DKR 22- MARKETING MANAGEMENT

Syllabus

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References :

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Fundamentals of Marketing – Stanton, Etzel, Walket, Mc Graw Hill
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Unit I

INTRODUCTION

Marketing is everywhere and it affects our day- to-day life in every possible manner. Formally or informally people and organizations engage in a vast number of activities that could be called as marketing. Good marketing is not an accident, but a result of careful planning and execution. It is both an art and science. Let's discuss various concepts and issues in marketing.

DEFINITION

Marketing management is an art and science of choosing target markets and getting, keeping and growing customers through creating, delivering and communicating superior customer value. In short Marketing is "Meeting needs profitably". Marketing has been defined by different ways:

- In1985 AMA redefined marketing as "Marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational goals."
- In the words of Philip Kotler "Marketing is the human activity directed at satisfying needs and wants through an exchange process."
- In 2004 the American Marketing Association defined "Marketing is an organizational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders."

FUNCTIONS OF MARKETING

Firms must spend money to create time, place and ownership utilities as discussed earlier. Several studies have been made to measure marketing costs in relation to overall product costs and service costs and most estimates have ranged between 40-60 percent. These costs are not associated with raw materials or any of the other production functions necessary for creating form utility. What does the consumer receive in return for this proportion of marketing cost? This question is answered by understanding the functions performed by marketing.

In the following table, marketing is responsible for the performance of 8 universal functions: buying, selling, transporting, storing, standardizing and grading, financing, risk taking and securing marketing information. Some functions are performed by manufacturers, others by marketing intermediaries like wholesalers and retailers. Buying and selling, the first two functions represent exchange functions. Transporting and storing are physical distribution functions. The final four marketing functions – standardizing and grading, financing, risk taking and securing market information – are often called facilitating functions because they assist the marketer in performing the exchange and physical distribution functions.

Marketing function	Description
A. Exchange functions	
1. Buying	-Ensuring that product offerings are available in sufficient quantities to meet customer demands
	-It starts after the goods have been produced
2. Assembling	-Using advertising, personal selling and sales
3. Selling	promotion to match goods and services to customer
B. Physical distribution functions	
4. Transporting	-Moving products from their points of production to locations convenient for purchasers
5. Storing	-Warehousing products until needed for sale
C. Facilitating functions	
6. Standardizing and grading	-Ensuring that product offerings meet established quality and quantity control standards of size, weight and so on
7. Financing	-Providing credit for channel members or consumers
8. Risk taking	-Dealing with uncertainty about consumer purchases resulting from creation and marketing of goods and services that consumers may purchase in the future
9. Securing marketing information	-Collecting information about consumers, competitors and channel members for use in marketing decision

OBJECTIVES OF MARKETING

Barker and Anshen say, –The end of all the marketing activities is the satisfaction of human wants. Through the satisfaction of human wants, profits are rewarded to the business and the reward is inducement for marketing. Now the time has changed and object of marketing is more than securing profits. The following are the aims of marketing.

- To intelligent and capable application of modern marketing policies.

- To develop the marketing field.
- To develop guiding policies and their implementation for a good result.
- To suggest solutions by studying the problems relating to marketing.
- To find sources for further information concerning the market problems.
- To revive existing marketing function, if shortcomings are found.
- To take appropriate actions in the course of actions.

MARKETING CONCEPTS

Marketing Concept means the philosophy which guides the marketing, efforts, i.e., what weight should be given to the interests of the organization, consumers and the society. Very often these interests are conflicting. There are five marketing concepts which are adopted by organizations for their marketing activities.

1. The production concept
2. The product concept
3. The selling concept
4. The marketing concept
5. The socio marketing concept

1. The production concept

This concept holds that the consumer will support those products that are produced in large quantities at low unit cost. The authorities of this view believe that marketing can be managed by managing production. It involves high production efficiency and wide distribution network. This concept holds good in cases where there is more demand than supply. In such a situation consumers readily accept the product that is made available e.g., cooking gas. Hence large-scale production (easy availability) assumes much significance. There is another situation where the products cost is high; to expand the market, it is desired to reduce the unit cost by large-scale production, e.g., price of electronic calculators and quartz watches have come down considerably. But easy availability and low cost are not only the conditions governing customers buying decisions.

2. The product concept

The product concept holds that consumers will favour those products that offer the most quality, performances and features. Managers in these product oriented organisation focus their energy on making good products and improving them over time. Philip Kotler. Here emphasis on product excellence, i.e., quality, performance, and features. The assumption is that customers will automatically buy products of high quality and evaluates product excellence and is willing to pay for ‒extras. Therefore, producers claim that they make the best and their products have several extras, e.g., a three-dimensional TV. Godrej puff Refrigerator, etc. They are much immersed in their product and they enter into a ‒love affair with the product forgetting other factors that contribute to consumers satisfaction. The problem is that they fail to study the market and the consumers in depth, that is, the consumer needs, what the consumer would gladly accept etc.

3. The selling concept

This concept assumes that consumers in the absence of any selling effort, will not purchase the products. Hence they must be induced or pleased to purchase the products by means of selling and promotion efforts. This concept is often practiced in selling unsought goods, i.e., those goods that buyers normally do not think of buying. For example unless some promotional efforts are made, people will not purchase dictionaries, encyclopedias, insurance policies, invest in savings schemes etc., people in the non- profit areas also practice selling concept. e.g., by charitable institutions, educational institutions, political parties etc. At the time of election, a political party sells its candidate as the ―most fantastic person for the job. He offers ―Namaste with folded hands, shaking hands, fondling children, enquires about the welfare of old people etc.

Many firms give prime importance to selling. They try to sell what they have manufactured, rather it should be the other way: make what they can sell. They forget the fact that if selling is to be effective, it should be preceded by an assessment of the need, marketing research, product, price and distribution, Pre-occupation with selling concept gives an impression that marketing is aggressive selling and advertising. The fact that marketing is not selling it is only one aspect of marketing is not taken into consideration.

4. The Marketing Concept

Marketing concept is a philosophy of business that states that the customers want satisfaction is the economic and social justification for a firm existence. As a result, all activities of a company should be directed towards finding out the needs of the customers and then satisfying those needs; at the same time make profits by fulfilling customers satisfaction.

The distinguishing features of marketing concept are: market focus, customer orientation, co-ordinated marketing and profitability. No company can satisfy the needs of customers, in a particular market. For example, a company cannot manufacture different types of dress materials for the readymade garments market. So it focuses on a particular segment, say, readymade shirts for gents and so on. In customer orientation the company finds the needs from the customers point of view and not from the point of view of the company.

In the above example, the company may manufacture shirt from finest textiles for the upper class market, to suit their requirements. Fuel efficient motor bikes are another example. Co-ordinate marketing indicates that the various marketing functions such as sales force, advertising, distribution, marketing etc., must be fully coordinated It also stresses need that marketing must be co-ordinate with other departments such as finance, manufacturing etc., in the company. Profitability in a business firm means profit and in a non-profit organisation it indicates its survival and attracting sufficient funds for its working. This goal is to be achieved by the organisation by satisfying the needs of their customers.

Differences between selling and marketing:

SELLING	MARKETING
Selling starts with seller	Marketing starts with buyer
Selling focuses on the needs of the seller	Marketing on the needs of the buyers
Selling refers goods and services	Marketing refers customer satisfaction
Packing is enough for product protection	Packing is for convenient to customers
Cost determines price	Consumer determines price
Customer is last	Customer is first

5. The socio marketing concept

No doubts that the customers needs are to be satisfied. But a school of thought that is gaining momentum is that while satisfying the needs of the customer, in the long- run, the society welfare also should be looked into. The new thinking has slowly encroached upon the marketing concept. The new concept is known as –the human concept, –the intelligent consumption concept, –The ecological imperative concept – all stressing different aspects. Kotler calls it as —the societal marketing concept. According to him: The societal marketing concept holds that the organizations task is to determine the needs, wants, and interests of target markets and to deliver the desired satisfactions more effectively and efficiently than competitors in a way that preserves or enhances the consumers and the society's well-being. The distinguishing feature is that the company should balance three factors: profits, consumer want satisfaction and public interest. Under this approach a company has to take into consideration several factors affecting the product and the society e.g., product safety, non-pollutant motor vehicles, using containers which decompose naturally etc. The societal marketing approach imposes several responsibilities on marketers.

MARKETING PROCESS

The Marketing Process of a company typically involves identifying the viable and potential marketing opportunities in the environment, developing strategies to effective utilise the opportunities, evolving suitable marketing strategies, and supervising the implementation of these marketing efforts. Marketing process involves ways that value can be created for the customers to satisfy their needs. Marketing process is a continual series of actions and reactions between the customers and the organisations which are making attempt to create value for and satisfy needs of customers. In marketing process the situation is analysed to identify opportunities, the strategy is formulated for a value proposition, tactical decisions are taken, plan is implemented, and results are monitored. The marketing process can be divided in several different ways. One popular conceptualization of marketing tasks is:

- Strategy formulation – the development of the broadest marketing/business strategies with the longest term impact .
- Marketing planning – the development of longer-term plans which have generally stronger impact than the short-term programs.
- Marketing programming, allocating and budgeting – the development of short-term programs which generally focus on integrated approaches for a given product and on the allocation of scarce resources such as sales effort or product development time across various products and functions.
- Marketing implementation – the actual task of getting the marketing job done.
- Monitoring and auditing – the review and analysis of programs, plans and strategies to assess their success and to determine what changes must be made.
- Analysis and research – the deliberate and careful acquisition and examination of qualitative and quantitative data to improve decision making.

MARKET SEGMENTATION

Market consists of buyers, and buyers differ in one or more respects. Buyer's behaivour is a complex phenomenon. An understanding of the economic, psychological and socio-cultural characteristics of the consumers and their motivations. Attitudes, cognitions. personalities and perceptions can help to discover new market opportunities, clear and specific market segmentation. All markets are made up of segments and these segments are made up of sub-segments.

Segmentation is a consumer oriented marketing strategy. It is a process of dividing the market on the basis of interest, need and motive of the consumer. Market segmentation simply means dividing market or grouping of consumers. It refers to grouping of consumers according to such characteristics as income, age, race, education, sex, geographic location etc. Therefore market segmentation is the strategy that subdivides the target market into sub-groups of consumers with distinct and homogenous characteristics with a view to develop and follow a distinct and differentiated marketing programs for each sub-group in order to enhance satisfaction to consumers and profit to the marketer.

According to Philip Kotler, " Market segmentation is the sub-dividing of a market into homogenous sub-sects of consumers where any sub-sects may conceivably be selected as a market target to be reached, With a distinct marketing mix."

Characteristics of effective segmentation

The main criteria's of effective segmentation are

- Measurability
- Substantiality
- Accessibility
- Differentiability
- Actionable
- Nature of Demand
- General considerations

The main purpose of market segmentation is to measure the changing behaviour patterns of consumers. The size, profile, and other relevant characteristics of the segment must be measurable and obtainable in terms of data. Therefore, segments should be capable of giving accurate measurements.

Substantiality refers to the size of the segmented market. Segments must be large enough to be profitable. For small segment, it may not be possible for the marketer to develop separate marketing mix for such non profitable segments.

The segment must be accessible, which means marketers must be able to reach the market segments at lower costs. Segments must be reachable by company's sales persons, distributors advertising media etc.

The segment should be large enough to be considered as a separate market. Such segments must have individuality of their own so that it leads to different segments.

The segments which the company wishes to pursue must be actionable in the sense that there should be sufficient finance, personnel and capability to take them all. Hence, depending upon the reach of the company, the segments should be selected.

Segmentation is required only if there are marked differences in the nature of demand.

Nature of demand refers to the different quantities demanded by various segments. Each segmented market must exhibit difference in consumption rates from another segment.

Apart from the above characteristics, the segment must have growth potential, be profitable, carries no unusual risks and has competitors who do not fight directly with the product or brand.

Need and importance of market segmentation

According to Sheth, "Market segmentation is the essence of modern marketing." It is advantageous to firms as well as consumers.

Advantages to firms

- Increases sale volume.
- Helps to win competition.
- Enables to take decisions.
- Helps to prepare effective marketing plan.
- Helps to understand the needs of consumers.
- Makes best use of resources.
- Expands markets.
- Creates innovations.
- Higher markets share.
- Specialised marketing.
- Achieves marketing goals.

Advantages to consumers

- Customer oriented.
- Quality product at reasonable price.
- Other benefits such as discounts, prize etc.

Bases of market segmentation

Different variables are used to segment the consumer markets. They can be broadly put into four categories: Geographic segmentation, Demographic segmentation, Psychographic segmentation and behavioral segmentation.

Geographic segmentation

The marketer divides the market into different geographical units. Generally international companies segment markets geographically. The theory behind this strategy is that people who live in same area have some similar need and wants and that need and wants differ from those of people living in other areas.

(a) **Area:** This type of segmentation divides the market into different geographical units such as country, state, region, district, area etc. Some manufacturers split up their sales territories either state-wise or district-wise. Markets may also be divided into urban and rural markets.

(b) **Climate:** Different types of climate prevail in different places. On the basis of climate, areas can be classified as hot, cold, humid and rainy region. Climate determines the demand for certain goods.

(c) **Population Density:** The size and density of population affects the demand for consumer goods. In those areas where size and density of population is high, there will be good demand for consumer goods.

Demographic segmentation

In Demographic segmentation, the market is segmented on the basis of demographic variables such as age, sex, family size, family life cycle, income, occupation, education etc. Demographic variables or characteristics are the most popular bases for segmenting the market.

(a) **Age:** Age is an important factor for segmenting the market. This is because demand and brand choice of people change with age. On the basis of age, a market can be divided into four- Children, Teenagers, Adults and Grown-ups. For consumers of different age groups, different types of products are produced. Johnson and Johnson cater to the needs of children below 6 years by presenting baby powders, baby soaps, oils etc.

(b) **Sex:** Sex based segmentation means grouping customers into males and females. The wants, tastes, preferences, interests, choices etc, of men are different from that of women. For instance, women are more fond of cosmetics and other fancy articles. Marketers use gender differences for marketing garments, personal care products, bikes, cosmetics and magazines.

(c) **Family Life Cycle:** It refers to the important stages in the life of an ordinary family. Broadly divided into the following stages.

Stage 1: Childhood.

Stage 2: Bachelorhood (unmarried).

Stage 3: Honeymooners- Young married couple.

Stage 4: Parenthood- (a) Couple with children.

(b) Couple with grown up children.

Stage 5: Post- parenthood- Older married couple with children living away from Parents (due to job or marriage of sons and daughters).

Stage 6: Dissolution- One of the partners is dead. Wants, tastes, interests, buying habits etc vary over different life cycles stages.

(d) **Religion:** Religious differences have important effect on marketing. The male folk among the muslims have a demand for striped lungis and the woman folk for pardhas.

(e) **Income:** Income segmentation is used for automobiles, clothing, cosmetics, travel, financial services etc. For example, BMW (car manufacturer concentrates on high income segment)

(f) **Occupation:** Market segmentation is done also on the basis of occupation of consumers. For instance, doctors may demand Surgical equipment, lawyers may demand coat etc.

(g) **Family Size:** A marketer launches different sizes of products in the market according to size of the family. For example, shampoos and oil are available in 100 ml. 200ml. 500ml etc.

(h) **Education:** On the basis of education, market for books may be divided as high school, plus two, graduate and post graduate.

Psychographic segmentation

It refers to grouping of people into homogeneous segments on the basis of psychological make up namely personality and life style.

(a) **Life Style:** A person's life style is the pattern of living as expressed in the person's activities, interests and opinions .They express their life styles through the products they use. For example, the life style of a college student is different from that of an ordinary worker. Car, clothing, cosmetics, furniture, liquor, cigarettes etc. are segmented by using life style

(b) **Personality:** Personality reflects a person's traits, attitude and habits. It is in this background that a person is classified as active or passive, rational or impulsive, creative or conventional, introvert or extrovert. For example, Raymond's advertisement says "Raymonds. The Complete Man"

(c) **Social Class:** On the basis of Social class, consumers may be grouped into lower class, middle class and upper class. Social class is determined by income, occupation and education.

Behavioural segmentation

Behavioural segmentation is based on buyer behaviour i.e. the way people behave during and after purchase.

(a) **Attitude**: Customers can be segmented on the basis of attitude such as enthusiastic, positive, indifferent, negative, hostile etc. Fashionable and latest products are used by enthusiastic consumers. Liquor, cigarette etc are used by negative consumers.

(b) **Product Segmentation:** The market segmentation is done on the basis of product characteristics that are capable of satisfying certain special needs of customers.

1. Prestige products, e.g., Automobiles, clothing, Home furnishing.
2. Maturity products, e.g., Cigarettes, Blades etc.
3. Status products, e.g., Most luxuries.
4. Anxiety products, e.g., Medicines, soaps etc.
5. Functional products, e.g., Fruits, vegetables etc.

(c) **Occasion Segmentation:** According to the occasions, buyers develop a need, purchase a product or use a product. There can be two types of situations- regular and special. For example, for regular use, women purchase cotton or polyester sarees or churidars. For attending marriage or reception(special occasion) they buy silk sarees.

(d) **Benefit Segmentation:** Benefit segmentation implies satisfying one benefit group. The benefit may be classified into Generic or Primary and Secondary or Evolved.

(e) **Volume Segmentation:** The market is segmented on the basis of volume or quality of purchase. The buyers are grouped into categories like bulk buyers, moderate buyers, and small buyers. Heavy buyers are often small percentage of the market but account for a high percentage of total consumption. Marketers prefer to attract one heavy buyer rather than several small buyers.

(f) **Loyalty Segmentation:** Consumers have varying degree of loyality to specific brands. On the basis of brand loyality, buyers can be divided into the following five groups. (1) Hard-core loyals (2) Soft- core loyals (3) Shifting loyals (4) Switchers (5) Consumer innovators.

Thus all these variables affect the market segmentation, particularly of the consumers market. An ideal marketer can adopt suitable criterions for market segmentation in the background of the results obtained from the aforesaid variables. The geographic, demographic, psychographic, behavior and a few other variables are the criterions on which a marketer can rely.

Objectives of market segmentation

1. To prepare appropriate marketing programs

It is essential for a marketer to prepare appropriate marketing programs and for this purpose, the sub-division of buyers on the basis of nature, quality and class is undertaken. It helps to find out the varied and complex buyer behaviour failing which the marketing programs cannot be appropriate. Thus, the purpose of market segmentation is to divide the consumers or buyers into different groups or segments as the wants and desires of consumers are diverse and we cannot do it without sub-dividing them in the background of different variables.

2. To trace out the taste and buying habits

The market segmentation is also undertaken with the purpose of locating the taste, temperament and buying habits of the different groups or segments. The behavioral scientists feel that al buyers are different. They appear keenly interested in segmenting the market as the significant differences in market behaviour between the various segments of society can't be ruled out. In this background, the formulation of marketing policies or programs or tactics for all segments becomes urgent.

3. To find out or locate the new market

The market segmentation is also done with the purpose of locating new market. The group wise or segment wise study of buyer's taste, temperament, living habits and so on help a marketer, particularly while searching new market. A marketer is required to adopt all practices which help to locate the availability of buyers in a particular region, group or segment.

4. To study the purchase potentiality

The marketing programs cannot be pro-active unless and until, we have detailed information regarding the marketing goals. The market segmentation helps to furnish concrete information's regarding the purchasing potentiality as it studies the buying habits of almost all the groups.

5. To make the market customer-oriented

In addition to the aforesaid objectives, the market segmentation is also undertaken with the purpose of making the market customer-oriented. In a virtual sense, the market segmentation is a customer-oriented philosophy. The identification of customer demand and further formulation of appropriate strategies are the important premises of market segmentation. Thus, it would not be wrong to conclude that market segmentation is carried on with the ultimate purpose of getting or preparing a customer-oriented market.

CONSUMER BUYING 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 consume r 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 .

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

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

Classification of consumers

- Personal Consumers
- Organizational Consumers
- Impulse Consumers
- Need-based Consumers
- Discount Driven Consumers
- Habitual Consumers

Personal Consumers: This type of consumer is an individual consumer who buy products or services for own use, or for family, or for household use. Finished products are purchased by personal consume r and the purchases are done in small quantities.

Organisational Consumers: This type of consume r can be a business, government, profit or non-profit organisation, or agency who purchases goods or services for organisation to function or for resale purpose. Purchases are done in the form of raw-materials that are processed to finished goods and offered for sale to other consumers.

Impulse Consumers:his type of consume r do unplanned purchases. Purchasing a particular product was not a priority, but when the consume r encounter that product, he makes swift buying decision. Impulse consume r purchase what seems good at the time.

Need Based Consumer: This type of consume r has a specific intent ion to purchase a particular type of product. Need-based Consume r is driven by a specific need. He makes buying decision when he actually need that product and not any other time.

Discount Driven Consumers: This type of consumers do purchases when they get some lucrative offer or discount. Their buying decision is highly based on offers or discounts.

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

FACTORS INFLUENCING PURCHASE DECISIONS

The act of purchasing a product can be very complex. The buyer has to take several factors into consideration. The purchasing decision process is looked at from different angles by economists, sociologists, psychologists etc. An economist may argue that the consumer takes price and utility into consideration while a psychologist says it is emotional reasons behind purchase etc. But it is to be noted that a single factor alone will not induce purchase decisions; whereas several factors influence the customer in his purchase decision. They are:

Cultural Factors

Social Factors

Personal Factors

Psychological Factors

Cultural factors

Culture consists of ideas, customs and art that are produced or shared by a particular society. Culture is a set of values, ideas, attitudes and other symbols and objects created by people which shape human behaviour. Culture does not refer to an individual's instinctive response. The symbols may be intangible (attitudes, beliefs, values, languages, religious) or tangible (tools, housing, products works of art). A culture implies a totally learned –handed-down way of life.

Individuals buying behaviour is largely influenced by culture. It mainly determines a person's wants and behaviour. Culture is dynamic, changing and adaptive over time. As a result the values and needs of the society change. The influence of culture can be seen in areas such as quality of life, role of women, changes in home family life, changing attitudes towards work and pleasure, increased leisure time, desire for convenience goods etc. Marketers must see that products and services do satisfy these changing roles, values and needs.

a) Sub-Culture

A sub-culture is a distinct cultural group having specific identification and mobilisation, existing within a larger culture. The people in the sub-culture have many of the cultural values of the over all society, but at the same time they profess beliefs, values and customs which identify them as a separate group, e.g., Hinduism has a culture but Hindus are divided into several groups on caste lines and each castes has its own beliefs, values and customs. Marketer should have knowledge of the sub-culture, because the members of each sub-culture show different purchase behaviour patterns.

Social factors

Social stratification has become part and parcel of the society. A novel class may be defined as a group of individuals who share similar behaviour, values, interests and life-styles. Usually people nominally choose their friends and associates on the basis of commonality of interests. In this respect, social classes restrict their interaction especially with regard to social function. The hierarchical nature of social group prompts people to position their social group as either above or below other groups. For convenience we can classify social class as upper-class, middle-class and lower-class.

a) Social Class and Consumption Behaviour

The behaviour patterns of social classes vary with regard to media preferences, shopping patterns, leisure time activities, and saving and spending habits. Usually members of upper-class prefer magazines and newspapers and television programs stressing current events, while lower-class prefer publications and TV programs dramatizing romance; serials and quiz shows. Exclusive shops, e.g., Raymonds shops are usually patronized by upper-class; and middle class and lower class shop from the ordinary retail stores. Different types of social classes choose different types of leisure time activities. Parks, museums and swimming pools which are open to the public are most frequented by the middle class and rarely by the lower class. Exclusive clubs with facilities for tennis, golf etc., are preferred by the upper-class.

With regard to saving and spending habits, the tendency to save money increases with the higher social class. People in the higher classes take life insurance policies and invest in stock market. Lower class people usually put money in savings bank. Bank credit, installment facilities are utilised for purchasing durable home appliances and furniture by the middle and lower classes whereas bank credit cards are utilized for convenience purposes by the higher classes. In short, social classes exert much influence on products and brand preferences relating to clothing, selecting restaurants, entertainments, home furnishings, etc.

b) Reference Groups

A reference group is any set of individuals that influence another individual when he or she makes a decision. But if a group does not affect a person's attitudes or behaviour it is not a reference group. Examples of reference groups are Lions Club, Indian Medical Association, religious groups, political parties etc.

Marketers give much importance to reference groups, because reference groups influence consumers in several ways: An individual is exposed to new behaviours and life-styles; influences a person's attitudes and self-concept, and the person's choice of product and brands are indirectly pressurized to conformity with the group. In other words, a person's purchase behaviour is greatly influenced by the reference groups to which he belongs. This can be clearly seen in the case of clothing, cigarettes etc. Manufacturers often spend large amount of money to create images of the type of people who use their products, e.g., advertisements of Wills Cigarettes, Louis Phileppe shirts etc.

c) Family

Family is the most important reference group that shapes a buyer's behaviour. According to Kotler, we can distinguish between two families in the buyer's life. First, the family orientation consists of one's parents. A person acquires an orientation towards religion, politics, and economics and a sense of personal ambition, self-worth and love from parents. The influence of parents will be more where children continue to live with their parents. The second is the family people form when they marry and live separately from their parents. Parental influence is less in this case.

Marketers are interested in studying the role and influence of the members of the family – husband, wife and children – in purchasing products and services. In family purchases, usually, husband is dominant in taking decisions regarding life insurance, automobiles etc., and wife has a dominant role in selecting washing machines, kitchenware and the like, whereas both husband and wife jointly decide about vacation plans, housing, outside entertainment etc. Now-a-days, teenage children with their exposure to so many advertisements and influence of friends, also play an important role in making purchases especially in the case of TV sets, stereos, their clothing etc.

Personal factors

Purchasing behaviour varies according to one's roles and status. An individual has to play different roles in the society – in the family as father, in the company as manager etc. Depending on the role, society accords status to it, e.g., Managing Director of a company, University Professor, Physician etc. People make purchase that shows their role and status in the society. In the same way, purchases also vary according to the age and life-cycle stage. Occupation of a person is another deciding factor. Usually people purchase products to suit their occupation, e.g., white stocking and white shoes for nurses. Economic circumstances of a person, his disposable income, borrowing power, spending versus saving habit etc., exert influence on purchases. Life-style of a person reflects the items he or she usually purchases. A person's life style is the person's pattern of living in the world as expressed in the person's activities, interests and opinions. Life-style portrays the –whole person interacting with his or her environment. Kotler-. Marketers try to identify their products with different life-style groups, e.g., advertisements of Gwalior Suiting and Raymond's Park Avenue readymade dresses show certain specific life-styles.

