick with a product due to its economy in price. Understanding these factors by a marketer is crucial before placing the product to the consumers.

e) **Study of consumer behaviour is crucial for marketers.** Before producing a product or launching a product, he has to go through a clear analysis of the consumer behaviour. If the people or prospects reject the product, he has to modify it.

f) **Consumer behavior is a continuous process as it involves the process starts before the buying and continuing after purchasing.** Before buying there will be high confusions and expectations about the product. After buying it, if the buyer is satisfied with the product he shows a positive behavior, otherwise negative.

2.6 Consumer Behaviour Importance

The consumer is the focus of marketing efforts. The modern concept spells out the real significance of buyer's Behaviour. The modern marketing management tries to solve the basic problems of consumers in the area of consumption. To survive in the market, a firm has to be constantly innovating and understand the latest consumer needs and tastes. It will be extremely useful in exploiting marketing opportunities and in meeting the challenges that the Indian market offers. It is important for the marketers to understand the buyer behaviour due to the following reasons.

1. Better Consumer

The study of consumer behaviour enables us to become a better consumer. It will help consumer to take more precise consumption related decisions.

2. Studying the need of consumers

It helps marketers to understand consumer buying behaviour and make better marketing decisions.

3. Market Prediction

The size of the consumer market is constantly expanding and their preferences were also changing and becoming highly diversified. So without studying it, marketers cannot predict the future of their business.

4. Economic Stability

It is significant for regulating consumption of goods and thereby maintaining economic stability.

5. Efficient utilisation of resources

It is useful in developing ways for the more efficient utilisation of resources of marketing. It also helps in solving marketing management problems in more effective manner.

6. Studying consumer's mood

Today consumers give more importance on environment friendly products. They are concerned about health, hygiene and fitness. They prefer natural products. Hence detailed study on upcoming groups of consumers is essential for any firm.

7. Consumer Protection

The growth of consumer protection movement has created an urgent need to understand how consumers make their consumption and buying decision.

8. Studying Consumer's preference

Consumer's taste and preferences are ever changing. Study of consumer behaviour gives information regarding colour, deign, size etc. which consumers want. In short, consumer behaviour helps in formulating of production policy.

9. Market segmentation

For effective market segmentation and target marketing, it is essential to have an understanding of consumers and their behaviour.

10. Marketing research

Marketing managers regarded consumer behaviour discipline as an applied marketing science, if they could predict consumer behaviour, they could influence it. This approach has come to be known as positivism and the consumer researcher who are primarily concerned with predicting consumer behaviour are known as positivists.

11. As the marketing research began to study the buying behaviour of consumers, they soon realized that many consumers rebelled at using the identical products everyone else used, for example in case of purchase of house, interiors, car, and dress material etc. people prefers unique products. Consumer preferred differential products that they felt reflected their own special needs, personalities and lifestyles.

2.7 Factors that Influence Consumer Behaviour

The buyer has a selective perception and is exposed to a variety of products and information. He may ignore certain piece of information whereas actually seek out some other information whereas actively seek out some other information Therefore, marketers must fully understand both the theory and reality of consumer behaviour. A consumer's buying behaviour is influenced by cultural, social and personal factors and they are a part of the buyer as an individual.

1. Cultural Factors

Culture is the fundamental determination of a person's wants and behaviour. The growing child acquires a set of values perceptions, Preferences and Behaviours through his or her family. Each culture consists of various subcultures that provide more specific identification. It includes nationalities, religions, social groups and geographic regions.

Every culture dictates its own unique patterns of social conduct. Within each religion there may be several sects and sub sects, there may be orthodox group and cosmopolitan groups. The do's and don'ts listed out by religion and culture impacts the individual's lifestyle and buying behaviour.

2. Social Factors

Consumer's behaviour is influenced by social factors such as reference groups, family, social roles and status. The buyer is living in a society, is influenced and There is a constant interaction between the individual and the groups to which he belongs. All these interactions affect him in his day to day life.

a. **Reference Groups**

A person's reference groups consist of all the groups that have a direct or indirect influence on his attitude. They can be family friends, neighbours, co-worker, religious, professional and trade union groups. Reference groups expose an individual to new behaviours and lifestyles and influence attitude and self-concept. Brands like Levi, Prologue and Planet M used teenage icon as brand Ambassadors for in store promotions.

b. **Family**

The family is the most important buying organization in society. From parents a person acquires an orientation toward religion politics and a sense of personal ambition, self – worth and love. E.g. In traditional joint families, the influence of grandparents on major purchase decisions affect the lifestyles of younger generations. In urban India with the growth of nuclear families and both husband and wife working the role of women in major family decisions is prominent. Children and teenagers are being targeted by companies using the internet as an interactive device.

c. **Role and Status**

The person's position in each group can be defined in terms of role and status. A role consist of all activities that a person is expected to perform. Each role carries a status. A Vice President of marketing has more status than a sales manager and a sales manager has more status than an office clerk and people choose those products that reflect and communicate their role and desired status in society.

3. Personal Factors

The personal factors include the buyer's age and stage in the life cycle, occupation and economic position, personality and self-concept and lifestyle and values.

a. **Age and Stage in the Life Cycle**

People buy different products like food, cloths furniture and this is often age related. Trends like delayed marriages, children migrating to distant cities, tendency of professionals has resulted in different opportunities for marketers at different stages in consumer life cycle.

b. **Occupation and Economic Position**

Occupation also influences buyer's behaviour. A blue collar worker will buy work clothes, work shoes and lunch boxes; a company president will buy dress suits, air travel and club memberships. Marketers try to identify the occupational groups and then make products according to their needs and demands. Product choice is greatly affected by economic circumstances – spendable income, savings and assets and attitude towards spending and savings.

c. **Personality and Self Concept**

Each person has personality characteristics that influence his / her buying behaviour. Personality means a set of distinguishing psychological traits that has to response to environmental stimuli. Personality can be a useful variable in analyzing consumer brand choice. The idea is that brands also have personalities and consumers like to choose those brands which suits or match their personality.

2.8 Concept of Green Marketing

In today's business world, environmental issues play an important role in marketing. All most all the governments around the world have concerned about green marketing activities that they have attempted to regulate them.

Many people believe that green marketing refers solely to the promotion or advertising of products with environmental characteristics. Generally terms like Phosphate Free, Recyclable, Refillable, Ozone Friendly, and Environmentally Friendly are some of the things consumers most often associate with green marketing. In general green marketing is a much broader concept, one that can be applied to consumer goods, industrial goods and even services. For example, around the world there are resorts that are beginning to promote themselves as "ecotourism" facilities, i.e., facilities that specialize in experiencing nature or operating in a fashion that minimizes their environmental impact. Thus green marketing incorporates a broad range of activities, including product modification, changes to the production process, packaging changes, as well as modifying advertising.

Green marketing is defined as “Green or Environmental Marketing consists of all activities designed to generate and facilitate any exchanges intended to satisfy human needs or wants, such that the satisfaction of these needs and wants occurs, with minimal detrimental impact on the natural environment.”

This definition of Green marketing incorporates much of the traditional components of the marketing definition, that is “All activities designed to generate and facilitate any exchanges intended to satisfy human needs or wants” Therefore it ensures that the interests of the organization and all its consumers are protected, as voluntary exchange will not take place unless both the buyer and seller mutually benefit. The above definition also includes the protection of the natural environment, by attempting to minimize the detrimental impact this exchange has on the environment. This second point is important, for human consumption by its very nature is destructive to the natural environment. So green marketing should look at minimizing environmental harm, not necessarily eliminating it.

2.9 Evolution of Green Marketing

Ecological marketing encourage industries and business firms to produce and promote goods and services which have positive impact on the environment and develop new technology that helps to reduce environmental problems. According to Peattie, the evolution of green marketing has been divided into three phases-

First phase was termed as, “Ecological” Green marketing which are concerned with the problems related to environment and also provides the measures the solve these environmental issues.

Second phase was termed as, “Environmental” Green marketing which are concerned with the production of green products which have positive impact on the environment and also take care of waste issues. This phase also includes innovation of new technology to protect the environment from degradation.

Third phase was termed as, “Sustainable” Green marketing which came into existence in the 1980s and 1990s which explains the proper utilization of natural resources.

2.10 Definitions of Green Marketing

American Marketing Association, “Green marketing is the marketing of products and services that are environmental safe”

Michael Jay Polonsky, “Green marketing consists of all activities designed to generate and facilities any exchanges intended to satisfy human needs or wants such that the satisfaction of these needs and wants occurs with minimal degradation impact on the natural environment”

2.11 What is Green Marketing?

Green marketing (also known as eco-marketing or sustainable marketing) is the practice of marketing the offering based on its environmental benefits.

It is a practice of marketing the products that are environmentally friendly in themselves and have green benefits, or the eco-friendly business practices that are used for its production. These eco-friendly business practices include:

- ✓ Sustainable manufacturing
- ✓ Reduced or zero carbon footprint
- ✓ Reduced or zero water pollution
- ✓ Recycled ingredients/materials
- ✓ Recyclable product
- ✓ Renewable ingredients/materials
- ✓ Eco-friendly packaging
- ✓ Reduced or zero plastic footprint

2.12 Objectives of Green Marketing

Green marketing touches every aspect of a business, from production and packaging to advertising and public relations. It focuses on directing every marketing strategy towards a single objective – profit through sustainable development.

Contrary to popular beliefs, green marketing not only focuses on protecting the environment by promoting green products but also focuses on how to sell these green products to earn the most profits.

2.13 Importance of Green Marketing

Green marketing is not just beneficial for the environment, it’s beneficial for the company in the long run as well.

1. Access to new markets

There’s a completely new market consisting of green consumers who prefer green products over non-green products if they are given a choice.

2. Competitive advantage

Going green adds up more customers to your existing customer base, which in turn gives you a competitive advantage over your competitors.

3. Brand Loyalty & Increased Brand Equity

Brands that continuously show their commitment towards protecting the environment and going green tend to earn greater loyalty from customers.

4. Positive Public Image

Going green makes the customers feel that the company has a responsible outlook and is aware of the current scenario. All this results in a good image of the brand in the eyes of existing and prospective customers.

2.14 Benefits of Green Marketing

1. Green marketing increases the competition in the environment and sustained long term growth with sustainability development.
2. Green marketing saves time and money in the long term.
3. Green marketing manufacturers and provide goods to the customers which are eco-friendly in nature and do not degrade the environment.
4. Green marketing helps in the better utilization of resources and save the resources for future generation.
5. Green marketing helps in the saving of energy, reduce use of natural resources and also reduces carbon footprint
6. Green marketing recycles the products into a new product which can be use in future into another form.
7. Green marketing reduce the negative impact on the environment
8. Green marketing helps in the implementation of new innovation and technology according to the environment.
9. Green marketing also to builds the reputation of a companies and enjoy the goodwill

2.15 Opportunities of Green Marketing

All types of consumers, both individual and industrial are becoming more concerned and aware about the natural environment. As demands change, many firms see these changes as an opportunity to be exploited. It can be assumed that firms marketing goods with environmental characteristics will have a competitive advantage over firms marketing non-environmentally responsible alternatives. There are numerous examples of firms who have strived to become more environmentally responsible, in an attempt to better satisfy their consumer need. McDonald's replaced its clam shell packaging with waxed paper because of increased consumer concern relating to polystyrene production and Ozone depletion. Xerox introduced a "high quality" recycled photocopier paper in an attempt to satisfy the demands of firms for less environmentally harmful products. There are two real advantages for a small business becoming green. One is branding and marketing advantage. The other is the impact on the bottom line. More and more companies are incorporating profit-centered activities with environmentally friendly practices. Shell are practicing environmental sustainability, producing profits whilst also attempting to improve living conditions and maximize life quality. Other organizations, like Wrap and Heinz, have joined forces in a project of product stewardship, redesigning materials used in can ends and bodies in order to reduce the impact of the product on the environment not just in its lifetime but also in order to reduce its effect as waste.

2.16 The 4 P's of Green Marketing

Every company has its own favorite marketing mix. Some have 4 P's and some have 7 P's marketing mix. The 4 P's of green marketing are that of a conventional marketing but the challenge before is to use 4 P's in an innovative manner.

1. Price

Although many consumers state willingness to pay slightly more for green products, the price needs to remain close to alternatives to attract less green consumers. There must be a careful balance between: profits, productivity, environment and people. To justify extra charges green products should offer increased product value through: performance, function, design.

2. Product

Green products need proof of reduction of resource consumption, pollution. Eco-friendly products can state there green as a differentiating factor. Product labeling trends include: energy saving, organic, green chemicals, local sourcing. Companies can label products green simply by using eco-friendly packaging.

3. Place

Companies can reduce their carbon footprint by: managing logistics, such as transport costs, and raw materials sourcing. Companies should carefully consider where and when to sell green products. Many consumers will travel out of their way to buy green, but most want ease of access and will buy non-green when convenient.

4. Promotion

Matching marketing mix to customer green needs by: focusing on relationship between product/ service and environment, promoting green lifestyle benefits. Corporate image is important and CSR demonstrates commitment to green. Social media plays a central role in promoting the activities of green companies. There is even scope for consumer interaction and tastemaker associations from this platform.

2.17 Three Keys to Successful Green Marketing

Show potential customers that you follow green business practices and you could reap more green on your bottom line. Green Marketing isn't just a catchphrase; it's a marketing strategy that can help you get more customers and make more money. But only if you do it right. For green marketing to be effective, you have to do three things; be genuine, educate your customers, and give them the opportunity to participate.

1. Being Genuine

Being Genuine means that a) that you are actually doing what you claim to be doing in your green marketing campaign and b) that the rest of your business policies are consistent with whatever you are doing that's environmentally friendly.

2. Educating your Customers

Educating your Customers isn't just a matter of letting people know you're doing whatever you're doing to protect the environment, but also a matter of letting them know why it matters Otherwise, for a significant portion of your target market, it's a case of "So what?" And your green marketing campaign goes nowhere.

3. Giving your customer an opportunity to participate

Giving your customer an opportunity to participate means personalizing the benefits of your environmentally friendly actions, normally through letting the customer take part in positive environmental action.

2.18 Challenges of Green Marketing

1. Need for Standardization

It is found that only 5% of the marketing messages from "Green" campaigns are entirely true and there is a lack of standardization to authenticate these claims. There is no standardization to authenticate these claims. There is no standardization currently in place to certify a product as organic. Unless some regulatory bodies are involved in providing the certifications there will not be any verifiable means. A standard quality control board needs to be in place for such labeling and licensing.

2. New Concept

Indian literate and urban consumer is getting more aware about the merits of Green products. But it is still a new concept for the masses. The consumer needs to be educated and made aware of the environmental threats. The new green movements need to reach the masses and that will take a lot of time and effort. By India's ayurvedic heritage, Indian consumers do appreciate the importance of using natural and herbal beauty products. Indian consumer is exposed to healthy living lifestyles such as yoga and natural food consumption. In those aspects the consumer is already aware and will be inclined to accept the green products.

3. Patience and Perseverance

The investors and corporate need to view the environment as a major long-term investment opportunity, the marketers need to look at the long-term benefits from this new green movement. It will require a lot of patience and no immediate results. Since it is a new concept and idea, it will have its own acceptance period.

4. Avoiding Green Myopia

The first rule of green marketing is focusing on customer benefits i.e. the primary reason why consumers buy certain products in the first place. Do this right, and motivate consumers to switch brands or even pay a premium for the greener alternative. It is not going to help if a product is developed which is absolutely green in various aspects but does not pass the customer satisfaction criteria. This will lead to green myopia. Also if the green products are priced very high then again it will lose its market acceptability.

2.19 Green Marketing Strategies

Companies which are genuinely committed to saving the environment and giving back to the community usually earn a lot of respect and loyalty from the customers. If you want to run one such company, you can follow any of these or all of these 5 green marketing strategies.

1. Green Design

Green design is the most effective green marketing strategy where the product or service is designed green, to begin with. One such example of a green product is a solar water heater which can potentially decrease energy consumption by 70% just because of its design.

2. Green Positioning

Green positioning is a brand positioning strategy where the company boasts its sustainability values and tries to position itself as a company that cares. Such a company focuses on getting the certifications and partnering with green organizations to open its doors to the market of green consumers. The perfect example of green positioning is Body Shop which never uses its products on animals and also sources its resources responsibly.

3. Green Pricing

Green pricing is another green marketing strategy used by the brands to make their offering more appealing. The main focus of this strategy is to highlight how the green offering can help the customers save money or other resources. One example of green pricing could be a company which sells CNG cars by highlighting how economical it would be to own a CNG car when compared to petrol cars.

4. Green Logistics

Green logistics includes measures taken by the company to minimize the ecological impact of all logistics activities between the point of origin and the point of consumption. This is an effective green marketing strategy if you run an e-Commerce store or a green products store which delivers its products to the customers. Amazon uses such green logistics strategy called Frustration-Free packaging. The Frustration-Free packaging is an easy-to-open recyclable packaging which uses less packaging materials with zero wire ties, plastic bindings, or plastic clamshell casings.

5. Green Disposal

For businesses which generate a lot of waste material, green disposal could be the perfect green marketing strategy where they can boast about the sustainable disposal practices they use to reduce the impact on both the environment and human life.

2.20 Green Marketing Mix

A large number of researchers state that Green marketing has same components as marketing mix i.e. Green Product, Green Price, Green Place and Green Promotion. According to Kotler and Keller marketing mix can be defined as, "mixing and matching marketing activities to maximize their individual and collective efforts".

1. Green Product

A company identifies the needs and wants of the consumers and produce goods according to the needs and wants of the customers. The green products have the following features

- ✓ Products with green labeling i.e. eco-labels
- ✓ Products that can be recyclable
- ✓ Products that are eco-friendly in nature
- ✓ Products which uses less energy and have low price
- ✓ Products with eco-friendly packaging that helps to reduce pollution
- ✓ Products made up of optimum utilisation of resources
- ✓ Products which are concerned of sustainability issues

2. Green Price

Price is an important factor for products as well as for customers because it decides the demand for the products. Customers are willing to pay more prices for the goods only if they are getting green benefit from the consumption of products. Green pricing should be decided that it should increases productivity and also take care of the people, planet and profit. Marketers should fix the price of green products according to the income of the customers and according to the demand of green products. Green price should be fixing in such a way that more customers can afford it and companies can earn more profit.

3. Green Place

Place is also important factor to be considered because some people are not willing to travel just to buy products. To attract consumers place selection is important where distribution of green products is an important task. Green place is about managing logistics to cut down transportation emission and aims to reduce carbon footprint. Green products should be made easily available in the global market so that customers can easily buy the products.

4. Green Promotion

Green promotion involves tools of promotion such as advertising, public relations, direct marketing, sales promotion and site promotions, marketing materials, videos and packaging of products. Traditional advertising are now replaced by green advertising. Many companies are promoting their products and services by using internet advertising. Internet, Web Based Marketing and Web Based advertising are important tools used by the companies for the promotion of goods and services. Many researchers have claimed for 7Ps of Green marketing which includes green process, green people and green physical evidence. Other external P's of green marketing are- paying customers, providers, politicians, pressure group, problems, prediction and partners.

2.21 Digital Marketing

Today's time of Internet has opened the gateway of tremendous digital marketing opportunities for businesses. By utilizing different channels of digital marketing, businesses cannot just share their product and services online; additionally they can gain clients for their business, entice them and can convert them to boost their business profits. The speed and straightforwardness with which the digital media transmits data and support a business is astonishing.

The world is super-connected nowadays and all things considered, marketing and advertising are no more the same as they once were. This is particularly valid because of the ascent of online networking, which has changed how organizations speak with potential and existing customers. Essentially, it is an aggregate term, which is utilized where advertising and marketing meet web innovation and different types of online media platforms.

2.22 Definitions of Digital Marketing

According to Hubspot "Digital marketing is defined by using numerous digital tactics and channels to connect with customers where they spend much of their time: online."