Personality and self-concept influence the buying behaviour of consumers. William J. Stanton, defines personality –as an individual's pattern of traits that are a determinant of behaviour response. It is an individual's most consistent pattern of responses. Personality is very often described as the sum total of traits such as self- confidence, dominance, autonomy, sociability, defensiveness and adaptability. We note inconsistency in the behaviour of individuals. Based on the inconsistency in behaviour, people are usually categorized as egoistic, ambitious, introvert, extrovert etc. In short, each person has a distinct personality and this affects one's buying behaviour. Marketer's advertising appeals to suit each personality groups.

Self-concept or self-image is another determinant of buyer behaviour. Self-image is how we see our self and at the same time, it is the picture we think others have about us. For example, a young man may view himself as an intellectual self-confident, ambitious business executive. Usually a distinction is drawn between self-image (the way we really see our self) and the ideal self image (the way we want to be seen) . The ideal self-image is the –image to which a person aspires. Self-image is influenced by physiological and psychological needs and conditioned by economic and demographic factors and influence of social groups. In buying behaviour, people choose goods and services that are close to their ideal self- image. For example, those who think themselves as good players join sports clubs, a young business executive may join a tennis club because he thinks tennis is the sport for rising executives. Marketers try to project their products to suit the target market.

Psychological factors

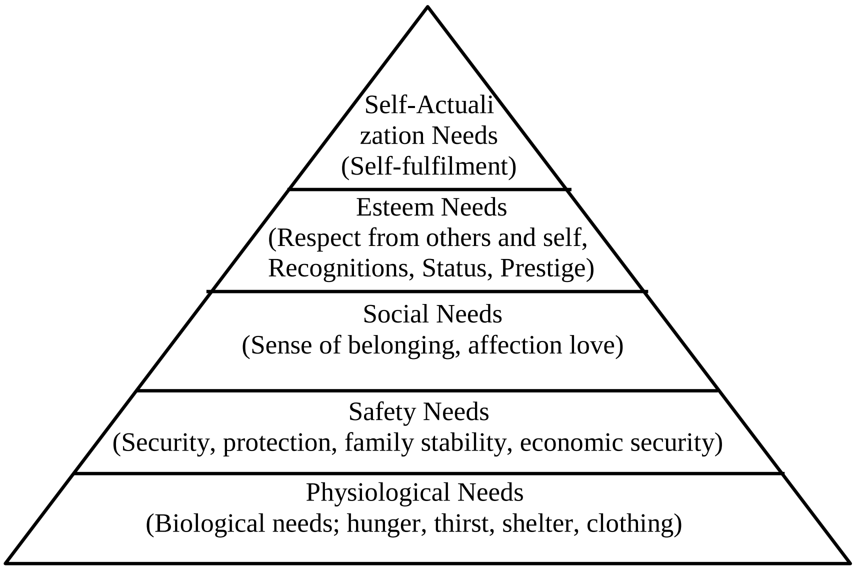
The psychological factors which influence a person's buying behaviour are motivation, perception, learning and beliefs and attitudes.

a) Motivation

Motivation is considered as the –why of behaviour. According to Marguerite C. Burk, –motivation refers to the drives, urges, wishes or desires which initiate the sequence of events known as behaviour. A motive (or drive) may be defined as a stimulated need that an individual seeks to satisfy. –Motives are inner that direct people toward the goal of satisfying a felt need. The individual is moved to take action to reduce a state of tension and to return to a condition of equilibrium. Hunger, security and prestige are examples. It is to be noted that a need be aroused or stimulated before it becomes a motive. The arousal may be internal (feeling hungry) or external (an advertisement for food or dress). Besides, just thinking about a need (dress materials) may trigger the arousal of that need (say, a new shirt).

Psychologists classify motives into two broad categories: (1) biogenic needs (food, shelter, clothing etc.) Which arise from physiological states of tension, and (2) psychogenic needs (affection, love, status etc). which arise from psychological states of tension.

Abraham Maslow, in his book, –Motivation and Personality has put forward a theory of motivation called –holistic-dynamic theory. Maslow identified a hierarchy of five levels of needs – physiological needs, safety needs, social needs, esteem needs and self-actualization needs. According to him when the needs of people at one level are satisfied, they will go to the next higher level and so on. At the same time it is to be noted that only very few people move through all five levels. Maslow's hierarchy of needs is shown below.



Physiological Needs

The basic needs such as food, shelter, clothing are present in all human beings and have to be satisfied first. Products under this category require comparatively lesser marketing techniques. This holds good in the case of food materials such as rice, wheat, vegetables, milk, pulses etc. But in the case of clothing, the situation has changed considerably. Now we find stiff competition among marketers. Through advertisements, Gwalior Suiting, Bombay Dyeing, and many others try to woo the customers to purchase their products.

Safety Needs

This category includes physical security, economic and social security, protection etc. Bank accounts, life insurance policies, fire and theft insurance policies, membership in a health scheme are examples. Life insurance Corporation of India's –Jeevan Dhara, Unit Trust of India's –ULI (Unit Linked Insurance Policy). Cancer Care for Life introduced by Regional Cancer Centre, Trivandrum – are now being successfully marketed.

Social Needs

Sense of belonging, affection and love or the desire to be accepted by the members of the family and other individuals and groups come under social needs. The individual may join a group or club (Lions/Rotary Club) and naturally he tries to conform to their standards in the matter of dress and behaviour. So marketers try to introduce products which cater to the requirements of the group. Special attention is required with regard to make, packing, branding etc., of the products and he should keep in view the sentiments of the consumer. The consumers state of mind and feelings shall be exploited by the marketers in marketing such goods.

Esteem Needs

Respect from others and self, recognition, status, prestige etc., are associated with esteem needs. The individual feels a sense of accomplishment, achievement and respect from others. He wants to –excel others. –The person has a desire to stand out from the crown in some way. As regards goods satisfying the esteem needs of customers the motto seems to be, –Higher the price, the higher the demand. Quality improvements, at tractive appearance and costly inputs may be the salient features of production of goods under this category. Examples are: Rolex watches, Maruti 1000 cars, Cartier pens, perfumes, costly silk sarees, diamond ear rings etc. A careful impression management technique can be adopted in marketing such goods.

Self-actualization Needs

Maslow defines self-actualization as. –The healthy man is primarily motivated by his needs to develop and actualize his fullest potentialities and capacities. What man can be, he must be this is the desire to achieve to the maximum of one's capabilities. Consumers coming under this category are rare and they may find satisfaction of their need in specialized selling institutions. A trophy for a prestigious tournament can be included in this category of goods. Firms trying to market such goods should go for excellence in workmanship and innovation in product manufacture and presentation. Standardized production is of little signification here. Hence, workmanship and innovation themselves serve as strategies, of course, with the necessary communication in the form of advertisement etc.

b) Perception

Perception is the meaning we attribute to stimuli received through the five senses. It is the process by which individuals become aware of products of services. We become aware of the environment around as through our five senses: seeing, hearing, touching, tasting and smelling. Perception is the process by which individuals become aware of and giving meaning to their environment. Our past experience also influences perception. Very often question is asked why people perceive situations/products differently. This is because each of us interprets information in an individual way, that is, very often we perceive only what we want to perceive.

An understanding of perception is very important to marketers because it gives them an idea about what consumers believe. For example, all brands of Soda are practically the same. But some brands are promoted as superior and many consumers believe them as such, because they perceive them differently. Everyday, we are exposed to a large number of stimuli, say, advertisements. So unless something, special stimuli is provided, marketer will not be able to attract consumersattention. That is why marketer gives a colour advertisement, where most advertisements are in black and white or just the opposite. Again he may give one or two colours in a black and white advertisement copy (e.g., Colgates Gel advertisement) or just the opposite.

c) Learning

Learning refers to changes in behaviour, as a result of experience. That means, most of human behaviour results from the process of learning. From the marketers point of view, learning involves five concepts: drive, cue, response, reinforcement and retention. A drive is any strong internal stimulus that impels action, e.g., fear, hunger etc. A cue is an external stimulus in the environment which determines how the individual responds to drive. Advertisement of a restaurant may serve as a cue for an individual to satisfy his drive (hunger) by visiting the restaurant. The individuals reaction to the drive and cues is the response. The reaction of individuals varies depending on their past responses. Reinforcement results when the satisfaction is derived from a response. Retention is remembering what is learned.

Marketing implications of learning are many. Learning and brand loyalty are closely related. We purchase most of regular use items based on past experience. If we are satisfied with an item, we may again purchase the same – there is repeat purchase. Dissatisfaction may force the consumers to select another brand. Hence marketers aim should be to develop a group of consumers who are loyal to their products – repeatedly purchasing their products – and –even search for a particular brand.

Advertising plays the major role in providing cues to consumers about products and their performances. Advertising also suggests responses and increases consumer anticipation of reinforcements. Retaining the cues, given in the advertisement in the consumers mind depends on a number of factors. If the consumer is exposed to the advertisement frequently, it is likely that he will remember it. Again, spreading the advertising message over a particular period of time rather than concentrating it on a short period also enhances retention.

d) Beliefs and Attitudes

Beliefs and attitudes develop gradually over a period of time as a result of experience. Family, friends and reference groups influence beliefs and attitudes. –A belief is a descriptive thought that a person holds about something. Beliefs may be based on knowledge, opinion or faith. Our attitude to something is the way we think and feel about it.. Attitudes are a persons enduring favorable or unfavorable evaluations, emotional feelings or positive or negative tendencies towards some object or idea e.g., attitude towards religion, politics, food, films etc. Attitudes are seldom neutral; they reflect positive or negative feelings. Beliefs and attitudes indicate value judgments and they exhibit positive or negative preferences and viewpoints towards a product, brand or service.

Marketers are interested in studying the consumer’s attitudes towards products and services. These help in introducing products and services. The marketer’s ability to understand, predict and influence consumer attitudes helps, to a great extent, the success of a product. A marketer has three options will regard to consumer attitudes. Conform or change existing attitudes or create new attitudes. Conforming to the existing attitudes is the easiest one. Changing or creating new attitudes are difficult. Advertising is very often used extensively in changing attitudes. Social environment also influences attitude changes e.g., preference for cholesterol free oils. When introducing a new product or repositioning an old product, the strategy of creating new attitude isemployed.

Other factors affecting buyer behaviour

Apart from the various factors discussed above, quite a number of other factors affect buyer behaviour. Government policies, taxation, sudden price-hikes by the government, social and health programs etc., have their influence on buyer behaviour. Total ban or restrictions on imports of certain products may make the product not available or force the consumer to restrict its purchases or look for alternative items. Higher taxes and sudden increases in prices also restrict consumption. e.g., the recent hike in the prices of petroleum products. Fixing quotas also affect the supply of goods. Advertisements against smoking and drinking also have their influence on a section of consumers. Exhorting people to have regular exercise encourage sale of sports goods, shoes, etc. Advertisements and publicity warning people against cancer, heart disease, blood-pressure also discourage to a certain extent sales of cigarettes, alcoholic drinks, fatty oils etc.

THE PURCHASE DECISION PROCESS

We all make purchases everyday. But we never analyse the processes behind the purchase decision, as it has become a routine affair. Generally, the decision process consists of the following stages, while purchasing a high-priced or durable product.

Problem Recognition

The consumer recognises some needs and wants or desire or problem, e.g., a consumer may feel the need of a fridge to preserve food, the need of a vehicle to move around conveniently, the need of a prestigious item for social status etc., Marketers must find out which one of these stimulates the individual to initiate the purchase process.

Information Search

The consumer tries to collect information regarding various products/services. Information may be collected from magazines, catalogues, retailers, friends, family members, business associates etc. Marketers should find out the sources of information and their relative degree of importance to the consumer.

Evaluation of Alternatives

The various products/services (i.e., purchase alternatives) are evaluated by the consumer on the basis of some criteria. The criteria may include price, electricity consumption in the case of refrigerator, fuel efficiency in the case of a car or scooter, experts opinion about the products, opinion of family members, friends etc. The marketer must know which criteria the consumer will use in the purchase decision.

Purchase Decision

From among the purchase alternatives, the consumer makes the selection. It may be to buy or not to buy. If the decision is to buy, then other additional decisions are: which type (brand) of refrigerator he must buy, from whom to buy and how the payment to be made and so on. The marketer, up to this stage, has tried every means to influence the purchase behaviour, but the choice is purely consumers.

Post-purchase Behaviour

After making the purchase, the consumer will experience some degree of satisfactions/dissatisfaction. The buyer of a new refrigerator, it satisfied, will feel happy about its purchase and say nice things about it. But, if he is not satisfied, he may dissuade his friends from purchasing it or advise them not to commit the same mistake. How the consumer gets satisfaction/dissatisfaction is a crucial feedback for the marketer.

MARKETING MIX

The marketing mix refers to the set of actions, or tactics, that a company uses to promote its brand or product in the market. The 4Ps make up a typical marketing mix - Price, Product, Promotion and Place.

Price: refers to the value that is put for a product. It depends on costs of production, segment targeted, ability of the market to pay, supply - demand and a host of other direct and indirect factors. There can be several types of pricing strategies, each tied in with an overall business plan. Pricing can also be used a demarcation, to differentiate and enhance the image of a product.

Product: refers to the item actually being sold. The product must deliver a minimum level of performance; otherwise even the best work on the other elements of the marketing mix won't do any good.

Place: refers to the point of sale. In every industry, catching the eye of the consumer and making it easy for her to buy it is the main aim of a good distribution or 'place' strategy. Retailers pay a premium for the right location. In fact, the mantra of a successful retail business is 'location, location, location'.

Promotion: this refers to all the activities undertaken to make the product or service known to the user and trade. This can include advertising, word of mouth, press reports, incentives, commissions and awards to the trade. It can also include consumer schemes, direct marketing, contests and prizes.

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

MARKETING INFORMATION SYSTEM (MIS)

Today's marketing is dynamic, and manager has to undergo necessary changes to cope with the pace of changing marketing environment. Information is a basic input to know what is happening and what is going to happen. Information keeps the organization actively functioning, alive, and connected with internal and external marketing participants. It is a valuable asset for a firm as it is a base to manage other valuable assets. The firm fails to manage information (i.e., collecting, analyzing, interpreting, storing, and disseminating of information) will definitely fail to attain goals.

A company needs information on a continuous basis to be aware of marketing developments taking place in the market. In order to learn about changing needs of customers, new competitors initiatives, changing distribution practices, recent trends in promotion practices, etc., a manager requires the permanent arrangement to get the needed information on a regular basis. The system or arrangement that deals with providing the information regularly is known as marketing information system (MIS).

Definitions:

According to Philip Kotler, Marketing Information System (MIS) defined as:

"A marketing information system is a continuing and interacting system of people, equipments, and procedures to gather, sort, analyze, evaluate, and distribute the pertinent, timely, and accurate information for use by marketing decision-makers to improve their marketing planning, implementation, and control."

"A marketing information system (MIS) consists of people, equipments, and procedures to gather, sort, analyze, evaluate, and distribute the needed, timely, and accurate information to marketing decision makers."

MIS is made of parts, subparts or subsystems which are called the components. Typically, a marketing information system consists of four interrelated components – Internal Reports (Records) System, Marketing Research System, Marketing Intelligence System, and Marketing Decision Support System.

Unit II

PRODUCT-MEANING AND DEFINITION

As consumers we buy different kinds of products so as to satisfy our varied needs. We buy food-grains, textiles, shaving cream, toothpaste, books, pen, pencils and many other such items in our daily life. In common parlance, we name these items as products. However, our decision to buy an item is based not only on its tangible attributes but also on a variety of associated non-tangible and psychological attributes such as services, brand, package, warranty, image etc.

According to Schwartz, a product is something a firm markets that will satisfy a personal want or fill a business or commercial need, and includes, ‒all the peripheral factors that may contribute to consumers satisfaction. These factors may include reputation of the manufacturer, the warranty, credit and delivery terms, the brand name, and the courtesy shown by the sales and service personnel.

William Stanton says ‒a product is a complex of tangible and intangible attributes including packaging, colour, price, manufacturers prestige retailers prestige and manufacturers and retailers services which the buyer may accept as offering satisfaction of wants or needs.

From a perusal of these definitions, it is obvious that a product is not only a tangible entity. The intangible services and psychological attributes such as prestige, image, etc., which consumers look for and marketers provide in these tangible items are also an integral part of the product.

FEATURES OF PRODUCT

Not with standing variations in the emphasis and focus in the above definitions, the consensus of opinion about the meaning of the term product converges on some points. These points may be referred to as the essential features of product. These are briefly described here.

1. **Tangible attributes**

   To be called a product, an item should have the characteristic of tangibility. It means it may be touched, seen, and its physical presence felt as, for example, an automobile, scooter, pressure cooker, shaving cream, toothpaste, etc.

2. **Intangible attributes**

   Alternatively, it may be intangible in the form of a service for example, repairing, hair-dressing, banking or insurance services. These services may be bought independently/exclusively or may be associated with tangible products.

3. **Peripheral or associated attributes**

Product may have peripheral or associated attributes to facilitate its identification and acceptance by buyers. Such attributes may be a brand, package, warranty, credit and delivery terms. By and large, brand and package are such attributes which are common to many products. For example, Hindustan Levers vanaspati ghee has a brand name DALDA and its package exhibits a conspicuous palm tree with which it has come to be identified by consumers. Its brand name has developed such an image in the market that all kinds of vanaspati ghee that being sold is often referred to as Dalda ghee; it has become a generic name for all types of vanaspati ghee.

4. **Exchange value**

For marketing purposes, every product, whether tangible or intangible, should have an exchange value and should be capable of being exchanged between buyer and seller for a mutually agreed or acceptable consideration.

5. **Consumer satisfaction**

From the marketing viewpoint, products should have the ability to deliver value satisfaction to consumers for whom these are intended. This satisfaction may be both real/and or psychological. For example, when a housewife buys a Lakme lipstick she not only buys a chemical compound having some tangible features but also buys beauty. The former may deliver a real value but the psychological value is delivered by the latter

6. **Business need satisfaction**

In order to be a product, an item should also have the attribute of satisfying a business need. The basic business need obviously is to earn profit on the product sold. However, it may be to meet a societal need also. For example, cholesterol-free edible oil product may satisfy a societal need; it may or may not generate profit. The test is, therefore, not whether it generates profit or not, but whether it has that attribute of generating profit or not.

After having described the essential features of the term product, it may be defined as a set of tangible, intangible and associated attributes capable of being exchanged for a value with ability to satisfy consumer and business need(s).

CLASSIFICATION OF PRODUCTS

Products are not always bought for end consumption by buyers. They are bought for intermediate uses also; they are bought for conversion into other kinds of products through a manufacturing process. Some products, therefore, serve as inputs for other products. Some products survive a number of uses while others do not; some products are bought frequently relative to others. It is because of these differences in the purposes, motives, attitudes, shopping effort and frequency of purchases that in marketing products have been classified differently as follows:

Consumer and industrial products

Consumer products are those products which are destined for use by ultimate consumers or households and in such form that they can be used without further commercial processing. Whereas industrial products, are those products which are destined to be used by buyers (customers) as inputs in producing other products and for further commercial processing. In other words, consumer products are meant for personal and non-business use whereas industrial products are meant for non-personal and business use. For example, soap, toothpaste, wrist watch, hair-oil, cigarettes, etc. are meant for personal use and are, therefore, classified as consumer products while machine tools, computers, trucks, machinery etc. are meant for non-personal and business use of producing other products. These are, therefore, classified as industrial products.

However, no product may be exclusively classified as consumer product or industrial product. It depends on a specific purchase situation. For example, coconut oil is a consumer product when bought by a housewife for cooking purpose while the same coconut oil is an industrial product when bought by a hair-oil or soap manufacturer who buys it as an input, process it and then sells it to ultimate consumers as a different product. In the economic parlance, such as industrial buyer, therefore, adds more utilities to the product before selling it to the ultimate consumer.

Durable and Non-durable products

Products, both consumer and industrial, have also been classified as durable, non-durable and services, Durable products are those tangible products which normally survive many uses like, for example, machinery, cars, scooters, furniture, coolers, air- conditioners and refrigerators. Non-durable products, on the other hand, are those tangible products which are normally consumed in one or a few uses like, for example, lubricating oils, soap, toffees and cornflakes. Services are those intangible products like activities, benefits or satisfactions which are offered for sale, for example, hairdressing, banking and insurance etc.

Convenience, Shopping and Speciality products

Consumer products have further been sub classified on the basis of the degree and nature of shopping effort put in by consumers. Two attempts in this connection are relevant. The first attempt was made by Melvin T. Copeland of the Harvard Business School back in

1923 whose classification of consumer products has received wide support. Accordingly, consumer products have been divided into the following three types.

(a) Convenience Products

Convenience products are those consumer goods which a customer usually purchases frequently, immediately, and with the minimum of effort in comparison and buying, as for instance, soap toothpaste, bread, chewing tabacco, biscuits, etc.

(b) Shopping Products

Shopping products are those consumer goods which the customer, in the process of selection and purchase, characteristically compares on such bases as suitability, quality, price and style, as for example, refrigerator, cooler, fans, mopeds, suiting's, etc.

(c) Speciality Products

Speciality products are those consumer good with unique characteristics and/or brand identification for which a significant group of buyers are habitually willing to make a special purchasing effort, as for instance, ice-cream, special eating items, fancy goods etc.

PRODUCT MIX

A product mix (also called product assortment) is the set of all product lines and items that a particular seller offers for sale to buyers. An organisation with several product lines has a product mix. Product mix need not consist of related products. In other words, product mix is –the composite of products offered for sale by a firm. It is a collection of products manufactured or distributed by a firm. It is the full list of all products offered by a firm. For instance, a firm manufactures watches, machinery items, electric lamp etc. It has four main characteristic: (1) Length (2) Width (3) Depth (4) Consistency.

Length of product mix refers to the total number of items in its product mix. Width or breadth of the product mix refers to the number of different product lines offered by the company. Depth of the product mix refers to the average number of items offered by the company in each product line. Consistency of the product mix refers to how closely the various product lines are related in production requirements, distribution, channels etc. For instance, products manufactured by an electric company have an overall consistency, as most products involve electricity power.

Factors Influencing Product Mix

Generally it is very difficult for a concern to take a decision about the number of products it should produce at a given time because the number of products or product mix is affected by several factors. Changes in the product mix, that is, adding or eliminating products, may be due to the following factors.

1. Change in demand of a product due to population changes,
2. Changes in purchasing power or behaviour of the customers,
3. Change in company desire,
4. Development of by-products by using residuals, at low cost,
5. The competitors actions and reactions,
6. To utilise the available marketing capacity fully,
7. Financial influences of the firm,
8. Advertising and distribution factors,
9. Goodwill of the firm,
10. Possibility of adding new product to its product line at less cost.

Product Mix Strategies

A company has several major strategies at its disposal, with respect to the width, depth and consistency of its product mix. One major management aspect involved in product policy is the decision concerning product mix. The product mix is one of the elements in the product policy. This is more important now-a-days since most of the manufacturers are diversifying their products.

The following strategies are generally employed by the producer or wholesaler of the product

1. Expansion of Product Mix
2. Contraction of Product Mix
3. Alteration of existing products
4. Positioning the product
5. Trading up and Trading down
6. Product differentiation and Market segmentation We discuss them briefly:

(1) Expansion of product Mix

It is also referred to diversification. A firm may expand its present product mix by increasing the number of product lines or increasing the number of product items within the same line. New lines may be related or unrelated to the present products. For instance, a provision stores may add drugs, cosmetics, baby foods, dry fruits etc.

(2) Contraction of Product Mix (Product line contraction)

In certain circumstances, the management has to drop the production of unprofitable products. A firm may either eliminate an entire line or simplify the assortment within a line, this is termed as contraction of product mix.

This is also termed as simplification. The process of avoiding or stopping the production of a particular product is called simplification. Simplification may be defined as deleting or eliminating those product items, which are unsatisfactory or unnecessary, from the product line. It is opposite to product diversification. It is also termed as pruning, deletion, elimination, contraction, dropping or abandonment.

(3) Alteration of Existing Products

As an alternative to developing a completely new product, management should take a fresh look at the company's existing products. Often, improving an established product can be more profitable and less risky than developing a completely new one. Alterations may be made in the designs size, colour, packaging, quality etc.

(4) Positioning the Product

When a product can offer satisfaction in the manner the buyer expects, a strong position is created in the market. The products position is the image which that product projects in relations to rival products. A products features will attract the customers or prove attractive to the customers. The positioning of the product is attained by (1) product differentiation (2) market segmentation and (3) market aggregation. There is a match between product attributes and consumer expectations.

(5) Trading up and trading down

Trading up both trading up and trading down involve bringing out changed versions of a product and altering the nature and direction of promotion. Normally, a firm will trade up or down, but not both. Trading Up refers to adding of higher priced and more prestigious products to their existing line, in the hope of increasing total sales volume. In other words, when a marketer has already gained a good reputation through marketing his low priced products in the initial stage and later on introduces high priced products, it is termed as trading up. For instance, a factory marketing terry cotton is trading up by introducing polyester.

Trading Down is the opposite to trading up. A company is said to be trading down, when it adds a lower priced item to its line of prestige products in the hope that people who cannot afford the original products, will want to buy the new one, because it carries some of the status of the higher priced product. In other words, a manufacturer of high quality products, starts producing and selling a lower quality product. The manufacturer having already gained and established, a good name in the markets wishes to widen the market for his products. In trading down new market is looked for, where the old product has not reached.

(6) Product Differentiation and Market Segmentation

When there is a fundamental difference between one product and another, there will be a product differentiation. The product differentiation involves developing and promoting an awareness of differences between the advertisers products and the products of others. The purpose of this differentiation is to make ones product different from those of other competitors. Awareness of differentiation is developed and promoted on company's product from the product of others. This strategy is useful and facilitates a business to remove itself from price competition. This system is adopted by many firms that wish to engage a non-price competition in the market. Thus a firm establishes that its product is different from, and better than, other products. This differentiation sometimes, causes monopolistic competition. When a firm has exclusive features like trade-mark, trade-name patent-rights etc., the product is differentiated. Quality, design, colour, brand, packaging etc., also make a product differentiated. For instance, toilet-soap, tooth paste, paint etc. are differentiated by increasing the price, taking into account the cost of advertisement and promotion. The seller hopes that the demand can be directed to his differentiated market products which are reasonably standard.

PRODUCT PLANNING

Product planning is the process of determining that line of products which can secure maximum net realization from the intended markets. It is an –act of marking out and supervising the search, screening, development, and commercialization of new products; the modification of existing lines; and the discontinuance of marginal or unprofitable items. The managerial decision making in this area centre's around deciding the type of products company should develop and sell so that product serves as an instrument of achieving marketing objectives. It also involves surveillance of product behaviour and deciding whether it deserves to be on the product line, abandoned, or repositioned.

NEW PRODUCT DEVELOPMENT

New product planning process consists in the creation of new ideas, their evaluation in terms of sales potentials and profitability production facilities, resources available, designing and production testing and marketing of the product. The main task of the product planners is in identify specific customer needs and expectations and align company's possibilities with the changing market demands. In each of this stage management must decide (a) whether to move on to the next stage (b) to abandon the product or (c) to seek additional information.

Stages in the new product development process

1. Idea Generation

The beginning of a successful product is a creative idea. For the generation of new ideas, knowledge about the unfulfilled needs of the customer, their attitudes the attributes that may be needed in a product to be of use to the customer and some useful information has to be gathered. This step starts with a sound need – oriented analysis and assessment of market opportunities and company resources.

New ideas for the generation of a product may come from company's own research and development studies, technicians, scientists, management judgment, company's salesmen, employees, middlemen, company suppliers of raw materials, governmental agencies, company competitors and their products, trade associates, private research organisations, inventors, exhibits and trade fairs, wholesalers and retailers advertising agencies, commercial laboratories and trade journals etc. Good ideas come out of inspiration, perspiration and techniques. Creativity techniques such like attribute listing, forced relationships, Morphological analysis, and brain storming can help individuals and groups generate better ideas.

2. Idea screening

The purposes of idea generation is to create a large number of ideas. The purpose of the succeeding stages is to reduce the number of ideas to an attractive, practicable few. The first idea-pruning stage is screening. The different idea screening techniques are follows.

a) Check-List technique

The checklist enumerates desirable product characteristics on a rating scale, that guide the screener. These are widely used by marketers in the screening process. The qualities to be screened may be benefits to target consumers significantly different from rival products, can be produced economically, fits in with company image, company personnel have needed expertise and time to produce and sell it, will not consume excess amount of funds, and is economically sound.

b) Rating chart

In rating chart, the marketer screens the idea regarding characteristics (such as distribution, relationship to present product lines price-quality comparison with competitive products, merchandising potential, effect on present products, etc). demand (durability market dimensions, dependence on economic climate, social stability) and potential (originality, market position, future customers etc).

3. Concept development and testing

During this stage, idea – on the paper is turned into a product-on-hand. In other words, the idea is converted into a product that is producible and demonstrable. This stage is also termed as Technical Development. It is during this period that all developments of the product, from idea to final physical form, take place.

Any product idea can be turned into several product concepts. First, the question, who is to use this product? The powder can be aimed at infants, children, teenagers, or young or middle-aged adults. Second what primary benefit should be built into this product? Taste, nutrition, refreshment, energy? Third what is the primary occasion for this drink? Break fast, midmorning lunch, midafternoon, dinner, late evening? By asking these question a company can form several concept.

Concept 1: An instant breakfast drink for adults who want a quick nutritious breakfast without preparing a breakfast.

Concept 2: A tasty snack drink for children to drink as a midday refreshment.

Concept 3: A health supplement for older adults to drink in the late evening before retiring.

Concept testing

This is concerned with measuring customer reactions to the idea or concept of a product. In fact, it is a kind of research in which the product idea is screened before any money, time or labour are committed to making the prototype products. The idea of a product with as many details as possible is made known to the customers either verbally or through the use of suitable blueprints. The response of the customers is checked and only if it is found encouraging that the development of product prototype is taken up.

The concept testing can tell whether the product is likely to be a future success or not. To achieve better results, the product concept should include the finished product itself, with all details ie, packaging, price category, the brand name etc. On the basis of these details interviews are conducted to collect the opinion of the would be purchasers.

4. Marketing strategy development

The new-product manager must now develop a marketing – strategy plan for introducing this product into the market. The marketing strategy plan consists of 3 parts. The first part describes the size, structure and behaviour of the target market, the planned product positioning, and the sales, market share and profit goals sought in the first few years.

The second part of the marketing strategy outlines the products planned price, distribution strategy and marketing budget for the first year. The third part of the marketing strategy plan describes the long-run sales and profit goals and marketing-mix strategy over time.

5. Business analysis

After developing the product concept and marketing strategy, the management needs to prepare the sales, cost and profit projections to determine whether they satisfy the company's objectives. Business analysis is evaluating the business proposals attractiveness.

(i) Estimating sales

Management needs to estimate whether sales will be high enough to yield a satisfactory profit. Sales-estimation methods depend on whether the product is a one-time purchase product an infrequently purchased product, or a frequently purchased product.

a. Estimating first-time sales

The first task is to estimate first-time purchases of the new product in each period.

b. Estimating replacement sales

To estimate replacement sales, management has to research the survival-age distribution of its product. The low end of the distribution indicates when the first replacement sales will take place. Since replacement sales are difficult to estimate before the product is in actual use, some manufacturers base their decision to launch a new product on their estimate of first-time sales.

c. Estimating repeat sales

For a frequently purchased new product, the seller has to estimate repeat sales as well as first-time sales. The seller should note the percentage of repeat-purchases that take place in each repeat-purchase class: those who buy once, twice, three times and so on. It is important to estimate whether the repeat purchase ratio is likely to rise or fall, and at what rate, with deeper repeat-purchase classes.

(ii) Estimating cost and profits

After preparing the sales forecast, management can estimate the expected costs and profits of this venture. The costs are estimated by the R+D, manufacturing, marketing and finance departments.

6. Product Development

In this stage, the paper idea is duly converted into a physical product. There are 3 steps in this stage (a) Prototype development giving visual image of the product (b) consumer testing of the model or prototype and (c) branding, packaging and labeling.

7. Test marketing

After management is satisfied with the products functional and psychological performance, the product is ready to be dressed up with a brand name, packaging and a preliminary marketing program to test it in more authentic consumer settings. The purpose of market testing is to learn how consumers and dealers react to handling using and repurchasing the actual product and how large the market is.

The objectives of test marketing are:

a. To evaluate a complete marketing plan including advertising, distribution sales, pricing etc.
b. To determine media mix, channels etc.
c. To forecast sales volume

Limitations of test marketing are:

a. Competitors response and their defensive action may not allow test marketing to be conclusive.
b. Test marketing is a costly affair
c. It is a time-consuming method.

Many firms avoid test marketing, since they wish to be the first in the market. Test marketing is generally done by consumer goods companies rather than by industrial goods firms who usually try out new products with selected customers or obtain general reactions by having their sales people demonstrate products when they make their rounds.

8. Commercialisation

This is the last stage, which involves the launching of the product with a full-scale marketing programme. This stage is considered to be a critical one for any new product and should therefore be handled carefully. For instance, it should be checked whether advertising and personal selling have been done effectively and whether proper outlets have been arranged for the distribution. The following activities are usually undertaken during this stage:

1. Completing final plans for production and marketing.
2. Initiating coordinated production and selling programmes
3. Checking results at regular intervals.

All the stages explained above stress the fact that the development of new product must pass through certain logical stage. At each stage, except for the first and the last, management has 3 alternative decisions.

- ✓ Move the proposed product on to the next stage for evaluation there
- ✓ Terminate the product
- ✓ Send the proposed product back to an earlier stage for further development or evaluation there.

PRODUCT LINE

Product lining is the marketing strategy of offering for sale several related products. Unlike product bundling, where several products are combined into one, lining involves offering several related products individually. A line can comprise related products of various sizes, types, colors, qualities, or prices. Line depth refers to the number of product variants in a line. Line consistency refers to how closely related the products that make up the line are. Line vulnerability refers to the percentage of sales or profits that are derived from only a few products in the line. If a line of products is sold with the same brand name, this is referred to as family branding.

When you add a new product to a line, it is referred to as a line extension. When you add a line extension that is of better quality than the other products in the line, this is referred to as trading up or brand leveraging. When you add a line extension that is of lower quality than the other products of the line, this is referred to as trading down. When you trade down, you will likely reduce your brand equity. You are gaining short-term sales at the expense of long term sales.

- ✓ Product Line Contraction
- ✓ Product Line Expansion
- ✓ Changing Models or Styles of the Existing Products

TARGET MARKETING

Target marketing is the process of assessing the relative worth of different market segments and selecting one or more segments in which to compete. These become the target segments. Titan is using the target marketing strategy very effectively. German car manufacturer Mercedes target high status consumers with experience and prestigious motor cars.

According to David Cravens and others " Target market is a group of existing or potential customers within a particular product market towards which an organisation directs its marketing efforts".

Target marketing strategies

Total market approach:

A company develops a single marketing mix and directs it at the entire market for a particular product. This approach is used when an organisation defines the total market for a particular product as its target market.

Concentration approach:

An organisation directs its marketing efforts toward a single market segment through a single marketing mix. The total market may consist of several segments, but the organisation selects only one of the segments as its target market.

Multi-segment approach:

An organisation directs its marketing efforts at two or more segments by developing a marketing mix for each segment.

Steps in target marketing

It involves the following four major steps:

1) **Market segmentation:** Markets are segmented on the basis of certain characteristic such as sex, education, income, age etc.
2) **Market targeting:** It refers to evaluating each market segments attractiveness and selecting one or more of the segments to enter. Thus target marketing and market targeting are not one and the same. Market targeting is only a step in target marketing.
3) **Designing the marketing mix:** After selecting the segment, the next step is to design a suitable product and other marketing mix elements for each segment selected.
4) **Product Positioning:** Market segmentation strategy and market positioning strategy are like two sides of a coin. Target marketing begins with segmentation and ends with positioning.

PRODUCT POSITIONING

The act of creating an image about a product or brand in the consumers mind is known as positioning. In the words of Kotler, “Positioning is the act of designing the companys offer and image so that it occupies a distinct and valued place in the target consumers minds.” In short, the process of creating an image for a product in the minds of targeted customers is known as product positioning. Close-up tooth paste is looked upon by the consumers more as a mouth wash than a teeth cleaner, while ‘pepsodent’ has created an impression of germ killer in the consumers minds.

Steps in product positioning

1) **Identifying potential competitive advantages:** Consumers generally choose products and services which give them greatest value. The key to winning and keeping customers is to understand their needs and buying processes far better than the competitors do and deliver more values.

2) **Identifying the competitors position:** When the firm understands how its customers view its brand relative to competitors, it must study how those same competitors position themselves.

3) **Choosing the right competitive advantages:** It refers to an advantage over competitors gained by offering consumers greater value either through lower price or by providing more

benefits.

4) **Communicating the competitive advantage:** The company should take specific steps to advertise the competitive advantage it has chosen so that it can impress upon the minds of consumers about the superiority claimed in respect of the product over its competing brands.
5) **Monitoring the positioning strategy:** Markets are not stagnant. They keep on changing. Consumer tastes shift and competitors react to those shifts. After a desired position is developed, the marketer should continue to monitor its position through brand tracking and monitoring.

Elements of positioning

It is concerned with the following four elements.

1) **The Product:** Design, special feature, attributes, quality, package etc. of product create its own image in the minds of the consumers. Material ingredient of a product is also important in the process of product positioning.
2) **The Company:** The goodwill of a company lends an aura to its brand. For example, Tata, Godrej, Bajaj etc have very good reputation in the market
3) **The Competitors:** Product image is build in consumers mind in relation to the competing product. Thus a careful study of competition is required.
4) **The Consumer:** Ultimate aim of positioning policy is to create a place for the product in consumer’s minds. Therefore, it becomes necessary to study the consumer behaviour towards the product.

Techniques of product positioning

Following technique are used in positioning a product in the market:

- **Positioning by corporate identity:** The companies that have become a tried and trusted household name. For example, Tata, Sony etc.
- **Positioning by brand endorsement:** Marketers use the names of companies powerful brands for line extensions or while entering another product category. Lux, Surf, Dettol etc.
- **Positioning by product attributes and benefits:** It emphasize the special attributes and benefits of the product. Close-up is positioned on fresh breath and cosmetics benefits.
- **Positioning by use, occasion and time:** It is to find an occasion or time of use and sit on it. For example, Vicks vaporub is to be used for childs cold at night.
- **Positioning by price and quality:** Company position its brand by emphasizing its

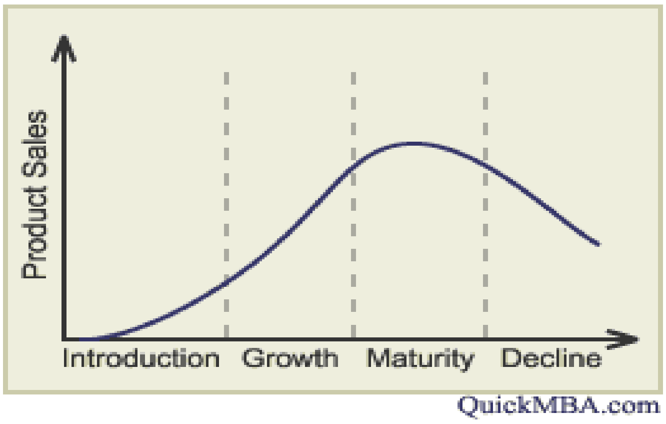
price and quality. Eg. Nirma detergent powder.

- **Positioning by product category:** Brand is perceived to be another product category. Eg. Maruti positioned its van as omni , family car.
- **Positioning by product user:** Positioning the product as an exclusive product for a particular class of customers. Eg. Scooty as a two wheeler for teenagers.
- **Positioning by competitor:** An offensive positioning strategy and is often seen in cases of comparative advertising. Eg. Tide and Rin
- **Positioning by symbols:** Some companies use some symbols for positioning their products. Eg. vodafone symbol.

THE PRODUCT LIFE CYCLE

Since the product is not well known and is usually expensive (e.g., as microwave ovens were in the late 1970s), sales are usually limited. Eventually, however, many products reach a growth phase— sales increase dramatically. More firms enter with their models of the product. Frequently, unfortunately, the product will reach a maturity stage where little growth will be seen. For example, in the United States, almost every household has at least one color TV set. Some products may also reach a decline stage, usually because the product category is being replaced by something better. For example, typewriters experienced declining sales as more consumers switched to computers or other word processing equipment.

The product life cycle is tied to the phenomenon of diffusion of innovation. When a new product comes out, it is likely to first be adopted by consumers who are more innovative than others— they are willing to pay a premium price for the new product and take a risk on unproven technology. It is important to be on the good side of innovators since many other later adopters will tend to rely for advice on the innovators who are thought to be more knowledgeable about new products for advice. At later phases of the PLC, the firm may need to modify its market strategy. For example, facing a saturated market for baking soda in its traditional use, Arm & Hammer launched a major campaign to get consumers to use the product to deodorize refrigerators. Deodorizing powders to be used before vacuuming were also created. Products often go through a life cycle. Initially, a product is introduced.



Introduction Stage

This is the first stage in product life cycle. Before a new product is introduced in the market place, it should be created first. The processes involve in this stage include generation of idea, designing of the new product, engineering of its details, and the whole manufacturing process. This is also the phase where the product is named and given a complete brand identity that will differentiate it from the others, particularly the competitors. Once all the tasks necessary to develop the product is complete, market promotion will follow and the product will be introduced to the consumers. Product development is a continuous process that is essential in maintaining the products quality and value to consumers. This means that companies need to continuously develop or innovate their products to out ride new and existing competitors.

Growth Stage

This is a period where rapid sales and revenue growth is realised. However, growth can only be achieved when more and more consumers will recognize the value and benefits of a certain product. In most cases, growth takes several years to happen, and in some instances, the product just eventually died without achieving any rise in demand at all. Hence, it is important that while the product is still in the development and introduction stages, a sound marketing plan should be put in place and a market and primary demand should be established.

Maturity Stage

In the maturity stage, the product reaches its full market potential and business becomes more profitable. During the early part of this stage, one of the most likely market scenarios that every business should prepare for is fierce competition. As business move to snatch competitors customers, marketing pressures will become relatively high. This will be characterized by extensive promotions and competitive advertising, which are aimed at persuading customer to switch and encouraging distributors to continue sell the product.

In the middle and late phases of the maturity stage, the rate of growth will start to slow down and new competitors will attempt to take control of the market. In most cases, many businesses falls and lose money in these stages as they focus more on increasing advertising spending in hope of maintaining their grip of the market.

Decline Stage

The decline stage is the final course of the product life cycle. This unwanted phase will take place if companies have failed to revitalize and extend the life cycle of their products during the maturity stages early part. Once already in this phase, it is very likely that the product may never again recover or experience any growth, eventually dying down and be forgotten.

BRANDING

Branding means giving a name to the product by which it could become known and familiar among the public. When a brand name is registered and legalised, it becomes a Trade mark. All trade marks are brands but all brands are not trade marks. Brand, brand name, brand mark, trade mark, copy right are collectively known as the language of branding.

Types of brands

In many markets, brands of different strength compete against each other. At the top level are national or international brands. A large investment has usually been put into extensive brand building— including advertising, distribution and, if needed, infrastructure support. Although some national brands are better regarded than others—e.g., Dell has a better reputation than e-Machines—the national brands usually sell at higher prices than to regional and store brands. Regional brands, as the name suggests, are typically sold only in one area. In some cases, regional distribution is all that firms can initially accomplish with the investment capital and other resources that they have. This means that advertising is usually done at the regional level. Store, or private label brands are, as the name suggests, brands that are owned by retail store chains or consortia thereof. (For example, Vons and Safeway have the same corporate parent and both carry the "Select" brand). Typically, store brands sell at lower prices than do national brands.

Co-branding involves firms using two or more brands together to maximize appeal to consumers. Some ice cream makers, for example, use their own brand name in addition to naming the brands of ingredients contained. Sometimes, this strategy may help one brand at the expense of the other. It is widely believed, for example, that the "Intel inside" messages, which Intel paid computer makers to put on their products and packaging, reduced the value of the computer makers brand names because the emphasis was now put on the Intel component.

In order for a business organisation to successfully create an effective brand that is capable of enhancing a products value, it needs to understand how the delivery of value differs across different types of brands. This means that a company has to know the kind of brand suitable for its offering. So what are the different kinds of brand? They are the following:

- Manufacturer Brands: These are developed and owned by the producers, who are usually involved with distribution, promotion and pricing decisions for the brands. For example, Apple computers.
- Dealer Brands: These are brands initiated and owned by wholesalers or retailers.
- Generic Brands: It indicates only the product category and do not includes the company name or other identifying terms.
- Family Brands: A single brand name for the whole line closely related items. For example, Amul for milk products.
- Individual Brands: Each product has a special brand name such as surf etc.
- Co-Brands: It uses two individual brands on a single product.
- Licensed Brands: It involves licensing of trade marks. For example, P&G licensed its Camay brand of soap in India to Godrej for a few years.

BRAND LOYALTY

It simply means loyalty of a buyer towards a particular brand. Loyalty defined as, "A favourable attitude and consistent purchase of a particular brand." For example, if a customer has a brand loyalty towards 'Pears', he will buy and use only that soap. There are four levels of Brand Loyalty.

i. Brand Recognition: This means that people are familiar with the product and they are likely to buy it.
ii. Brand Preference: At this level people adopt the product- that is, they habitually buy it if it is available.
iii. Brand Insistence: It is the stage at which people will not accept any substitute.
iv. Brand equity: it is a set of assets and liabilities linked to a brands name and symbol that add to or subtract from the value provided by a product or service to a firm or that firms customers".

PACKAGING

The packaging of a consumer product is an important part of the marketing plan.

There are many factors to be considered while designing a package. A good number of companies adopt square packages in place of round packages which save space. Lip- sticks and eye brow cosmetics are designed as pencil to be carried in ladies purses or hand bags.

Packing means wrapping of goods before they are transported or stored or delivered to consumers. On the other hand, packaging is the sub-division of the packing function of marketing. ‒Packaging has been defined a ‒an activity which is concerned with protection, economy, convenience and promotional considerations. Many marketers have called packaging a fifth P, along with four Ps i.e., price, product, place and promotion. Thus packaging is one among the activities of designing and producing the container or wrapper for a product. The wrapper or the container is called package.

The Growth of Packaging

The following are the factors which influence the growth ad recognition of packaging as a marketing tool:

1) Self Service

A number of products are being sold year after year, through the supermarkets, on a self-service basis. Thus, they are packed and kept ready for sale. Packages attract attention, telling product features, create overall impression and win consumers confidence. So, good package is a must.

2) Consumer Affluence

Consumers are willing to pay a little more for conveniences, appearance, dependability and prestige of better packages.

3) Company and Brand Image:

To enjoy a distinctive attraction, there must be a good brand and packaging.

4) Innovational Opportunity

Innovative packaging can bring large benefits to consumers and profit to producers.

Functions of Packaging

1. Product Protection

Package protects the products and is fundamental in idea. Their journey for manufacturer to consumer is facilitated. Package prevents breakage, contamination, pilferage, chemical change, insect attack etc.

2. Product Containers

Package means using just the space in which a product will be contained. Ordinary packing is in the form of throw-away containers.

3. Product Attractiveness

The size and shape of the package, its colour, printed matter on it etc., must make the package attractive to look at. The psychological feeling is that a good package contains good quality product in it. Attractiveness is a major consideration in modern packaging. A pictorial label on the package plays a role of silent salesman.

4. Product Identification

Packages differentiate similar products. Packaging and labelling are inseparable and are closely related to branding. Package has more significance, when the product cannot be seen by the buyer-packed milk, fruit juice etc. Buyers depend on the package label in understanding the product in the package. An attractive label is a means of success in marketing.

5. Product Convenience

The purpose of packaging is not merely confined to consumer service. The design and size of the package must be in accordance with the contents ie., product, it must be convenient to the ultimate customers. Package which can be easily handled, opened, moved etc., is appreciably favoured by customers.

6. Effective Sales Tool

A good package stimulates sales: A designed and attractive package invites customers. As is the product, so is the package. Many people think that a good package, taller in size, not shorter, contains bigger products. Women like round or curved shape of packages. Packaging, attractive and innovative, has value, as many people buy the products, for the sake of containers.

Some general functions of packaging are:

1. It is an advertising medium
2. It encourages re-purchases
3. It facilitates retailers functions
4. It creates product image and individuality
5. It enables easy display
6. It protects the contents
7. It facilitates easy storing, transporting etc.
8. It becomes easy to identify the products
9. It helps memory and recognition
10. It provides convenience, economy, adjustability etc.

Kinds of materials used for packaging

1. Earthen wares
2. China Jars
3. Wooden Boxes
4. Card Board Container
5. Straw Baskets
6. Gunny Bags
7. Glass Bottles
8. Tin Containers
9. Plastic Containers
10. Clothes etc.

Kinds of Packaging

A consumer Package

It is a kind of package which holds the required volume of product for the household consumption. For example, toothpaste, shoe polish etc.

A Family Package

When products are related in use and are of similar quality, the firm makes the packages identical for all products by using common feature on all the packages. In this type of package system a producer uses similarity in packages i.e., material, appearance, method etc.

Re-use Package

It is also known as dual package. A producer sells the contents in such a package, which can be re-used for other purposes after the product is consumed; the package has a secondary use, after the contents are consumed. For instance, the glass jar of Nescafe Instant Coffee, and many other products are packed in such a way that the package can be put into many uses.

Multiple Package

The practice of placing several units in one container is known as multiple packaging. For instance, Make-up set, Baby's care set etc.

Requisites of Good Package

1. It must protect the contents
2. It must look attractive
3. It must establish identity
4. It must provide convenience

5. It must have less cost
6. It must develop the interest to possess
7. It must arouse the people to re-purchase
8. It must enhance the image of the brand
9. It must occupy less space
10. It must give out a brief idea of the product
11. It must build confidence
12. It must have a clean look
13. It must look like an asset.
14. It must possess a status to display
15. It must minimize the sellers job
16. It must resist soiling
17. It must have trade characters
18. It must have label-pasted
19. It must have eye-catching look
20. It must be simple in design
21. It must be convenient to handle
22. It must look like a fast-seller

LABELLING

Label is a part of the product, which carries verbal information about the product or the seller. It may be part of a package, or it may be a tag attached directly to the product. Label may be a small slip or a printed statement. It may be a part of a package or it may be attached to the product. It conveys verbal information about the product and seller. The producer gives necessary information to the consumers through the label. The act of attaching or tagging the label is known as labeling. Labels are of three types.

(1) **A Brand Label** is simply popularizing the brand name of the product. It gives only the brand names. For example sanforised on clothes.

(2) **A Grade Label** identifies or emphasizes the quality standards or grades, as A, B, C or 1, 2, 3 etc. In other words, it identifies the quality.

(3) **A Descriptive Label** gives written or illustrative objective information about the use, care, performance and other features of the product.

Functions of Labeling

1. It enables the producer to give clear instructions about the uses of the product
2. Price variations caused by the middlemen are avoided because price is printed

and maintained.

3. Manufacturer-buyer relation is established
4. It encourages producers to make only standard products.
5. Buyers can easily identify the product.

A complete label gives the following information

1. Brand name
2. Address of the producer
3. Gross and net quantity of the content
4. Ingredients in the product
5. Directions for the use
6. Precautionary measures
7. Nature of the product
8. Date of packing and expiry
9. Retail price

Advantages of Labeling

1. It grades the product
2. It facilitates buyers to pay the right price.
3. It helps in avoiding confusion
4. It brings home the characteristics of a product
5. It helps advertising activity
6. It gives all needed information to buyers
7. It gives guarantee for the standard
8. Label is the media to popularise the product

Disadvantages

1. It is of no use to ignorant or illiterate population
2. It increases the cost of the product
3. Labelling must be preceded by grading and standardisation
4. It aims at mainly popularising the product rather than giving information to the consumers.