"Digital Marketing is the management process responsible for identifying, anticipating and satisfying customer requirements profitably." (Chartered Institute of Marketing, 2015)

“Achieving marketing objectives through applying digital technologies.” (Smarter Insights, 2000)

“The application of the Internet and related digital technologies in conjunction with traditional communications to achieve marketing objectives.” (Chaffey, 2012)

The Institute of Direct and Digital Marketing (IDM)has defined Digital Marketing as – ‘the management and execution of marketing using electronic media such as the web, e-mail, interactive TV and wireless media in conjunction with digital data about customers’ characteristics and behaviour’. The IDM’s definition highlights how digital marketing uses electronic devices and media, along with their customer behaviour data to form marketing strategies.

In 2000, the ‘Smarter Insights’ (a publisher and an online learning platform), defined Digital Marketing as - ‘Achieving marketing objectives through applying digital technologies’. That is to say Smarter Insights stressed on the use of digital technologies by companies to help them realize their Marketing objectives.

Kotler and Armstrong, well-known marketing gurus defined Digital Marketing in 2009 as – ‘A form of direct marketing which links consumers with sellers electronically using interactive technologies like emails, websites, online forums and newsgroups, interactive television, mobile communications etcetera’. Kotler and Armstrong stated and explained that digital marketing directly connects the customers with the sellers, by using electronic devises for communication.

In 2011 Bains et al. defined Digital Marketing as - ‘It facilitates many-to-many communications due to its high level of connectivity and is usually executed to promote products or services in a timely, relevant, personal and cost-effective manner’. This definition highlights the ability of digital marketing to connect, communicate and promote to multiple people in a personalized manner at a reasonable cost.

Chaffey, 2012 defines Digital Marketing as – ‘The application of the Internet and related digital technologies in conjunction with traditional communications to achieve marketing objectives’. This definition emphasizes on the application of a combination of digital technologies and the existing traditional marketing methods to effectively succeed in business.

The Chartered Institute of Marketing in 2015, defined Digital Marketing as – ‘the management process responsible for identifying, anticipating and satisfying customer requirements profitably'. The definition refers to Digital Marketing as a management process which successfully helps in satisfying the customers by identifying their expectations.

Kingsnorth, 2016 defined Digital marketing as – 'basically applying all marketing techniques to digital channels. Different sources can be used to promote services and products like SMS, search engines, email, websites, social media and mobile devices. The digital nature of this marketing method makes it a cost-effective means of promoting one's business'. The definition clearly emphasizes on Digital Marketing as a cost – effective way of marketing a business with the help of websites, SMSs, emails, Social Media and Search Engine Marketing.

The American Association of Marketing defines Digital marketing as – 'the use of digital or social channels to promote a brand or reach consumers. This kind of marketing can be executed on the internet, social media, search engines, mobile devices and other channels.' The definition recognizes the use of internet, search engines, social media, mobiles and other digital channels to promote brands among the consumers.

2.23 Why is Digital Marketing Important?

1. It reaches a broad spectrum of internet users who spend their time and money online.
2. It pins small businesses in top-ranking positions over brick-and-mortar firms with a meagre advertising budget.
3. It provides businesses with laser-focused control to ensure target audiences read their messages.
4. It allows personal-level marketing to provide comfort and security for customers to subscribe to the messages and purchase.
5. It enables tracking ads and communicating with the target audience.
6. It provides scaling and adaptability for growing businesses to get instant results and optimize accordingly, reducing lost revenues and wasted ad spend.
7. It influences the purchase decisions of internet users who look for services, products, or anything they desire online.
8. It allows businesses to market to people by various means that show individual respect.

2.24 Traditional Marketing Vs Digital Marketing

The debate continues as to whether digital marketing is overpowering and surpassing traditional marketing or not. Many think that for the most part, digital marketing has taken over and traditional marking barely exists, if at all. Recent occurrences such as the magazine giant, Newsweek switching to totally digital publications cause ripples throughout the marketing arena. Over the last year or so traditional marketing had fallen nearly 160% while in the same time frame expenses for digital marketing increased over 14%.

Traditional Marketing

The traditional way of marketing lets businesses market their products or administrations on print media, radio and TV commercials, bill boards, business cards, and in numerous other comparable ways where Internet or web-based social networking sites were not utilized for promoting.

- ✓ However, traditional promoting approaches had constrained client reachability and extent of driving clients' purchasing conduct. In addition, traditional marketing methods were not quantifiable too.
- ✓ There are many facets of traditional marketing and examples might include tangible items such as business cards, print ads in newspapers or magazines. It can also include posters, commercials on TV and radio, billboards and brochures. Traditional marketing is anything except digital means to brand your product or logo.
- ✓ Another overlooked means of traditional marketing is when people find a particular business through a referral or a network and eventually you build a rapport with them.
- ✓ Because of its longevity, people are accustomed to traditional marketing. Finding ads in magazines and newspapers, or reading billboards are still familiar activities and people still do them all the time.
- ✓ Most of the time, traditional marketing is reaching only a local audience even though it is not limited to one.
- ✓ There are some aspects where traditional marketing wins over the online advertising battle, which include Target Local Audience, Materials are for keeps, More personal and Simpler process.
- ✓ One of the primary disadvantages of traditional marketing is that the results are not easily measured, and in many cases cannot be measured at all.
- ✓ In most cases, traditional marketing is also more costly than digital marketing. And perhaps the biggest disadvantage today is that traditional marketing is static which means

there is no way to interact with the audience. It's more like you are throwing information in front of people and hoping that they decide to take action.

Digital Marketing

Digital Marketing can be understood as a well-targeted, conversion-oriented, quantifiable, and interactive marketing of products or services by utilizing digital innovation to achieve the customers, and transform them into clients in a sustainable fashion. The whole concept and functionalities of Digital Marketing are more competent, effective, result-oriented and measurable, which make it very different from traditional marketing.

- ✓ Digital or online marketing is the marketing mode of the global village. It is only obvious that the era of the internet will have its influence in every realm of life.
- ✓ The world of digital marketing continues to evolve and as long as technology continues to advance, digital marketing will as well.
- ✓ Examples of digital marketing include things like websites, social media mentions, YouTube videos, and banner ads. Specifically, digital marketing is similar to traditional advertising, but using digital devices.
- ✓ However, digital marketing is considered a form of inbound marketing and its goal is for people to find you. Businesses put content (or ads) out for individuals to find.
- ✓ People may conduct an organic online search, a paid search, find your business on a social network or by reading content that has been published online such as a blog or an article. The more they see you or your content, the more familiar they will become with your brand and they will eventually develop a trust and a rapport with you through this online presence.
- ✓ One benefit to using digital marketing is that the results are much easier to measure; and another is that a digital campaign can reach an infinite audience. It is also possible to tailor a digital campaign to reach a local audience but it can also be used on the web and reach the entire globe when appropriate.
- ✓ Digital marketing is also a very interactive means of reaching an audience since it makes use of social outlets. There can be plenty of direct contact between the audience and the business which means that the business can get some very valuable consumer feedback.

- ✓ Benefits of Digital Marketing over Traditional Marketing include reduced cost, real time result, brand Development, non-intrusive, higher exposure, higher engagement, Quicker publicity, Non interruptive, Good For All Stages Of Fields, Easy analytics and Strategy Refinement.
- ✓ One of the disadvantages to using digital media marketing strategies is that it can take some time to realize measurable success.

2.25 Differences between Traditional Marketing & Digital Marketing

Traditional Marketing	Digital Marketing
Communication is unidirectional in traditional marketing, which means, an organization communicates about its services with its audiences.	Communication is bidirectional in Digital Marketing as businesses can communicate with customers and customers can ask queries or make suggestions to businesses as well.
Medium of communication in traditional marketing is generally phone calls, emails, and letters.	Communication is bidirectional in Digital Marketing as businesses can communicate with customers and customers can ask queries or make suggestions to businesses as well.
Campaign in Traditional marketing takes more time as designing, preparing, and launching are involved.	Communication is bidirectional in Digital Marketing as businesses can communicate with customers and customers can ask queries or make suggestions to businesses as well.
It is best for reaching local audience.	It is very effective for reaching global audiences.
It is almost impossible to measure the effectiveness of a traditional marketing campaign.	Digital Marketing lets you measure the effectiveness of a digital marketing campaign through analytics.

2.26 Digital marketing challenges

Digital marketing does have the following challenges, however:

1. Time-consuming

Organizations must continually create content and optimize their marketing campaigns, which takes time.

2. Competitive

This can occur when prospective customers are inundated with too many competing ads. Marketers must make their brand stand out, which can be challenging.

3. Data privacy

If an organization is using an individual's data to target them for advertising, then it should understand how to handle that data and follow data privacy laws.

4. Technology

Digital marketers must ensure websites are set up for mobile users so that the customer journey can quickly lead a prospective customer from learning about an organization to making a purchase.

2.27 Importance of Digital Marketing

Digital Marketing tries to reach and engage its targeted audience by providing and using variety of new, innovative, cost effective and personalized ways. A well planned and made Digital Marketing strategy delivers greater Return on Investment (ROI) than the Traditional Marketing strategies.

For example, when it comes to printing of advertisements, in magazines or newspapers what many businessmen don’t understand are the aspects of circulation. The total number of readers who in reality see your advertisement will always be lesser than the numbers in circulation. Since a large number of magazines/newspapers issues almost always remain unsold.

However, the Digital advertisements are easily customizable than the print advertisements. Therefore, making digital marketing less risky. For example, if you are running a digital campaign, you can easily change the targeted audience from time to time. Digital advertisements easily allow you to make real-time adjustments in your marketing plans.

Digital marketing channel such as Google Ad words, charge based on Pay-Per-Click, rather than per impression. This means that the Cost per thousand impressions in some cases is zero. Therefore, digital marketing is the best bet for businesses with a limited budget that want to increase their chances of success.

Currently, the world without the internet is almost unimaginable. There are 4.66 billion active internet users all over the world, as of January 2021, which is around 59.5 percent of the world’s population. 92.6 percent (4.32 billion) of this total, access the internet through mobiles. Internet is a fundamental pillar of the modern information society, connecting billions of people around the world.

Asia had the largest number of online users – over 2.3 billion as of 2019, whereas, China, US and India rank ahead all other countries. China and India have more than 854 million and 560 million online users respectively, however, large parts of their population is still offline.

Discussed below are a few interesting statistics offered by Statista research data of India, that will help you understand the extent of penetration, usage and growth potential of Internet, Digital Marketing and Social Media for the success of any business.

Figure 2.1
Growth of Internet Penetration in India from 2003 to 2019

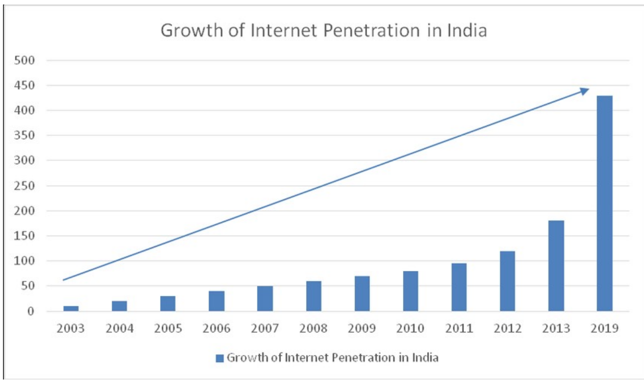
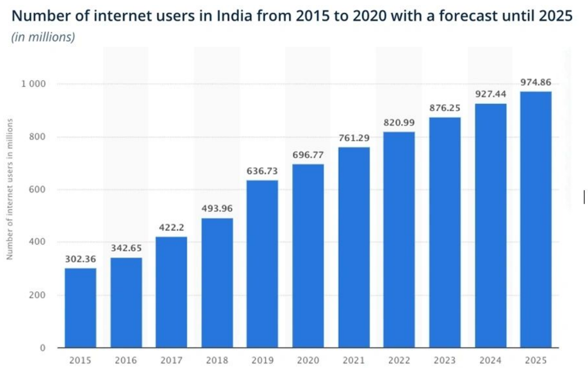
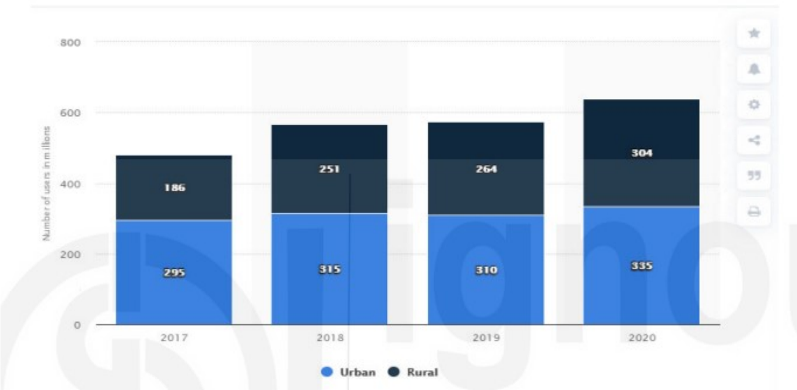


Figure 2.2
Number of internet users in India from 2015 to 2020 with a forecast until 2025 (in millions)



In 2020, it was estimated that India had almost 700 million internet users. This estimation is expected to grow more than 974 million users by 2025.This indicates a big leap in the market potential in internet services. In 2019, India was acknowledged second only to China as far as the largest online market of the world is concerned. Thus the rise of the Indian internet users is expected to increase in both rural and the urban regions, promising a vibrant growth in the accessibility to the internet.

Figure 2.3
The Number of internet users in India - 2017 to 2019 (with an estimate for 2020 by region in millions)

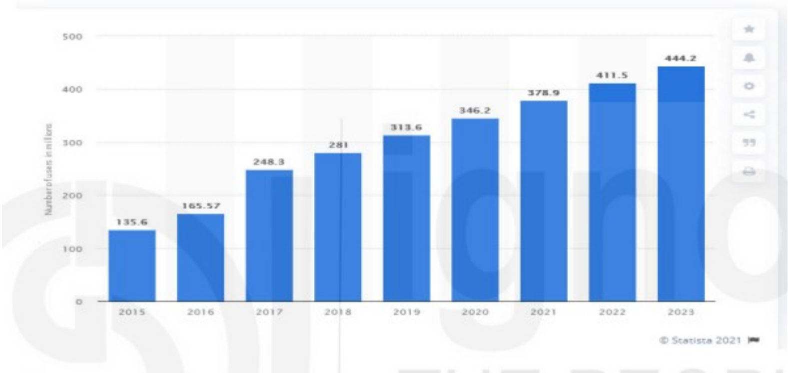


India’s digital implementation has surprisingly been driven with high growth of internet users in the rural regions as compared to the urban counterparts of the country. It was found in 2019 that there were 264 million rural Indians who used internet, as compared to 310 million Indian urban internet users. It was estimated that by 2020, almost 304 million Indian rural users would be able to have access to the internet. This rise in Indian rural internet penetration is largely based on the improved availability of bandwidth, inexpensive data plans and numerous initiations taken by the government under the ‘Digital India Campaign’. In 2019 more than 118 thousand villages and Gram Panchayats (small-town councils), have been equipped with the internet accessibility across India.

Researchers have observed that the number of women internet users or having access to internet is considerably lower as compared to their male counterparts. This bias is more evident in the rural India. In the same way, the use of internet is found low among the older adults possibly due to their internet illiteracy and the technology know-how. India’s digital footprint can significantly grow by encouraging the usage of internet among the sidelined groups which may also constitute the older people, the rural inhabitants and the women.

Figure 2.4

The Number of Facebook users in India - 2015 to 2018 (with a forecast until 2023 in millions)



The number of Facebook users in India is expected to reach 444.2 million in 2023, which has increased from 281 million of 2018. This indicates a stable growth and progress in the social media user base.

2.28 Benefits of using Digital Marketing for Business

Based on the above discussed statistics, it is clear that there is a significant increase in the user base, internet penetration and in the use of digital and social media. Thus, Digital Marketing becomes potential factor which can affect the success of the businesses.

Therefore, the following are some direct benefits of using Digital Marketing, based on the statistics discussed above:

1. Marketing efforts that cost low and have higher flexibility.
2. Easy accessibility to consumers using mobiles or consumers who indulge in online shopping.
3. Ability to address with authority on product or industry related topics due to social media.

2.29 Different Types of Digital Marketing

The following are the different types of digital marketing:

1. SEM (Search Engine Marketing)
2. SEO (Search Engine Optimization)
3. PPC (Pay-per-click)
4. SMM (Social Media Marketing)

5. Content Marketing
6. Email Marketing
7. Influencer / Affiliate Marketing
8. Viral Marketing
9. Radio Advertising
10. Television Advertising
11. Mobile Advertising

1. Search Engine Marketing (SEM)

SEM usually includes PPC and SEO works. Attracting the traffic to the websites through search engines is challenging. Therefore, SEO and PPC are used to get website traffic through paid and unpaid means. Keywords are the foundation of the Search Engine Marketing strategy. Primarily one needs to recognize and classify the keywords relevant to the products, services or business. The keywords need to relevant to the prospective customers' search query. This type of Digital Marketing strategy can be used by both big and small businesses to grow and attract traffic to their sites.

For example: The following are the suggested Keywords for a shop that sells cotton clothing.

Ad group	Keyword	Avg. Monthly Searches
Fabric	chenille fabric	8100
Fabric	chiffon fabric	18100
Clothing	clothe	14800
Clothing Store	clothing stores	110000
Clothing	cloths	40500
Cotton Fabric	cotton fabric	49500
Fabric By The Yard	cotton fabric by the yard	49500
Cotton Fabric	cotton fabrics	6600
Fabric	denim fabric	9900
Fabric Design	designer fabric	6600
Fabric Design	designer fabrics	6600
Discount Fabric	discount fabric	9900
Fabric	drapery fabric	12100
Dress	dress fabric	14800
Fabric	dress fabric	14800
Fabric	dressmaking fabric	12100
Fabric Dye	dylon fabric dye	8100
Keywords like: Fabric	fabric	673000
Fabric	fabric by the metre	12100

2. Search Engine Optimization (SEO)

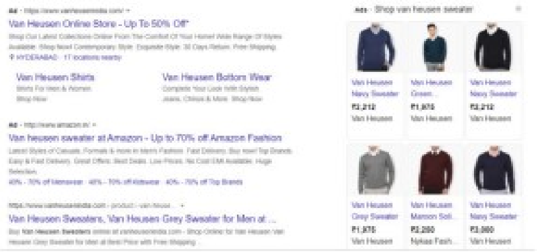
SEO aims to improve the business for search engines, such as Bing, Yahoo, Google, and YouTube to name a few. SEO helps to move up the Search Engine Results Page (SERP) rankings of a website to enable better visibility while the users search online. A lot of consumers do not scroll to 'page 2' of search engines. Therefore, it becomes important and necessary to work towards generating more business from online searches. SEO takes time to give results.

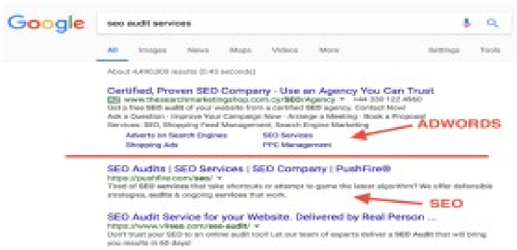
The SEO works using the crawlers or robots to collect and index the data in the archives of the search engine. The research of keyword, its ranking and analysis, defines how a brand fairs against its competitors. Based on this, the website and its content is optimized to build quality links'to and from', for search engines to crawl efficiently. SEO is continuous on-going strategy to attract traffic organically and the longer and more you invest in it, the higher and better results it would yield. It is suitable for both big and small businesses.

3. Pay-per-click (PPC)

PPC is a form of advertisement on search engines, like Yahoo, Bing, YouTube, Google etc. PPC is a method of pushing the website or product to the top of Search Engine Results Pages (SERP) using paid mechanism. The client's account is charged every time when the customer clicks on the adverts. The CPC (cost per click), is determined based on the website's quality score and the selection of keywords and its competition. It is advisable to successfully find the keywords that do not charge too much. PPC campaigns can be used a long-term or a short-term solution; many brands and companies also use it to promote seasonal deals, as a means to increase revenue. SEO works on the ranking 'earned', but through PPC the rankings on the first page can be 'purchased'.