PRICING

Pricing decisions have strategic importance in any enterprise. Pricing governs the very feasibility of any marketing program because it is the only element in a marketing mix accounting for demand and sales revenue. Other elements are cost factors. Price is the only variable factor determining the revenues or income. A variety of economic and social objectives came in to prominence in many pricing decision.

Definition of price

Economist defines price as the exchange value of a product or services always expressed in money. To the consumer the price is an agreement between seller and buyer concerning what each is to receive. Price is the mechanism or device for translating into quantitative terms (Rupees and paise) the perceived value of the product to the customer at a point of time. The buyer is interested in the price of the whole package consisting of the physical product plus bundle of expectations or satisfactions. The consumer has numerous expectations such as accessories, after – sales – service, replacement parts, technical guidance, extra service, credit and many other benefits. Thus price must be equal to the total amount of benefits (physical, economic, social and psychological benefits).

Any change in the price will also bring about alterations in the satisfactions side of the equation. To the ultimate consumer, the price he pays for a product or service represents a sacrifice of purchasing power. Price is the only objective criteria (although an imperfect measuring rod) for the consumer for comparing alternative items and making the final choice. To the consumer price is a product disfeature, i.e., a feature of which he disapproves. However, to the seller price is a source of revenue and a main determinant of profit. To the seller it is a product feature most welcome.

Pricing is equivalent to the total product offering. This offering includes a brand name, a package, benefits, service after sale, delivery, and credit and so on. From the marketers point of view, the price also covers the total market offering, i.e., the consumer is also purchasing the information through advertising, sales promotion and personal selling and distribution method that has been adopted. The consumer gets these values and also covers their costs. We can now define price as the money value of a product or service agreed upon in a market transaction. We have a kind of price equation, where:

Money (price) = Bundle of Expectations.

Included in the bundle of expectations may be physical product plus other attributes such as delivery, installation, return privileges, after- sale servicing and so on.

Importance of Pricing

Price is a matter of vital importance to both the seller and the buyer in the market place. In money economy, without prices there cannot be marketing. Price denotes the value of a product or service expressed in money. Only when a buyer and a seller agree on price, we can have exchange of goods and services leading to transfer of ownership.

In a competitive market economy, price is determined by free play of demand and supply. The price will move forward or backward with changing supply and demand conditions. The going market price acts as basis for fixing the sale price. Rarely an individual seller can dishonor the current market price. In a free market economy, we have freedom of contract, freedom of enterprise, free competition and right to private property. Price regulates business profits, allocates the economic resources for optimum production and distribution. Thus price is the prime regulator of production, distribution and consumption of goods. Economics revolves around pricing of resources. Price influences consumer purchase decisions. It reflects purchasing power of currency. It can determine the general living standards. In essence, by and large, every facet of our economic life is directly or indirectly governed by pricing. This is literally true in our money and credit economy.

Pricing decisions inter-connect marketing actions with the financial objectives of the enterprise. Among the most important marketing variables influenced by pricing decisions are:

1. Sales volume,
2. Profit margins,
3. Rate of return on investment,
4. Trade margins,
5. Advertising and sales promotion,
6. Product image,
7. New product development.

Therefore, pricing decisions play a very important role in the design of the marketing mix. Pricing strategy determines the firms position in the market vis-a-vis its rivals. Marketing effectiveness of pricing policy and strategy should not suffer merely on account of cost and financial criteria.

Price is a powerful marketing instrument. As a marketing weapon, pricing is the big-gun. However, it must be used with great caution. It is a dangerous and explosive marketing force. It may doom a good product to failure. Low pricing strategies are irreversible decisions. They must be used correctly from the outset. Every marketing plan involves pricing decision. Therefore, all marketing planners must take accurate and planned pricing decisions.

PRICING OBJECTIVES

The duty of the marketing manager is to decide the objectives of pricing before he determines the price itself. Pricing objectives are over all goals that describe the role of price in an organisations long-range plans. Pricing objectives provide guidance to decision makers in formulating price policies, planning pricing strategies and setting actual prices. The most important objective of the companies is to have maximum profits. Other goal in pricing may be:

(i) To achieve target return of investment;
(ii) To stabilize prices;
(iii) Maintain or improve a target share of the market;
(iv) Meet or prevent competition
(v) Survival

(i) To achieve target return of investment

An adequate return on investment or net sales is one of the main objectives of pricing. The idea is to secure a sufficient return on capital used for specific products or divisions so that the sales revenues will ultimately yield a pre-determined average return for the whole company. This is generally a long –range goal. This objective is commonly used by companies that are –industry leader and those that sell in –protected markets , such as those for new and uniquely different products. They fix up a percentage mark up on sales to include their operating costs plus a desired profit.

(ii) Stabilize price

The objective of stabilising prices is to even out or, if possible, eliminate cyclical price fluctuations. During periods of depressed business, they work to keep prices from falling too low, and during periods of good business, they try to stop prices from rising. Companies seeking stability in their prices are anxious to avert price wars, when demand is declining. Price leaders tend to take a long run point of view in achieving stability. Their goal is to live and let live

(iii) Maintain or improve target share of market

Market position or sales in relation to competition, is a very, meaningful benchmark of success. Therefore, a company may set a target market share as its major pricing objective, so that by focusing attention on it, it may not lose its former market position. It tries to at least maintain status quo or to improve its position through continuous low pricing.

(iv) Meet or Prevent Competition

Pricing is often done to meet or even prevent competition. If a company is its industrys price leader, it may set prices designed to discourage new competitors from entering the market. Similarly, companies that are price followers set their prices in order to meet competitors prices. When introducing a new product, frequently low prices would be set in order to discourage competition.

(v) Maximise Profits

This objective aims at making as much money as possible. The goal should be to maximise profits on total output rather than on each single item. A manufacturer may maximise total profits by practically giving away some articles which will attract the buyers attentions or will stimulate sales of other goods. A retailer may sell goods at a very small profit but he attracts a large numbers of customers so that the overall profit is enhanced considerably.

(vi) Survival

The fundamental pricing objective is to survive. Most organizations will tolerate short-run losses, internal upheaval, and many other difficulties if these are necessary to continue existence. Price is used to increase sale volume to levels that match the organizations expenses.

FACTORS INFLUENCING PRICING DECISIONS

Pricing decisions are influenced by numerous factors. Such decisions must be consistent with companies desired public image i.e., they should derive directly from companies objective. Further, price policies should be consistent with pricing objectives, and pricing strategies should be in conformity with both price policies and pricing objectives.

Pricing decisions also require a knowledge of the company's over-all marketing environment—viz., the internal factors such as company objectives, company brand image; nature and objectives of promotional effort, marketing channels, and the physical distribution system; and the environment factors, such as competition, economic climate and government controls/regulations etc. –Pricing is but one components of marketing strategy and to achieve maximum results, all components must be carefully coordinated, both in their formulation and in their implementation.

Procedure for price Determination

After formulating the objective of pricing , the next step is to determine the base price of products or services. Usually, the steps in setting price involve the following procedure:

1. Estimate the demand for the product.
2. Anticipate the competitive reaction.
3. Establish the expected share of the market.
4. Select the price strategy to be used to reach the market target.
5. Consider company policies regarding products, channels and promotion.
6. Select the specific price.

Step 1. Estimate the Demand for the Product

The demand for an established product is easier to be known than for an entirely new product. However, two steps are available for demand estimation. First to determine whether there is a price which the customers think the product is worth, i.e., the expected price may range between, say Rs.10 and 20. The seller may determine the expected price by submitting the product to an experienced retailer or wholesaler for appraisal. Producers of industrial products may know the expected price by seeking advice of the technical persons working for the customers.

By showing models or blue prints, necessary information may be gathered as to what the price would be or he may observe prices or competitive prices, or the potential customers may be surveyed. The most effective approach is to market the product in a few limited test areas. By quoting different prices under controlled subject, a reasonable range of price may be determined. Second, to estimate the sales volume at different prices. A product with elastic market demand is usually priced lower than the product with an inelastic demand.

Step 2. Anticipate the Competitive Reaction

Present and potential competition also influences price determination. Competition may come from three existing sources. First, from directly similar products such as the producer such as the producer may have to compete his vegetable oil product under the name of Dalda with that of Madhuram or Malti or any other new brand or different types of nylon saris. Second, the competition may be from available substitutes, e.g., butter and ghee., fluid milk and powdered milk. Third competition may be from unrelated items seeking the same consumer rupee. The shrewd marketing manager tries to discourage the potential competition, in case of new products, by keeping the prices low so that the competitors may not dare to enter the market.

Step 3. Establish Expected Share of the Market

A firm which wants to win a large share of the market, will price its products differently from a firm which is content with its present share in the market.Attempts towards capturing a large market are manifested in heavy advertisements and other forms of non-price competition. What the share of a particular firm in the market should be, would be influenced by such factors as present production capacity, cost of plant extension and ease of competition.

Step 4. Select Pricing Strategy to Reach Market Target

Broadly speaking two alternatives are available for pricing of new products. First, Skimming Pricing and penetrating pricing.

(a) Skimming Pricing

This strategy involves setting a very high price so that in the initial stages, the cream of demand may be skimmed, and enormous profits made for an indefinite period or the price may be lowered later in order to tap other segments of the market. By this method the investment made in the product may be quickly realised. Skimming is probably most effective with a highly distinctive article which is aggressively promoted in the early stages of its life cycle.

There are five reasons why skim-the-cream pricing may be particularly suitable for new products. First, demand is likely to be less elastic in the early stages of the products life cycle, because price is less important and competition is also at a minimum… … … Second, the strategy can effectively segment the market on an income basis. The product may first be offered to the customers who are relatively little insensitive to price. Later on, price may be lowered to appeal to the customers who are highly sensitive to price. Third, it acts as a strong hedge against a possible mistake in setting the price. Fourth, the initial high price generates more profits which can be subsequently earmarked for market expansion. Fifth, high initial prices can be used to keep demand within the limits of a company's productive capacity.

(b) Penetrating pricing

In this strategy, a low price is set to reach the market immediately, i.e., rapid penetration of the mass market is the aim and this is based on a long-term viewpoint. This type of aggressive penetration can be more satisfactory where: (I) there exist a high short run price elasticity of demand; i.e., the quantity sold is highly sensitive to price; (ii) substantial economies of large scale production are possible; (iii) the product faces very strong competition after it is introduced to the market; (iv) there is possibility that public will accept the new product as a part of its daily life, and (v) there is an inadequate high income market to sustain a skim-the-cream price.

Low initial pricing may result into two things: (I) it may discourage other firms from entering the field because the investment need in production and marketing facilities would be too great in comparison to low margin of profit; and (ii) low prices may give the initiator a strong hold on his share of the market that the competitor cannot dare to enter the field.

Step. 5. Consider company marketing policies

This is concerned with the consideration of the product policies, distribution system; and the promotional programmes.

Product policies involve knowing the economic characteristics of the products so that pricing may be done suitably. Whether a product is of permanent nature or is of perishable nature, influence the pricing policy. Perishable products have to be disposed of within a limited time to save them from spoilage. Hence, throw-away prices may be set for fruits, vegetables, milk etc. after the days close. But so far as motor-cars, radios, cloth or such other durable products are concerned, their price need not be reduced, for demand exists for these, though it may be postponed for the time being, Change in fashion also compels the seller to dispose of his stock, before the fashion goes old.

Channels of Distribution: The nature of the channels used, and the gross-margin requirements of the middlemen influence the pricing decisions. Pricing discretion differ with the length and complexity of the chain of distribution. A firm selling through wholesalers and also directly to retailers often sets a different factory price for each of these two classes of customers.

Promotional programmes.:The larger the promotional methods used, the higher will be the pricing, for expenses incurred will have to be covered from the price set.

Step 6. Select the specific price

After taking all the above facts into consideration, the last stage would be of selecting the specific price for the products by the producer. This will depend upon the cost of the product.

PRICING POLICIES

Pricing policies are more specific than the objectives and deal with situations in the foreseeable future that generally recurs. Pricing policies provide the framework and consistency needed by the firm to make reasonable, practicable and effective pricing decisions. The correctness of any pricing policy depends on such variables as managerial philosophy, competitive conditions, and the firms marketing and pricing objectives. The following are, however, the policies recognized for pricing.

1. Cost-oriented pricing policy,
2. Demand-oriented pricing policy, and
3. Competition-oriented pricing policy

1. Cost-oriented pricing policy

It is also referred to as cost-plus pricing. This pricing method assures that no product is sold at a loss, since the price covers the full cost incurred. Definitely, costs furnish a good point from which the computation of price could begin. Fixing a tentative price is easier under this method. But the criticism against this policy is that it ignores completely the influences of competition and market demand.

Cost-plus policies are often used by retail traders and in manufacturing industries where the production is non-standardized. The method of pricing here is based on simple arithmetic, adding a fixed percentage to the unit cost. Thus the retail price of a particular item might be the manufacturers cost plus his gross margin plus the wholesalers gross margin, plus the retailers gross margin. This method is known as sum of margins method.

Another common method used under cost-oriented pricing is known as Target Pricing. This is invariably adopted by manufacturers who fix a target return on its total cost.

Manufacturers these days use Break-Even Analysis for deciding cost-plus pricing. As mentioned earlier one defect of this pricing policy is that it ignores the demand factor. This analysis helps to calculate in advance the likely relationship between the cost, volume and profit over various time periods. It has also proved to be a highly useful technique for the broad planning of manufacturing facilities.

The break-even analysis helps a firm to determine at what level of output the revenues will equal the costs, assuming a certain selling price. For this purpose the cost of manufacture is also divided into two. Fixed and Variable costs. Fixed costs (Rent, Rates, Insurance etc.) theoretically remain constant over all levels of output. Variable costs (Labour and Material) vary with changes in output level. Fixed costs naturally decrease per unit when production increases. Variable costs, on the other hand, change as production varies i.e., no production, no variable cost.

The break-even point, therefore, is a point where there is neither loss nor profit.

This is found out by using the following equation.

BEP = Total fixed costs / Margin of contribution.

Margin of contribution = Unit selling price – Unit variable costs.

2. Demand-Oriented Pricing Policy

As the name suggests, under this method of pricing, the demand is the pivotal factor. Price is fixed by simply adjusting it to the market conditions. A high price is charged when or where the demand is intense, and a low price is charged when the demand is low, Price discrimination is usually adopted under such market situations.

3. Competition-Oriented policy

Most companies set prices after a careful consideration of the competitive price structure. Deliberate policies may be formulated to sell above, below, or generally in line, with competition. One important feature of this method is that there cannot be any rigid relation between the price of a product and the firms own cost or demand. Its own cost or demand may change but the firm maintains its price. Conversely, the same firm will change its price when the competitors change theirs, even if its own cost or demand has not altered.

KINDS OF PRICING

Adopting basic principle explained above, firms may choose various kinds of pricing for their products. These are discussed below.

1. Odd pricing

The term odd prices is used in two ways. It may be a price ending in an odd number or a price just under a round number. The seller of specialty or convenience goods adopts such a pricing generally; for example, a shoe manufacturer pricing one of his products, at say, Rs. 49.92.

2. Psychological pricing

The price under this method is fixed at a full number. The price-setters feel that such a price has an apparent psychological significance from the view point of buyers. For example, it is stated that there are certain critical points at prices such as 1, 5 and 10. The experiments conducted proved that change of price over a certain range, has little effect until some critical point is reached.

3. Customary prices

Such prices are fixed by custom. For example, sweets manufacturers price their products in such a way that a particular variety of sweets are sold at approximately the same price. Soft drinks are also priced in the same manner. Such a pricing is usually adopted by chain stores.

4. Pricing at the prevailing prices

This kind of pricing is undertaken to meet the competition. Hence, such a pricing is also termed as Pricing at the Market. Such a strategy presumes a market inelasticity of demand below the current market price. In other words, a price above those of the competitors would sharply bring down sales while a lower price would not significantly increase them. Obviously, such a policy is aimed at avoiding price competition and price wars. In such circumstances it is not possible to have any further price reduction.

5. Prestige pricing

Many customers judge the quality of a product by its price. Generally prestige pricing is applied to luxury goods, where the seller is successful in creating a prestige for his product. The price fixed normally will be in excess of those asked for near-perfect substitutes. In such cases sale would be less at low prices than at higher ones. The merchandise can be priced too high. Customers may fear that at the low price it cannot be of good quality, and will actually buy more at a somewhat higher price than they would at a lower price.

6. Price lining

This policy of pricing is usually found among retailers. Technically, it is closely related to both psychological and customary prices. Under this policy the pricing decisions are made only initially and such fixed prices remain constant over long periods of time. Any change in the market conditions is met by adjustments in the quality of merchandise. In other words, the decision is made with reference to the prices paid for merchandise rather than the prices at which it will be sold.

7. Geographic pricing

This policy is sometimes used where a manufacturer serves a number of distinct regional markets. He can adopt different prices in each area without creating any ill-will among customers. For example, petrol is priced in this way, depending on the distance from the storage area to the retail outlet. It is evident from this example that a price that is quoted without transportation cost may be a different price than price quotation on which the seller agrees to absorb such cost. There are three methods that relate to the absorption of distribution cost in the price.

a) FOB pricing,
b) Zone pricing, and
c) Basic point pricing

FOB pricing (Free on Board) may be of two types. FOB origin and FOB destination. In the first case the buyer will have to incur the cost of transit, and in the latter, the price quoted is inclusive of transit charges.

Zone pricing denotes some amount of equality of prices in the same zone. For instance, if India is divided into South zone, North zone, etc., a product will be sold in the South zone at the same price irrespective of the difference in distance between two places inside the zone.

Basic point pricing system charges the buyer the transportation cost from the basic points to the buyers location.

8. Dual pricing

When a manufacturer sells the same product at two or more different prices, it is dual pricing. This is possibly only if in the same market, different brands are marketed. The method should not be confused with the geographical pricing. There, for the same products, the prices are different at two places. The price differential is justified on account of varying distribution costs. The dual pricing is adopted in Railways. For the same distance of travel, in the very same vehicle, the services are sold to passengers at different prices under different classes. (Except for a few advantages, first class passengers do not gain much either in speed or in the distance traveled). This is also referred to as discriminatory pricing.

9. Administered pricing

This applies to the practice of pricing the products for the market, not on the basis of cost, competitive pressures, or the laws of supply and demand, but purely on the basis of the policy decisions of the sellers. In theory, this would mean that the seller disregards all other considerations except his own desire for maximising profits. The administered prices usually remain unchanged for substantial periods of time. In a sense, every price is an administered one. In other words, to the extent the management makes conscious pricing decision of its own it is an administered price.

10. Monopoly pricing

New product pricing is, in essence, monopoly pricing. Since competition is absent, the seller has a free hand in fixing the price. Such pricing will be on the principles of –what the traffic will bear. Such a price will maximize the profit.

11. Skimming pricing

This is also termed as –Skim-the-Cream-pricing (Stanton). It involves setting a very high price for a new product initially and to reduce the price gradually as competitors enter the market. It is remarked,: launching a new product with high price is an efficient device for breaking up the market into segments that differ in price elasticity of demand.

The initial high price serves to skim the cream of the market, that is relatively insensitive to price. In the case of textbooks having a high price for the first edition and lesser prices for subsequent editions follows this method. When an item is clearly different and the right price is not apparent, this method may be used.

This approach to pricing is, in effect, an experimental search for the right price, and it may result in a market-determined price. The method starts with a high price (skim price) and moves the price downward by steps until the right price is reached. The idea is that when one is unsure about what price to charge, it is advantageous to begin with too high an initial price and move systematically downwards. This procedure is thought better than starting the price experiment at too low a price and subsequently increasing the price. It is, therefore, a self or automatically administered price.

12. Penetration pricing

This method is opposite to the skimming method outlined above. The skimming price policy is most convenient and profitable in the case of new products, especially in the initial years. Penetration pricing, on the other hand, is intended to help the product penetrate into market to hold a position. This can be done only by adopting a low price in the initial period or till such time the product is finally accepted by customers. This method of pricing is most common and is desirable under the following conditions.

When sales volume of the product is very sensitive to price, When a large volume of sales is to be effected, When the product faces a threat from competitors, and When stability of price is required.

13. Expected pricing

In this method, the price that will be accepted by the consumers is found out. Naturally a fixed price cannot be decided beforehand and hence price range is offered. The response of consumers to the price is analyzed and, later, a price is fixed.

14. Sealed big pricing

This method is followed in the case of specific job works. Government contracts are usually awarded through a system known as Tenders. The expenditure anticipated is worked out in detail and the competitors offer a price (known as contract price). The minimum price quoted is accepted and the work is awarded to the party.

15. Negotiated pricing

This method is invariably adopted by industrial suppliers. Manufacturers who require goods of highly specialized and individually designed nature often negotiate and only then fix the price. For example, in the case of automobiles, various components required for the manufacturer are not actually produced by the companies marketing the automobiles. They find out the suppliers and entrust them with the work of manufacturing and supplying various components. This ensures fixed prices, or otherwise the price of their final product would also go up. Under such circumstances the prices are negotiated and fixed.

16. Mark-up pricing

Wholesalers and retailers in establishing a sale price adopt this method. When the goods are received, the retailer adds a certain percentage to the manufacturers price to arrive at the retail price. For example, an item that costs Rs. 20 is sold for Rs. 25, the mark-up is Rs. 5, or 25%.

Pricing of New Products

Pricing a new product is an art. It is one of the most important and puzzling marketing problems faced by a firm. Pricing is important in two ways, as far as a new product is concerned.

(a) It affects the quantity of the product to be sold, and

(b) It determines the amount of the revenue of a firm

New products, when introduced, appeal to many as novel items. But this distinctiveness created by novelty is only temporary. The price factor which may be ignored initially would become important when the product becomes an ordinary one because of being constantly used. Further more, competitors may also appear in the market. Therefore, the new products are hard to be priced, especially with a right price. Incorrect pricing will definitely lead to product failure. For setting a price on a new product, three guidelines are to be adopted.

1. Making the product accepted
2. Maintaining the market, and
3. Retaining the profits

There are two options available for pricing a new product. Skimming and Penetration pricing. If product is entirely new in all respects, skimming method could be used. A strategy of high prices coupled with large promotional expenditure in the initial stages has proved successful in a number of cases. Skimming pricing is recommended on account of the following reasons:

1) Initial sales would be less,
2) Helps to take the cream of market through high prices,
3) As pointed out people may like to own a new product even at a higher cost,
4) Helps to develop demand as the price is gradually reduced, and
5) High sales volume on account of higher price.

However, it should be noted that high initial prices may also prevent quick sales. The second option is to adopt penetration pricing. The conditions where such pricing policy would be suitable have been explained already. A comparative analysis of these two pricing systems reveals that both these methods are not free from errors.

In the case of new products, pricing has to be made with little knowledge of demand, cost and competition. The new product has also to bear the cost of promotion or creating a market. The initial cost, therefore, will be definitely greater. The cost incurred in constructing a proper channel of distribution may also be accounted for in pricing. [All these factors are to be taken into consideration in pricing. In addition, depending upon the company objectives, a company may adopt either a skimming or penetration price for its new product].

Special Problems in Pricing

After fixing a price a manufacturers is often beset with the problems of price reduction. It is needless to say that this should be considered even before fixing a price.

Hence, there must always be built-in flexibility in the price structure to accommodate such requests. These are known as ―Discounts, Allowances, Guarantees, etc.

Discounts

Discounts are deductions allowed by the seller from the base price of a product.

These discounts could be of the following types.

1. Trade discounts

A manufacturer allows these discounts to a wholesaler or by a wholesaler to retailer. They are usually found in bulk purchasing. These discounts are given as a consideration for performing marketing functions.

2. Quantity discounts

These are deductions offered from the list prices by a seller in order to encourage a customer to buy larger amounts. This is also the case applicable to the wholesalers and retailers. Quantity discounts may attract large buyers or induce small buyers to order large quantities. Quantity discounts are sometimes changed in to cumulative and non cumulative quantity discount.

3. Cash discounts

It is a deduction granted by the seller to the buyer for paying his dues in time. Some suppliers offer a special discount for payment within a stipulated period from the date of invoice.

4. Seasonal discount

This refers to discounts offered during a particular season. It is usually done during the off-peak periods. Example: fans sold during winter season.

Allowances

These are also the same as discount but are usually given as a consideration for performing specific services. The various types of allowances given are:

1. Promotional allowances

Samples given at concessional rates or supplying advertising materials, etc., come under this type.

2. Brokerage allowances

This is only another form of trade discounts. A broker usually performs the function of linking together the seller and the buyer.

Besides the above deductions, the manufacturers have sometimes to bear the cost of marketing also. For example, when FOB price is quoted, the manufacturer will have to bear a part of freight. This definitely reduces his profit margin.

Unit - III

PROMOTION

Promotion is a term taken from Latin word promovere . It means 'move towards'. In marketing, promotion means all those tools that a marketer uses to take his product from the factory to the customer and hence it involves advertising, sales promotion, personal selling, and public relation. It is necessary to flow the information about the product from the producer to the consumer either along with the product or well in advance of the introduction of the product. This role is played by promotion.

In the words of Masson and Ruth, "Promotion consists of those activities that are designed to bring a company's goods or services to the favorable attention of customers".

IMPORTANCE OF PROMOTION

Importance to business:- Now a days, it is very necessary to communicate information regarding quality, features, price uses etc.. of the product to the present and potential customers. Then only the consumers will select the product from a wide range of competing products. Most modern institutions cannot survive in the long run without performing promotion function effectively.

Economic importance: In economic sense, it helps to generate employment opportunities to thousands of people. As a result of promotion sales will increase and it brings economies in the production process and it reduces the per unit cost of product.

Social importance: Promotion has become an important factor in the campaign to achieve some socially oriented objectives. For eg. Against smoking, drinking etc. It also helpful to provide informative and educational service to the society

Importance to non business organizations: The non business organizations like govt. agencies, religious institutions, educational institutions etc also realized the importance of promotion and they are using the various elements of promotion mix very widely.

PROMOTION MIX

Firms select a mix of promotional tools to effectively communicate with their target customer group. The different elements of this group are:

a) Advertising
b) Personal selling
c) Sales Promotion
d) Public relations and
e) Direct Marketing

FACTORS AFFECTING PROMOTION MIX DECISIONS

Promotion mix includes all those activities undertaken to promote sales. There are two types of promotion blend, Push blend and Pull blend. A push blend is related to personal selling and a pull blend give emphasis on impersonal selling. There are many factors which influence the promotion mix.

The important factors among them are briefly explained below:-

Nature of the Market: It is an important factor which affects the promotion mix. Depending up on the customers the promotion strategy may vary. For individual customers the strategy may vary according to the age, sex, income etc. For industrial customers it directly depends up on size of the company, bargaining power etc.

Nature of the Product: Depending up on the nature of product, the promotion mix may vary. For marketing consumer goods, a mass advertisement is necessary. But at the same time marketing of industrial goods and specialty goods requires personal selling. Complex and complicated products are also require personal selling.

Market size: If the market size is comparatively very small, then direct selling is used. For a market having large number of buyers, advertising is the most suitable promotion tool.

Buyer readiness stage: The choice of different elements of the promotion mix is also dependent on the buyer's readiness and awareness of the brand. Advertising will play a major role in creating awareness, while demonstration and samples will helps to bring about a change in the behavioral level.

Overall marketing strategy: It means, whether the firm wishes to "push" the product or create a "pull" for the product. Often the marketing strategy of a firm is a combination of both these strategies.

Product life cycle stages: This will also play a role in deciding on the promotion mix.

For e.g. In the introduction stage, advertising and publicity are very important. But in the maturity stage, sales promotion and personal selling are very necessary.

Cost : Cost of promotion element is also very important. If the total cost incurred for using a particular element of promotion tool is not affordable to the manufacturer then it is better to select the next best promotion mix.

ADVERTISING

It is a paid form of mass communication and can be traced to an identified sponsor. Now a day s Advertising plays a significant role in awareness creation and attitude formation. In a macro concept, it stands for the managerial function of an organization intending to send information to the other members of the society.

American Marketing Association defined it as, “Any paid form of non –personal presentation of ideas, goods, or services by an identified sponsor.”

Features of Advertising:

- ✓ It is a mass communication medium.
- ✓ It is a salesmanship in print.
- ✓ It is a paid form of communication by an identified sponsor.
- ✓ It is a non personal communication.
- ✓ It helps to stimulate sales.
- ✓ It may be written or spoken.

Role / Advantages /Importance of Advertising

Advertising is an integral part of our social and economic system. As a powerful technique of promoting sales, it has been doing wonders in the domain of distribution. The role of advertising can be analyzed from five distinct angles.

Advantages to Manufactures:

1. It maintains the existing market and explores the new.
2. It increases the demand for the product
3. It helps to build up or increase goodwill of the company.
4. It controls product price.
5. It helps to introduce a new product into the market .

Advantages to Middlemen:

1. It guarantees quick sales
2. It acts as a salesman.
3. It increases the prestige of the dealers.
4. It makes retail price maintenance possible.
5. It enables the dealers have a product information.
6. Sales-force and Advertising(Advantages to salesmen).
7. It creates a colourful background for a salesmen to begin his work.
8. It reduces his burden of job.
9. It helps to develop self confidence and initiative among the salesmen.

Advantages to consumers:

1. It ensures better quality product at reasonable price.
2. It provides product related information to the customers and thereby makes the purchasing an easy task.
3. It helps the consumers to save time by providing information related to the

availability of product.

4. Helps the consumers in intelligent buying.

Advantages to society:

1. It helps to generate gainful employment opportunities.
2. It provides new horizons of knowledge.
3. It up-holds the culture of a nation.

Types of Advertising

Now a day's businessman spends a lot on advertising with the idea that today‘s expenditure may multiply manifold in future. Sales have to be increased to maximize profits. For this, they have to stimulate not only the existing customers but also the prospective customers. The following are the classification for advertising.

- ✓ Product Advertising.
- ✓ Institutional Advertising.
- ✓ Commercial Advertising.
- ✓ Non-commercial Advertising.
- ✓ Rational Advertising.
- ✓ Emotional Advertising.
- ✓ National Advertising.
- ✓ Local Advertising.
- ✓ Co-operative Advertising.
- ✓ Classified Advertising.
- ✓ Display or point of purchase Advertising.
- ✓ Non product or idea advertising

Product advertising

When advertising is done with the aim of maximum sales of a specific product or service it is called product advertising. Importance is given to the product than the producers or traders. When a new manufacturer enters the market mostly his advertising will be product advertising.

Product advertising may be either

- ➢ Direct action Advertising
- ➢ Indirect Action Advertising
- ➢ Primary Demand Advertising
- ➢ Selective Demand Advertising

Direct Action Advertising

With direct action advertising, sellers are seeking a quick response to their advertisements. It influences the buyer to take action immediately. Direct mail advertising is able to get immediate response from the buyers.

Indirect Action Advertising

It is designed to stimulate demand over a long period of time. It creates a lasting picture about the product in the minds of the buyers. It is intended to inform the consumers the availability and the uses of their products. (E.g.) Advertisements for washing machines.

Primary demand advertising

Its main aim is to introduce a product in the market. It is also called as pioneer advertising. It aims at informing the people about the product, its uses, and it whereabouts. Here, advertising creates primary demand for the product. (E.g.) advertising about vacuum cleaner.

Selective demand advertising

This type of advertising informs about the special features, uses and benefits to the consumers compared to their competing product. It is also called as competitive advertising.(E.g.) prestige pressure cooker.

Institutional advertising

The main aim of this advertising is to project the image of the company or manufacturer or trader. It is designed to build goodwill rather than selling a specific product or service.

Institutional advertising may be subdivided into

- Patronage advertising
- Public relation advertising and
- Public service advertising.

Patronage advertising

It is information about the advertiser's business. A retailer's advertisement regarding its new store hours or change of its delivery system is of this type.

Public relation advertising

This type gives a clear picture about the advertiser role in the community. It is used to create a favourable image among the consumers, traders and the general public (E.g.) Automobile manufacturers advertisement regarding their role in controlling smoke and sound pollution.

Public service advertising

It shows the advertiser as a good citizen. This is being done to get a lot of public support (E.g.) Advertisements regarding drug addiction, blood donation etc.

Commercial advertising

Advertising aimed at the maximum sales of a product or service is called as commercial advertising. It is also called as business advertising. It may be classified into:

Industrial advertising

Advertising used mainly to increase the sales of industrial products are called industrial advertising (E.g.) machineries of different types.

Trade Advertising

Advertising techniques used by traders such as wholesalers, retailers etc, are called trade advertising

Form Advertising

Advertising related to the sale of farm inputs like farm implements, fertilizers, and their price are called Farm advertising.

Consumer Advertising

Advertising made to attract the final consumers are called consumer advertising.

Defensive Advertising

Advertising steps taken to defend a product from their rivals are called defensive advertising. This will not result in an increase in sales, but helps to retain its market share (E.g.) Ujala.

Reminder Advertising

When advertising is done to remind consumers about an established brand, it use, characteristics etc., it is called reminder advertising‘. (E.g.) Godrej, prestige cooker.

Reinforcement Advertising

It aimed at informing the current users that they have made a correct choice and to tell them about the new uses of the product are called reinforcement advertising. (E.g.) Advertising for wet Grinders.

Professional Advertising

Advertising undertaken by professional people like doctors, engineers etc., are called as Professional advertising. (E.g.) Advertising for hearing aids.

Financial Advertising

When advertising is made on capital issue like raising public deposits, issue of shares and debentures etc., it is known as financial advertising. Usually, these advertisements carry information‘s of promoters, names, addresses, highlights of the project, details of issue company name and address etc.

Service Advertising

Services are activities, which give satisfaction. Advertising which carries details of services rendered by different service agencies are called service advertising. (E.g.) advertisements related to personalized services like hair grooming, beauty parlours.

Non-commercial advertising

Advertising undertaken by non-profit organisation like charitable institutions and also government are called non-commercial advertising. (E.g.) Advertising for collection of donations.

Rational advertising

When advertising aims at explaining the reasons to buy a product, it is rational advertising. It helps the consumers to know the reason for buying a particular product. (E.g.) Medimix, herbal powder etc. It is more suitable for industrial product.

Emotional advertising

This advertising persuades the buyers who do not care about the reason for purchasing the product. This type of advertising influences the consumers to buy a product immediately. (E.g.) Denim powder, baby spray. It is more suitable for consumer products.

National advertising

Advertising a product to focus the attention of the consumers at the national level is called National advertising. Generally manufacturers undertake this type of advertising. It has no relation to the geographical coverage. This type of advertising carries the message to buy our brand the manufacturer cares little where the product is purchased.

Local advertising

Advertising a product to focus the attention of the consumers in particular locality is called local advertising. It is made by retailers. In this type advertisers give importance to the shop. They do not care what product or brand we buy but buy them in their establishment. In local advertising the message says Buy at our store. There may be difference between various types of advertising on the basis of advertising being done. But, the ultimate aim of all these types is to maximize profit or publicity of service.

Co-operative advertising

When two or more manufacturers join together and advertise different products produced by them, it is co-operative advertising. Some times, manufacturers and dealers (wholesalers and retailer) join together and advertise the product to minimize selling cost. This advertising is also called as collaborative advertising. For example, manufacturers of cars, fan, and refrigerators use this type of advertising.

Classified advertising

Advertising having similar characteristics are grouped on the basis of nature and contents are called classified advertising. Usually, newspapers sponsor such classified advertisements. Advertisements having common theme like overseas, financial market, matrimonial education are some of the classified advertising.

Display advertising (Point of purchase advertising)

It is a means by which the product or idea is brought to the notice of the individual by visual presentation. It is an art of bringing life to the message. Proper display of products attracts the attention of prospects. It makes an immediate appeal to the eye. It is also described as Dealer aids.

Non-product or idea advertising

Churches, political parties, individuals and groups use this type of advertising. Institution, Ideologies and social betterment are nationally and locally advertised to citizens and community leaders. The messages they carry are Accept our idea Vote for our candidate or Help our cause.

ADVERTISING BUDGET

An organized plan for expenditure of money on advertising is called advertising budget. Like all budgeting, advertising budgeting is also a basic management technique of planning and controlling operations. It is also a financial tool that is concerned with future operations. The shape of an advertisement depends on the amount of money that is invested on it.

Features of Advertising Budget

Advertising budget fixes the maximum amount to be spent on advertising and publicity for a specific period, usually one year. It enables the advertisers to allocate funds to different activities within the scope of advertising.

- ✓ It sets limit to the advertising expenditure within a specific period.
- ✓ It acts as a planning and controlling mechanism with regard to advertising activities of a company.
- ✓ It regulates the disbursement of expenditure on advertising over a fixed period of time.
- ✓ Steps in Budgetary Process

The actual budgetary process consists of four steps. They are

a) Preparation

b) Presentation.

c) Execution

d) Control.

Preparation

Determining the size of the future advertising is the first step in preparing the advertising budget. Then, budget specifics must be established. The total budget is allocated among the various media and advertising functions. The budget must be allocated among different market segments, time periods and geographic areas. This is being done on the basis of market potential within segments, periods or areas. It is prepared by the head of the advertising department in consultation with the agency. It should be compatible with sales goals.

Presentation

The next step in advertising budget is to get the approval of the authorities concerned. The president or Chief Executive Officer should approve it. The financial committee may be involved in the final approval of the budget. These officials act as a watchdog-group over company‘s fund. The prudent management of expenditures is one of their prime responsibilities. It will help to maximize the firm‘s profit.

Execution

Purchase of authorized advertising time and space is the primary task. The advertising agency handles these jobs. The advertising manager should monitor whether media discounts are being taken and special services are being purchased at competitive rates. The marketing manager has to make sure that the market situations remain unchanged. If there are changes, the budget should be made flexible enough to permit programme changes. One device that facilitates such action is the contingency funds.

Control

The advertising manager controls the budget operations. He monitors whether advertising expenditures are being made as per plan. Information‘s regarding current expenditures should be brought to the attention of the advertising manager. Planned expenditures and actual expenditures must run parallel if the budget is to serve as a controlling tool.

Thus, an advertising budget is prepared to show how much, where and for what purpose amount has to be spent. However, advertising budgeting involves two areas of decision:

- The total size and

- The manner of spending.

The factors that determine the total size of the budget are:

- ✓ The importance attached to advertising in the marketing plan;
- ✓ The items to be charged to advertising: and
- ✓ The method used for determining the total size of the budget.

Budgeting methods

The total size of an advertising budget may be determined by using a variety of methods. No single method is ideal for all situations. So an advertiser should be aware of all the methods of budgeting below.

- ✓ Percentage of sales method
- ✓ Objective-task method
- ✓ Competitor's –Expenditure method
- ✓ Arbitrary method
- ✓ Affordability method
- ✓ Mail-order method
- ✓ Profit-Planning method
- ✓ Return-on-Investment method

THE ADVERTISING COPY

Advertisement Copy is the soul of any advertisement. An advertisement copy is all the written or spoken matter in an advertisement expressed in words or sentences and figures designed to convey the desired messages to the target consumers. A good ad copy has the following attributes:

Attributes of good Advertisement copy

- ✓ It is brief: Being brief is not dropping words or chopping sentences, It is the work of eliminating and substituting the words with out jeopardizing the meaning.
- ✓ It is clear: A clear copy is one which is easily and quickly read and grasp by the readers.
- ✓ It is apt: Writing an apt copy is the art of putting in the words that create strong desire to possess the product where the product features satisfy the consumer's desire to possess.
- ✓ It is honest: Credibility of an ad message is decided by the extend of honesty.
- ✓ It is conforming: Every ad copy is to conform to standards, rules and regulations acceptable to the advertisement media and the laws of the land.

Media Selection

A large number of advertising media are available for advertising a product or service. Newspapers, TV, Radio, etc., are examples. Selecting a suitable medium for advertisement is one of the important decisions in advertisement strategy. The considerations that influence the selection are:

1. **Objectives of Advertisement**: The choice of media will be influenced by the purpose for which advertisement is to be given. For instance if the purpose of advertisement is to induce action within a day or two, a newspaper will be a better medium than a monthly or weekly magazine. Bit notices, radio, and loudspeaker announcements also are effective while the rest of the media are not so much effective. Similarly, when the advertiser wants to motivate a class of people to buy his products, press media will be effective only if they are literate.

2. **Cost of Media**: The cost of advertisement media influences the selection of media. Some media like television, radio, etc., are very costly, while bit notices, posters, etc., are cheap. The cost of press media varies according to its reputation and circulation. Advertisement in reputed magazines like Reader‘s Digest, Illustrated Weekly and the like costs more than in local magazines like Malayala Manorama, Mangaiar Malar etc. The advertiser chooses the media according to the budget allocation.

3. **Circulation of the Media**: The circulation of the media should match with the extent of market. The selected media must be able carry the matter to the whole area of the present and probable market. To take an example, if a product has a national market, advertisement in a local daily will produce only a little benefit. In such a case, a medium that has national coverage should be selected.

4. **Requirement of the Message**: Sometimes the message to be advertised may require pictorial presentation to make it more attractive. In such cases, newspapers, magazines, film or television will be better than radio.

5. **Time and Location of Buying Decision**: The advertisement should reach the prospective buyers at the time and place they make their buying decisions. For instance, various, textile dealers in town give large-scale advertisement during festival seasons like Christmas, Diwali, etc., offering maximum discount. They use outdoor banners and posters to persuade consumers. Such media will attract people who come to the town for buying textiles, without deciding from which shop they should buy.

6. **The Type of People**: The type of people for whom advertisement is made influences the selection of media. To take an example, if the advertisement is meant for ordinary working

class people in Tamil Nadu, Tamil dailies produce better results than English dailies. If the people are illiterate, film advertisement or loudspeaker advertisement can attract more people.

7. **Media Adopted by Competitors**: Media selection also will be influenced by the media used by competitors. Now in Kerala, radio advertisement is becoming popular. When one dealer advertises through radio, other competing dealers also are induced to use the same medium to advertise their products. Example, textile dealers.

TYPES OF ADVERTISEMENT MEDIA

There are different advertisements Media, they are

Press Advertising

The press advertising is the most popular advertising media for the present world. It includes advertising in newspapers, trade journals, magazines and so on. To be more specific in the Indian condition, the press advertising is considered the most popular form of advertising. Such type of advertising disseminates news and moulds public opinion. And so, the press advertising plays an important role in the national socio-economic condition. The press advertising is found in four forms, e.g., Newspapers, Magazines, Trade Journals and Miscellaneous.

The newspaper advertising carry news and so widely read by the group of readers. For securing quick sales, we consider it a sensitive form. It makes time-honoured appeals. The advertisers do not need advance planning. But we also find myriad objections against newspaper advertising. The critics say that we find in it lack of staying power. The small advertisements have very little chance of their display in the newspapers because the newspapers contain a good number of advertisements. Generally, we read newspapers in haste and so, we find least possibilities of gravitation of the interest of the potential buyers on the newspapers.

Despite the aforesaid favour and objections, it would be right to conclude that particularly in the developing countries, the newspaper advertising may be more popular. This is based on the logic that it is economic but widely read by the potential buyers or prospects. The magazines are printed on the standard paper and remain longer with the readers. The magazines are published periodically, viz., weekly, fortnightly, quarterly or so. But the matters go to the press in advance and so, the magazine advertising has not been found so sensitive.

The trade journals and class publications are circulated among a particular group of readers. Thus, such type of media is found suitable for the selective advertising. In addition, we find a few journals, which come out annually or bi-annually. Such media is found suitable, particularly for the products to be sold on all-India basis. But it is suitable for the products of general consumption behaviour. Besides, we also find Directories and Guide Books, which also constitute an important advertising media.

Outdoor or Mural Advertising

The outdoor or mural advertising is suitable for the outdoor readers. The indoor readers generally read the earlier mentioned press advertising. In the outdoor advertising, we find outdoor advertisements, particularly displayed on the walls. It includes posters or small boards fixed on lampposts, telephone posts or so. Such type of advertising media also includes vehicular advertising, field signs, electric light signs, sky advertising and so on.

The outdoor advertising media is instrument in localising the potential buyers. It is found helpful to gravitate the attention of passers by, especially by using colourful advertisements. Generally, it has a long life and so, repetitive influences. It is an excellent form of reminding the prospects or the buyers.

Despite all, the passers by generally notice the outdoor or mural advertising. The frequent changes in the messages are found costly. It becomes difficult to measure the effectiveness of this advertising media.

The outdoor or mural advertising includes the following forms of advertisements:

The Posters are generally displayed at the central point where the potential buyers frequently come. Attractiveness is its outstanding properly. The Advertising Board is also a suitable form of outdoor advertising. It is generally displayed at the focal points of big cities where the potential buyers are expected. Such advertisements are displayed on the big boards. This is aimed at attracting the general consumers with the viewpoints of reminding them.

Electric Display is also a suitable form of outdoor advertising:

This is also to attract the passers by. It is also found on the central or focal points. Like the advertising board, this form of advertising is also to remind the consumers.

Sandwich Board Advertising is the most vital form of outdoor advertising:

In this form of advertising, we find moving of persons with the advertising boards. The dress materials of the movers are to create a sense of humour among the potential buyers. Bus, Tram and Train Advertising also constitute an important place, specially among the out-door advertisements. The advertisements are displayed on the bus, tram and trains where general passengers view the advertisements. We find display of posters on the different modes of transportation either inside or outside.

Sky Advertising:

It is generally found in the advanced countries where aero planes are used for advertisements. We find use of colourful smokes designing the map or shape of products to be advertised. No doubt, it is a costly advertising media, which is suitable for the big business houses.

Sticker Advertising:

It is also a suitable form of outdoor advertising. In this form of advertising, we find advertisements by the famous sportsman using the stickers, specially while playing the international matches. In the Indian context, such type of advertising is found at the very nascent stage. Air-India has introduced it and of late a good number of big business houses have also been using sticker advertising. Generally, we find use of TV for displaying the sticker advertisements. No doubt, it is a costly form of advertising but throws cascade impact on the potential buyers.

Direct Mail Advertising

The direct mail advertising is also a sensitive media. The latest developments in the field of communication have raised the significance of this form of advertisements. In the advertising media, we find supply of written messages to the potential buyers. Regarding the direct mail advertising, noted expert Richard Messner says, Direct advertising is a vehicle for transmitting a publicist‘s message in permanent printed, written or processed form with controlled distribution direct to the selected individuals. The other expert Cassels says, Direct mail advertising is using the letterbox to sell the right people about the right goods at the right time in the right way.

In the face of aforesaid viewpoints, it would be right to mention that the direct mail advertising is based on mail services. The consumers are dispatched messages through post offices, which may be either in the shape of leaflets or circular letters or price list or so. If the buyers are satisfied with the information’s supplied, they place an order for the purchase of goods. The goods are dispatched through VPP. We find in it the use of telephone and trade directories. On the basis of information’s received from these directories, the buyers select the goods and place an order. Often, the suppliers prepare a mailing list and send to the respective potential buyers the concerned details.

The mail advertising literature includes circular letter, business reply envelopes, price list, catalogues, leaflets and folders, booklets, novelty gifts, personal letters and so on. In the following passages, we have presented a brief analysis of these forms.

The Circular Letter is sent to the group of buyers. Generally, this form is utilized as and when the producers penetrate a new product in the market. It includes the details of goods, e.g., outstanding properties, price list and the gifts to be offered. We find the use of duplicate machine for preparing the circular letter. As and when, the manufacturers need to expand their business relations, this form is taken in to practice.

The Price List is also supplied to the concerned buyers. We find time-to-time changes in the price structure of goods and services. It is pertinent that the buyers get all these information's in time. The price list covers all information's regarding the prices. Generally the standard producers adopt this form of advertising.

The Business Reply Envelopes are sent to the respective buyers with the motto of avoiding their inconveniences. The letter includes the details regarding the goods advertised. We also find the use of post cards for this purpose. The outstanding property of this form is immediate decision making by the respective buyers.

The Catalogue is used to supply to the respective buyers the details regarding the concerned goods. It includes information's regarding the prices and specialty of the goods.

The Leaflets and Folders include details regarding the gods. Generally, it is published on the standard and colourful papers. Its imprint on the buyers is found positive.

The Booklets are found of small size. We find detailed information's in the booklets. It covers detailed information's, viz., information's regarding quality, price, gift and so on.

The Novelty Gift is also form of direct mail advertising. In this form the businessmen send the buyers goods of daily consumption behaviour, calendar, diary and so on as gift. All gifts send to the buyers cover details regarding the products and producers.

The Personal Letters are sent to the buyers with the motto of furnishing to them the detailed information's regarding the goods. In such letters, we find micro-scopic analysis of the product features.

Miscellaneous Advertising

In addition to the aforesaid medias, we find other medias also. These medias include TV, Radio, Cinema or Cinema Slide, Fairs and Exhibitors, Drama and Music Programme, Demonstration, Loudspeaker, Free Distribution of Goods and so on. In the following passages, we have presented a brief explanation of a few medias.

The Radio and TV have emerged as sensitive medias of advertising, particularly in the yester decades. Particularly the TV has been instrumental in revolutionizing the advertising programmes. No doubt, in the Indian condition, the Radio or TV has thrown positive imprints on the buyer‘s psychology. To be more specific, the TV has been doing a lot in the very context. With the emergence of these medias, the small business houses have also been efficacious in influencing the potential buyers or prospects.

The Cinema or Cinema Slides are also used for momentising the advertising programmes. Generally, the big business houses also prepare their advertisement films and get themselves displayed in the cinema houses.

The Fairs and Exhibitions are also an effective advertising media. In this respect, the producers organize fairs or exhibitors. Particularly to enter the global market, these medias are found more suitable. We have witnessed the positive influences of Expo70, Industrial Fair, Asia Fair or so. These fairs or exhibitions are generally organised in the big cities.

The producer or businessmen have successfully conducted the Drama and Music Programmes. We find organisation of different shows, particularly in the rural areas or remotest parts. The Life Insurance Corporation of India has been conducting these programmes, particularly to influence the rural population. In the beginning or in interval, we find display of advertisements.

The Loudspeaker is an economic media of advertising. It has been found more effective, particularly in the rural areas. In this system, the advertising appeals are propagated through loudspeaker.

The Demonstration is also an effective media of advertising. In this media, the advertisers display the functions or workings of the related goods. It throws direct imprint on the buyer‘s buying behaviour. The potential buyers are convinced and do not hesitate to place an order.

The Free Distribution of Goods has also been successful in conducting the advertising programmes. In this system the businessmen or the manufacturers make provisions for the distribution of goods as gift to the potential buyers. Generally, the new producers engaged in penetrating the goods in the market use this media of advertising.

PERSONAL SELLING

Personal selling is the art of convincing the prospects to buy the given products and services. Though it is basically a method of communication, it is two way as it involves direct face to face contact between the salesman and the prospect. It is the ability to convert human needs into wants. It is the process of contacting the prospective buyers personally and persuading them to buy the products.

According to American Marketing Association, “Personal selling is the oral presentation in a conversation with one or more prospective purchasers for the purpose of making sales; it is the ability to persuade the people to buy goods and services at a profit to the seller and benefit to the buyer”.

In the words of Garfield Blakde, “Salesmanship consists of winning the buyers confidence for the seller’s house and goods, thereby winning the regular and permanent customer.”

Features of Personal Selling

- ✓ It is one of the important tools for increasing sales.
- ✓ It is a two way communication between salesmen and the prospect.
- ✓ It is a persuading process to buy the goods and services.
- ✓ The objective of personal selling is to protect the interest of both seller and buyer.
- ✓ The essence of personal selling is interpretation of product and service features in terms of benefit and advantages.

Process of Personal Selling

Selling is the sequence of steps involved in the conversion of human desire into demand for a product or service. Personal selling process involves the following stages.

Prospecting: It is the work of collecting the names and addresses of persons who are likely to buy the firm’s product of services. While collecting the details, ‘suspects’ must be separated from ‘prospects’ to avoid waste of time.

Pre approach: Pre approach is to get more detailed facts about a specific individual to have effective sales appeal on him or her. It is closer look of prospects like habits, financial status, social esteem, family background, material status, tastes and preferences etc.

Approach: Approach means the meeting of the prospect in person by the salesmen. It is a face to face contact with the prospect to understand him better.

Presentation and demonstration: A good sales presentation is one that not only gives all the benefits that the prospect gets but also proves to the latter that he or she will better off after the product is bought and used. An effective sales presentation demands the sales person use skills like presentation and explanation.

Managing objections: This is the most important stage of personal selling. For every action of salesman there is prospect’s pro action or reaction, i.e., approval or disapproval. An efficient sales man has the ability to identify the reasons for raising objections by the prospects and the ways to overcome these objections.