Given below is an example of SEO and PPC





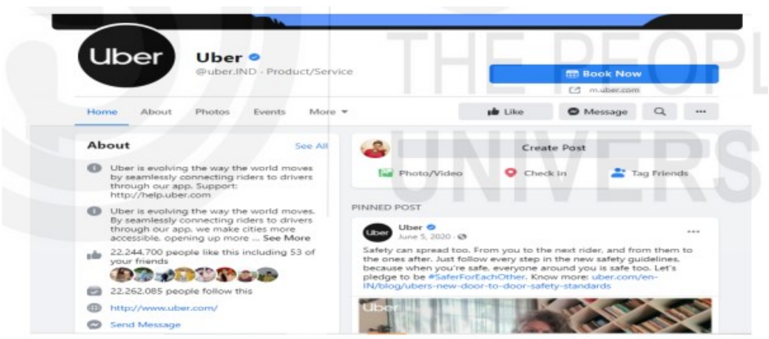
4. Social Media Marketing (SMM)

Social Media Marketing is the process of marketing through platforms such as Facebook, Instagram, Twitter, LinkedIn etc. Businesses require investing in the social media marketing so as to increase their following and also to reach new potential customers.

Type of business defines the type of social media engagement. For example, Facebook works well for B2C, but for B2B type of businesses LinkedIn works better.

Social media platforms mainly use the 'like' campaigns and targeted advertisements. The major goal of the social media pages is to continually engage and grow their social media following. For example, Facebook collects and shares the data about the individual's likes and interests, in addition, to their personal factors such as age, gender, location etc., with the brands. The sharing of this information enables the brands to design and create targeted advertisements. SMM can be used both a long-term and a short-term business needs.

Below given are a few Social media advertisements.

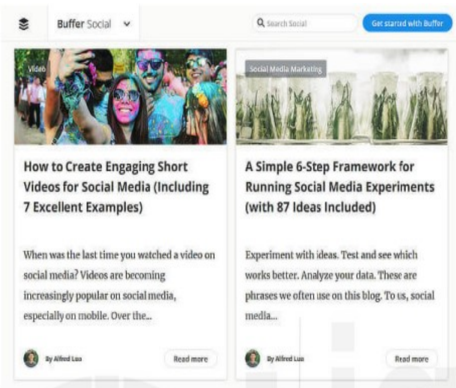


5. Content Marketing

Content marketing is a slightly different from the other types of marketing. It doesn't directly market or sell the products, services or brands to the customers. It rather creates a valuable and enriching content that improves the customer's overall experience. It can be observed that some of the biggest brands worldwide enthusiastically create and post entertaining and informative - images, videos and blogs related to their businesses. It's like promoting a brand without aiming to sell anything – it is simply providing news and information, which is engaging and enriching.

By posting images, videos and blogs, the brands thus, build loyalty among the consumers who visit the website/page for its content. For example, the brand Canon sharing informative and entertaining content about photography tricks or show beautiful sunset photographs from world over. Content marketing is about listening and understanding your customer's need and producing content they want and value. Content marketing is a long-term investment, like the SEO, and you need to work on it constantly to get better results.

Below given are few examples of content marketing



6. E mail Marketing

It's a method of direct marketing where blogs, information, discounts and offers etc. are shared directly on the mail. Email marketing is tricky, because though the email reaches the inbox it needs to be eye-catchy so as to be read. Sometimes, sending unsolicited emails may also land the brand in the spam box. It is a very nice way of reaching out to the customers, post purchase interaction or mailing the newsletters. It is generally considered a short-term technique, but it can be used for long-term too. For example, sending exclusive discount codes for a small duration is a short term solution to boost sales. Sending blogs and newsletters, to boost website traffic, is a long-term use.

7. Influencer / Affiliate Marketing

It usually uses individuals in position of 'power' or having large followers, on social media. Influencers assist the brands in promoting a service or a product to their audience. This mechanism has become very popular in the recent years, due to sites such as YouTube and Instagram, where brands engage a famous influencer, to end orseand market their services or products on their social media handles or affiliate websites. These associations include, prize draws, sponsored blog posts, unique discount codes etc, Influencer marketing and Affiliate marketing can be used as a short – term campaign, to enable more volume of sales or increased traffic on the website.

8. Viral Marketing

The aim is to create content pictures/videos/posts share-worthy – by making it on trend, funny and topical. Many brands use these as a smart means of promotion and advertising, by joining hands with popular viral content creators, influencers or promote it themselves.

This kind of promotion works successfully for B2C brands. It is by far one of the toughest types of Digital Marketing and is advisable to research which ideas succeeded or failed in the past. Once brand's content goes viral it not only increases the ROI, but also results in increase in brand awareness. For example:

9. Radio Advertising

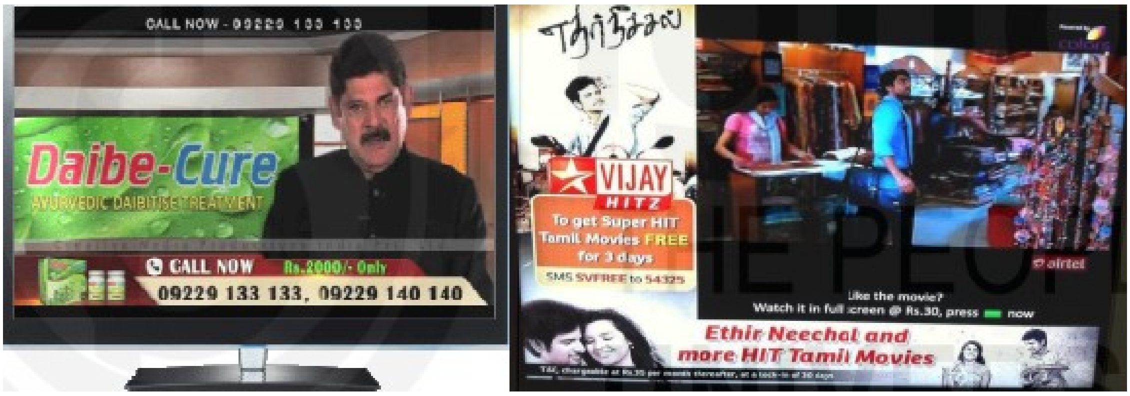
Radio advertising is one of the forms of Digital Marketing. Radio advertisements are a wonderful way to get a brand or a business heard. Radio advertisements can be designed for targeted consumers at different locations; it can either be at National or at Local levels. Apps such as Spotify, Ganna play advertisements to the non-premium users. These advertisements can be targeted based on demographic details such as the age, gender, location and much more – as the users information is shared with the brands.

10. Television Advertising

TV advertising is also counted as Digital Marketing. The social division and digital shift of TV advertising, offer huge options. Brands that want to advertise their products or services on TV without paying for costly prime – time slots can opt for it.

Marketers use this channel by linking personal data of the consumer with new delivery approaches such as addressable ads, localization of ads, cross – channel marketing campaigns (when a consumer watches an ad on TV, the same would be displayed on digital devices reinforcing the ad’s message.)

TV adverts remain as a chief component of the marketing mix of a brand. It is important to make and adapt strategies depending on the demographics and geography of the audience.



11. Mobile Advertising

Mobile advertising spans across all forms of digital marketing, whether it is social media ads, search ads, mobile TV ads or Radio ads. Businesses all over the world are moving towards mobile advertising as consumers spend most of their time on their mobiles than any other devices. Brands can target mobile users by applying geo – fencing.

One of the most prevalent strategies in the recent times is Geo – fencing – based on a consumer's physical location. It is a laser – focused strategy used by brands to clearly target a defined and appropriate audience.

2.30 Benefits of Digital Marketing

Digital marketing has become hugely popular in such a short period, and for a good reason. Today's customers and clients spend an increasing amount of time online, and they expect their favorite companies to be online, too.

The internet landscape might seem intimidating, but effective digital marketing can be an enormous boon for business. With careful strategy and implementation, the benefits of digital marketing on business include the expansion of the audience, meeting target customers where they're spending their time, and achieving this for a far more affordable price than traditional marketing methods allow.

For these reasons and more, more than 60 percent of marketers have moved their focus from traditional to digital marketing.

2.31 How Digital Marketing Works?

While the benefits of digital marketing are plentiful, understand that each form of internet marketing functions in its way. Companies would be wise to assess the bigger picture before determining which forms of digital marketing in which to invest and which platforms to use. It's generally recommended to crawl before you walk–start small with your online marketing strategy and grow as the company becomes accustomed to different areas.

Digital marketing is hugely helpful to firms in that it allows them to grow their audience as far as their budget allows. On the other side of the coin, internet marketing offers companies the chance to focus clearly on marketing to the right audience. In other words, a firm may reach the perfect target clientele on a local, national, or international stage, all while staying on budget.

2.32 Relationship Marketing

Relationship Marketing is a subset of Customer relationship management and focuses on building long-term meaningful relationships with customers rather than having short term goals like customer acquisition. Relationship Marketing has higher goals such as Customer loyalty, Customer engagement, Brand loyalty and delighting customers in the long term.

The principle of Relationship marketing is that when you have strong and emotional relations with your customers, it is much likely to lead to positive ongoing business experiences and help in customer retention. Such relations may even motivate customers to spread word of mouth and bring more leads to the company.

Relationship Marketing is very different to traditional marketing. Traditional marketing focused more on methods which immediately brought conversions for the company which could also be termed as transactional marketing. Individual sales were more important when doing traditional marketing. However, traditional marketing completely ignored the repeat buying behavior of customers. We all now know that retaining customers is more cost effective then acquiring new customers and that's where relationship marketing focuses on.

Modern organizations use a combination of traditional marketing and Relationship marketing and this forms a basic core of their customer relationship marketing strategy.

While companies still want to acquire customers at a staggering rate, they ensure that they don't lose customer loyalty or they still engage with customers even after the customers have purchased the product.

2.33 Meaning of Relationship Marketing

Relationship marketing refers to marketing efforts that focuses on developing long-term relationship with customers. It is a part of Customer relationship management (CRM) which aims to achieve long-term engagement of clients with business for maintaining its profitability. Relationship marketing is distinct from other types of traditional marketing.

It carries out activities for achievement of long-term goals like customer loyalty. Whereas, traditional marketing works towards getting short-term goals like customer acquisition and one-time sales. Traditional marketing does not pay any attention on building relationships. Relationship marketing instead of sales transactions emphasizes on customer retention and their satisfaction level.

Companies find it cost-effective in marketing their products to existing customers as they don't need to run mass promotional campaigns. Nowadays, brands run customized marketing campaigns for communicating with target audience that enables them in understanding customer wants efficiently. Long term customers are also less likely to churn which develop close relationships with brand thereby generating more profits for them.

2.34 Definitions of Relationship Marketing

"RM refers to all marketing activities directed toward establishing, developing, and maintaining successful relational connections." Morgan and Hunt (1994, p. 22)

"To establish, maintain, enhance relationships with customers and other stakeholders, at a profit, so that the objectives of all parties involved are met, where this is done by mutual exchange and fulfillment of promises." Gronroos (1997, p. 407)

"RM is the ongoing process of engaging in cooperative and collaborative activities and programs with immediate and end-user customers to create and enhance mutual economic value at reduced cost." Sheth and Parvatiyar (2000,p. 9)

"RM is a philosophy of doing business, a strategic orientation that focuses on keeping and improving current customers, rather than acquiring new customers." Zeithaml and Bitner (2000)

2.35 Types of Relationship Marketing

Relationship marketing work effectively through the combined efforts of its components. These are customer service, email marketing, content marketing, word of mouth and social media. All of these are discussed in detail as given below: –

1. **Customer service:** It is a crucial element of both marketing and sales. Relationship marketing pays attention on functioning of service departments of organizations. These service departments operate to solve customer problems and serving them in a better way. Attempts are made by relationship marketing to enhance the internal operations of business in order to provide better customer service. Customers are unlikely to return to a brand if they are not served properly.
2. **Email marketing:** Email marketing is an efficient tool of reaching out to target audience by business. A promotional message containing details about products or services to be promoted is forwarded to the maid ids of customers. Companies need to ensure that right information is shared at right time and with right individuals. Peoples will be interested towards a particular brand as long as they receive relevant promotions of their interest.
3. **Social media:** Social media is a marketing platform which is widely used in relationship marketing. It is one that uses social media platforms like Facebook, Instagram, Google and Twitter for sharing valuable content with customers. A direct communication with people is made for gaining insight into their lifestyles.
4. **Word-of-mouth:** Word-of-mouth marketing is type of promotion initiated from consumer end among his/her acquaintances regarding brand products. It is a free type of advertising triggered by experience of customers developed over their long-termed relationship with brand. This type of marketing is one of the most powerful tool as it leads to encourage more people to buy brand products as consumers easily trust their friends.
5. **Content marketing:** Content means all information regarding features of product, advertisement and offers that is intended to attract target customers. Content marketing refer to sharing of all this information for free before making sales that leads to develop desired customer relationship. This information is of great interest to customers which assist them in their journey with brand while making purchase decisions.

6. **Customer awareness and education:** It involves educating the customers by providing them information about products and services. Efforts are made to strengthen relation with customers by making them aware about market information. It is one of the effective ways of developing better understanding by giving them valuable information instead of just attempting to sell their products.

2.36 Levels of Relationship Marketing

Relationship marketing has five levels where each level represents a distinct stage of it. These levels are basic marketing, reactive marketing, accountable marketing, proactive marketing and partnership marketing. Basic marketing is the starting stage whereas most advanced stage is partnership marketing.

1. **Basic marketing:** Basic marketing is the initial phase of relationship marketing which is concerned with acquiring clients and providing them guidance throughout the sale journey.
2. **Reactive marketing:** It is the second step where company receive response i.e. feedback form customers post making sales.
3. **Accountable marketing:** This step is expanded version of reactive marketing. Here, company tries to contact with customers in order to take their suggestions which guides business in improving their experience level.
4. **Proactive marketing:** Proactive marketing is a stage where business make efforts to enhance the quality of their products and services. Companies after taking suggestions form customers work on them in order to provide them the best possible experience.
5. **Partnership marketing:** This stage also makes efforts to improve customer experience similar to proactive marketing. Business tries to collaborate with another business in order to improve their services.

2.37 Importance of Relationship Marketing

1. **Long-term customer retention:** Relationship marketing enables business in long-term retention of customers by serving them in efficient way. It aims at providing better satisfaction to clients rather than just focusing on customer acquisition. When customers are provided with exactly what they want, their overall experience with brand gets

improved and are more likely to stay for a longer time period. Customer relationship marketing facilitates business in achieving all this.

2. **Reduces marketing and advertising expenses:** Relationship marketing enable companies in lowering their cost of acquiring customers. It requires huge expenses to run wide advertisement campaigns for acquiring new customers. This type of marketing is able to retain customers for a long term by offering them quality services. Businesses are not required to make extra efforts for acquiring more customers which bring down their advertisement cost.
3. **Raise sales volume:** It enables companies in raising the overall sales volumes by improving customer experience. Companies find it quite easier to up-sell and cross-sell their products to satisfied of customers. Loyal customers have faith in brand products and they doubt their qualities. They even suggest the products of brand to their friends and relatives which ultimately leads to increase the sales volume.
4. **Provides valuable feedback:** Relationship marketing plays an efficient role in providing valuable feedback to business organizations. Feedback or suggestion form customers side enable brands in improving their quality level. Customers who share strong relationships and are happy with their brands take efforts to give their precious feedback about firm products and services. They even communicate to them essential market information which help in designing right products as per the people's demand.
5. **Offers competitive edge:** Relationship marketing is the most powerful tool which enables firms in gaining competitive edge over others market participants. It ensures that whole information is honestly communicated to clients with the motive of developing strong relationships with them. Efforts are made to provide better quality services which enhance the overall customer experience. This way brands are easily able to develop a distinct image in market.
6. **Provide sustainability:** It provides sustainability to overall business growth by facilitating consistent sales. Relationship management enables in regulating the profitability of organization by holding customers for a longer period of time. It focuses on offering more personal touch to customers which leads to develop better

understandability with them. Customer make regular purchases with their brand and do not make frequent shifts to other brands.

2.38 Principles of Relationship Marketing

Relationship marketing is guided by several key principles that form the foundation for building and nurturing customer relationships. These principles include:

1. **Customer focus:** Placing the customer at the center of all marketing efforts. Understanding their needs, preferences, and expectations is essential for delivering personalized experiences and building long – term relationships.
2. **Trust and Commitment:** Building trust and fostering commitment between the brand and the customer is crucial for establishing and maintaining strong relationships. Trust is earned through consistent delivery of promises, reliability and transparency.
3. **Two-way communication:** Encouraging open and ongoing communication between the brand and customers. Actively listening to customers, seeking feedback and responding promptly helps in understanding their needs and addressing concerns.
4. **Personalization:** Tailoring marketing efforts and interactions to meet the individual needs and preferences of customers. Personalization helps create a unique and memorable experience, strengthening the relationship.
5. **Long – term perspective:** Adopting a long-term perspective rather than focusing solely on short – term gains. Building enduring relationships requires patience, continuous effort, and a commitment to adding value over time.

2.39 Benefits of Relationship Marketing:

Relationship marketing offers numerous benefits for businesses that prioritize long-term customer relationships. Some key benefits include:

1. **Increased Customer Loyalty:** Bu focusing on building relationships, businesses can foster customer loyalty. Satisfied and loyal customers are more likely to continue purchasing from the brand, recommend it to others and provide positive reviews and testimonials.
2. **High Customer Retention:** Relationship marketing strategies help in reducing customer churn and increasing customer retention rates. Long – term customer relationships result in repeat business, reducing the need for constant acquisition of new customers.

3. **Enhanced Customer Lifetime Value:** Loyal customers who continue to engage with the brand over time contribute significantly to the customer lifetime value. Repeat purchases, cross-selling and up selling opportunities with loyal customers result in higher revenue and profitability.
4. **Positive Word – of Mouth and Brand Advocacy:** Satisfied customers are more likely to share their positive experiences with others, leading to positive word – of mouth. They become brand advocates, promoting the brand to their social circles and influencing potential customers.
5. **Competitive Advantage:** Relationship marketing helps differentiate the brand from competitors by providing a unique and personalized customer experience. Building strong relationships with customers creates a barrier to entry for competitors and increases customer switching costs.
6. **Improved Customer Insights:** Engaging with customers on a deeper level through relationship marketing strategies provides valuable insights into their preferences, needs and behaviour. These insights can inform product development, marketing campaigns and overall business strategies.
7. **Cost Savings:** Acquiring new customers: Acquiring new customers can be more expensive than retaining existing ones. Relationship marketing helps in reducing customer acquisition costs by focusing on customer retention and maximizing the value of existing customer relationships.

2.40 Implementing Relationship Marketing:

To implement relationship marketing successfully, businesses should consider the following steps:

1. **Customer Segmentation:** Divide the customer base into segments based on demographics, behviour, preferences and value to the business. This enables targeted and personalized marketing efforts.
2. **CRM Implementation:** Invest in robust Customer Relationship Management (CRM) system to collect, manage, and analyse customer data. A CRM system helps track customer interactions, preferences and purchase history, enabling personalized communication and service.

3. **Integrated Communication Channels:** Create a seamless and consistent customer experience across all communication channels. Integrate marketing channels, such as social media, email marketing and offline channels to deliver a cohesive message and experience.
4. **Personalization:** Tailor marketing messages, offers and interactions to the individual preferences and needs of customers. Leverage customer data to provide personalized experiences at every touch point.
5. **Ongoing Engagement:** Engage with customers regularly through various channels to build and nurture relationships. Encourage two-way communication, seek feedback, and respond promptly to inquiries and concerns.
6. **Continuous Improvement:** Regularly evaluate and optimize relationship marketing strategies. Analyze customer feedback, track key performance indicators, and adapt strategies to enhance the customer experience continually.
7. **Training and Collaboration:** Provide training and guidance to employees to foster a customer – centric culture. Encourage collaboration between different departments such as marketing, sales and customer service, to ensure consistent and coordinated customer interactions.