Sale: If all the above stages have been concluded successfully, then the next stage is ultimate sale of the product.

Merits of Personal Selling

Flexibility and adaptability:

It is capable of providing more flexibility and adaptability.

Minimum waste:

The chances of wastage is minimum in case of personal selling while comparing to other methods of sales promotion.

Acts as feedback:

Being in direct contact with the consumers, he can understand the feeling and reactions of the customers. It helps to modify the product according to the requirements of customers.

Creates lasting impression:

It helps to create a long lasting relationship with the customers through the personal contact of salesmen.

Limitations of Personal Selling:

It is expensive:

Personal selling as a method of promotion is quite expensive. Getting salesmen and retaining him for a long period is very difficult and expensive.

Difficulty of getting right kind of salesman:

In practice, it is very difficult to get a trained salesmen from company's point of view.

More administrative problems: Personal selling involves more administrative problems than impersonal selling.

SALES PROMOTION

Sales promotion is another major component of promotion mix. The phrase sales promotion has a distinct meaning. It stands for all those activities that supplement, co-ordinate and make more effective the efforts of personal selling and advertising. It collectively comprises of the tools used to promote sales in a given territory and time. It consists of short term incentives designed to achieve a specific marketing goal in the immediate future.

According to American Marketing Association," those marketing activities other than personal selling, advertising and publicity that stimulate consumer purchasing and dealer effectiveness such as display, shows and exhibitions, demonstrations and various non-recurrent selling effort in the ordinary routine."

Role/Advantages of Sales Promotion

The role or advantages of sales promotion to various parties like manufactures, middlemen and consumers are given below:

Manufacturers and sales promotion:

- ✓ It helps to retains the existing customers

- ✓ It helps to create new customers.
- ✓ It promote sales
- ✓ It helps to enhance the goodwill of the firm
- ✓ It helps to slashes down the cost
- ✓ It helps to face the competition.
- ✓ Middle men and sales promotion:
- ✓ It reduces strain of the middlemen to a greater extend.
- ✓ It helps to increase the sales of middlemen
- ✓ It builds and enhance the goodwill of the shop
- ✓ It gives some personal benefits to the middle men.
- ✓ Consumers and sales promotion:
- ✓ It helps to improve the standard of living of people by making available goods and services at least cost.
- ✓ It gives knowledge of new products available in the market.
- ✓ It gives both cash and non cash incentives.
- ✓ It helps to get more credit facility and special concession because of his brand and store loyalty.

Disadvantages of sales promotion

- ✓ It has the shortest life impact as promotion tool like advertisement.
- ✓ It is only a supplementary device of personal selling and advertising
- ✓ In most of the cases, too much sales promotion may damage the brand image.
- ✓ Sales promotion techniques are non-recurring in their nature.

Types/Kinds of Sales Promotion

The sales promotion tools can be seen from the angle of dealers, consumers and sales force.

Dealer promotion/Trade promotion: Trade promotion objectives are to motivate market intermediaries to invest in the brand and aggressively push sales. It includes

Price deals: Under this method, special discounts are offered over and above the regular discounts.

Free goods: Here, the manufactures give attractive and useful articles as presents to the dealers when they buy a certain quantity.

Ad Materials: In this case, the manufacturer distributes some ad materials for display purpose.

Trade allowance: It includes buying allowance, promotional allowance and slotting allowance.

Dealer contests: It is a competition organized among dealers or salesmen.

Trade shows: Trade shows are used to familiarize a new product to the customers.

Consumer promotion: The broad objective of consumer promotion is to create pull for the brand and it includes-

Rebates: Simply it is a price reduction after the purchase and not at the retail shop.

Money refund offer: Here, if the customer is satisfied with the product, a part or whole of the money will be refunded.

Samples: While introducing a new product, giving samples to the customers at their doorstep.

Price packs: In this method the customer is offered a reduction from the printed price of product.

Premium offer: Here goods are offered at a lower price or free as an incentive to purchase a special product.

Consumer contests: Various competitions are organized among the customers. The winners are given prizes.

Free trials: In this case, inviting the buyers to try the product without cost.

Sales force contests: Sales contests are declared to stimulate the sales force increase their selling interest.

Bonus to sales force: Bonus is the extra incentive payment made for those who cross the sales quota set for a specific period.

Sales meeting conventions and conferences: Sales meeting and conferences are conducted with a view to educate, train and inspire the salesmen.

Essential qualities/traits of a salesman:

1. **Sound health**

A salesman should posses a sound and physique in order to become efficient. A salesman who is not healthy cannot maintain a pleasing appearance. He will also not be able carry on his duties efficiently.

2. **Good posture**

Good posture enhances the appearance and personality of the salesman. A salesman should maintain an alluring posture, i.e. he should stand erect or sit erect while meeting a customer. It makes a good impression on the customer. Therefore the salesman should try to acquire certain good posture in order to attract customers.

3. **Pleasant voice**

Voice is the index of one's own feelings than the facial expression. The quality and the tone of the voice also have its influence on the hearer. The salesman should have pleasant, clear and forceful voice. The voice should not be coarse, high pitched, shrill, commanding or nasal. These types of voices generally irritate customers.

4. **Good appearance**

A good physical appearance is a big asset for salesman. The first impression on the customer is created by the appearance of the salesman. A good appearance generally gives more confidence to a salesman and he is able to convince the customers more easily. The appearance of the salesman may be divided into 3 important segments:

1. Cleanliness, 2. Grooming and 3. Clothes.

5. **Cheerfulness**

Cheerfulness is the greatest virtue of a good salesman. Everyone wants to be with persons, who are cheerful. If the salesman is cheerful, possesses a good health, vigour and a rich sense of humor, then he can attract large number of customers.

6. **Imagination**

It is an important consideration which detects the exact need of the customers. This quality helps the salesman to understand the problems of customers in his position. But it is depressing to see in India that many salesmen have absolutely no imagination.

7. **Alertness**

Alertness refers to active sensitivity to the situation before oneself. It is nothing but presence of mind as to what to say, how to say and on what occasion. It consists of keen power of observation and common sense to take correct decisions quickly.

8. **Resourcefulness**

It is a mental ability to think and find out alternatives. It includes devising new approaches to make people do what you want them to do. Resourcefulness has great role to play in salesmanship.

9. **Initiative**

Initiative is the ability to work on his own without any guidance from anybody. It is very useful quality for success in dealing with customers. Of course, in early stages a salesman has to work under the supervision and guidance of senior salesman. But in course of time, he has to depend upon himself and take independent decisions.

10**. Observation**

Power of observation is another important quality of a salesman. A good salesman must be a keen observer. He should observe the changes in style, fashion of people, activities of rivals, Government policies, general attitude of customers and other things.

11. **Self-confidence**

Self-confidence is another important quality, which every salesman should possess. The salesman should keep Self-confidence both on himself and the goods he sells to the customers. A salesman lacking Self-confidence can not convince his customer properly or overcome his objections.

12. **Memory**

Sharp memory is another important attribute of a salesman. Sharp memory refers to capacity to recognize this customer, recall his past interviews with them, recalling their requirements and suggestions. As a matter of fact, lack of memory is responsible for committing many errors. For this purpose, it is better for a salesman to keep a notebook and write important points for future reference.

13. **Sociability**

It refers to ability of salesman to meet the public and make friends with them. A true salesman must be an extrovert, i.e., a man who likes mixing with people in every type of situation. Moreover, he should not hesitate to meet unknown persons. He must be a friend, philosophers and guide to customers.

14. **Enthusiasm**

A salesman should be enthusiastic; otherwise he will fail to create interest in the minds of the prospects. Enthusiasm creates assurance in the minds of the buyers for a salesman's products and services.

15**. Tact**

A salesman should be a man of tact. Tact means doing the right thing at the right time, in the right way. It further includes mental awareness of the salesman to tackle all kinds of situations. However, tact should not mean cheating or cunningness. Tact or diplomacy helps in avoiding objections, obstacles in sales programme.

16. **Courtesy**

There is a saying that "Courtesy costs nothing but returns high dividend". This particularly holds good in the field of salesmanship. Courtesy is a mixture of politeness and consideration. It is an indication of refinement and culture. The salesman must be polite, modest, and courteous to turn the hearts of customers.

17. **Patience and tolerance**

Patience and tolerance take a very important place in the development of a salesman. A salesman to become successful must be extremely patient in dealing with a buyer. In no case he should lose his temper, but to show a spirit impatient and angry, but a salesman should remain calm and cool.

18**. Effective speech**

A salesman should be a good conversationalist. Ability to speak correctly and clearly impresses the customers favourably. The sales talk should be clear, pleasant and persuasive, but not like the situations; each situation may have to be treated in a special manner. The salesman should have a good command over English and other languages, sweet voice, clear pronunciation, fluent expressions, etc.

19. **Honesty**

The salesman should be extremely and thoroughly honest. An honest salesman is liked by every customer. While dealing with a customer, the salesman must be true and frank about the products he wants to sell. He should not misrepresent or exaggerate facts. If a salesman cheats a customer, that customer is lost forever.

20. **Integrity**

Integrity of a salesman is an important trait in his character. Integrity means uprightness of character, moral soundness, good behavior, honesty, fulfillment of promises, and strength of character. A salesman who does not have integrity of character will not be in a position to create good impression upon his employer, fellow salesman and customers.

21. **Loyalty**

Loyalty means willingness of obey. Loyalty of a salesman can be classified into four groups : (i) loyalty to the organization, (ii) loyalty to the customers, (iii) loyalty to the fellow-workers.

22. **Reliability**

A salesman should be trustworthy and reliable. He should take his work seriously and with responsibility. He should not give exaggerated promises. He must be truthful in his statements and honest in his dealings. If a salesman is reliable, customers will have no fear of being cheated while purchasing goods from him.

23. **Courage**

It refers to moral strength of a person. Sometimes a salesman may commit mistakes and make false promises, which may lead to an unpleasant atmosphere. But a good salesman must have enough courage to face such situations boldly. He should be daring enough to take risk and should be firm in his decisions.

24. **Sincerity**

Sincerity is another good quality of a successful salesman. A sincere salesman attends his customers sincerely and explains them all the merits and demerits of the product. He also attends to the customers promptly. A sincere salesman does not face any difficulty to achieve his target.

SALES TERRITORY

A sales territory comprises a group of customers or a geographical area assigned to a salesperson. The territory may or may not have geographical boundaries. Typically, however, a salesperson is assigned to a geographical area containing present and potential customers. Assigning sales territories helps the sales manager achieve a match between sales efforts and sales opportunities. The total market of most companies is usually too large to manage efficiently, so territories are established to facilitate the sales manager's task of directing, evaluating, and controlling the sales force.

The emphasis in sales territory concept is upon customers and prospects rather than only upon the area in which an individual salesperson works. Customers and prospects are grouped in such a way that the salesperson serving these accounts can call on them as conveniently and economically as possible.

Operationally defined, a sales territory is a grouping of customers and prospects assigned to an individual salesperson. Many sales executives refer to sales territories as geographical areas. But, in contrast, in some companies particularly in which technical selling style is predominant, geographical considerations are ignored and sales personnel are assigned entire classes of customers, regardless of their locations. When sales personnel sell mainly to personal acquaintances, as in selling property, insurance, and investment securities little logical base exists for dividing the market geographically.

Small companies, and companies introducing new products requiring the use of different marketing channels, often do not use geographically defined territories at all, or if they do, use rough divisions such as entire states or census regions In these instances, there is no reason to assign territories, since existing sales coverage capabilities are inadequate relative to sales potentials.

Factors Determining Sales Territory

The primary reason for establishing sales territories is to facilitate the planning and controlling of the selling function. Well-designed sales territories, however, may result in increased motivation, morale, and interest of the sales force, improving the total sales performance. But sales managers typically have more specific reasons for establishing territories.

(i) **To obtain thorough coverage of the market**: Sales territories help in proper market coverage. A salesperson's calling time is planned as efficiently as possible in order to ensure proper coverage of present as well as potential customers. Coverage is likely to be more thorough when each sales person is assigned to a properly designed sales territory rather than when all sales personnel are allowed to sell anywhere. With proper coverage of the territories, the company can more closely reach the sales potential of its markets.

(ii) **To establish salesperson's job and responsibilities**: Sales territories help in setting the tasks and responsibilities for the sales force. Salespeople have to act as business managers for their territories. They have the responsibility of maintaining and generating sales volume in their territories. Once all call frequencies are calculated and assigned, it is easier to determine the total wor1doad and then to break it down into equal assignments among salesmen. When an equitable workload is assigned on the basis of call frequencies, better results are obtained. An equitable workload assignment creates greater interest and enthusiasm among the salesmen.

(iii) **To evaluate sales performance**: Sales territories help in the evaluation of sales performance of a company. Actual performance data can be collected, analyzed, and compared with expected performance goals. Even present sales figures can be compared with past figures to judge the performance over the years. Individual territory performance can also be compared to district performance, district performance compared to regional performance; and regional performance compared to the performance of the entire sales force.

(iv) **To improve customer relations**: Properly designed sales territories allow sales people to spend more time with present and potential customers and less time on the road. Customer goodwill and increased sales can be expected when customers receive regular calls. Since the salesman's visits are decided under a call frequency schedule programme, he comes in contract with his customers on the basis of a regular schedule. Such regular contacts enable both the salesman and the customer to understand each other well and get their difficulties solved in respect of the supply of, and demand for, goods, and also raises the general reputation of the company which the salesman represent.

(v) **To reduce sales expenses**: Sales territories are designed to avoid duplication of effort so that two or more salespersons are not travelling in the same geographical area. This lowers selling cost and increases company profits. Sales territories also result in such benefits as fewer travel miles and fewer overnight trips.

(vi) **To Improve control of the sales forces**: When customer calls frequencies, routes and schedules are determined, the performance of salesmen can be measured. It, then, becomes difficult for a salesman to neglect a "hard" territory and only go ahead with the easiest-to- sell accounts. Over and above this, no salesman can devote more time and get himself "lost" in one territory when he is supposed to follow a pre- established schedules and route. When all frequencies, routes and schedules are predetermined, the work habits of salesmen, in general, are improved, resulting in better control of the sales force.

(vii) **To co-ordinate selling with other marketing, functions**: A well- designed sales territory can aid management in performing other marketing functions. Sales and cost analyses can be done more easily on a territory basis than for the entire market. Marketing research on a territory basis can be used more effectively for setting quotas and establishing sales and expense budgets. If salespeople are to aid customers in launching advertising campaigns, distributing point of purchase displays, or performing work related to sales promotions, the results are usually more satisfactory when the work is assigned and managed on a territory-by-territory basis rather than for the market as a whole.

SALES QUOTA

A sales quota is a quantitative goal assigned to a sales unit for a specific period of time. A sales unit may be a sales person, territory, branch office, region or distributor. Sales quotas are used to plan, control and evaluate selling activities of a firm. As standards for appraising selling effectiveness, quotas specify desired performance levels for sales volume, expenses, gross margin, net profit, selling and non-selling activities, or some combination of these items. Sales quotas provide a source of motivation, a basis for incentive, compensation, standards for performance evaluation of sales person and uncover the strengths and weaknesses in the selling structure of the firm.

Quotas are devices for directing and controlling sales operations. Their effectiveness depends upon the kind, amount, and accuracy of marketing information used in setting them, and upon management's skills in administering the quota system. For effective results, quotas are designed on the basis of information derived from sales forecasts, studies of market and sales potentials, and cost estimates. Accurate data are important to the effectiveness of a quota system, but, they are not sufficient, judgement and administrative skills are required of those with quota setting responsibilities. Soundly administered quotas based on thorough market knowledge are effective devices for directing and controlling sales operations.

Purpose of the sales quota

To provide standards for evaluating performance: Quotas provide a means for determining which sales personnel, territory, other units of sales organisation, or distributive outlets are doing average, below average, or above average job. They are yardsticks for measuring sales performance. Comparisons of quotas with sales performance identify weak and strong points, but management must dig deeper to uncover reasons for variations.

To furnish goals and incentives for the sales force: Quotas provide salespersons, distributive outlets and others engaged in selling activities, goals and incentives to achieve certain performance level. Many companies use quotas to provide their sales force the incentives of increasing their compensation through commissions or bonus if the quota is surpassed and/or recognized for superior performance. Needless to say, to be true motivators, sales quota should be perceived as being realistic and attainable and to an extent surpass able.

To control salespeople's activities: Quotas provide an opportunity to direct and control the selling activities of sales persons. Sales persons are responsible for certain activities e.g. customer calls per day, calling on new accounts, giving a minimum number of demonstrations and realiszation of firm's account. If the sales people fail to attain these quotas, the company can take corrective action to rectify the mistake.

To evaluate the productivity of sales people: Quotas provide a yard-stick for measuring the general effectiveness of sales representatives. By comparing salespersons' actual results with set quotas the areas of activities are determined where the sales force need help for improving productivity.

To control selling expenses: Quotas are also designed to keep selling expenses within limits. Some companies reimburse sales expenses only upto a certain percentage of sales quota. Others tie expenses to the salesperson's compensation in order to curb wasteful expenditure. Expense quota helps companies to set profit quotas.

To make effective compensation plan: Quotas play an important role in the company's sales compensation plan. Some Indian companies follow the practice that their salespersons will get commission only when they exceed their assigned quotas. Companies may also use attainment of the quotas in full or in part as the basis for calculating the bonus. If the salesperson does not reach the minimum desired quota, he will not be entitled for any bonus.

To evaluate sales contests results: Sales quotas are used frequently in conjunction with sales contests. Companies mostly use 'performance against quota' as the main basis for giving away awards in sales contests. Sales contests are more powerful incentives if all participants feel they have a more or less equal chance of winning by basing awards on percentage of quota fulfillment which is a common denominator. Hence, it causes average salesperson to turn into above average performers.

Procedure for setting sales volume quota

Quotas based on sales potential: One common practice in quota setting is to relate quotas directly to the territorial sales potentials. These potentials are the share of the estimated total industry sales that the company expects to realize in a given territory. A sales volume quota sums up the effort that a particular selling unit should expend. Sales potential represents the maximum sales opportunities open to the same selling unit. Many companies derive sales volume quota from sales potentials, and this approach is appropriate when - territorial sales potentials are determined in conjunction with territorial design or bottom-up planning and forecasting procedures are used in obtaining the sales estimate in the sales forecast.

Thus, if the territorial sales potentials or forecasts have already been determined and the quotas are to be related to these measures, the job of quota setting is largely completed. For instance, let us assume that the sales potential in territory A is Rs. 3,00,000 or 4 per cent of the total company potential. Then management may assign this amount as a quota for the salesperson who covers that territory. The total of all territorial quotas then would be equal the company sales potential.

In some cases, management chooses to use the estimate of potential as starting point in determining the quota. These potentials are then adjusted for one or more of the factors discussed below:

Human factors: A quota may have to be adjusted downwards because an older salesperson is covering the district. The salesperson may have done a fine job for the company for years but is now approaching retirement age and slowing down because of physical limitations. It would not be good on human relations - or ethical - to discharge or force the person into early retirement. Sometimes such persons are given smaller territories with corresponding lower quotas. Likewise sometimes new sales people are given lower quotas for the first few years until they learn a greater level of competence.

Psychological factors: Management understands that it is human nature to relax after a goal has been reached. Therefore, sometimes sales managers set their quotas a little higher than the expected potential. On the other hand management must not set the goals unrealistically high. A quota too far above the sales potential can discourage the sales force. The ideal psychological quota is one that is bit above the potential but can still be met and even exceeded by working efficiently.

Compensation factors: Sometimes companies relate their quotas basically to the sales potential, but adjust them to allow for the compensation plan. In such a case, the company is really using both the quota and compensation systems to stimulate the sales force. For example, one company may set its quota at 90 percent of potential. It pays for one bonus if the quota is met and an additional bonus if the sales reach 100 per cent of the potential.

Quotas based on past sales alone: In some organisations, sales volume quotas are based strictly on the preceding year's sales or on an average of sales over a period of several years. Management sets each salesperson's quota at an arbitrary percentage increases over sales in some past period. The only merits in this method of quota setting are computational simplicity and low-cost administration. If a firm follows this procedure, it should at least use an average figure for the past several years as a base, not just the previous year's sales. Random or irregular events would greatly affect a sales index based on only one year.

However, a quota setting method based on past performances alone is subject to severe limitations. This method ignores possible changes in a territory's sales potential. Generally business conditions this year may be depressed in a district, thus cutting the sales potential or promising new customers may have moved into the district, thus boosting the potential volume. Basing quotas on previous year's sales may not uncover poor performance in a given territory. A person may have had sales of Rs. 100000 last year, and the quota is increased by 5 per cent for this year. The salesperson may even reach the goal of Rs. 105000. However, the potential in the district may be Rs. 200000. This salesperson may perform poorly for years without letting the management realize that a problem exists. Quotas set on past sales also ignore the percentage of sales potential already achieved. Moreover, 'chase your tail' quotas- in which the more the salespeople sell, the more they are supposed to sell- destroy morale and ultimately cause top achievers to leave the company.

Quotas based on executive judgment: Sometimes sales volume quotas are based solely on the executive judgment, which is more precisely called guesswork. Executive judgment is usually an indispensable ingredient in a sound procedure for quota setting, but to use it alone is certainly not recommended. Even though the manager may be very experienced, too many risks are involved in relying solely on this factor without referring to quantitative market measures. This method is justified when there is little information to use in setting quotas. There may be no sales forecast, no practical way to determine territorial sales potential. The product may be new and its probable rate of market acceptance is unknown, the territory may not yet have been opened, or a newly recruited salesperson may have been assigned to a new territory. In such situations, management may set sales volume quotas solely on a judgment basis.

Quotas based on total market estimates: In some companies management has neither statistics nor sales force estimates of territorial sales potentials. These companies use top-down planning and forecasting to obtain the sales estimate for the whole company; hence, if management sets volume quotas, it uses similar procedures. Management may either (i) breakdown the total company sales estimate, using various indexes of relative sales opportunities in each territory and then make adjustments or (ii) convert the company sales estimate into a companywide sales quota and then breakdown the company volume quota, by using an index of relative sales opportunities in each territory. In the second procedure, another set of adjustment is made for differences in territories and sales personnel before finally arriving at territorial quotas. Note that these choices are similar, the only difference being whether adjustments are made only at the territorial level, or also at the company level. The second alternative is a better choice.

Quotas related only to compensation plan: Companies sometimes base sales volume quotas solely upon the projected amounts of compensation that management believes sales personnel should receive. No consideration is given to territorial sales potentials, total market estimates, and past sales experiences, and quotas are tailored exclusively to fit the sales compensation plan. If for example, salesperson A is to receive Rs. 5000 monthly salary and a 5 per cent commission on all monthly sales over Rs. 50,000. A’s monthly sales volume quota is set at Rs. 50,000. As long as A’s monthly sales exceed Rs. 50,000, management holds A’s compensation-to-sales ratio to 5 per cent. Note that A is really paid on a straight-commission plan, even though it is labelled “Salary and commission”.

Such sales volume quotas are poor standards for appraising sales performance, they relate only indirectly, if at all, to territorial sales potentials. It is appropriate to tie in salesforce quota performance with the sales compensation plan, that is, as financial incentive to performers, but no sales volume quota should be based on the compensation plan alone.

Salesperson set their own quota: Some companies turn the setting of sales volume quotas over to the sales staff, who are placed in the position of determining their own performance standards. The reason for this is that sales personnel, being closest to the territories, know them best and therefore, should set the most realistic sales volume quotas. The real reason, however, is that management is transferring the quota setting responsibilities and turns the whole problem over to the sales staff, thinking, they will complain less if they set their own standards. There is, indeed, a certain ring of truth in the argument that having sales personnel set their own objectives may cause them to work harder to attain them and complain less. But sales personnel are seldom dispassionate in setting their own quotas. Some are reluctant to obligate themselves to achieve what they regard as 'too much', and others far this is just as common-overestimate their capabilities and set unrealistically high quotas. Quotas set unrealistically high or low-by management or by the sales force cause dissatisfaction and results in low sales force morale. Management should have better information, therefore, it should make final quota decisions. How, for instance, can sales personnel adjust for changes management makes in price, product, promotion, and other policies?

PUBLIC RELATION

It is the actions of a corporation, store, government, individuals, etc. in promoting goodwill between itself and the public, the community, employees, customers, etc. It can be defined as the practice of managing communication between an organization and its public. Public relation is used to build rapport with employees, customers, investors, or the general public. This method of marketing does not aim at promoting a single product/service but the company as a whole.

This is done by spreading a positive feel about the company through various stories and articles or positive feedback from customers about the company in different media channels. In comparison to advertising, PR is a very cost effective method of marketing. A full page advertisement of a product may fail to attract customers attention, but a positive response about the same from a satisfied customer when appears in the form of an article in the same news paper will work wonders for the company. PR is quite understandably considered as a very genuine method of marketing. It creates a favorable atmosphere for conducting business of the firm.

According to UK Institute of Public relation, " It is the deliberately planned and sustained efforts to establish and maintain mutual understanding between the organisation and its public."

Advantages of public relations:

Credibility: The information communicated through public relation department is more reliable and it has more credibility. For e.g., an article in newspapers or magazines discussing the virtues of aspirin may be perceived very much as more credible than an ad for a particular brand of aspirin.

Cost: In both absolute and relative terms, the cost of PR is very low, especially when the possible effects are considered. While a firm can employ advertisement agencies and spend millions of dollars on advertisements, for smaller companies, this form of communication may be the most affordable alternative available.

Lead generation : Information about the technological innovations, medical break-through and the like results almost immediately in a multitude of inquiries. These inquiries may give the firm some quality sales lead.

Ability to reach specific groups: Because some products appeal to only small market segments, it is not feasible to engage in advertising and / or promotions to reach them. If the firm does not have the financial capabilities, to engage in promotional expenditures, the best way to communicate to these groups is through PR.

Image Building: Effective PR helps to develop positive image for the organization. A strong image is insurance against later mis-fortunes.

Stimulate awareness: Public relation techniques helps to stimulate awareness among the customers regarding the products of the company and thereby creating demand for your product.

Functions of public relations

The functions of public relation is given below:-

- Creating awareness for a company or client and building a positive image for them through articles and stories in the various channels of media.
- Keeping an eye on all media channels for any public feedback on the client company or its products.
- Crisis management in cases where the company may be endangered.
- Building goodwill and rapport with customers through special events, charity and community work.

Types of public relation tools:

The important types of tools available to carry out the public relations function include:

- ✓ Media Relations
- ✓ Media Tours
- ✓ Newsletters
- ✓ Special Events
- ✓ Speaking Engagements
- ✓ Sponsorships
- ✓ Employee Relations
- ✓ Community Relations and Philanthropy

DIRECT MARKETING

Direct marketing is a channel-agnostic form of advertising that allows businesses and non profits organisation to communicate straight to the customer, with advertising techniques such as mobile messaging, email, interactive consumer websites, online display ads, fliers, catalog distribution, promotional letters, and outdoor advertising. Direct marketing is practiced by businesses of all sizes — from the smallest start-up to the leaders on the Fortune 500. A well-executed direct advertising campaign can prove a positive return on investment by showing how many potential customers responded to a clear call-to-action. Direct marketing is concerned with establishing an individual relationship between the business offering a product or service and the final customer.

Direct marketing has been defined by the Institute of Direct Marketing as "The planned recording, analysis and tracking of customer behaviour to develop a relational marketing strategies"

Direct Marketing Channels

Any medium that can be used to deliver a communication to a customer can be employed in direct marketing and it includes:

Email Marketing: Sending marketing messages through email is one of the most widely used direct-marketing methods. According to one study email is used by 94% of marketers, while 86% use direct mail.

Mobile Marketing: Through mobile marketing, marketers engage with prospective customers and donors in an interactive manner through a mobile device or network, such as a cell phone, smart phone , or tablet. Types of mobile marketing messages include: SMS: (short message service) — marketing communications are sent in the form of text messages, also known as texting. MMS: (multi-media message service)

Direct Mail: The term "direct mail" is used to refer to communications sent to potential customers or donors via the postal service and other delivery services. Direct mail is sent to customers based on criteria such as age, income, location, profession, buying pattern, etc. Direct mail includes advertising circulars, catalogs, free-trial CDs, pre-approved credit card applications, and other unsolicited merchandising invitations delivered by mail to homes and businesses.

Telemarketing: Another common form of direct marketing is telemarketing in which marketers contact customers by phone. The primary benefit to businesses is increased lead generation, which helps businesses increase sales volume and customer base.

Voicemail Marketing: Voicemail marketing emerged out of the market prevalence of personal voice mailboxes, and business voicemail systems. Voicemail marketing presented a cost effective means by which to reach people directly, by voice

Direct Response TV : Direct marketing via television (commonly referred to as DRTV) has two basic forms: long form (usually half-hour or hour-long segments that explain a product in detail and are commonly referred to as infomercials) and short form, which refers to typical 30-second or 60-second commercials that ask viewers for an immediate response (typically to call a phone number on screen or go to a website).

Catalogue marketing: In catalogue marketing , an organisation provides a catalogue from which customers make selection and place orders by mail or telephone. It involves selling of products through catalogues mailed to selected customers.

Unit IV

MEANING OF DISTRIBUTION

Distribution is the act of carrying goods or services from the producer to the consumer. It consists of an operation or series of operations which physically brings. The goods from the producer into the hands of the final user Goods have no value If they simply lie in the godown of the manufacturer. They must be made available to the consumers. Various agencies are involved in the movement of goods from the plant door of the manufacturer to the place of the consumer. The term distribution collectively refers to all the acts or services rendered by various agencies.

Marketing and distribution

The term Marketing and distribution are often used synonymous. Marketing is a comprehensive term and distribution is the last, perhaps the most crucial phase in the process of marketing. Thus, distribution is an integral part of the marketing process. Its function is to distribute or sub-divide the total products of a producer on a geographical basis to various specific Markets.

Role and importance of distribution

The important benefits of distribution are as follows:

- ✓ Distribution has enabled the consumers to satisfy their wants. It has created place, time and possession utilities:
- ✓ It has brought into existence of the services of the bankers and insurers;
- ✓ Means of communication and transportation has developed.
- ✓ Problems of scarcity and famine in certain areas are solved by effective distribution.
- ✓ Scope for specialization and divisions of labour have enlarged;
- ✓ It has offered gainful employment opportunities to millions of persons;
- ✓ Grading, packing and branding are made possible;
- ✓ Price stability is made possible;
- ✓ The total wealth production of the world has increased.

CHANNELS OF DISTRIBUTION

The word –Channel is derived from the French word –Canal. The channel of distribution, thus, refers to the pathway taken by the goods as they flow from the point of production to the point of consumption. A channel of distribution consists of various specialized marketing institutions that relates to each other as buyers and sellers. These specialized institution or agencies are called middlemen. Scholars have devoted much time to define the expression. Some of the important definitions are given below.

Definition of the American Marketing Association

According to the Definitions Committee of the American Marketing Association A channel of distribution or marketing channel is the structure of intra-company organisation units and extra company agents and dealers, wholesale and retail – through which a commodity, product or service is marketed.

Definition of Cundiff and Still

Cundiff and Still in their work –Basic Marketing Concepts, Decisions, Strategies define a distribution channel as –a path traced in the direct or indirect transfer of the title to a product as it moves from a producer to the ultimate consumers or industrial user.

Thus, the path through which goods move from the place of production to the place of consumption is known as the –channel of distribution. The path taken by the goods in their flow may be short and direct or rather long and indirect. When the manufacturer establishes his own shop or agencies for the distribution of the goods the channel is said to be direct. It is indirect when the distribution of the goods is done through the wholesaler, retailer or special middlemen. It must also be remembered that a channel of distribution is not confined to the middlemen alone but it includes both the producer and the final consumer for the product. However, firms and institutions like railways, road transport orgainsations bankers, and insurers should not be included in the channel though they render a valuable service in the process of distribution.

Distribution strategy is the method one uses to get products and services on to different distribution channels and networks to reach the end customer or the purchaser; it is how and where the customer buys the product. A **distribution channel** is a chain of businesses or intermediaries through which a good or service passes until it reaches the end consumer. It can include wholesalers, retailers, distributors and even the internet itself.

TYPES OF CHANNEL

Goods may be supplied to the consumers in many ways. Each way is a separate possible channel to reach the particular target market. Hence the manufacturer can employ any one of the alternative channels best suited to him. Different channels can be used for the distribution of consumers goods and industrial goods. This indicates the number of intermediaries between the manufactures and consumers. Mainly there are four channel levels. They are:

Distribution of Consumer Goods

1. **Zero level channel**: (Producer→ Consumer)

This is a direct channel since no middlemen are involved. Here the goods move directly from producer to consumer. That is, no intermediary is involved. This channel is preferred by manufactures of industrial and consumer durable goods.

2. **One level channel**: (Producer → Retailer→ Consumer)

   In this case there will be one sales intermediary i.e, retailer. This is the most common channel in case of consumer durable such as textiles, shoes, ready garments etc.

3. **Two level channel**: (Producer → Wholesaler/ Agent → Retailer → Consumer)

   This channel option has two intermediaries, namely wholesaler and retailer or agent and retailer. The companies producing consumer non durable items use this level.

4. **Three level channel**: (Producer →Agent→Wholesaler→ Retailer → Consumer)

   This contains three intermediaries. Here goods moves from manufacture to agent to wholesalers to retailers to consumers. It is the longest indirect channel option that a company has.

Distribution of Industrial Goods

Industrial goods are generally distributed by the manufacturer by employing any one of the alternative channels.

1) **Producer→Industrial User :** - This is also a direct channel involving no middlemen. This channel is suitable for large installations like generators, heating plants etc.,
2) **Producer→Industrial distributor→ User** : This channel though indirect is comparatively shorter. It is best suited for the distribution of small accessory equipments like building materials, construction equipments, air conditioning equipments. etc,.
3) **Product→Agent→user** : This channel is best suited for marketing new products.
4) **Producer→Agent→Industrial Distributor→User.**

Factors influencing choice of distribution channel

It is very important to select a channel for the distribution of goods and services to the ultimate consumers in an effective way. The marketer has to select the most suitable channel. While selecting the channel of distribution, the marketer has to consider the following factors:

1. **Nature of Product**: The selected channel must cope up perish ability of the product. If a commodity is perishable, the producer prefer to employs few middlemen. For durable and standardized goods, longer and diversified channel may be necessary. If the unit value is low, intensive distribution is suggested. If the product is highly technical,

manufacture is forced to sell directly, if it is not highly technical, intensive distribution can be selected. Seasonal products are marketed through wholesalers.

2. **Nature of market**: If the market is a consumer market, then retailer is essential. If it is an industrial market, we can avoid retailer. If consumers are widely scattered large number of middlemen are required. When consumers purchase frequently, more buyer seller contacts are needed and middlemen are suggested.
3. **Competitors' Channel**: The distribution channel used by the competitors will influence the channel selection. There is nothing wrong in copying the channel strategy of the competitor if it is a right one.
4. **The financial ability of channel members**: Before selecting the channel, the manufacture has to think about the financial soundness of the channel members. In most of the case financial assistance are required to the channel members in the form of liberal credit facilities and direct financing.
5. **The Company's financial position**: A company with a strong financial background can develop its own channel structure. Then there is no need to depend other channel intermediaries to market their product.
6. **Cost of Channel:** The cost of each channel may be estimated on the basis of unit sale. The best type of channel which gives a low unit cost of marketing may be selected.
7. **Economic factors**: The economic conditions prevailing in he country have bearing on channel selection decision. During the period of boom, it is better to depend channels directly. During the periods of deflation direct relation with the consumers are desirable.
8. **The legal restrictions**: Before giving the final shape to channels of distribution, we have to consider the existing legal provisions of the various Acts. For eg. MRTP Act prevent channel arrangements that tend to lessen competition, create monopoly and those are objectionable to the very public interest.
9. **Marketing policy of the company**: The marketing policy of the company have a greater and deeper bearing on the channel choice. The marketing policies relating to channels of distribution are advertising, sales promotion, delivery, after sale service and pricing. A company has a heavy budget on advertising and sales promotion, the channel selected is bound to be direct as it requires a few layers of people to push the product.

MARKETING INTERMEDIARIES (MIDDLEMEN)

Meaning and Definition of Middlemen:

Middlemen as the name suggests refer to such institutions or business concerns situated in the marketing channels at points between the producer and the final buyers. They are the connecting links between the producer on one side and the consumers on the other. Producers regard them as extensions of their own marketing organizations and the final buyers consider them as sources of supply and points of contact with the producers. They are independent business concerns specialising in the task of selling.

Definition of the American Marketing Association

The definition committee of the American Marketing Association formulated the following definition.

A middlemen is one who specializes in performing operations or rendering services that are directly involved in the purchase and sale of goods in the process of their flow from the producer to the final buyer.

Thus, middlemen specialise in carrying out the transfer of title between the producers and the final consumers.

Classification of Middlemen

A number of institutions exist in every country to carry out the function of middlemen. These institutions on the basis of the work performed by them can be classified into two kinds – viz – (1) Agent Middlemen and (2) Merchant Middlemen.

I) Agent Middlemen:

Agent Middlemen or functional middlemen are those intermediaries who negotiate purchases or sales or both but do not take the title to the goods. They are also known mercantile agents.

The basic Characteristics of agent middlemen are :

1. They act as the agent of the manufacturers or buyers.
2. They work on commission basis i.e., they receive a certain percentage of commission on the volume of sales or purchases negotiated by them.
3. They do not take away the title to goods in which they deal.
4. They either act as a substitute for the sales force of the producer or serve as an addition to it.

Kinds of Agent Middlemen

The various types of agent middlemen can be listed as follows:

1) Brokers

Are those who negotiate and make contract for the sales or purchases of goods without physically handling the goods in which they deal. They bring the buyer and seller together. Brokers have no right to fix the price or settle the terms of sales. Generally they work for the sellers. However, they are at liberty to work for the buyer or for both. Brokers are very useful for producers engaged in the manufacture of seasonal products, textile goods, and agricultural goods.

2) Commission Agents

Just like brokers, commission agents also procure buyers or sellers, negotiate with them, and make contract for the sale or purchase of goods. But they enjoy wider powers than the brokers. They exercise physical control over the goods. They can fix the price, settle the terms of sale, deal with the third parties in their own name, accept bills, extend credit facilities and collect the dues from the customers. After deducting their dues they can remit the balance to the principal. Their services are highly useful in marketing agricultural products like fruits, vegetables and grains.

3) Manufacturer's Agents

As the name suggests, they are employed by the manufactures to sell a part or his entire product at a specified price in a specified area. They have to carrya huge stock with them and so they must maintain large sales staff to dispose of their stock. They are remunerated in the form of commission. Such agents cannot deal in competing products. They are considered as a more economic agency to introduce new products. Their services are also highly helpful to small and new firms having limited number of products.

4) Selling Agents

They are employed by the manufacturers to undertake the entire marketing functions for all there output for the whole market. They exercise full authority and control over prices, and terms and conditions of sales also. They are financially sound and very frequently they render financial assistance even to the manufacturers. Selling agents are generally employed in the marketing of [textile goods, food products, groceary and house furnishings.

5) Auctioneers

They are generally appointed by the sellers. They have common places of business. The intending sellers must bring their product or samples to the business place and the auctioneers‘ sell them in auction. The auctioneers can sell the products –With Reserve or –Without Reserve. If the goods are offered for sale –with Reserve‘‘ it cannot be sold below the price fixed by the sellers. In case of –without reserve the auctioneers can sell the product to the highest bidder.

6) Packing and Forwarding Agents

They are employed, to procure, deliver and forward goods on behalf of others. Their remuneration is very small when compared to other agents.

7) Export and Import Agents

Their services are confined to few leading port cities. They cater to the needs of the principals who seek foreign markets or overseas sources of supply.

8) Factors

The functions of the factors are similar to commission agents. They are also vested with the powers similar to that of commission agents.

9) Purchase Agents:

They are appointed by the manufactures to purchase industrial raw material for them.

10) Residence Buyers

They are independent men appointed by the retailers to purchase goods for foreign consumers.

MERCHANT MIDDLEMEN

Merchant middlemen are those who take title to the goods and channelize the goods from previous step to the next step with a view to making profit. They buy and sell goods in their own risk and the price for their effort is profit. They act as an intermediaries between producers and consumers. These merchant middlemen are broadly classified into wholesalers and retailers.

The basis characteristics of merchant middlemen can be outlined as follows.

1. They act in their own right but not in the capacity of the agent of the manufacturer.
2. They have title over the goods in which they deal;
3. They are independent agencies and do not act as substitute for the sales force of the producer;
4. They buy the goods and resell the same at a profit;
5. They have to bear the risk involved in the process of marketing.

Wholesalers

Wholesaler is a trader who deals in large quantity. He purchases goods from the producers in bulk quantity and sell it to the retailers in small quantity. According to American Management Association, “wholesalers sells to retailers or other merchants and/or individual, institutional and commercial users but they do not sell in significant amounts to ultimate consumers."

Functions of wholesalers

1. **Assembling and buying**: It means bringing together stocks of different manufactures producing same line of goods, and making purchases in case of seasonal goods.
2. **Warehousing**: The warehousing function of the wholesalers relieves both the producers and the retailers from the problem of storage.
3. **Transporting**: In the process of assembling and warehousing, the wholesaler do undertake transportation of goods form producers to their warehouse and back to retailers
4. **Financing**: They grant credit on liberal terms to retailers and taking early delivery of stock from the manufacturers to reduce their financial burden.
5. **Risk bearing:** Wholesaler bear the risk of loss of change in price, deterioration of quality, pilferage, theft. Fire etc.
6. **Grading**, Packing and packaging: By grading they sort out the stocks in terms of different size, quality shape and so on.
7. **Dispersing and selling:** Dispersing the goods already stored with them to the retailers.
8. **Market information**: Finally providing the market information to the manufactures.

Services of wholesalers:

A. **Services to Manufacturers:**
   1. The wholesaler helps the manufacture to get the benefit of economies of large scale production.
   2. Wholesalers helps the manufactures to save his time and trouble by collecting orders from large number of retailers on behalf of the manufactures.
   3. The wholesaler provides market information to the manufactures which will helps him to make modifications in his product.
   4. The wholesaler buys in large quantities and keeps the goods in his warehouses. This relieves the manufacturer the risk of storage and obsolescence.
   5. The wholesales helps to maintain a steady prices for the product by buying the product when the prices are low and selling when the prices are high.

B. **Services to Retailers:**
   1. He gives valuable advices to the retailers on his business related matters.
   2. He helps the retailer to get the goods very easily and quickly.

3. He render financial assistance to the retailer by granting credit facilities.
4. The wholesalers bears the risk associated with storage and distribution of goods to a certain extend.
5. The wholesaler helps the retailers to keep price steady.

Retailers

The term 'retail' implies sale for final consumption. A retailer is the last link between final user and the wholesaler or the manufacturer. According to Professor William Standton, "retailing includes all activities directly related to the sale of goods and services to the ultimate consumers for personal or non business use." In other words retailer is one whose business is to sell consumers a wide variety of goods which are assembled at his premises as per the needs of final consumers. In India, Most of the Indian retail outlets are owner managed and have few or no sales assistant. Most important issues of these outlets are those of inventory management and funds management.

Functions of retailers:

1. **Buying and Assembling**:- A retailer buys goods from the best and most dependable wholesalers and assemble the goods in a single shop.
2. **Warehousing**: It helps the retailer to ensure adequate and uninterrupted supply of goods
3. **Selling**: A retailer sells the products in small quantities to the needy consumers.
4. **Risk bearing:** It is the basic responsibility of a retailer to bear the risk arising out of physical deterioration and changes in prices.
5. **Sales promotion**: Retailer undertakes some sales promotion through displaying of goods in the shop, distribution of sales literature, introduction of new product etc.
6. **Financing:** A retailer granting credit in liberal terms to the consumer and it helps the consumers a lot to purchase the required goods.
7. **Supply of market information**: As being in close and constant touch with the consumers, a retailer can supply the market related information to the wholesalers and manufactures at the earliest.
8. **Grading and Packing**: Retailers undertake second round grading and packing activities left by the manufacturers and wholesalers.

Services rendered by Retailers:

A retailer render a number of services to the manufacturers, wholesalers and to the final users. These services are outlined below:-

A. Services to the manufactures and wholesalers:

(1). **Providing information**: Retailer do provide the wholesalers and manufactures the information about the latest consumer movements and it helps the manufactures to produce goods according to the needs of consumers.

(2**) Looks after the distribution process**: A retailer, in general, looks after the entire distribution process and it helps the manufactures to concentrate on production.

(3)**Creation of demand**: By giving local ad and display of goods, retailers helps to create demand for the goods.

(4)**A big relief**: A retailer gives a relief to the manufacturers and wholesalers from the problem of selling goods in small quantities.

B. Services to the consumers:

(1)**No need to store goods**: A retailer holds goods on behalf of the customers at a convenient place and in convenient lot. Hence, the consumer need not buy and stock in large quantity.

(2)**Largest choice**: Retailers collects products of different manufactures and it enables the consumers to have a largest choice at cost, quality and so on.

(3) **Providing information**: A retailer supplies information about the introduction of a new product in the market and its features.

(4)**Granting credit**: Most of the retailers granting credit facilities to regular customers.

(5) **After sale services**: In certain cases a retailer provides after sales services to the ultimate consumers to ensure the customers shop loyalty.

Types of retailers:

The retailers can be classified in to Small scale retailers and large scale retailers:

1. **Small Scale Retailers**: It includes

(a) **Unit stores**: These are the retail stores run on proprietory basis dealing in general stores or single line stores.

(b) **Street traders**: They are the retailers who display their stock on foot paths or the side walks of the busy street.

(c) **Market traders**: These retailers open their shops on fixed days or dates in specified areas. The time interval may be week, or a month.

(d) **Hawkers and peddlers:** This type of retailers do not have any fixed place of business. They carry goods from one place to another. They keep on moving from locality to locality.

(e) **Cheap-jacks**: Cheap jacks is retailer who has fixed place of business in a locality but goes on changing his place to exploit the market opportunities.

2. **Large scale retailers**: It includes

(a) **Departmental stores**: A departmental stores carries several product line, invariably all that is required by a typical house hold. It includes food, clothing, appliances, other house hold goods, furnishings and gifts etc. It is a central location and a unified control. In a typical department store each product line is managed independently by specialist buyers.

(b) **Multiple shops**: It is a chain of retail store dealing in identical and generally restricted range of articles operating in different localities under central ownership and control. It works on the principles of centralized buying and administration and decentralized selling. It is also known as chain store.

(c) **Mail order houses**: Here, the customers do not visit the seller's premises and there is no personal inspection of goods before the purchase. Orders are received from customers through post and the goods are also sold through post. The transaction is settled through postal medium. Eg. Leather goods, ready made garments etc.

(d) **Consumer co-operatives**: These are the stores owned by a group of consumers themselves on co- operative principles. Here the store purchasing in bulk quantity and sells it to the consumers at a reasonable price. It is formed to eliminate the exploitation of middlemen.

(e) **Super markets**: This is a large, low cost, low margin, high volume, self service operation designed to serve customer's need for food laundry and house hold products. The wide range of product mix carried by these stores make them a favorite retail outlet.

(f) **Discount stores**: Discount stores are the ones that sell standard merchandise at lower prize than conventional merchants by accepting lower margins but pushing for higher sales volume.

(g) **Convenience store**: These are generally food stores that are much smaller in size than in supermarkets. They are conveniently located in residential areas. Due to a high degree of personalized service and home delivery by store clerk, these stores fill in a very important need of a house wife.

(h) **Speciality store**: These are ones that carry a narrow product line with a deep assortment within that line. According to some marketing thinkers, the future scenario belongs to super speciality store as they provide increasing opportunities for market segmentation, focused marketing, and creation of brand equity.

MARKETING LOGISTICS

Marketing logistics involve planning, delivering, and controlling the flow of physical goods, marketing materials and information from the producer to a market as necessary to meet customer demands while still making a satisfactory profit. Maintaining an organization's competitive edge means understanding and implementing an effective marketing logistics strategy regarding product, price, place and promotion. These four functions of marketing logistics help the organization to reach the target customers and deliver the products or services sold by the organization to these customers.

Major Logistic Function

Below is the list of major logistic function.

- ✓ Order Processing
- ✓ Warehousing
- ✓ Inventory Management
- ✓ Transportation

Order processing

There are many ways of submitting an order like

- ✓ By Mail
- ✓ By Telephone
- ✓ Through Salesperson
- ✓ Through Computer and EDI

In some cases, orders are generated by suppliers for their customers.

When an order has been received, it should be quickly and accurately processed by the organization. When processing is done effectively, both the organization as well as customer is benefited. Now-a-days sophisticated computerized order processing system is used by most of the companies that speeds up the cycle of order, shipping and billing. For example a company named General Electric uses a computer based system in which when a receipt of customer order is received by the system, it checks the credit standing of the customer as well as the identification of the required stock. Then a set of internal orders is generated by the system like an order to ship, an order to bill and a production order, etc all of these systematic activities happen within 15 seconds.

Warehousing

Almost every organization is bound to store its products because there is some gap in the production and consumption. An organization must determine about the important aspects of the functions of warehousing like

How many warehouses are required?

Which kinds of warehouses are needed?

The locations of the warehouses, etc.

Warehousing can take the following two forms.

a) Storage Warehouses

b) Distribution Centers

Storage Warehouses:

Goods can be stored from average to long periods in storage warehouses.

Distribution Centers:

Distribution centers are much more sophisticated in a way that they are involved more in the movement of goods and less in the storage. These distribution centers are highly automated and larger that are designed for the receipt of goods from various suppliers and plants. Orders from customers are received and processed efficiently and quick distribution of the ordered goods is made in these centers.

In modern technological age, new, highly automated warehousing replaces the older warehousing system. In these latest warehousing, effective computerized material handling systems are used that are centralized. There is a very little number of employees working and most of the work is done through computerized machines and robotics.

Inventory Management

The inventory is also one of major logistic function in which the effective level of inventory is maintained. The major issue in this function is to keep a complicated balance between carrying less inventory and carry too much of it. Carrying too much inventory is resulted stock obsolescence and higher inventory carrying costs. On the other hand carrying of little inventory results in costly production & emergency shipment, stock outs and finally customer dissatisfaction. So, the management of the organization makes an effective inventory decision by comparing the inventory carrying costs with the generating sales and profits.

In recent years new Inventory Management System has replaced the old high cost incurring methods. Just-in-Time is one of the effective inventory systems in which the level of inventory maintained is kept at a very low level. The inventory has been ordered just after receiving of sales order from customers. The inventory is arriving quickly and the resulting sales order is effectively completed by the organization. In this way inventory maintenance cost is reduced, resulting in the profit increase. This JIT system is effectively used in Japan.

Transportation

Major logistic function also include the transportation in which certain decisions about the transportation of goods are made in the light of the interests of the organization. Transportation function is important because it affects the delivery performance, pricing of product, and condition of the arrived goods etc. This would ultimately affection the satisfaction of the customers.

There are five different transportation modes that can be adopted by the organization in the delivery of their products to the dealers, warehouses and customers. These five modes of transportation are as follows.

- ✓ Rail
- ✓ Truck
- ✓ Pipeline
- ✓ Air
- ✓ Water (Shipping)

Rail

The largest carrier of any nation is the railways that deal with the delivery of 26% of total cargo ton miles. Large amounts of bulk product can be delivered to the distant locations in a cost effective way through railway transportation mode like sand, coal, farm and forest items and mineral etc. In recent years certain amendments are made in the railway systems for the effective transportation of goods from one place to another like to carry truck trailers by rails, special flat cars are provided. Provision of in-transit services etc.

Trucks

In recent years in the transportation mode of trucks has played a significant role in transportation of goods from one place to another with a share of 24% of total cargo ton miles. Within cities transportation, trucks are considered as the largest transportation mode. The routing and timing schedules of trucks are highly flexible and their service is much faster than railways. High value goods of short hauls are effectively transported through trucks.

Pipelines

For the shipment of petroleum, chemicals and natural gas from source markets, specialized means of transportation is used which is called pipelines. Pipelines are mostly used by the owners for the delivery of their own products.

Air

The air mode of transportation is the least popular among the business organizations and only about 1% of the total cargo is transported through the means of air. But still, in this mode of transportation is becoming very popular. The cost of air transportation is much higher due to high freight rates, but it is the quickest mode of transporting products, especially perishable goods and smaller quantity of highly valuable products.