Questions for Self Study:

1. Outline various factors influencing consumer buying behaviour. Describe various steps in consumer buying process.
2. State the characteristics of 'Green Product' and the business opportunities that green product provides.
3. What is your understanding of the term Green Marketing? Discuss its significance and the factors that drive green marketing initiatives by the firm.
4. List the differences between traditional marketing and digital marketing.
5. Discuss the strategies of Email Marketing.
6. What is the role of web analytics in formulation of digital marketing strategy? Discuss different types of web analytics.
7. Explain the types of relationship marketing.

UNIT – III

PRODUCT

3.1 Introduction to Product

A product is the starting point of any marketing programme and is a vital component of marketing mix. All other components of marketing mix revolve around the product. In the business environment of today, gone are the days when the sellers used to dictate terms by virtue of their monopoly. Today's market is buyer's market and for any success in market place, firms have to meet the consumer's needs of the product. It is because of this vital and prime importance that firms are spending a lot of their time and energy in developing products to satisfy their customers better.

A product may be defined as anything that can be offered to a market to satisfy a want or need. In other words, a product is an offering, a bundle of attributes that satisfied a stated or implied needs or wants. Almost everything that we come across in our daily life is a product. The scope of a product is very wide and almost anything that can be traded is a product. In broad terms, a product would include the following:

Examples of convenience products

- ✓ Newspapers and magazines
- ✓ Most groceries and food items
- ✓ Soft drinks and snack foods and candy bars
- ✓ Tissues, headache tablets
- ✓ Bread and milk, breakfast cereals
- ✓ Toothpaste, soap, and shampoo
- ✓ Cleaning products, dish-washing powder, detergents
- ✓ Using an ATM
- ✓ Coffee, tea and sugar
- ✓ Fast food and takeaway meals
- ✓ Pet food
- ✓ Flowers
- ✓ Fruit and vegetables

Examples of shopping products

- ✓ Computers
- ✓ Mobile phones
- ✓ Entertainment equipment, such as an Xbox or PlayStation
- ✓ Cameras
- ✓ Household furniture
- ✓ Washing machines and dishwashers
- ✓ Clothing
- ✓ Sports equipment
- ✓ Kitchen utensils – plates, pots and pans
- ✓ Choice of restaurants
- ✓ Hotels and airlines
- ✓ Luggage
- ✓ Getting a pet
- ✓ Joining a gym
- ✓ Hairdresser and beautician
- ✓ Car repairs
- ✓ Plants for the yard
- ✓ Perfumes and cosmetics
- ✓ Running shoes
- ✓ Everyday jewelry
- ✓ Kid's bicycles
- ✓ Internet provider
- ✓ Everyday home loans and credit cards
- ✓ House repairs, paint, tools
- ✓ Regular doctor and dentist

Examples of specialty products

- ✓ Architect designed house
- ✓ An expensive car
- ✓ Special jewelry

- ✓ Planning a wedding
- ✓ Wedding dress
- ✓ Specialist sporting equipment
- ✓ Specialist camping equipment
- ✓ Specialist medical advice
- ✓ Specialist professional advice – legal, financial
- ✓ Home loans for specialist needs
- ✓ Some types of computer software

Examples of unsought products

- ✓ Life insurance and funeral insurance
- ✓ Additional warranties on product purchases
- ✓ Encyclopedias
- ✓ Charity donations
- ✓ Some types of exercise equipment
- ✓ Unusual products – perhaps as advertised on the TV shopping channel
- ✓ Sometimes new technology (especially when first introduced to the market)

Although diverse in nature, each of these categories of products satisfy different sets of needs and the marketers can devise out the marketing strategies to market them across to the consumers.

3.2 Definition of Product

According to **Perreault, Cannon and McCarthy** "A product is the need-satisfying offering of a firm."

According to **Grewal and Levy** "A product is anything that is of value to a consumer and can be offered through a voluntary marketing exchange."

According to **Kerin, Hartley and Rudelius** "A product is a good, service or idea consisting of a bundle or tangible and intangible attributes that satisfies consumers' needs and is received and exchanged for money or something else of value."

According to **W. Alderson** "A product is a bundle of utilities consisting of various product features and accompanying services".

According to **Philip Kotler** "A product is anything tangible or intangible that can be offered to a market for attention, acquisition use or consumption that might satisfy a need or want".

According to **Cravens, Hills and Woodruff** "Product is anything that is potentially valued by a target market for the benefits or satisfactions it provides, including objects, services, organizations, places people and ideas".

Alderson defines, "A product is a bundle of utilities consisting of various product features and accompanying services".

Stanton defines, "A product is a set of tangible and intangible attributes, including packaging, colour, price, manufacturer's and retailer's services, which the buyer may accept as offering satisfaction or wants or needs".

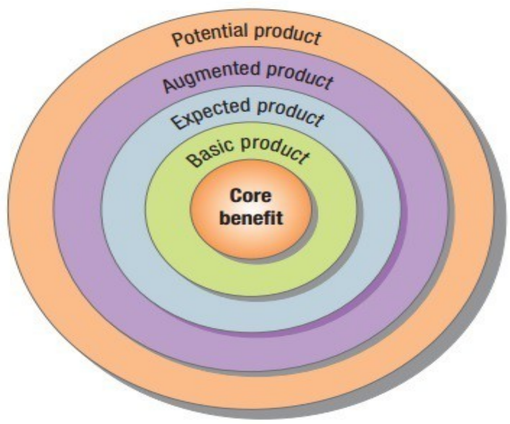
According to Philip Kotler, "A product is anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or need. It includes physical objects, services, persons, places, organization and ideas".

3.3 Levels of Product

The products do not satisfy just one sets of needs. Rather, there are multiple sets of needs that are satisfied and the product components that satisfy these hierarchies of the needs constitute the levels of the product. Basically, there are five levels of products, as shown in the following diagram

Figure 3.1

Levels of Product



1. Core Product

The core product is the fundamental service or a benefit that a customer is buying. For example, when we go to a hotel, at the very first place, we need a safe place where we can have rest. In case a hotel room does not provide this, no customer would purchase it. All other components of the product will be meaningless until this component is satisfied. Similarly, in case of a car, the core product is transportation, a university must provide education and the clothing must cover the body. These are the core sets of the benefits that a customer wants in a product.

2. Basic Product

In order to satisfy the core need, the basic product has to be developed. For example, in order to provide rest, a hotelier needs to develop rooms, bedding, toilet, etc. In order to provide transportation service, the car has to be made, the clothes have to be stitched and designed to cover the body. The core product cannot be satisfied if there is no basic product.

3. Expected Product

After satisfying the basic needs, a product must measure upto the expectations of the consumer. For example, in addition to covering the body, the product must also look good. It must not cause skin irritation. A hotel room must be clean and should include a television, towel, and a good room service. A consumer would always expect the presence of these features in a product. He would not be very satisfied by the presence of these features, but their absence would definitely cause dissatisfaction. There are minimum levels of expectations that a product must satisfy.

4. Augmented

Product An augmented product exceeds the expectations of a consumer. For example, a hotel having a refrigerator would make the customer more satisfied. A car with better safety features, a cloth with a trendy design, bread fortified with nice flavors are sets of augmented products offered along with the core, basic and augmented products.

5. Potential Products

A potential product satisfies those needs, which a customer is not even aware of himself. Satisfying these needs exceeds customer expectations and brings in customer delight. The potential product includes all possible augmentations or additions in a product, that a customer can think of.

3.4 Essential Features/Characteristics of Product

1. Tangible Attributes

A product should have the characteristics of tangibility i.e. it may be touched, seen and its physical presence may felt.

2. Intangible Attributes

A product may be intangible in the form of a service like repairing, banking or insurance services.

3. Associated Attributes

Product may have certain peripheral attributes to facilitate its identification and acceptance by buyers such as brand, package, warranty, credit facility and after sale services etc.

4. Product Symbolism

A product is accepted from varied angles from different customers. For example, a customers' choice of a Indian made product over a foreign make symbolizes patriotism. Similarly, buying balcony ticket in a theater is a status of symbol.

5. Product Life Cycle

Every product would have its own life cycle. The product life cycle has five stages viz., Introduction, Growth, Maturity and Decline.

6. Exchange Value

All products should have an exchange value and should be capable of being exchanged between buyer and seller for a mutually agreed or acceptable consideration.

7. Consumer Satisfaction

Product should have the ability to satisfy consumers. It may be real or psychological. That is when a women buys a lakeme lipstick she not only buys a chemical compound having some tangible features but also buys beauty.

8. Business Need Satisfaction

The basic business need obviously is to earn profit on the product sold, it may be to meet a societal need also. For example, fuel efficient small car is a success in middle class society.

3.5 Classification of Products

1. Consumer Goods

Consumer goods refer to "goods designed for use by the ultimate consumers or household and in such form that they can be used without commercial processing." In short, goods that are produced for final consumption are called consumer goods. Consumer goods can be further divided into:-

a) Convenience Goods: Goods that are frequently purchased by consumers with minimum of efforts are called consumer goods. For example, biscuit, newspaper, food items, drugs etc.

b) Shopping Goods: Shopping goods are those that are bought by the customer only after careful comparison is made regarding quality, price, stability etc. For examples, furniture, fans, dress materials etc.

c) Specialty Goods: Specialty goods are having unique characteristics and for brand identification for which a significant group of buyers are habitually willing to make special purchasing effort. For example, cars.

d) Unsought Goods: Unsought goods are those the consumer does not know about the product or does not normally think of buying. For example, life insurance, encyclopedia etc.

2. Industrial Goods

Industrial goods are those that are used by buyers as inputs in producing other products. For example, machine tools, trucks etc. Industrial goods are further divided into:-

a) Raw Material: Raw materials directly enter the finished product. They are required to be processed or assembled to create a product. Only after processing they become consumer goods. For example, agricultural products, assembly parts etc.

b) Capital Goods: Capital goods are used for creating finished goods. They create form utility to a product. They are long-lasting in nature. For example, building, equipment, plant & machinery.

c) Fabricated Material: These are industrial goods that become a part of finished goods. They will reach ultimate consumer only when they are assembled with other parts. For example, automobile parts, batteries etc.

d) Suppliers & Services: These items do not form part of finished product. They are short-lasting in nature. For example, coal, writing paper etc are operating supplies. Services include maintenance and repair services.

3.6 Product Mix

A product mix is the set of all product lines and items that a particular brand sells. It is also called product assortment or product portfolio.

The product mix is the entire collection of product lines and items offered by an organization. In simple words, it is all the products that can be interrelated as well as diverse offered by a company to its customers.

The product mix is the most important and first part of the marketing mix. It is a subset of the marketing mix. It varies from organization to organization.

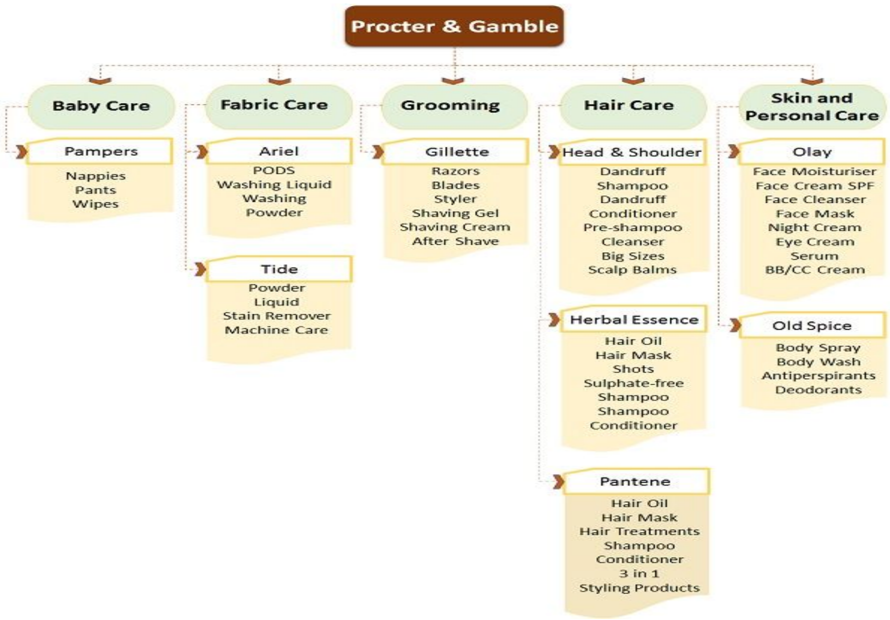
Companies' product portfolios play an important role in addressing the position of the product in the market. With that companies can easily identify which product is making well and which is not. This lets them introduce or improve the product for the consumers.

Product mixes act as a bigger plan for the companies. They set the overall objectives of the company and have an impact on the total performance of the organization.

Example

Let's take the example of **Proctor and Gamble (P&G)**. It is a leading FMCG company headquartered in Cincinnati, America.

Figure 3.2



Note: P&G offers a wide variety of consumer goods, but we have included only some of its products.

The dimensions of the product mix will be as follows:

Width – As shown in the chart, P&G has **5 product lines**, i.e. Baby Care, Fabric care and so on.

Length – Here, the length will be **46** (the sum of all products in all the lines).

Depth – Suppose its two shampoos come in three variants, then its depth will be **6** (2*3).

Consistency – The consistency of P&G is **high** because all its products belong to the FMCG segment.

Product line vs Product mix

These concepts are very closely related and are often used interchangeably. But, they differ from each other in certain aspects discussed below:

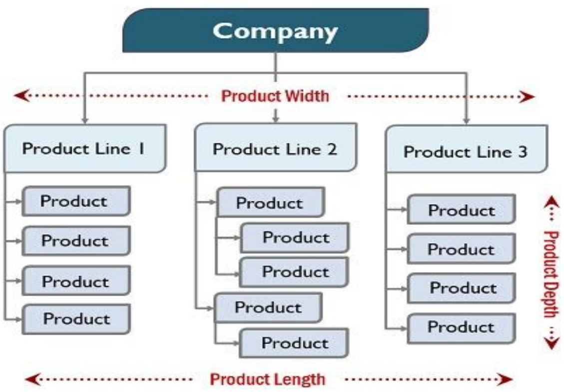
Basis	Product Line	Product Mix
Meaning	Group of products possessing similar traits or uses.	Collection of all the products and articles of the company.
Span	It has a narrow span.	Whereas it has a wide span.
Quantity	Companies can have multiple product lines.	However, there can be only a single product mix in a company.
Spectrum	It is a subset of the product mix.	It is an umbrella term that covers all the aspects of products.
Meaning	Group of products possessing similar traits or uses.	Collection of all the products and articles of the company.
Span	It has a narrow span.	Whereas it has a wide span.

3.7 Product Mix Elements/Dimensions

Four major dimensions or elements of product mix are as follows:

Figure 3.3

Product Mix Elements



1. **Product Width:** Width is the total number of product lines in the company. For example – The same company's Handloom, Medicines, and Cosmetics categories.
2. **Product Length:** It refers to the total number of products the company offers in the total mix. For example – Bedsheets, Cushion Covers and Table Cloth under the Handloom categories in the preceding example.
3. **Product Depth:** Depth is the different versions or variants of each product in product lines. For Example – Double Bed Sheets and Single Bed Sheets.
4. **Consistency:** Consistency of the product portfolio shows relativity among the company's products and lines. For Example – Godrej offers two completely different product lines, i.e. Hair Dye and Almirah.

3.8 Major Product Mix Decision Strategies

Today most companies offer diversified products and multiple product categories. Therefore, they need strategies to create their optimal mix.

Following are the major strategies that are available for disposal:

Figure 3.4

Major Product Mix Decision Strategies

1. Expansion

Expansion can also be understood as diversification. Here, companies **increase** the number of products in the lines or create additional lines. However, the new addition can be related or unrelated to the existing lines.

2. Contraction

Companies review and **eliminate** products that are unproductive and non-profitable. Here, the marketers narrow down the width of the mix. It is the complete opposite of diversification and is alternatively known as **Simplification**.

3. Deepening

It includes the expansion of the products in the existing lines. Companies try to widen their product lines. Besides, one must note that there is **no new addition** to the number of product lines.

4. Alteration/Changes

Companies can **alter or improve** existing products despite launching a new product. But, companies prefer to alter those products that are already established in the markets.

This is because it is less risky yet profitable. Besides, these changes can be made in size, design, quality and colour, etc.

5. Trading Up

The company **adds premium products** to the existing product lines per this strategy. This is because such products help increase the goodwill of the company.

By trading up, companies aspire to **boost the sale** of their low-priced products.

6. Trading Down

It is the contrast of the trading up strategy. Here, the company **adds affordable products** to the product line with premium products. This is because price-sensitive customers can buy famous brands' products at low prices.

3.9 Product Life Cycle (PLC)

Every product has its life. Industrial goods may have a longer life than consumer goods. When a Product idea is commercialized, the product enters into the market and competes with the rivals, for making sales and earning profits, Like human beings, the products also have a product life-cycle. The product lifecycle is generally termed as product market life-cycle, because it is related to particular market. The product life-cycle may be short for some products and long for some other products. The period may differ from product to product. Every product passes through certain stages, collectively known as product life-cycle stages.

These stages include: Stage I - Introduction Stage II - Growth Stage III - Maturity Stage IV - Decline

1. Introduction Stage:

The first stage of a product Life-cycle is the introduction or pioneering stage. Under this stage, competition is almost or non-existent, prices are relatively high, markets are limited and the product innovation is not known much. The growth in sales volume is at a lower rate because of lack of knowledge on the part of the customers and difficulties in making the product available to the customers. During this stage, high expenditure has to be incurred on advertising and other promotional techniques. Prices are usually high during the introduction stage because of small scale of production, technological problems and heavy promotional expenditure.

2. Growth Stage:

As the product grows in popularity, it moves into the second phase of its Life-cycle, i.e., the growth stage. In this stage, the demand expands rapidly, prices fall, competition increases, and distribution is greatly widened. The marketing management focuses its attention on improving the market share by deeper penetration into the existing markets and entry into new markets. Sometimes, major improvements also take place in the product during this stage. The promotional expenses remain high although they tend to fall as a ratio to sales volume. The falling ratio of promotional expenditure to sales leads to increase in profitability during this stage.

3. Maturity Stage:

The products enter into maturity stage as competition intensifies further and market gets stabilized. Profits come down because of stiff competition and the marketing expenditures rise. The prices are decreased because of competition and innovations in technology. There is saturation in the market as there is no possibility of sales increase. This stage may last for a long period as in the case of many products with long-run demand characteristics. But sooner or later, demand of the product starts declining as new products are introduces in the market. Product differentiation, identification of new segments and product improvement are emphasized during this stage.

4. Decline Stage:

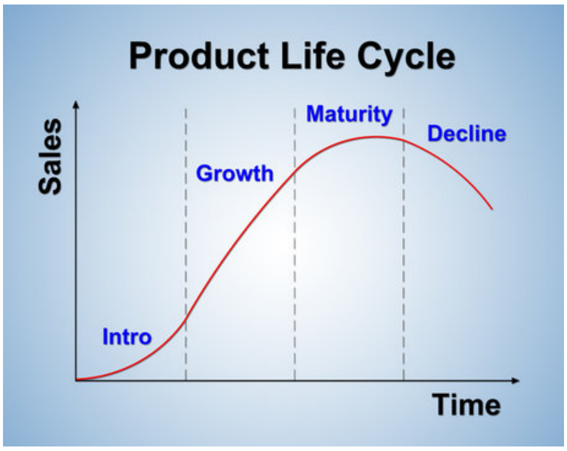
This stage is characterized by either the product's gradual displacement by some new products or change in consumer buying behaviour. The sales fall down sharply and the expenditure on promotion has to be cut down drastically. The decline may be rapid with the product soon passing out of market or slow if new uses of the product are found. To avoid sharp decline in sales, the following strategies may be used:

- ✓ New features may be added to the product and its packaging may be more attractive.

- ✓ Economy packs or models may be introduced to revive the market.
- ✓ The promotion of the product should be selective to reduce distribution costs.

Figure 3.5

Product Life Cycle (Plc)



3.10 Branding

Branding is a process which involves creating a specific name, logo, and an image of a particular product, service or company. This is done to attract customers. It is usually done through advertising with a consistent theme.

Branding aims to establish a significant and differentiated presence in the market that attracts and retains loyal customers. A brand is a name, term, symbol, or other feature that distinguishes an organization or product from its rivals in the eyes of the customer. Brands are used in business, marketing, and advertising.

3.11 Meaning of Branding

A brand is a name, term, symbol, sign, design or some combination of them, used to identity the products, goods or services of one seller or group of sellers and to differentiate them from those of the competitors. For example some of the common brands are Apple, Puma, Nike, Adidas etc.,

3.12 Definition

According to Kotler and Amstrong, “a brand is a name, term, sign, symbol or design or a combination of these that identifies the maker or seller of a product, or services”.

According to American Marketing Association "A brand is a name, term, design, symbol, or any other feature that identifies one seller's good or service as distinct from those of other sellers".

3.13 Features of Branding

1. Target ability

Branding should be planned according to the targeted audience. No business firm can target the entire population. Business owners should identify the type of people who are buying their products and services. Research should be done on the basis of age, gender, income, the lifestyle of their customers, etc.

2. Awareness

The percentage of people who are aware of a brand is known as brand awareness. Well established companies have the benefit of a high level of brand awareness. Brand awareness can be increased with the help of advertisement on TV, radio, newspaper or social media marketing and advertising. Logos also help companies build brand awareness, as people often recognize brands by these symbols or diagrams.

3. Loyalty

Brand loyalty is the highest achievement or apex of any company. A customer who buys the product of a particular company extensively is known as a brand loyalist. Many consumers prefer using certain brands of clothing, deodorants or tubes of toothpaste, for example. They like how these brands benefit them. Brand loyalty can be build by staying in touch with the customers, asking them for their reviews.

4. Consistency

Consistency is necessary for a brand. A brand must remain consistent. Small businesses make numerous promises in commercials and ads about their brands, and consumers expect companies to continue living up to these promises. Their products should also be effective.

3.14 Significance of Branding

Branding provides benefits to buyers and sellers.

To Buyer:

A brand helps buyers in identifying the product that they like/dislike.

- ✓ It identifies the marketer.

- ✓ It helps reduce the time needed for purchase.
- ✓ It helps buyers evaluate quality of products, especially if they are unable to judge a product's characteristics.
- ✓ It helps reduce buyers' perceived risk of purchase.
- ✓ The buyer may derive a psychological reward from owning the brand (e.g., Rolex watches or Mercedes).

To Seller:

- ✓ A brand differentiates product offering from competitors.
- ✓ It helps segment market by creating tailored images.
- ✓ It identifies the companies' products making repeat purchases easier for customers.
- ✓ It reduces price comparisons.
- ✓ It helps the firm introduce a new product that carries the name of one or more of its existing products.
- ✓ It promotes easier cooperation with intermediaries with well-known brands
- ✓ It facilitates promotional efforts.
- ✓ It helps in fostering brand loyalty, thus helping to stabilize market share.
- ✓ Firms may be able to charge a premium for the brand.

3.15 What is Product Development?

The act of developing and introducing new goods or services to the market is referred to as product development. It involves a series of activities aimed at transforming ideas and concepts into tangible offerings that meet customer needs and generate value for the business. Product development encompasses various stages, from ideation and design to testing, manufacturing, and commercialization.

3.16 Role of Product Development in Business Success

Product development plays a pivotal role in determining the success of a business. Here are some key ways it contributes to the overall growth and profitability:

1. Meeting Customer Needs

By engaging in product development, businesses can identify and address unmet customer needs and pain points. Companies may create products that meet particular requirements, improve user experience, and address current difficulties through research, consumer input, and market analysis.

2. Competitive Advantage

In today's crowded marketplace, differentiation is essential. Businesses may differentiate themselves from rivals by providing distinctive features, functions, and benefits thanks to effective product development. Companies may grow market share, draw in new clients, and foster brand loyalty thanks to this competitive edge.

3. Revenue Generation

Developing new products expands a company's revenue streams. By introducing innovative offerings, businesses can tap into new markets, target different customer segments, and create additional revenue opportunities. Successful goods may boost sales, boost profitability, and contribute to the organization's long-term financial success.

4. Brand Image and Reputation

Well-executed product development initiatives enhance a company's brand image and reputation. By consistently delivering high-quality, innovative products, businesses establish themselves as industry leaders, gain customer trust, and build a positive brand perception. A strong brand reputation can lead to increased customer loyalty, positive word-of-mouth recommendations, and improved market positioning.

3.17 Key Elements of Successful Product Development

Planning, execution, and ongoing improvement are essential for successful product development. Here are some key elements that contribute to the success of product development initiatives:

1. Market Research

Conducting thorough market research helps identify market trends, customer preferences, and unmet needs. It provides valuable insights that shape the product development process and ensures alignment with market demands.

2. Customer-Centric Approach

Placing the customer at the center of product development is crucial. Understanding their pain points, desires, and behaviors enables businesses to create products that address their specific needs and deliver a superior user experience.

3. Cross-Functional Collaboration

Product development involves multiple departments, including marketing, design, engineering, and operations. Effective collaboration and communication among these teams are essential for seamless coordination and successful product outcomes.

4. Iterative and Agile Methodologies

Adopting iterative and agile methodologies allows for flexibility and quick adaptation to changing requirements and market dynamics. This approach promotes rapid prototyping, testing, and feedback incorporation, leading to faster time-to-market and better product iterations.

5. Design Thinking

Applying design thinking principles helps in developing innovative and user-centered products. By emphasizing empathy, ideation, prototyping, and testing, businesses can create products that address real user problems and deliver delightful experiences.

6. Quality Assurance

Ensuring product quality is vital for customer satisfaction and brand reputation. Implementing robust quality assurance processes and conducting thorough testing at various stages of product development help identify and rectify issues before product launch.

7. Post-Launch Evaluation

Continuously evaluating the performance and success of the product after launch is critical. Collecting customer feedback, monitoring key performance indicators, and making iterative improvements based on insights gained enhance the product's long-term success.

Product development is a strategic process that drives business success by creating innovative, customer-centric products. By understanding market needs, leveraging cross-functional collaboration, and following key principles and methodologies, organizations can develop remarkable products that meet customer expectations, drive revenue growth, and gain a competitive edge in the market.

3.18 New Product Development Strategies

New product development (NPD) strategies are a set of systematic approaches that organizations use to create and introduce innovative products to the market. In order to guarantee that the new goods fit client wants, line up with corporate objectives, and have a greater chance of success, these strategies comprise a number of clearly defined stages and processes.

New product development strategies are vital for businesses across industries, whether they are launching a completely new product or introducing enhancements to existing offerings. By following a structured approach to NPD, companies can reduce risks, optimize resource allocation, and maximize the potential for market acceptance and profitability.

Let us explore the key stages involved in new product development strategies, providing insights into each step of the process. From market research and idea generation to concept development, business analysis, product development, and test marketing, these strategies enable companies to create innovative and customer-centric products.

These are the strategies for developing new products:

1. Market Research and Analysis

Conducting thorough market research and analysis is the first stage in developing a new product. This entails compiling information and insights into the target market, consumer wants, competitive environment, and market trends. Businesses may make wise judgements regarding product development by using market research to find market opportunities and gaps.

Data analysis, focus groups, surveys, and interviews are all examples of market research methodologies. Understanding client preferences, problems, and unmet wants is the aim. Businesses may create goods that are in line with market wants and have a greater chance of success by developing a thorough grasp of the market.

2. Idea Generation and Screening

Once market research is complete, the next step is generating and screening product ideas. Idea generation involves brainstorming sessions, idea competitions, customer feedback, and internal suggestions. The goal is to generate a pool of potential product ideas that address identified market gaps.

After idea generation, a screening process is conducted to evaluate the feasibility and viability of each idea. Screening criteria may include market potential, technical feasibility, resource requirements, and alignment with business objectives. Ideas that pass the screening stage move forward in the product development process.

3. Concept Development and Testing

In this stage, selected ideas are further developed into product concepts. Product concepts are detailed descriptions of the product, its features, benefits, and positioning in the market. Concepts may be presented through visual representations, prototypes, or simulations.

Concept testing involves gathering feedback from target customers to evaluate their reactions and preferences. This helps refine and validate the product concept, ensuring it resonates with the intended market. Feedback from concept testing is used to make necessary iterations and improvements before proceeding to the next stage.

4. Business Analysis and Feasibility Assessment

Before committing resources to product development, a thorough business analysis and feasibility assessment are conducted. This involves evaluating the financial viability, technical feasibility, and market potential of the product concept.

Financial analysis assesses the projected costs, revenues, and profitability of the new product. Technical feasibility analysis evaluates whether the product can be developed within the required time and resources. Market potential analysis examines the target market size, growth potential, and competitive landscape.

5. Product Development and Prototyping

Once the product concept is deemed feasible, the actual product development process begins. This stage involves designing, engineering, and manufacturing the product. Multiple iterations of prototypes are created to refine the product design and functionality.

Product development teams work closely with designers, engineers, and other stakeholders to ensure the product meets the desired specifications and quality standards. Prototyping allows for testing and validation of the product's performance, usability, and aesthetics. Iterative improvements are made based on feedback and testing results.

6. Test Marketing and Commercialization

Before a full-scale launch, test marketing is conducted to gauge the market response and fine-tune marketing strategies. Test marketing involves a limited release of the product in select markets or target customer segments. It allows businesses to gather real-world feedback, assess demand, and make necessary adjustments.

Based on the test marketing results, marketing strategies and communication plans are refined. After successful test marketing, the product is ready for commercialization. This includes finalizing production, distribution channels, pricing, and promotional activities. The product is launched in the market and made available to customers.

By following a structured approach to new product development, businesses can increase the likelihood of creating successful and profitable products. The stages outlined above provide a framework for effectively managing the product development process. Each stage plays a crucial role in ensuring that the product meets customer needs, aligns with business objectives, and achieves market success.

3.19 Steps in the New Product Development Process

A successful new product development process involves a series of well-defined steps that guide organizations from the initial idea generation stage to the final commercialization of the product. These steps ensure that the product aligns with customer needs, business objectives, and market opportunities. Let’s delve into each step of the new product development process:

1. Idea Generation

The first step in the new product development process is idea generation. It involves systematically generating and collecting potential ideas for new products or product improvements. This can be done through various methods such as brainstorming sessions, customer feedback, market research, competitive analysis, and internal innovation programs. The goal is to generate a wide range of ideas that have the potential to address customer pain points or tap into new market opportunities.

2. Idea Screening

After generating a pool of ideas, the next step is to screen and evaluate them to identify the most promising ones. Idea screening involves assessing the feasibility, market potential, and strategic fit of each idea. Criteria such as customer needs, market size, competition, technical feasibility, and financial viability are considered during the screening process. Ideas that do not meet the predetermined criteria are eliminated, allowing the organization to focus on the most viable concepts.

3. Concept Development and Testing

Once the promising ideas are identified, the organization moves on to concept development and testing. In this stage, detailed concepts are developed for the selected ideas. These concepts outline the product's features, benefits, and value proposition. Concept testing involves presenting these concepts to a target audience to gather feedback and assess their acceptance. This feedback helps refine the concepts and identify potential improvements or modifications before moving forward.

4. Business Analysis

Before committing resources to the development of the product, a thorough business analysis is conducted. This step involves assessing the financial viability and market potential of the product. Factors such as estimated sales volume, pricing, production costs, distribution channels, and competitive analysis are considered. The goal is to ensure that the product has a strong business case and aligns with the company's overall strategic goals and financial objectives.

5. Product Development

Once the business analysis is complete and the product concept is deemed feasible, the product development phase begins. This stage involves transforming the concept into a tangible product through design, engineering, and manufacturing processes. Cross-functional collaboration is crucial at this stage, involving teams from various departments such as engineering, design, research and development, and production. Prototypes are created, and extensive testing is conducted to ensure product functionality, quality, and reliability.

6. Test Marketing

Before launching the product on a large scale, test marketing is conducted in selected target markets. Test marketing enables the company to analyse the performance of the product in a real-world environment, acquire consumer feedback, assess the success of marketing initiatives, and make required improvements. It provides valuable insights that help fine-tune the product, positioning, pricing, and promotional activities before the full-scale launch.

7. Commercialization

Commercialization is the last stage of the new product development process. This involves the full-scale launch of the product into the market. The commercialization stage includes setting up production facilities, establishing distribution channels, implementing marketing and promotional strategies, and managing the product's lifecycle. The success of the commercialization phase relies on effective marketing campaigns, efficient supply chain management, strong customer support, and continuous monitoring of market performance.

3.20 Challenges in Product Development

Product development is a complex and dynamic process that involves numerous challenges. Overcoming these challenges is crucial for successful product development and ensuring that the final product meets customer needs and achieves business objectives.

The key challenges faced in product development:

1. Managing Risks and Uncertainties:

a. Technological Risks: Developing innovative products often involves technological uncertainties. This includes challenges related to feasibility, scalability, compatibility, and reliability of new technologies. Mitigating these risks requires thorough research, prototyping, and testing.

b. Market Risks: Uncertainties in market demand and customer preferences pose significant challenges. Conducting comprehensive market research, understanding customer needs, and validating product-market fit are essential for reducing market risks.

c. Financial Risks: It's critical to manage financial risks connected to product development, such as spending restrictions, cost overruns, and return on investment. These difficulties can be lessened with good financial planning, monitoring, and risk assessment.

2. Cross-Functional Collaboration:

a. Siloed Approaches: Product development often involves multiple departments and teams working together. Siloed approaches and lack of effective communication can hinder collaboration and lead to inefficiencies. The answer to overcome this difficulty is to establish cross-functional teams, encourage open communication, and develop a collaborative culture.

b. Alignment of Objectives: Different teams may have varying objectives and priorities. Aligning these objectives to ensure a shared vision and coordinated efforts is essential for successful product development. Clear goal-setting, regular meetings, and effective project management techniques can facilitate alignment.

c. Integration of Expertise: Product development requires diverse expertise, including marketing, engineering, design, and operations. Integrating these different skill sets and leveraging the strengths of each team member is crucial. Encouraging knowledge sharing, providing training opportunities, and fostering a multidisciplinary approach can enhance collaboration.

3. Time and Resource Constraints:

a. Time-to-Market Pressure: In today's competitive landscape, speed to market is crucial. Balancing the need for speed with thorough product development processes can be challenging. Efficient project management, streamlined processes, and effective resource allocation are key to managing time constraints.

b. Resource Limitations: Limited resources, including budget, personnel, and technology, can pose significant challenges. Optimizing resource allocation, prioritizing tasks, and seeking external partnerships or outsourcing opportunities can help overcome resource constraints.

4. Market Dynamics and Competitive Landscape:

a. Changing Market Dynamics: Markets are dynamic, and customer preferences evolve over time. To remain competitive, it's crucial to keep up with industry trends, comprehend developing technology, and adjust to shifting client requirements.

b. Competitive Landscape: Competition is fierce in most industries, and launching a successful product requires differentiation and a competitive edge. Conducting thorough competitive analysis, identifying unique value propositions, and continuously innovating are vital to navigate the competitive landscape.

Addressing the challenges in product development requires a proactive approach, effective leadership, and continuous improvement. By anticipating risks, fostering collaboration, managing resources efficiently, and staying agile in response to market dynamics, organizations can overcome these challenges and deliver successful products.

Product development is a complex process with many difficulties. By recognizing and addressing these challenges, organizations can enhance their chances of success. Through strategic risk management, fostering cross-functional collaboration, optimizing resources, and adapting to market dynamics, companies can navigate the complexities of product development and bring innovative and successful products to market.

3.21 Best Practices for Successful Product Development

Successful product development demands a methodical, well-executed methodology. Businesses may improve their chances of producing goods that satisfy customers' demands, help them fulfil their objectives, and outperform rivals by putting best practises into practise.Let's explore some key best practices for successful product development:

1. Customer-Centric Approach:

a. Market Research: Conduct comprehensive market research to understand customer needs, pain points, and preferences. Use techniques like surveys, interviews, and focus groups to gather valuable insights that drive product development decisions.

b. User Personas: Create user personas that represent your target audience. These personas help in aligning product features and design with the specific needs and preferences of different customer segments.

c. Customer Feedback: Continuously gather and incorporate customer feedback throughout the product development process. This helps in validating product concepts, identifying improvements, and ensuring customer satisfaction.

2. Agile and Iterative Methodologies:

a. Agile Framework: Adopt Agile methodologies, such as Scrum or Kanban, to promote flexibility, collaboration, and incremental development. Break down the product development process into smaller, manageable tasks called sprints, allowing for faster iterations and frequent feedback.

b. Minimum Viable Product (MVP): Develop a minimum viable product that addresses core customer needs and allows for early market testing and feedback. This approach helps in reducing time to market, validating assumptions, and making informed iterations based on user feedback.

c. Continuous Improvement: Embrace a culture of continuous improvement by regularly reviewing and refining product features, design, and functionality. This iterative approach enables organizations to respond to market changes and evolving customer needs effectively.

3. Continuous Learning and Adaptation:

a. Data-Driven Decision Making: Leverage data and analytics to inform product development decisions. Monitor key performance indicators (KPIs), track user behavior, and analyze market trends to gain insights and make data-driven decisions.

b. Test and Learn: Implement a test and learn approach by conducting controlled experiments, A/B testing, or usability testing. This makes it possible for organizations to obtain empirical evidence and base their judgments on factual information.

c. Rapid Prototyping: Build prototypes or mockups early in the development process to visualize and validate product concepts. Prototyping allows for early feedback, identifies design flaws, and helps refine the product before investing significant resources.

4. Collaboration and Communication:

a. Cross-Functional Collaboration: Foster collaboration among different teams, such as product management, design, engineering, and marketing. Encourage open communication, knowledge sharing, and interdisciplinary teamwork to leverage diverse expertise and drive innovation.

b. Stakeholder Engagement: Engage important stakeholders, such as clients, partners, and internal teams, at every stage of the product development process. To guarantee a common vision and positive results, solicit their feedback, resolve any issues, and set clear expectations.

c. Effective Project Management: Implement effective project management practices, such as defining clear goals, establishing milestones, and setting realistic timelines. Utilize project management tools and techniques to streamline communication, track progress, and manage resources efficiently.

5. Leveraging Technology and Tools:

a. Collaboration Tools: Utilize project management and collaboration tools, such as task management software, communication platforms, and shared document repositories. These tools facilitate seamless collaboration, streamline workflows, and enhance team productivity.

b. Product Development Software: Leverage specialized product development software to streamline and automate various aspects of the process, such as idea management, requirements gathering, prototyping, and testing. These tools help in improving efficiency, reducing errors, and accelerating time to market.

c. Data Analytics and Insights: Leverage data analytics tools to gain actionable insights from customer feedback, market trends, and performance metrics. These tools enable organizations to make data-driven decisions and optimize product development strategies.

Implementing these best practices in product development can significantly improve the chances of success. By adopting a customer-centric approach, embracing agile methodologies, fostering continuous learning and adaptation, promoting collaboration and communication, and leveraging technology and tools, organizations can enhance their product development processes and deliver innovative, market-leading products.

Successful product development requires a combination of strategic planning, customer focus, iterative approaches, effective collaboration, and leveraging technology. By following these best practices, organizations can navigate the complexities of product development, reduce risks, and increase the likelihood of launching successful products that meet customer needs and drive business growth.

Questions for Self Study:

1. Discuss the Classification of Product.
2. Enumerate the stages of Product Life Cycle.
3. What is a new Product? How is it developed?
4. Explain in detail the New Product Development Process.
5. Explain the significance of branding.

UNIT – IV

PRICING AND PHYSICAL DISTRIBUTION

4.1 Introduction to Pricing

Setting the right price is an important part of effective marketing. It is the only part of the marketing mix that generates revenue (product, promotion and place are all about marketing costs). Price is also the marketing variable that can be changed most quickly, perhaps in response to a competitor price change.

4.2 Meaning of Price

Price is the amount of money expected and given in exchange for a good or service. Pricing can also be defined as the value customers sacrifice to benefit from receiving and using a goods or service.

4.3 Definition of Price

According to **Prof. Philip Kotler,** "Price is the only element in the marketing mix that produces revenue, the other elements produce cost."

According to **David J. Schwartz,** "Price is the exchanged value of the product or service expressed in terms of money."

4.4 Pricing Objectives

Figure 4.1

Pricing Objectives

1. Survival

The foremost Pricing Objective of any firm is to set the price that is optimum and help the product or service to **survive in the market**. Each firm faces the danger of getting ruled out from the market because of the intense competition, a mature market or change in customer's tastes and preferences, etc.

Thus, a firm must set the price covering the **fixed and variable cost** incurred without adding any profit margin to it. The survival should be the short term objective once the firm gets a hold in the market it must strive for the additional profits. The **New Firms** entering into the market adopts this type of pricing objective.

2. Maximizing the current profits

Many firms try to maximize their current profits by estimating the Demand and Supply of goods and services in the market. Pricing is done in line with the product's demand in the customers and the substitutes available to fulfill that demand. Higher the demand higher will be the price charged. Seasonal supply and demand of goods and services are the best examples that can be quoted here.

3. Capturing huge market share

Many firms charge low prices for their offerings to capture greater market share. The reason for keeping the price low is to have an increased sales resulting from the Economies of Scale. Higher sales volume lead to lower production cost and increased profits in the long run.This strategy of keeping the price low is also known as Market Penetration Pricing. This pricing method is generally used when competition is intense and customers are price sensitive. FMCG industry is the best example to supplement this.

4. Market Skimming

Market skimming means charging a high price for the product and services offered by the firms which are innovative, and uses modern technology. The prices are comparatively kept high due to the high cost of production incurred because of modern technology. Mobile phones, Electronic Gadgets are the best examples of skimming pricing that are launched at a very high cost and gets cheaper with the span of time.

5. Product –Quality Leadership

Many firms keep the price of their goods and services in accordance with the Quality Perceived by the customers. Generally, the luxury goods create their high quality, taste, and status image in the minds of customers for which they are willing to pay high prices. Luxury cars such as BMW, Mercedes, Jaguar, etc. create the high quality with high-status image among the customers.

4.5 Pricing Policies

Pricing policy refers to how a company sets the prices of its products and services based on costs, value, demand, and competition. Pricing strategy, on the other hand, refers to how a company uses pricing to achieve its strategic goals, such as offering lower prices to increase sales volume or higher prices to decrease backlog.

Factors to be considered for pricing Policies

Companies often have different priorities when determining how to price their products. Your new company might need to introduce its services while offering good value to consumers, or it might be a well-established and highly profitable company that sells in a market willing to pay higher prices. The most important considerations for pricing policies are:

1. **Competition**

   Your business likely understands who its competitors are and what they charge consumers. Pricing policies heavily consider competition with other firms in the market.

2. **Profit goals**

   You might choose a pricing policy to meet a specific profit goal for your company.

3. **Sales totals**

   Pricing policies directly affect how many people buy your company's product and how much they purchase.

4. **Firm health**

   The financial circumstances of your company may enable it to prioritize market strategy over immediate profit, or you may need to earn revenue as soon as possible to remain in business.

5. **Flexibility**
   Companies often react to market shifts by changing prices. Your company might consider if your initial price enables you to respond to the market without losing profitability.
6. **Government regulation**
   To protect consumers, the government regulates the pricing of certain goods and services. Depending on your industry, this may be irrelevant or a central concern in pricing policy.
7. **Method of price adjustment**
   Increasingly, companies that sell vast amounts of goods may automate pricing with specialized software. Pricing policies consider how your company intends to change prices.
8. **Sales venue**
   If your company sells the same product in wholesale, retail or other venues, pricing policies may differ for each one.

4.6 Types of Pricing Policies

Here are the common types of pricing policies companies use.

1. Cost-based pricing policy

A cost-based pricing policy calculates the average cost of production for a good or service and then accounts for the profit margin your company desires. This policy is a traditional approach to doing business because it considers the costs of doing business in a straightforward and adjustable manner.

If a material you require for production goes up in price, you simply raise the price of the good proportionally. One downside of this policy is that it can be difficult to know what you need to charge ahead of time or if the scale of production changes.

2. Value-based pricing policy

Some companies have to respond to what consumers are willing to pay for a product. To determine what this price is, your company would conduct market research on market expectations, consumer preferences and competitors' offerings. Value-based pricing tries to understand the select factors distinguishing your specific good. It achieves this by:

- ✓ Focusing on specific market segments
- ✓ Studying existing competition

- ✓ Pricing for added value

3. Demand-based pricing policy

Consumer demand has different properties depending on the product. Demand-based pricing policies maximize profit by responding to the various consumer behaviors found in markets. Here are common demand-related factors that can determine pricing:

- ✓ Inelastic demand
- ✓ Automated pricing
- ✓ Lack of competition

4. Competition-based pricing policy

Competition-based pricing policy can be useful because it's a simple way to determine price. It also can be both accurate and low-risk, since you likely understand what your consumers already pay for what you're offering.

However, sometimes, this approach might lead your company to overlook strengths of your product that could command higher prices. Since many companies use a competitive-based pricing policy, one firm's inaccurate pricing can also result in widespread pricing mistakes.

4.7 How to Create a Pricing Policy

Here are the steps to take to create a pricing policy that suits your company:

1. Assess business needs

The first step to creating the right pricing policy arrangement for your business is to recognize the needs of your company. Consider what you hope to achieve with the product you're introducing to the market and the financial position of your firm. Your company's needs are likely influenced by:

- ✓ Size of company
- ✓ Profitability
- ✓ Number of offered products
- ✓ Competition
- ✓ Economic conditions
- ✓ Market supply and demand

2. Evaluate Profit

Determine if your product lends itself to one type of pricing policy instead of another. Unique products have much different earning potentials than duplicate products from different brands, for instance. Important product considerations include:

- ✓ **Production costs:** If your product is expensive to produce, you might have to emphasize covering costs. If not, you might price more strategically.
- ✓ **Market demand:** Your company may privilege a demand-based pricing policy if you can take advantage of high demand or choose a pricing policy to overcome low demand.
- ✓ **Market segment:** Price can be a way to signal a company's desired audience. Consider who you want and expect to purchase your product when choosing a pricing policy.
- ✓ **Novelty:** Evaluate how new to the market your product is and try to understand how long your company can maintain a competitive edge.

3. Research competition

No matter which pricing policy you choose, researching competition is an important business practice that helps you understand your product's potential, market trends and competitors' approach to pricing. You might also learn information that can guide your product development and business strategies. For instance, you might discover the frustrations consumers experience with competitors' products and translate that knowledge into new goods or services you price with a value-based policy.

4.8 Methods of Pricing

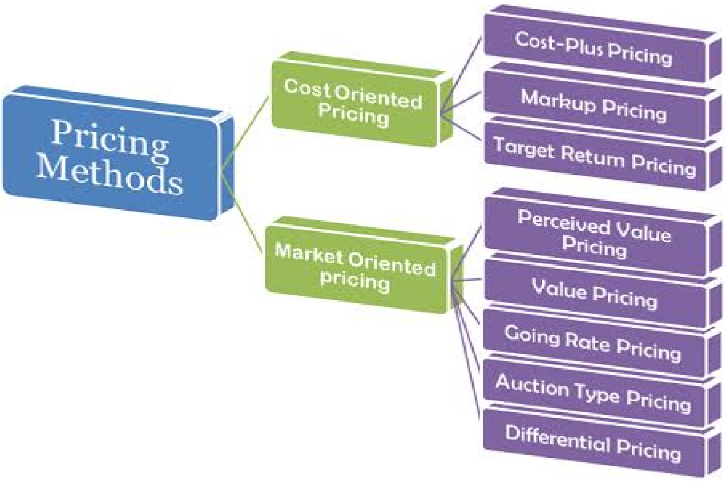
The Pricing Methods are the ways in which the price of goods and services can be calculated by considering all the factors such as the product/service, competition, target audience, product's life cycle, firm's vision of expansion, etc. influencing the pricing strategy as a whole.

The pricing methods can be broadly classified into two parts:

1. Cost Oriented Pricing Method
2. Market Oriented Pricing Method

Figure 4.2

Methods of Pricing



1. Cost-Oriented Pricing Method

Many firms consider the Cost of Production as a base for calculating the price of the finished goods. Cost-oriented pricing method covers the following ways of pricing:

a) Cost-Plus Pricing

It is one of the simplest pricing method wherein the manufacturer calculates the cost of production incurred and add a certain percentage of markup to it to realize the selling price. The markup is the percentage of profit calculated on total cost i.e. fixed and variable cost.

E.g. If the Cost of Production of product-A is Rs. 500 with a markup of 25% on total cost, the selling price will be calculated as

Selling Price= cost of production + Cost of Production x Markup Percentage/100

Selling Price=500+500 x 0.25= 625

Thus, a firm earns a profit of Rs. 125 (Profit=Selling price- Cost price)

b) Markup Pricing

This pricing method is the variation of cost plus pricing wherein the percentage of markup is calculated on the selling price. **E.g.** If the unit cost of a chocolate is Rs 16 and producer wants to earn the markup of 20% on sales then mark up price will be:

Markup Price= Unit Cost/ 1-desired return on sales

Markup Price= 16/1-0.20 = 20

Thus, the producer will charge Rs. 20 for one chocolate and will earn a profit of Rs. 4 per unit.

c) Target-Return Pricing

In this kind of pricing method the firm set the price to yield a required Rate of Return on Investment (ROI) from the sale of goods and services. E.g. If soap manufacturer invested Rs 1,00,000 in the business and expects 20% ROI i.e. Rs 20,000, the target return price is given by:

Target return price= Unit Cost + (Desired Return x capital invested)/ unit sales.

Target Return Price=16 + (0.20 x 100000)/5000

Target Return Price= Rs. 20

Thus, Manufacturer will earn 20% ROI provided that unit cost and sale unit is accurate. In case the sales do not reach 50,000 units then the manufacturer should prepare the break-even chart wherein different ROI's can be calculated at different sales unit.

2. Market-Oriented Pricing Method:

Under this method price is calculated on the basis of market conditions. Following are the methods under this group:

a) Perceived-Value Pricing:

In this pricing method, the manufacturer decides the price on the basis of customer's perception of the goods and services taking into consideration all the elements such as advertising, promotional tools, additional benefits, product quality, the channel of distribution, etc. that influence the customer's perception.

E.g. Customer buy Sony products despite less price products available in the market, this is because Sony company follows the perceived pricing policy wherein the customer is willing to pay extra for better quality and durability of the product.

b) Value Pricing:

Under this pricing method companies design the low priced products and maintain the high-quality offering. Here the prices are not kept low, but the product is re-engineered to reduce the cost of production and maintain the quality simultaneously.

E.g. Tata Nano is the best example of value pricing, despite several Tata cars, the company designed a car with necessary features at a low price and lived up to its quality.

c) Going-Rate Pricing:

In this pricing method, the firms consider the competitor's price as a base in determining the price of its own offerings. Generally, the prices are more or less same as that of the competitor and the price war gets over among the firms.

E.g. In Oligopolistic Industry such as steel, paper, fertilizer, etc. the price charged is same.

d) Auction Type pricing:

This type of pricing method is growing popular with the more usage of internet. Several online sites such as eBay, Quikr, OLX, etc. provides a platform to customers where they buy or sell the commodities. There are three types of auctions:

- ✓ **English Auctions:** There is one seller and many buyers. The seller puts the item on sites such as Yahoo and bidders raise the price until the top best price is reached.
- ✓ **Dutch Auctions:** There may be one seller and many buyers or one buyer and many sellers. In the first case, the top best price is announced and then slowly it comes down that suit the bidder whereas in the second kind buyer announces the product he wants to buy then potential sellers competes by offering the lowest price.
- ✓ **Sealed-Bid Auctions**: This kind of method is very common in the case of Government or industrial purchases, wherein tenders are floated in the market, and potential suppliers submit their bids in a closed envelope, not disclosing the bid to anyone.

e) Differential Pricing

This pricing method is adopted when different prices have to be charged from the different group of customers. The prices can also vary with respect to time, area, and product form.

E.g. The best example of differential pricing is Mineral Water. The price of Mineral Water varies in hotels, railway stations, retail stores.

Thus, the companies can adopt either of these pricing methods depending on the type of a product it is offering and the ultimate objective for which the pricing is being done.

4.9 Distribution Channel

Distribution channels are part of the downstream process, answering the question "How do we get our product to the consumer?" This is in contrast to the upstream process, also known as the supply chain, which answers the question "Who are our suppliers?"

Meaning

Distribution Channels are sets of interdependent organizations participating in the process of making a product or service available for use or consumption. They are the set of pathways a product or service follows after production, culminating in purchase and consumption by the final end user.

Some intermediaries - such as **wholesalers and retailers** –buy, take title to, and resell the merchandise; they are called **merchants.** Others **brokers, manufacturers 'representatives, sales agents** - search for customers and may negotiate on the producers behalf but do not take title to the goods; they are called **agents.** Still others-- transportation companies, independent warehouses, banks, advertising agencies -- assist in the distribution process but neither takes title to goods nor negotiates purchases or sales; they are called **facilitators**.

4.10 Types of Distribution Channels

There are three major distribution channels and they are:

1. Direct distribution channels
2. Indirect distribution channels
3. Hybrid distribution channels

Figure 4.3

Types of Distribution Channels

1. Direct Distribution Channels

Direct distribution channels refer to the method of selling products directly from the producer or manufacturer to the end consumer without the involvement of intermediaries. In this channel, the producer takes on the responsibility of marketing, sales, and distribution.

Types

- ✓ Company-owned online stores
- ✓ Direct sales representatives:
- ✓ Company-owned physical outlets

Characteristics

Direct distribution channels are characterized by a direct relationship between the producer and the end consumer. The producer retains control over the entire sales process, from marketing to distribution. It often involves a shorter supply chain, resulting in faster decision-making, reduced costs, and increased control over brand image and customer experience.

Advantage

- ✓ **Greater control:** The producer has direct control over branding, pricing, and customer interactions, allowing for better brand management.
- ✓ **Higher profit margins:** Eliminating intermediaries can lead to higher profit margins as there are no middlemen to share the revenue.
- ✓ **Direct customer feedback:** Direct channels enable direct communication and feedback from customers, facilitating product improvement and personalized customer service.

Disadvantages

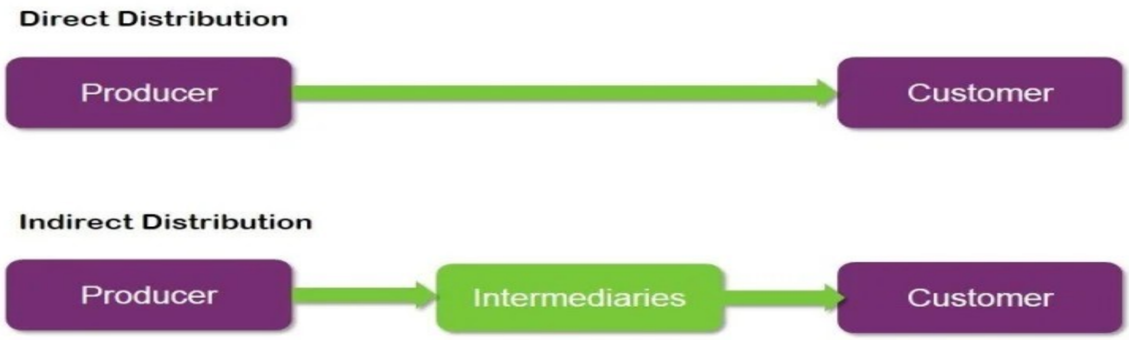
- ✓ **Increased responsibilities:** The producer must handle all aspects of marketing, sales, and distribution, which can be resource-intensive and time-consuming.
- ✓ **Limited market reach:** Direct channels may have limitations in reaching a broader customer base, especially in geographically dispersed markets.
- ✓ **Higher upfront costs:** Setting up and managing direct channels may require significant investments in infrastructure, technology, and marketing.

Examples

- ✓ Automotive industry
- ✓ Tech industry
- ✓ Fashion and apparel
- ✓ Food and beverage
- ✓ Cosmetics industry

Figure 4.4

Direct Distribution Channels and Indirect Distribution Channels



2. Indirect Distribution Channels

Indirect distribution channels refer to the method of selling products where intermediaries, such as wholesalers, retailers, distributors, agents, or brokers, are involved in the distribution process between the producer and the consumer. These intermediaries handle tasks like warehousing, transportation, marketing, and selling the products to the end customers.

Types

- ✓ Wholesalers
- ✓ Retailers
- ✓ Distributors
- ✓ Agents and brokers

Characteristics

Indirect distribution channels involve multiple stages in the distribution process, with each intermediary playing a specific role. The producer transfers the products to the intermediaries, who then take responsibility for storing, marketing, and selling the products to reach the end consumer. It allows for wider market coverage, as intermediaries often have established networks and expertise in specific markets or industries.

Advantage

- ✓ **Market expertise:** Intermediaries possess in-depth knowledge of the market, consumer preferences, and distribution networks, enabling producers to leverage their expertise for effective product placement and promotion.
- ✓ **Expanded market reach:** By partnering with intermediaries, producers can access a broader customer base, especially in markets where intermediaries have an established presence.
- ✓ **Cost efficiency:** Intermediaries can consolidate orders, handle logistics, and provide marketing support, resulting in cost savings for producers.

Disadvantages

- ✓ **Reduced control:** Producers have less control over product positioning, pricing, and customer interactions as intermediaries are involved in the distribution process.
- ✓ **Profit sharing:** Producers may need to share profits with intermediaries, reducing overall profit margins.
- ✓ **Communication challenges:** Managing communication and maintaining consistent branding and messaging across multiple intermediaries can be complex.

Examples

Retailers like Walmart sources products from various manufacturers and sells them through its extensive network of physical stores and online platforms.

3. Hybrid Distribution Channels

Hybrid distribution channels combine elements of both direct and indirect channels. It involves a combination of selling products directly to consumers while also utilizing intermediaries to distribute and sell products on behalf of the producer.

Types

- ✓ Manufacturer-owned retail stores
- ✓ Online marketplaces
- ✓ Dual distribution

Characteristics

Hybrid distribution channels offer flexibility and diversity in reaching customers. They allow producers to maintain control over certain aspects of the sales process while also leveraging the market reach and expertise of intermediaries. In this channel there is often a combination of company-owned retail outlets, online sales, and partnerships with distributors or retailers.

Advantages

- ✓ **Increased market coverage:** Hybrid channels provide access to a wider customer base by combining direct and indirect distribution methods.
- ✓ **Control over branding and customer experience:** Direct channels allow producers to maintain control over branding, pricing, and customer interactions.
- ✓ **Leveraging intermediaries' expertise:** Indirect channels enable the use of intermediaries' knowledge and resources to expand market reach and improve distribution efficiency.

Disadvantages

- ✓ **Increased complexity:** Managing multiple distribution channels and coordinating activities between direct and indirect channels can be complex and challenging.
- ✓ **Potential channel conflicts:** Conflict may arise between company-owned channels and intermediaries, particularly in terms of pricing, competition, and customer relationships.
- ✓ **Higher costs:** Maintaining and managing a hybrid distribution strategy may involve higher costs compared to relying solely on direct or indirect channels.

Example

The biggest example is Amazon that functions as an online marketplace, selling products directly to customers through its platform, while also allowing third-party sellers to offer their products to consumers.

4.11 Components of Distribution Channels

The components of distribution channels include:

1. Producers/Manufacturers

Producers or manufacturers are the originators of the products. They create, manufacture, and supply the goods to be distributed through the channel. Also, producers may have their own distribution channels or work with intermediaries.

2. Intermediaries

Intermediaries, also known as middlemen, play a crucial role in the distribution process. They facilitate the movement of products from the producer to the end consumer. Wholesalers, retailers, distributors, agents, brokers, or even online marketplaces are some of the examples of intermediaries.

3. Customers

Customers are the ultimate recipients of the products or services offered by the distribution channel. They can be individuals, businesses, or organizations who purchase and consume or utilize the products.

4. Channel partners

Channel partners are entities or organizations that collaborate with the producer to distribute and sell products. They can include wholesalers, retailers, distributors, or other intermediaries who actively participate in the distribution process.

5. Logistics

Logistics involves the physical movement and management of products throughout the distribution channel. It includes activities such as transportation, warehousing, inventory management, order fulfillment, and packaging. Efficient logistics ensure that products are delivered timely and in good condition.

6. Marketing and promotion

Marketing and promotional activities are essential components of distribution channels. They aim to create awareness, generate demand, and promote products to the target customers.

7. Information and communication

Information and communication flow within the distribution channel is crucial for its effective functioning. It involves the exchange of data, feedback, and market intelligence between the producer, intermediaries, and customers. Clear and efficient communication ensures smooth coordination and enables timely decision-making.

8. Payment

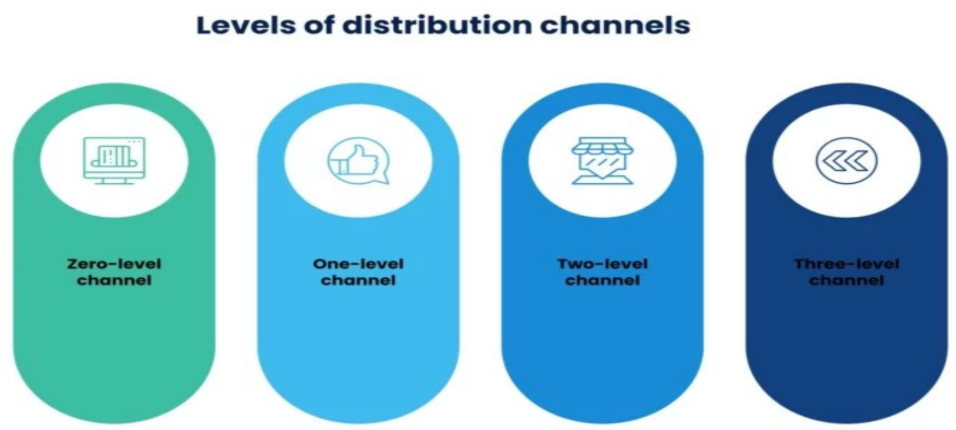
Financial transactions and payment occur between the different entities within the distribution channel. Producers receive payments from intermediaries or customers, and intermediaries handle financial transactions related to the purchase and distribution of products.

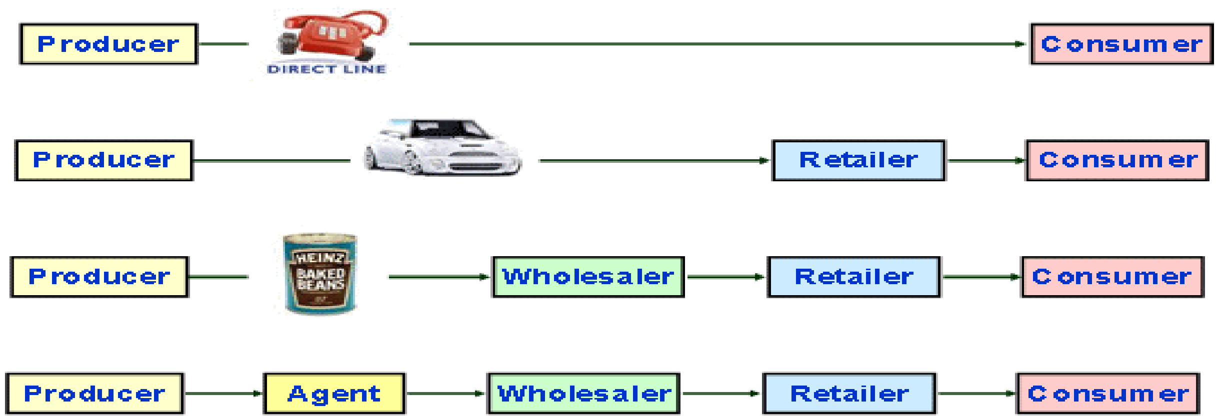
4.12 Distribution Channels

Distribution channels can operate at different levels, each representing a stage in the process of getting products from the producer to the end consumer. Here are the common levels of distribution channels:

Figure 4.5

Levels of Distribution Channel





1. Zero-Level Channel or Direct Marketing

In this there are no intermediaries involved between the producer and the end consumer. The producer directly sells products to customers through methods such as company-owned online stores, direct sales representatives, or physical outlets. This level of distribution provides the producer with maximum control over the marketing and distribution process.

2. One-Level Channel or Retail

In this channel there is one intermediary between the producer and the consumer. Typically, this intermediary is a retailer who purchases products from the producer and sells them directly to customers. Retailers can operate through physical stores, e-commerce platforms, or a combination of both.

3. Two-Level Channel or Wholesale And Retail

In the two-level channel there are two intermediaries between the producer and the consumer. The first intermediary is a wholesaler who purchases products in bulk from the producer and sells them in smaller quantities to retailers.

The second intermediary is the retailer who then sells the products to the end consumer. Wholesalers help in distribution, storage, and breaking down larger product quantities, while retailers focus on selling to individual customers.

4. Three-Level Channel or Agent, Wholesaler, And Retailer

In a three-level channel, there are three intermediaries involved in the distribution process. The first intermediary is an agent or broker who acts on behalf of the producer, connecting them with wholesalers. The wholesalers purchase products from the producer and sell them to retailers.

Finally, the retailers sell the products to consumers. This channel structure is common in industries where specialized agents or brokers assist in connecting producers with wholesalers.

4.13 Factors to be considered in Selecting a Channel

1. Product Type

The choice of channel of distribution is based on the type of the product that is produced. It is important to check whether the product is perishable or non-perishable, whether it is an industrial or a consumer product, whether its unit value is high or low and also, the degree of complexity of the product. For instance, if a good is perishable then short channels should be used rather than the long ones. Similarly, if a product has a low unit value then longer channel are preferred. In a similar manner, consumer products are distributed through long channels while industrial products are distributed through short channels.

2. Characteristics of the Company

The two important characteristics of a company that affect the choice of channel are its financial strength and the degree of control that the company wishes to hold on the intermediaries. Shorter channels require greater funds than longer channels and also offer greater control over the members of the channel (intermediaries). Thus, companies that are financially strong or wish to command greater control over the channel of distribution opt for shorter channels of distribution.

3. Competitive Factors

The degree of competition and the channels opted by other competitors affect the choice of distribution channel. Depending on its policies a company can adopt a similar channel as adopted by its competitors or opt for a different channel. For example, if competitors of a company opt for sale through retail store, it may also do the same or it can opt a different channel such as direct selling.

4. Environmental Factors

Environmental factors such as economic constraints and legal policies play an important role in the choice of channel of distribution. For example, requirement of complex legal formalities at each step of distribution induces the companies to opt for shorter channels.

5. Market Factors

Various other factors such as size of the market, geographical concentration of buyers, quantity demanded, etc. also affect the choice between the channels. For instance, if potential buyers are concentrated in a small geographical area then, shorter channels are used. As against this, if the buyers are dispersed in a larger area then longer channels of distribution may be used.

4.14 What is Channel Conflict?

Channel conflict occurs when there is a clash or disagreement between different entities within a company's distribution channels. It's like a heated showdown where various players, such as manufacturers, wholesalers, retailers, or even online platforms, find themselves at odds with one another. This conflict arises due to competing interests, conflicting goals, or disagreements regarding the allocation of resources and responsibilities.

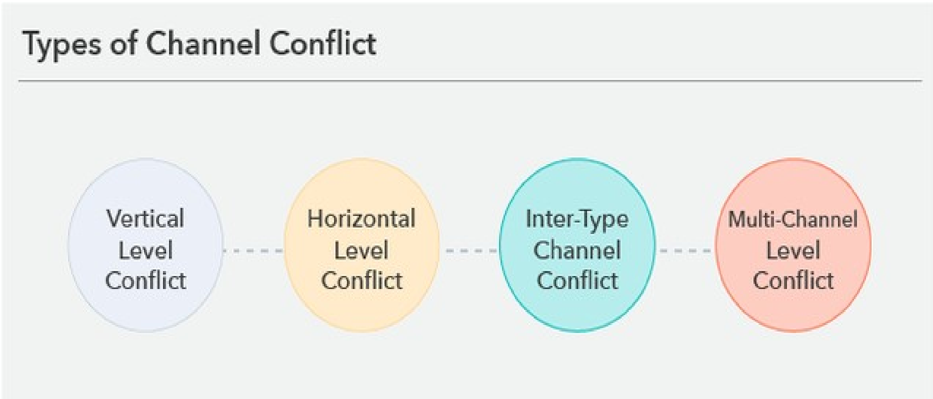
When this happens, it can hinder the smooth flow of products or services, create tension, and ultimately affect the overall efficiency and profitability of the distribution channels

4.15 Types of Channel Conflicts

Channel conflict can be explained as any dispute, difference or discord arising between two or more channel partners, where one partner's activities or operations affect the business, sales, profitability, market share or similar goal accomplishment of the other channel partner.

Figure 4.6

Types of Channel Conflict



1. Vertical Level Conflict

In the vertical level conflict, the channel partner belonging to a higher level enters into a dispute with the channel member of a lower level or vice-versa.

For instance, channel conflict between dealers and retailers or wholesalers and retailers.

2. Horizontal Level Conflict

The conflict among the channel partners belonging to the same level, i.e., issues between two or stockiest or retailers of different territories, on the grounds of pricing or manufacturer's biases, is termed as horizontal level conflict.

3. Inter-type Channel Conflict

These types of conflicts commonly arise in scrambled merchandising, where the large retailers go out of their way to enter a product line different from their usual product range, to challenge the small and concentrated retailers.

4. Multi-channel Level Conflict

When the manufacturer uses multiple channels for selling the products, it may face multi-channel level conflict where the channel partners involved in a particular distribution channel encounters an issue with the other channel.

4.16 Causes of Channel Conflict

It's important for business owners to understand the major causes of channel conflict so they can improve their operations. Channel conflict can hurt sales, damage partner relationships, and make customers unhappy.

By recognizing and dealing with these causes, businesses can take steps to reduce conflicts and make their distribution networks work better. In the next section, we'll examine the 5 main causes of channel conflict and explain what factors contribute to this problem.

1. Incompatible Goals with Your Partners

The moment you no longer share the same goals with your partners, there is bound to be a channel conflict. Imagine if each dog in a dog sled team pulled in different directions—they likely wouldn't go anywhere at all. The same is true of partner programs.

This problem often occurs because the strategy one partner may engage in may be different from that of another partner. While incompatible goals are one of the most common causes of conflict amongst organizational partners, it is also one of the easiest to resolve.

When partners in an organization do not have the same goals, they orient their work in different directions.

For example, a reseller partner may want to increase the product's price to bring more revenue. But on the other hand, you, as a business owner, may want to focus more on an affordable and fair price with repetitive purchases. While both goals benefit the software, the mode of execution clashes.

2. Lack of Communication between Partners

Lack of effective communication between partners is one of the main causes of conflict. When there is no proper communication, partners try to achieve their own goals the best way they can with the little information they have.

Because partners don't know about the plans of other partners due to a lack of effective communication, it sometimes causes conflict. Poor communication between partners will only deter them from achieving a set goal.

For partners to collaborate towards moving an organization forward, they need to keep all communication channels open.

With improper intercommunication, partners cannot foster a good working relationship. This also brings down their morale, affecting their effectiveness and productivity.

If, in an organization, there is a change in a marketing strategy with no proper distribution of the information, it will cause disparity and obstruct the process. For a marketing strategy to be effective, everyone in charge of one aspect or the other needs to be fully involved.

3. Unclear Policies & Contracts

Unclear or ill-defined policies and contracts in an organization cause partners to have conflict. Irrespective of the field of the partner—be it operations, supervision, management, or administration—clear and defined roles and responsibilities need to be in place.

Unclear policies and contracts cause structural conflict and illicit practices between partners. And when partners are not on the same page, it jeopardizes the progress of other partners. This will affect the organizational progress, as well as business outcomes.

Unclear policies and contracts can impair the progression of organizational strategies, limit mutual collaboration between partners, and render partners deviated from results.

Additionally, unclear policies and contracts in an organization can cause duplication of effort by partners. Business owners are advised to pay strict attention to defining the policies and contracts of their partners to save time and resources.

By doing this, each partner will have a clear vision of where, how, and why their services are needed in the organization.

4. Marketing and Strategy Differences

As a savvy business owner, you should know that marketing and strategy differences in an organization are common. Strategic or marketing misalignment between partners often arises due to poor communication, which could negatively affect sales.

Imagine one partner pitching a product as an exclusive up-market product while another partner is trying to pitch it as an all-purpose mainstream solution. This could cause a lot of tension and conflict.

If marketing and strategy conflicts are not managed properly and promptly, partners will end up wasting precious time in their cubes or offices, rehashing the conflict and placing blame rather than focusing on core goals like increasing sales.

Moreover, conflicting members are less focused on the project at hand, hence reducing productivity. Overall, strategic or marketing misalignment causes the organization to lose customers, access to essential resources, money, and so on.

5. Resistance and Fear of Change

Leadership is important in any organization. However, there may be a conflict between the leader and partners. Conflict between the leader and partners often arises when the leader wants to make some changes, but the intermediaries are unwelcoming to these changes.

Resistance to leadership and change raises friction in the organization. The bottom line is that change is good, as it is often a sign of growth and improvement.

As a good leader, it is important to sell any change you want to affect to your partners first so that they can effectively sell it. But when leaders are merely trying to impose changes on partners, it can lead to resistance, which in turn will lead to a soured relationship

4.17 How to Overcome Channel Conflict?

First, you must accept that conflict is natural and can happen in a working environment. In fact, positive conflict can be great for creativity and building strong partner relationships. However, regardless of what the conflict is about, as a business owner, you should understand that your response can decrease or escalate it.

Conflict often arises when there is no clear policy on how a certain situation should be handled.

Another tactic that has helped several businesses overcome conflicts is by organizing regular meetings with partners to discuss marketing goals and modes of execution that help everyone remain aligned.

As a business owner, you should acknowledge that each team may have its marketing and strategic ideas. Nevertheless, it is your role as a business owner to decide which idea will best help the business grow.

4.18 How to Prevent Channel Conflict?

To prevent channel conflict and build a productive distribution network, you can implement these strategies:

1. Maintain Open and Transparent Communication

Keep communication channels open with your channel partners. Regularly engage in discussions, meetings, and feedback sessions to ensure everyone is well-informed and aligned. This enables you to address concerns, clarify expectations, and prevent misunderstandings that can lead to conflicts.

2. Foster Collaboration in Planning

Involve your channel partners in the planning process to create a shared vision and goals. Collaborate on strategies, marketing campaigns, and product launches to ensure everyone works together towards common objectives. Encourage active participation and provide opportunities for input and feedback.

3. Establish Consistent Channel Policies

Develop clear and consistent policies that govern channel relationships. These policies should outline guidelines for pricing, promotions, territories, and conflict resolution. By establishing a fair and transparent framework, you can minimize confusion and provide a solid foundation for mutually beneficial collaborations.

4. Regularly Assess Performance

Regularly evaluate the performance of your channel partners to identify strengths, weaknesses, and areas for improvement. Provide constructive feedback, guidance, and support to help them optimize their operations. Recognize and reward exceptional performance to motivate and reinforce positive behaviors.

5. Mediate Conflicts

Despite preventive measures, conflicts may arise. In such cases, act as a mediator to facilitate discussions and find resolutions that satisfy all parties involved. Encourage compromise, foster understanding, and prioritize maintaining the long-term partnership over individual victories.

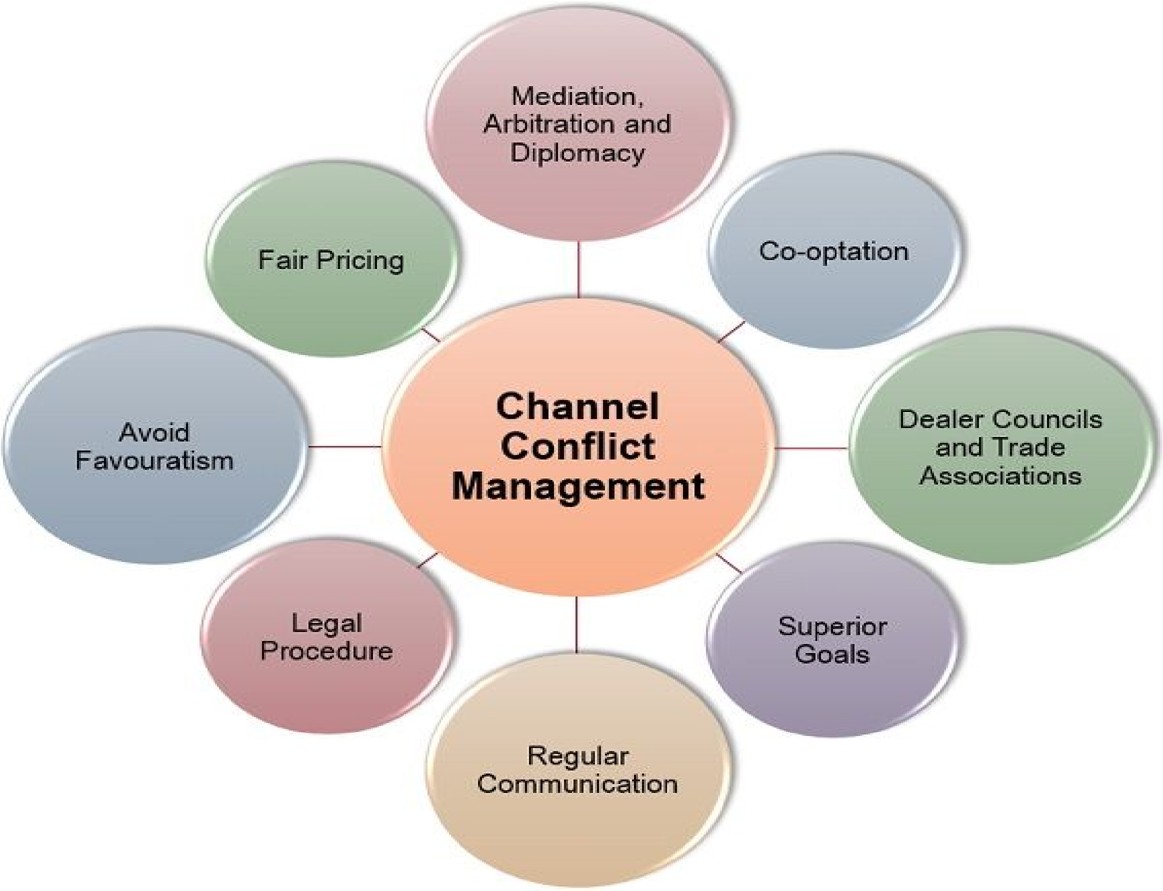
4.19 Channel Conflict Management

It is a universal fact that the conflicts cannot be eliminated, though these can be handled smartly to reduce its negative impact on business.

Following are some of the ways to manage the channel conflicts:

Figure 4.7

Channel Conflict Mangement



1. Mediation, Arbitration and Diplomacy

To resolve a dispute, the manufacturer can adopt the strategy of intervention where a third person intervenes to create harmony. The other option is arbitration, where an arbitrator listens to the argument of the parties involved in a conflict and declares a decision. Or, the parties can resort to diplomacy where the representatives of both the parties conversate and find a solution.

2. Co-optation

The manufacturer should hire an expert who has already gained experience in managing the channel conflicts in other organizations, as a member of the grievance redressal committee or board of directors, for addressing such conflicts.

3. Dealer Councils and Trade Associations

To handle the horizontal or vertical conflicts, the manufacturer forms a dealer council where the dealers can unanimously put up their problems and grievances in front of the channel leader. To bring in unity among the channel partners or intermediaries, they can be added as members in trade association which safeguards their interest.

4. Superior Goals

Establishing a supreme goal of the organization and aligning it with the individual goals or objectives of the channel partners, may reduce the channel conflicts.

5. Regular Communication

The channel leader should take regular feedback from the channel partners through formal and informal meetings to know about market trends and dynamics. Also, the channel partner’s issues and conflicts can be addressed through frequent interactions.

6. Legal Procedure

When the conflict is critical and uncontrollable by the channel leader, the aggrieved party can seek legal action, by filing a lawsuit against the accused party.

7. Fair Pricing

Most of the channel conflicts are a result of the price war, and therefore, these can be resolved by ensuring that products are equally priced in all the territories and a fair margin is provided to the channel partners.

Questions for Self Study:

1. Explain the various Pricing strategies.
2. What are the factors that influence pricing?
3. What are the various factors that affect the pricing decisions?
4. Discuss the various methods and objectives for pricing.
5. Compare and contrast market skimming pricing with market penetration pricing with suitable examples, and state conditions under which each can be deployed.
6. What are the factors you have to keep in mind while determining the price of a product ?
7. Explain the types of channels and their design.
8. Explain the factors affecting channel choice.
9. What are the principal functions of a distribution channel? Discuss different types of channels with examples.
10. Identify the causes for channel conflicts and suggest remedies for them.
11. Describe briefly the factors that influence the choice of channel used for distributing the goods.
12. What is channel conflict? Explain its various causes and the mechanisms for effective conflict management

UNIT – V

INTRODUCTION

5.1 Introduction to Promotion

The term 'Promotion ' is originated from the Latin word 'promovere' which means to move forward. Marketers use the word 'promotion' as a communicative activity, the purpose of which is to move forward a product, service or idea in a channel of distribution. Promotion is concerned with effectively communicating the results of the marketing strategy to target audiences. Promotion is an active explicit form of marketing communication.

Promotion highlights the marketing elements in order to increase the odds that consumers will buy and become committed to a product. Thus promotion can be defined as "the marketing function concerned with persuasively communicating to target audiences the components of the marketing program in order to facilitate exchange between the marketer and the consumer and to help satisfy the objectives of both"'. The basic purpose of promotion is to facilitate the movement of products and product-related information through the marketing network.

5.2 Meaning

Promotion is the process of marketing communication involving information, persuasion & influence.

In other words, promotion is a form of telling & selling. It is way of creating or influencing the sense of existed product through various means like advertising, sales promotion & personal selling.

5.3 Definition

According to Mc. Carthy “Promotion is concerned with any method that communicate to the target market about the right product to be sold in the right place at the right price, promotion encompasses sales promotion, advertising & personal selling”.

According to Philip Kotler “Promotion compasses all the tools in the marketing mix, whose major role is persuasive communication”.

5.4 What is Promotion?

Promotion is a marketing tool, used as a strategy to communicate between the sellers and buyers. Through this, the seller tries to influence and convince the buyers to buy their products or services. It assists in spreading the word about the product or services or company to the people.

The company uses this process to improve its public image. This technique of marketing creates an interest in the mindset of the customers and can also retain them as a loyal customer.

Promotion is a fundamental component of the marketing mix, which has 4 Ps: product, price, place, and promotion. It is also an essential element promotional plan or mix, which includes advertising, self and sales promotion, direct marketing publicity, trade shows, events, etc.,

Some methods of this procedure contain an offer, coupon discounts, free sample distribution, trial offer, buy two items in the price of one, contest, festival discounts, etc. The promotion of a product is important to help companies improve their sales because customers reaction towards discounts and offers are impulsive. In other words, promotion is a marketing tool that involves enlightening the customers about the goods and services offered by an organization.

5.5 Importance of Promotion/Role/Need

1. Increase Brand awareness

Promotion such as television, radio & magazine advertising increase brand awareness, more people tend to learn about a particular company or its brands if they frequently see or hear about them.

2. Provide Information

Companies also use promotions to provide information. Marketers may use press releases display pamphlets, in-store videos, demonstrations etc to convey information.

3. Increase Customer Traffic

Grocery stores, beauty salons & movie theatres use promotions such as frequency programs to increase customers' traffic. Frequency card promotions are designed primarily to attract traffic among current customers. New customers also may be attracted to the promotion if they hear about it.

4. More Employment

Promotional activity helps to increase more employment opportunities to the people who are unemployed, as they promotional activities cannot be performed without the help of an effective sales force & the specialists in various fields.

5. Effective Sales Support

Promotion helps in the sales support of the product. Sales promotion makes the salesman's effort more productive. It provides good support in selling the different types of goods. Sales of different types of goods in the market are very necessary to increase the market economy.

6. Increase Speed of Product Acceptance

Most of the sales promotion devices such as contests, premium coupons etc can be used faster than other promotion methods such as advertising. Increase in the speed of product acceptance is very important in the competitive market. So, it is necessary to increase the speed of product.

5.6 Components of Promotion Mix

1. Advertising

This is a non-personal promotion of products and services. Marketers use advertising as a vital tool for increasing brand awareness. Advertisers show promotions to masses of people using email, web pages, banner ads, television, radio, etc.

2. Direct selling

This is a one-to-one communication between a sales representative and a potential customer. Direct selling influences people to decide to buy certain products or services. It is one of the most effective ways of promoting your brand because the sales rep can tailor the promotion precisely to those who are most likely to make a purchase. On the other hand, this is the most expensive form of sales because companies need to pay for one person's time.

3. Sales Promotion

This is a set of short-term activities that are designed to encourage immediate purchase. Sales promotions are a campaign that uses time-sensitive offers — sales, discounts, coupons, etc., to engage existing consumers and bring in a larger audience. Many companies make this a core component of their marketing efforts, though sometimes it's the most annoying type of communication for people.

4. Public Relations

This type of promotional method determines the way people treat the brand. Companies using PR try to build a firm and attractive brand image by planting interesting news stories about their activities in the media. Public relations are not fully controlled by the company, though, as some reviews and web pages may negatively highlight the brand. If a company adequately solves these issues, people will reward them with positive word-of-mouth consideration.

5.7 Types of Promotion

Here are a few common forms of promotions:

1. Advertisement

Advertising is one the most common forms of promotional activity in which a product or service is advertised to reach a large audience to create awareness or to educate them about it. Advertisements can be done using commercials through various media such as TV, radio, banners, newspapers, and online platforms.

2. Sales Promotion

Sales promotion refers to short-term incentives. The main purpose of sales promotion is to encourage buyers to make immediate purchases within a fixed period using various market strategies that include discounts, coupons, contests, or gifts. Such strategies often draw in customers and increase direct sales of the promoted products or services. Sales promotion consists of those measures that provide short-term boosts to the sales of a company.

3. Personal Selling

It is a promotional strategy that allows the marketer to orally communicate with the customers. This type of promotion helps to establish a relationship with customers and helps them understand their needs. Another benefit of this method is that it is possible to get immediate feedback from customers and act according to the change in situation.

4. Public Relations

The marketing department performs an important role in managing the public's opinion of a business. Since the customers, suppliers, and dealers play a key role in boosting sales and profits, the company must successfully connect them. Moreover, they advise senior management to implement plans that will improve their public image and prevent unfavourable news.

5. Publicity

Publicity is an activity that is similar to advertisements. It involves the promotion of a product or service through the press in the form of news, stories, and features. Sellers also take the help of social media to interact with customers, build brand loyalty, and produce content that can reach a larger audience. These are all examples of social media marketing. It involves sellers and famous personalities working together to promote goods or services with people who have significant support and influence in a certain area or field. They may have an impact on customer's opinions and affect their decision to purchase.

6. Direct Marketing

Direct marketing refers to directly reaching out to customers which can be done through various means such as email marketing, direct mail, telemarketing, door-to-door sales, etc. In this process, the marketers directly communicate with the specific audience to boost sales by using various means such as direct messages or campaigns.

7. Sponsorship

Sponsorships are essential to promote a company's brand or products. Sponsoring events exposes the company to a large audience and enhances the image and awareness of the brand or product.

8. Trade Fair and Exhibition

Businesses may promote and demonstrate their goods and services to a specific audience through trade shows and exhibits. These events bring together customers and businessmen from different industries which helps and promotes relationship-building, making sales, and gaining market knowledge. The trade fair and exhibitions include the display of samples, demos, etc., to attract customers and keep them interested.

9. Online Promotion

Online promotion has become one of the most important means of promotion today. With the help of the recent popularity and growth of digital platforms, marketing can be done in a lot of ways through social media in the form of content marketing and influencer marketing. Small businesses greatly benefit from the technique of online promotion. This method takes the help of internet platforms to connect with a large audience and boost sales.

5.8 Purpose and Importance of Promotion

Marketing provides many different purposes and is important to the success of any organisation. The main purposes of marketing include the following:

1. Increase Brand Awareness

Promotion makes potential consumers aware of what is available on the market. Businesses may convey their brand message, values, etc., to a vast number of people through several promotional activities increasing their brand awareness, loyalty, and trust among the customers.

2. Recall Brand Value

Businesses may improve the image of their brands and survive competition in the market by promoting their products regularly. Promotions can draw attention to a brand's distinct qualities, such as superior quality, reliability, or outstanding customer service.

3. Increase Customer Traffic

Promotions can attract more customers and increase customer traffic. Time-limited promotional activities like contests, giveaways, or samples can generate interest among customers and create opportunities for sale. This also acts as a platform for building long-term relations with the customers.

4. Increase Sales and Profits

One of the main purposes of marketing is to increase the sales of the business. Once the customers are properly made aware of the product or service, they buy those products that they find worthy of purchase. This helps the seller to sell more products and draw more customers. In marketing, the sellers are always looking for ways that can increase the worth or value of their products. This will make sure that the customers prefer their products instead of their competitors.

5.9 Characteristics of Promotion

There are various characteristic features of Promotion. Some of these characteristics are as follows:

1. Providing Information

One of the main characteristics of promotion is to persuade potential consumers to purchase their products or services. This can be done by providing information about the qualities, advantages, and values of the product or services known to the customers. This creates a subconscious desire among the buyers to purchase that product.

2. Limited Time

Promotions are often time-limited. **For example,** advertisements on TV, contests, or giveaways are all promotional activities that are limited up to a specific time. As a result, both customers and sellers have to act in that limited time frame. Also, doing these promotional activities regularly keeps the customers interested.

3. Different Channels of Approach

There are several ways through which the seller can promote its brand product or services. Some of these platforms include media, such as television, radio, print ads, and direct mail, as well as electronic media, such as websites, emails, social media, and search engine marketing. These channels make it easier to reach more customers and increase sales.

4. Adapt to Changes

Promotional activities must be by the changes in the economic as well as technological world. Earlier, the companies would advertise their brand's product, or services through mediums like newspapers or posters, etc. But now, with the technological change, the interest of a large number of audiences has shifted to electronic media. Therefore, promotions can also be done through online platforms such as social media.

5. Building Awareness

Promotion helps to create awareness about a product service or brand among the target audience. This allows the customers to know about the existence and the usage of the product. Promotional activities such as advertisements, public relations, and social media campaigns play a significant role in building awareness.

6. Creating Interest

The main purpose of promotion is to generate positive interest and impression among the buyers. This encourages the customers to further explore the products. Promotional activities like engaging in campaigns or brand messages can catch the attention of people and generate curiosity.

7. Reinforcing

Promotion does not only include creating customers but also has the role of reinforcing the loyalty of existing customers. This can be done by keeping the existing customers informed and updated about their products with the help of promotional campaigns. This builds trust and loyalty among the customers and they are encouraged to repeat their purchases.

5.10 Promotion Mix Best Practices and Tips

1. Identify the Target Audience

Determine your target audience and take advantage of the promotion mix tactics. Create your customer profile to find out how to provide people with the products they need.

2. Follow a Five P's Rule.

Five factors form promotional marketing success: what you sell (Product), how much you want for it (Price), how you offer it (Promotion), where you sell it (Place), and whom you sell it to (People). Work on these five P's of marketing and give your customers what they need at the most convenient time.

3. Provide People with Useful Information

Demonstrate the products and services you sell. Explain what makes them so unique and why customers should choose yours and no one else's products. Create reviews comparing your product with competitors' products.

Use appropriate marketing channels

Find out which channel of communication is the most convenient for your audience. Try delivering the same message through different channels and examine which performs best with your customers.

4. Rely On the Right Promotion Mix Elements

Personal selling is usually useful for only small businesses due to its high cost and low outreach. Every business can afford to display advertising and email marketing, though. Develop a balanced system of communication with your audience that fits your business well.

5. Implement Segmentation

This tool targets the audience by dividing it into smaller groups based on similarities. With Send Pulse, segmentation works with emails, SMS, and web push notifications.

6. Monitor Marketing Trends

As internet marketing evolves, new channels for communication with customers appear. Follow marketing trends to be able to reach your customers the way they like it.

5.11 Promotion Mix Example

Let's take Nike's promotion mix as an example and learn how they use each of the promotion mix components.

1. Advertising

In advertising campaigns, Nike aims to reach large target audiences. The brand invites celebrities who represent the image of an ideal consumer. Potential customers associate themselves with famous ones, and this motivates them to trust the brand and communicate with it.

2. Personal selling

Nike's selling takes place in their stores. Trained store personnel assist consumers, provide details on the company's products and stimulate visitors to buy their products. Besides, Nike's employees help customers find the right Nike product and promote the company through the use of personalized services.

3. Sales Promotion

Usually, Nike's sales promotions include special discounts for a targeted audience. The brand motivates their customers with the savings they can have when they buy discounted products. After that, they create a demand for purchasing more products using those bonuses, turning new customers into loyal clients.

4. Public Relations

Nike developed a social responsibility strategy, in response to global ecological trends. Besides, Nike sponsors numerous sports events that build a better brand image in the eyes of their audience.

5. Direct Marketing

Nike uses direct marketing to promote its products among sports organizations in universities, colleges, schools. Marketers call this lead nurturing.

5.12 Elements of Promotion Mix

There are four elements of promotion mix:

1. Advertising

Advertising is a non-personal presentation of goods, services or idea. In advertising existing and prospective customers are communicated the message through impersonal media like radio, T.V., newspapers and magazine. It involves transmission of standard message simultaneously to a large number of people. The message transmitted is known as advertising.

2. Personal Selling

Personal selling is the process of assisting and persuading the existing and prospective buyer to buy the goods or services in person. It involves direct and personal contact of the seller or his representative with the buyer.

3. Publicity

Publicity is a non-personal non-paid stimulation of demand of the product or services or business unit by planning commercially significant news about the services or business unit by planning commercially significant news about in the print media or by obtaining a favorable presentation of it upon radio, television or stage.

4. Sales Promotion

Sales promotion consists of all activities other than advertising, personal selling and publicity, which help in promoting sales of the product. Such activities are non-repetitive and one time offers. According to American Marketing Association, sales promotion include, “those marketing activities other than personal selling, advertising and publicity that stimulate consumer purchasing and dealer effectiveness, such as point of purchase displays, shows and exhibitions, demonstrations and various non – recurring selling efforts not in the ordinary routine”.

5. Direct Marketing

Direct marketing involves communicating with potential customers directly through various channels, such as email, mail and telemarketing. This communication is used to encourage the customer to take a specific action, such as making a purchase.

6. Sponsorship

Sponsorship involves providing financial support to an event, person, or organization in exchange for exposure to their audience. Sponsorship is often used to build brand awareness and enhance reputation.

7. Digital Marketing

Digital Marketing involves promoting a product or service through various digital channels, such as social media, search engines, and email. This type of marketing is often used to reach a younger audience and to track the effectiveness of marketing campaigns.

5.13 Benefits of Promotion Marketing

1. Offer a Unique Selling Proposition

One of the main benefits of marketing promotion is that it can help you offer a unique selling proposition (USP). A USP is a feature or benefit of your product or service that sets it apart from your competition.

2. Improve Brand Perception

Another benefit of marketing promotion is that it can help improve the perception of your brand. It occurs by sponsoring events, running ads, and creating marketing collateral.

3. Turn Visitors into Long-Term Customers

Another benefit of marketing promotion is that it can help turn visitors into long-term customers. It takes place by offering coupons, discounts, and contests.

4. Drive Sales and Revenue

Finally, one of the most important benefits of a promotional marketing strategy is that it can boost sales promotions and revenue generation. It helps through sales promotion, events, and sponsorships.

5.14 Promotion Mix Objectives

The promotion mix objectives refresh to the specific goals that businesses aim to achieve through the use of different promotional tool and tactics. The objectives of promotion mix may vary depending on the nature of the business, target audience, and the overall marketing strategy. However, some common promotion mix objectives include:

1. Increase Sales

One of the primary objectives of promotion mix is to increase sales of products or services. Businesses can use different promotional tools such as sales promotion, personal selling and advertising to create awareness, generate interest and encourage customers to make a purchase.

2. Build Brand Awareness

Promotion mix can be used to build brand awareness among the target audience. Businesses can be use advertising, public relations and social media marketing to increase brand visibility, establish brand identity and create brand recognition.

3. Create Brand Loyalty

Another objective promotion mix is to create brand loyalty among customers. Businesses can use different promotional tools such as loyalty programs, personalized promotions and email marketing to reward loyal customers, incentive repeat purchases and strengthen the bond between the brand and its customers.

4. Educate Customers

Some products or services require education and explanation to potential customers. In such cases, personal selling, direct marketing and public relations can be used to educate customers about the product or service features, benefits and value.

5. Enter New Markets

Promotion mix can be used to enter new markets and target new audiences. Businesses can use different promotional tools such as advertising, public relations and direct marketing to introduce the product or service to new market, create awareness and generate interest.

6. Enhance Customer Satisfaction

The promotion mix can be used to enhance customer satisfaction by offering personalized promotions, quick and efficient customer service, and post purchase communication.

5.15 Factors Affecting Promotion Mix

There are many factors which influence promotional mix and they are known as product market factors.

1. Nature of the Product

Different product requires different promotional mixes. Consumer goods and industrial goods require different strategies. Consumer goods are sold through advertising, personal selling and displays. But industrial good require more personal selling.

(a) Product complexity: If a product is technically sound and complex in nature then it requires personal selling. For example, Industrial products. On the other hand if the product is simple we can go for advertising. For example, most of the FMCG products.

(b) Brand differentiation: Promotional mix is affected by brand differentiation and the degree to which the brand is differentiated from competitor's brand.

(c) Purchase frequency: If buyers buy frequently a product, such as soap, tooth paste etc. the marketer will invest a good amount on advertising to push competition brands.

2. Nature of the Market

Different market requires different promotional mixes and strategies. In industrial market, advertising plays a more informative role then the persuasive role for industrial buyers. Personal selling emphasizes on two roles, i.e. information and persuasion in the industrial and consumer's market.

3. Stage in the Product Life Cycle

The promotional product mix varies within stage in the product life cycle. The nature of demand varies according to the stages in the life cycle. During the introductory stage, the customers do not realize the qualities of the product. Here, information about the product and its benefits are made known to the buyers. In this stage, more importance must be given to personal selling and trade shows. In the growth stage, customers know the qualities of the product. Hence to stimulate demand, advertising must be increased. In the maturity stage, sales and profits decline and hence all the promotional activities should be cut down.

4. Market Penetration

Here the product is already known to the buyers. In that situation, a sustaining promotional strategy is suitable. A brand has insignificant market penetration means it has a small market or struggling market. Market size and location: Product's market size and location also influences the promotional mix. In narrow market, where the numbers of potential buyers is small, direct mail is used. In a broad market advertising is used.

5. Characteristics of Buyers

The characteristics of prospective buyers strongly influence the promotional mix. Experienced professional buyers such as industrial purchasing agents need personal selling. Inexperienced buyers need advertising. Some buyers give importance to time, some to purchase of products, buyers act according to the influence of friend, relatives etc.

6. Distribution Strategy

Companies fighting more through distribution for establishing their brands, invest more money on personal selling and advertising. Companies which have already established their brand in the market have to invest only a small amount in personal selling and advertising.

7. Pricing strategy

Pricing strategy influence the promotional mix strategy. If the brand is priced higher than the competition, more personal selling is needed to get a middleman to stock and push the brand. If the brand is priced lower, little promotion is needed.

Questions for Self Study:

1. Define promotion mix. Briefly discuss the elements of promotion mix with examples. According to you which promotion strategy is most appropriate for a new brand.
2. What is promotion? Discuss various issues involved in designing a promotion campaign.
3. What do you mean by promotion of sales? Describe various techniques of promotion.
4. What is promotion mix? Discuss the factors that affect the promotion mix of a company.
5. Discuss sales promotion as a method of communication and the reasons for its rapid growth in India.
6. Differentiate between Marketing Mix and Promotion Mix. State the product specific factors that affect the Promotion Mix.