Shipping (Water)

Shipping is the oldest mode of transporting goods from one region to another, but it is time consuming transportation than other modes. Shipping used together with the other mode of transportation. Following are some of the combinations of intermodal transportation.

Unit V

IDENTIFYING AND ANALYZING COMPETITORS

Business competition is the rivalry of two or more businesses that target the same customers, for example Coca-Cola and Pepsi, or McDonald's and Burger King. Business organizations to be successful in long run have to identify their competitors and analyze their strengths and weaknesses to defeat them.

Competitor is a person or an organization against whom other person or organization is competing. In business, competitor is a business organization or a company operating in the same industry or a similar industry which offers a similar product or service. For example - Wal-Mart and Target are big players in Retail chain industry, they both are competitor of each other.

The presence of competitors in an industry means consumers have more alternatives to choose from, it forces competitors to reduce prices of their products or services to grab the maximum share in the market.

Identifying competitors

In the process of developing a successful marketing strategy, the first step is to identify the key competitors in your market. Competitor identification is important to increase managerial awareness of competitive threats and opportunities. Identification of key competitors is necessary to gain competitive advantage by offering your customers a greater value than the competitors. Not only current competitors are required to be identified, but future competitors are also to be anticipated. According to Ferrell, Hartline, Lucas, and Luck, 1998, there are different varieties of competitors :-

Brand Competitors - Such type of competitors are those who market exactly similar products, at similar price, and also to the same customers. For example, Pepsi and Coca-Cola.

Product Competitors - Such type of competitors are those who market similar products, but with different features and benefits, and at different prices. For example, Pepsi and Maaza (fruit drink).

Generic Competitors - Such type of competitors are those who market different products, but provide the same utility or benefit. For example, Audio cassettes and CDs, or Pepsi and Water

Total Budget Competitors - Such type of competitors are those who market different products, but competing for the same financial resources of the customers. For example pepsi and Potato –Chips .

Analysing competitors

Competitor analysis helps an organization to identify opportunities for and threats to the organization from the competitive industrial environment. Competitor analysis is an assessment of the strengths and weaknesses of current and potential competitors. It is an essential component of corporate strategy; while formulating organization's strategy, managers must consider the competitor organisations' strategies. "Competitor Analysis can be defined as the analysis of data and information about competitors to generate intelligence that is useful in strategic decision making".

COMPETITORS AND THEIR MARKETING STRATEGIES

Philip kotler, has discussed the military-type marketing strategies for competitors. He adopted many terms from military science to suggest suitable strategic actions against the enemy. His work is based on many research projects and studies carried out in the United States of America. Though the strategies are based on American economic and marketing systems, they are equally applicable to other countries including India. He is the only expert and writer on this topic who provides sufficient insights into the competitive dynamics.

Competitive positions

Normally, a firm occupies one of six positions in the target market:

1. **Dominant**:

The firm has control over other competitors. Naturally, it can enjoy more freedom to select suitable strategic options.

2. **Strong**:

The firm doesn’t control behaviour of other competitors, but can take independent actions without endangering its long-term position. Other competitors’ actions do not have a notable impact on its position.

3. **Favourable**:

The firm is in position to exploit opportunities to improve its position. It has to constantly adjust its strategies to continue enjoying the better-than-average opportunities. It has to remain alert and struggle constantly.

4**. Tenable (Average)**:

The firm has satisfactory performance, but has to suffer due to dominant and strong competitors. It has less-than-average opportunities to improve its position.

5. **Weak:**

The firm has unsatisfactory performance. However, there exists opportunities to improve its position. It must change or adjust constantly to exist.

6. **Nonviable (non-survivable):**

The firm has unsatisfactory performance and has no opportunity to improve its performance and position.

MAJOR TYPES OF COMPETITORS

On the basis of market position, market shares, brand image, resources capacities, and domination power (degree of control over others), there are broadly four types of competitors, such as:

1. Market Leaders
2. Market Challengers
3. Market Followers
4. Market Nichers.

Marketing Strategies for Market Leaders:

Market leader has the largest market share in the relevant product in the industry. It has a dominant position in the market. Obviously, it leads other firms in new product development, price change, distribution coverage, promotional activities, and novel experiments. The leader may or may not be respected by other firms, but other firm has to acknowledge its dominance. Other firms can challenge, follow or avoid the market leader. In India, well-known market leaders are Maruti Suzuki in cars, Hero Honda in two-wheelers, Hindustan Unilever in consumer packages goods, Coca-Cola in soft-drink, McDonald's in fast food, Life Insurance Corporation in life-insurance, and so forth.

A few market leaders have monopoly in the market. They have to remain alert all the time leadership to maintain their leader-position. Other firms are constantly challenging leadership position. A little mistake can plunge the leader into second or third position. It has to adopt innovative practices in all the marketing areas. Sometimes, it has to incur excessive costs to maintain the number-one position. It is hard task to remain the number one in market. The firm desiring to maintain market- leader position has to adopt one or more of following three major strategies: Expanding Total Market, Defending Current Market Share and Expanding Market Share.

1. Expanding Total Market:

The leader normally gains more when the total market expands. Naturally, when total market or the industry expands, major player will gain more. Total market can be expanded in four different ways

i. Add New Users:

ii. Discover New Users

iii. More Usage per Occasion/Time

iv. More Frequent Uses

2. Defending (Maintaining) Current Market Share:

This strategy is based on the theme: 'Customer-retention is more profitable than customer- creation.' At any cost, the current market share must not be endangered. While expanding total market, a market leader must continuously defend its current market share against rivals' attacks. For example, Coca-Cola guards its market share against Pepsi-Cola. Hindustan Unilever protects its share against Procter and Gamble. Maruti Suzuki India tries to protect its market against Tata Motors and Hyundai Motors. A leader firm has to do everything possible to defend its current market share. Continuous innovation, better customer service, distribution effectiveness, and cost-cutting can increase competitiveness. It has to 'plague holes' to keep the enemy away. In short, it must continuously monitor its operations to avoid weaknesses that can attract rival attacks. Sometimes, leading firm has to apply the military principle – The best defense is a good offense.

There are six defense strategies:

i. Position Defense

ii. Flank Defense

iii. Preemptive or Preventive Defense

iv. Counteroffensive Defense

v. Mobile Defense

vi. Contraction Defense

3. Expanding Market Share:

Instead of expanding total market and defending current market shares, sometimes, the market leader prefers to improve profitability by increasing market share. The extent to which the increased market share results into improved profitability depends on a lot of variables. Here, company must do something to snatch the market share from the pockets of competitors.

There are several ways to expand market share:

i. Adding New Product Lines

ii. Expanding Existing Product Lines

iii. Improving Product Qualities

iv. Increasing Promotion Efforts

v. Improving Distribution System

vi. Deploying Aggressive Sale Force

vii. Applying Price-cut

viii. Improving Production Efficiency

Marketing Strategies for Market Challengers:

Market challengers are known as runner-up firms. They occupy second, third and lower ranks in an industry. Bajaj Auto in two-wheelers, Tata Motors and Hyundai in cars, Reliance Petro and Essar Oils in refineries, Pepsi-Cola in soft-drink, Procter and Gamble in consumer packaged goods, Vodafone in cellular service providers, Sony and Samsung in cell-phone instruments, etc., are some of the market challengers in India. Market challengers are capable to attack the leader and other competitors. Sometimes, capable challengers can overtake the leader, too. Let us examine three-staged marketing strategies available to market challengers. Three stage marketing strategies for market challengers.

1. Defining strategic objectives and opponents:

First of all, a market challenger firm must define its strategic objectives. Normally, most of market challengers' strategic objective is to increase market share. Then, the challenger has to decide on the opponents to attack. Like market leaders, the challengers cannot fight against all opponents. Therefore, a challenger firm has to select the specific opponent to attack.

A market challenger can attack any of the following opponents:

- Attacking the market leader.
- Attacking the firms of its own size that are not doing the job well and are underfinanced.
- Attacking the small local and regional firms that are not doing the job well and are underfinanced.

2. Choosing general attack strategies:

Once strategic objectives are defined and opponents are selected, the challenger can apply following attacking options:

i. Frontal Attack

ii. Flank Attack

iii. Encirclement (All-round) Attack

iv. Bypass Attack

v. Guerrilla Attack

3. Choosing specific attack strategies or attacking tools:

The five main attack strategies – frontal attack, flank attack, encirclement attack, bypass attack, and guerrilla attack – are very broad. These strategies consist of many specific attack strategies, some of them have been described as under:

i. Price-Discount Strategy

ii. Cheaper-good Strategy

iii. Prestige-good Strategy

iv. Product-proliferation Strategy

v. Product-innovation Strategy

vi. Improved-services Strategy

vii. Distribution-innovation Strategy

viii. Manufacturing-cost-reduction Strategy

ix. Intensive Advertising and Promotion

Marketing Strategies for Market Followers:

The firms prefer to follow leader rather than to challenge are called the followers. They do not face the leader directly. Some followers are capable to challenge but they prefer to follow. However, market followers always react strongly in case of any loss. In some capital goods industries like steel, cement, chemical, fertilizer, etc., product differentiation is low, service qualities are similar, and price sensitivity is high. They decide to provide similar offers by copying the market leader. But, one must be aware that followership is not always rewarding path to pursue.

Market followers prefer to follow the leader doesn't mean that they don't require specific market strategies. They cannot be simply passive or a carbon copy of leaders. They must know how to hold current customers and win a fair share of new customers. Followers must keep manufacturing cost low and offer better quality products with satisfactory services. At the same time, they must enter new markets as and when there are opportunities.

They have following strategic options:

- Counterfeiter or Fraudster
- Cloner or Emulator
- Imitator
- Adaptor

Marketing Strategies for Market Niches

A niche is a more narrowly defined small market (limited number of buyers) whose needs are not being well-served by existing sellers. It is a small segment that has distinctive needs and is, mostly, ready to pay high price. Marketers can identify niches by dividing a segment into sub-segments or by dividing a group with a distinctive set of traits. They may seek a special combination of benefits. Niches (small groups of buyers) are fairly small and normally attract a few competing firms (niches). A niche is the small firm serving only small specific groups of customers called as the niches. The firm's marketing efforts to serve the niches successfully is called niche manship.

Niches understand their niches' needs so well and minutely that their customers are willing to pay a premium price. They design special products with distinctive features, qualities, uses, and value for special group of limited customers. They have the special skills to serve the niches in a superior fashion and can gain certain economies through specialization. For example, a footwear company can create niches by designing shoes for different sports (like crickets, hokey, athletes, golf, etc.), 3nd exercises (like cycling, running, jogging, waking, etc). In the same way, niches can be created in hotels, cosmetics, cloths, airways, hospitals, and others. Niches can gain comparatively high returns. They can achieve high margin while large companies can achieve high volume.

Smaller firms normally avoid competing with larger firms by targeting small markets in which large firms have a little or no interest. Companies with low market shares can be highly profitable through effective niching. Nichers have to perform three main tasks – creating niches, expanding niches, and protecting niches. They have to remain alert for all the time as they can be invaded any time by the large competitors.

RELATIONSHIP MARKETING

It's a pattern of building long term satisfying relationship with customers, suppliers, and distributors in order to retain their long term performances and business achieved through promise and delivery of, high quality, good service, fair pricing, over a period of time. Relationship marketing was first defined as a form of marketing developed from direct response marketing campaigns which emphasizes customer retention and satisfaction, rather than a dominant focus on sales transactions.

As a practice, Relationship Marketing differs from other forms of marketing in that it recognizes the long term value of customer relationships and extends communication. Relationship Marketing refers to a long-term arrangement where both the buyer and seller have an interest in providing a more satisfying exchange. This approach attempts to transcend the simple purchase-exchange process with a customer to make more meaningful and richer contact by providing a more holistic, personalized purchase, and uses the experience to create stronger ties beyond intrusive advertising and sales promotional messages.

Relationship marketing stands in contrast to the more traditional transactional marketing approach, which focuses on increasing the number of individual sales. In the transactional model, the return on customer acquisition cost may be insufficient. A customer may be convinced to select that brand one time, but without a strong relationship marketing strategy, the customer may not come back to that brand in the future. While organizations combine elements of both relationship and transactional marketing, customer relationship marketing is starting to play a more important role for many companies. Effective relationship marketing involves a variety of overlapping strategies and technologies that help foster a deeper, long-term relationship with current and prospective customers. Today, relationship marketing involves creating easy two-way communication between customers and the business, tracking customer activities and providing tailored information to customers based on those activities.

For example, an e-commerce site might track a customer's activity by allowing them to create a user profile so that their information is conveniently saved for future visits, and so that the site can push more tailored information to them next time. Site visitors might also be able to sign in through Facebook or another social media channel, allowing them a simpler user experience and automatically connecting them to the brand's social media presence. This is where CRM and marketing automation software can support a relationship marketing strategy by making it easier to record, track and act on customer information. Social CRM tools go further by helping to extend relationship marketing into the social media sphere, allowing companies to more easily monitor and respond to customer issues on social media channels, which in turn helps maintain a better brand image.

ONLINE MARKETING

It is also known as digital marketing, web marketing, internet marketing, search marketing or e- marketing - referred to as the marketing of products or services over the internet.

- Online marketing is considered to be broad in scope because it not only refers to marketing on the Internet, but also includes marketing done via e-mail and wireless media. Digital customer data and electronic customer relationship management (ECRM) systems are also often grouped together under online marketing.
- Online marketing ties together the creative and technical aspects of the Internet, including design, development, advertising, and sales. Internet marketing also refers to the placement of media along many different stages of the customer engagement cycle through search engine marketing (SEM), search engine optimization (SEO), banner ads on specific websites, email marketing, mobile advertising, and Web 2.0

strategies.

Components of online marketing

Online marketing has various components as shown in the illustration below:

SEO friendly website

Mapping the right keywords around the users' pain points in a hierarchical manner makes an effective website. You need to categorize the keywords in a thematic order and then link the respective articles to the keywords. This makes the website easy maintain.

Web analytics

The ultimate goal of analytics is to identify actionable insights on monthly basis which can help to make favorable changes to the website gradually. This in turn ultimately leads to strong profits in long term.

Online Advertising

It is placing crisp, simple, and tempting Ads on the websites to attract the viewers' attention and developing viewers' interest in the product or service.

Mobile Advertising

It is creating awareness about the business and promoting it on smart phones that people carry with them inseparably.

Search Engine Optimization (SEO)

It is the activity of optimizing web pages or complete website in order to make them search engine friendly, thus getting higher position in the search results. It contributes to overall rankings of the keywords through influencing factors such as appropriate titles, meta descriptions, website speed, links, etc.

Social Media Marketing

It includes creating profiles of your brand on social media platforms such as Google Plus, LinkedIn, Pinterest, Twitter, Facebook, etc. It assures that you remain connected to the existing or potential customers, build awareness about the products and services, create interest in and desire to buy your product, and interact with the customers on their own terms and convenience.

Email Marketing

It helps to interact with the customers to answer their queries using automatic responses and enhance the customer experience with their website.

Content Marketing

It includes creation and sharing of media and publishing the **content** in order to acquire and retain customers.

Blogs

Blogs are web pages created by an individual or a group of individuals. They are updated on a regular basis. You can write blogs for business promotion.

Banners

Banners are long strips of cloth with a slogan or design. They are carried for demonstration, procession, or hung in a public place. There are internet banners in parallel to tangible banners for advertising.

Internet Forums

They are nothing but message boards of online discussion websites, where people posts messages and engage into conversation.

The benefits of online marketing

- **Reach**

  The nature of the internet means businesses now have a truly global reach. While traditional media costs limit this kind of reach to huge multinationals, online marketing opens up new avenues for smaller businesses, on a much smaller budget, to access potential consumers from all over the world.

- **Scope**

Internet marketing allows the marketer to reach consumers in a wide range of ways and enables them to offer a wide range of products and services. online marketing includes, among other things, information management, public relations, customer service and sales. With the range of new technologies becoming available all the time, this scope can only grow.

- **Interactivity**

Whereas traditional marketing is largely about getting a brand's message out there, online marketing facilitates conversations between companies and consumers. With a two-way communication channel, companies can feed off of the responses of their consumers, making them more dynamic and adaptive.

- **Immediacy**

Internet marketing is able to, in ways never before imagined, provide an immediate impact. Imagine you're reading your favorite magazine. You see a double-page advert for some new product or service, maybe BMW's latest luxury sedan or Apple's latest iPod offering. With this kind of traditional media, it's not that easy for you, the consumer, to take the step from hearing about a product to actual acquisition.

With online marketing, it’s easy to make that step as simple as possible, meaning that within a few short clicks you could have booked a test drive or ordered the iPod. And all of this can happen regardless of normal office hours. Effectively, Internet marketing makes business hours 24 hours per day, 7 days per week for every week of the year.

- **Demographics and Targeting**

Generally speaking, the demographics of the Internet are a marketer's dream. Internet users, considered as a group, have greater buying power and could perhaps be considered as a population group skewed towards the middle-classes.

Buying power is not all though. The nature of the Internet is such that its users will tend to organise themselves into far more focused groupings. Savvy marketers who know where to look can quite easily find access to the niche markets they wish to target. Marketing messages are most effective when they are presented directly to the audience most likely to be interested. The Internet creates the perfect environment for niche marketing to targeted groups.

Difference between Traditional and Online Marketing

The goal of traditional marketing and online marketing are same: To attract and drive visitors of advertise to buy the product thereby increasing the business profit. The difference between two approaches here below.

Traditional Marketing	Online Marketing
It is difficult to measure. You cannot know how many people read your advertise and how many took favorable action upon viewing it.	It is measurable. You can know the number of people who viewed the online advertise, and the number of ones who purchased the product.
It is not cost-effective.	It is more cost-effective.
It is not so good for brand building.	It is fast and efficient for brand building.
In some way, it interrupts regular activities of users such as television advertises interrupt the program you are watching, billboards divert focus of the driver, etc.	It is not interrupting. The user can attend online advertises as per his/her convenience and preferences.

It may leave users' queries unanswered as printing or narrating complete information about the product or service may not be always feasible.	It can provide maximum information about the product or service, offers, and transactions.

New trends in online marketing

Things happen fast on the internet and if you want to stay competitive you need to keep up with the latest trends. This is especially true for marketing. For almost every market, there are lots of online businesses competing, so you need to keep abreast of the latest internet marketing trends if you want your business to thrive. The barriers to entry on the internet are lower than in physical markets because of the reduced overhead and this means lots of competition is the popular business fields. The key is to use the latest marketing trends to make sure that your business will stand out.

There are plenty of websites offering marketing trends and advice, but you have to choose carefully because many are not updated often enough so the information is older and not very useful. What you want is up to date information that will put you on the cutting edge. A lot of the marketing ideas are good ones, but once lots of people start using them then they no longer serve to make your business stand out. And that is the goal.

Online classifieds and article marketing are two examples of trends that have been around and are quite useful at getting your site into the search engine rankings. Of course, your website had better be good and ready to go as the links are gradually created and people come to visit and see what your business has to offer. These marketing tools are ones that you should still take advantage of, but they are not the most critical current trends.

The most recent important trend is social networking. With the rise of Facebook, as well as MySpace, LinkedIn, and Twitter, people are focusing their internet experience around these social networking sites. To market successfully, you need to go to where the customers are, and right now that means on social networks. This makes advertising a little more difficult than on a normal commercial website because you cannot just buy advertising space. There are some innovative ways to advertise on Facebook however, many of them tied into features people want to add.

Another marketing trend that all sorts of companies are starting to take advantage of is blogging. Blogs are free and relatively easy to maintain and keep current and people like them. They are a great way to put your information out there in a way that is more casual and seemingly more personal than traditional advertising. This fits the current trend that seems to be a result of push back against very forceful, in your face type advertising.

Today's consumers do not want to have advertising right in their face because they see so much of every day and they get immune. The blog puts information in a very non-pushy way that appeals to lots of people. And a blog is a great way to get your most up to date information out there. Blogs also allow the public to make comments which is a great way to foster communication that creates a bond between you and your customer. This creates loyalty and will likely result in peat business and good word of mouth advertising which is always the best kind, and not just because it is free.

The last major marketing trend happening now is the use of video. More and more people have high speed internet connections now so they can watch videos without it being a hassle. Younger people are apt to start any search on the internet by looking for videos on the subject. So you want your business's products or services represented in this medium. The most effective videos are ones that offer useful information that the customer might be seeking and make the product advertising secondary.

For example, a bicycle company might produce a series of how to videos with bike riding tips and bike tuning tips. These are subjects that people will be searching for even if they are not looking for a new bike. They see the video and appreciate the information. They might not run out and buy a new bike right then, but when the time comes; they already have a good opinion of the company that created the videos.

Name recognition and a positive reputation can be created in a lot of ways that are not traditional forms of advertising. These trends are apt to continue to be more important as consumers get more and sophisticated and demanding. Consumers have so many choices because of the internet that businesses must use all the latest trends to create and maintain their reputation.

EVALUATING AND CONTROLLING OF MARKETING PERFORMANCE

Business organizations do marketing planning to incorporate overall marketing objectives, strategies, and programs of actions designed to achieve marketing objectives. Marketing Planning involves setting objectives and targets, and communicating these targets to people responsible to achieve them.

Definition of Marketing Control

Marketing Control can be defined as "the process of measuring and evaluating the results of marketing strategies and plans, and taking corrective action to ensure that marketing objectives are achieved."

Marketing Control can also be defined as "the set of practises and procedures employed by firms to monitor and regulate their marketing activities in achieving their marketing objectives."

Meaning of Marketing Control

Developing and implementing marketing plan is not enough to reach marketing objectives; marketing plans and strategies are required to be monitored, evaluated, and adapted to meet the changing market environment, needs, and opportunities. Marketing control ensures performance improvement by minimising gap between desired results and actual results. If the actual results are found deviated from the expected results, plans and strategies are adapted to bring the results back to the desired level.

Marketing Control Process:

Marketing control is a four step process :-

1. Define Marketing Objectives
2. Set Performance Standards
3. Compare Results Against Standards
4. Corrections and Alterations

Resources are scarce and costly so it is important to control marketing plans. Controlling marketing plan is not an one time activity, it is a series of actions, and it is required to be done regularly. Marketing control process starts with the review of the marketing objectives.

After defining/redefining marketing objectives, performance standards are set. Performance standards provide benchmarks to enable managers and employees to decide how they are progressing towards achieving objectives. Actual results are compared against standards. If the actual results are in direction to the expected results, their is no problem in marketing plan and its execution. If actual results are deviated from the expected results, their is requirement to correct and alter marketing plan to bring the results back to the desired level.

GLOBAL MARKETING

One such change and challenge is globalization. There is multiplicity of factors that has led to globalization. Towards the end of 20th century most of the leading economics were facing the problem of saturating markets as most of the technological developments except for in software industry, had already taken place and not many innovative products were willing the markets. So firms in these economics started looking for growing markets in developing economics and they started moving out in search of newer markets which added to the pace of Globalization.

At the global marketing level, the most profound change is the orientation of the company toward markets and its planning. At this stage, companies treat the world, including their home market, as one market. In contrast to the multinational or international company that views the world as a series of country markets (including their home market) with unique sets of market characteristics for which marketing strategies must be developed, a global company develops a strategy to reflect the existing communities of market needs among many countries to maximize returns through global standardization of its business activities-whenever it is cost effective and culturally possible. The entire operations, its organisation structure, sources of finance, production, marketing, and so forth, take on a global perspective.

Perhaps the former president of Coca-Cola, Roberto Goizueta, put it most simply and succinctly when he said, "The culture of The Coca- Cola Co. has moved from being an American company doing business internationally to an international company that happens to be headquartered in Atlanta. This change is pervasive throughout our organisation. If you go back to our 1981 annual report, you will see references to 'foreign' sales or 'foreign' earnings. Today, the word foreign is 'foreign' to our corporate language. He went on to say that Coke had been global before global was fashionable.

International operations of businesses in global marketing reflect the heightened competitiveness brought about by the globalization of markets, interdependence of the world's economies, and the growing number of competing firms from developed and developing countries vying for the world's markets. Global companies and global marketing are terms frequently used to describe the scope of operations and marketing management orientation of companies at this stage.

Determining the level of international involvement

Consider several options when deciding how to enter a foreign market. When analyzing the options, keep in mind the nature of the product being sold, the environment of the market being considered, and the financial, physical, and managerial resources your company is willing to commit to the endeavour. Exporting represents the lowest level of commitments; direct investment represents the highest level. Between the extremes are foreign licensing and joint ventures.

Manufacturers often enter foreign markets by exporting. This enables them to test a market with small shipments before investing in expanded production capabilities or foreign manufacturing facilities. Service businesses, such as restaurants, hotels or car rental agencies, usually enter a foreign market through a licensing arrangement, joint venture, or direct investment in foreign facilities. Let us discuss the various modes of entering foreign markets one by one.

Exporting: The low-risk approach to international marketing is exporting that explains why approximately 100,000 companies in the United States are involved at that level. However, of the 100,000 only 3,600 companies average over 4,400 shipments a year. Around 9,900 companies average approximately tt5 shipments a year. The remaining 86,500 average only 9 export shipments a year.

Two basic approaches can be taken to exporting. Indirect exporting is handled by intermediaries such as buying or export agents who buy the product directly from the manufacturer and then resale it overseas under their own name. Indirect exports typically have no contact with customers in their foreign markets. Direct exporting is handled directly by the manufactures and requires a greater commitment of both managerial and financial resources. One of the least risky ways to export indirectly is through an export trading company, which buys everything from manufactured goods to raw materials and then resells these products in foreign markets. The manufacturer receives a guaranteed price, and the trading company assumes all the risk.

However, “to rake in the really big bucks you’ve got to get involved directly,” says James Yoder, president of Beauty Products International (BPI), of Malibu, California. Experts said that the only way to crack the Japanese market was to sell through a large Japanese trading company (or wholesaler). However, Yoder went directly to the retailers and successfully arranged a deal with a major retail chain. The retailer sells BPI’s products at a lower price than if it were to buy similar products from a wholesaler, but it still earns nearly double the average profit margin. As a result, BPI products are now in over 3,500 Japanese stores, and the retailer has even launched an extensive advertising campaign with national TV commercials.

Licensing: Licensing provides a way of selling the rights to a patent, brand name, or expertise so that the licensee can produce or market the product in a foreign country. Although licensing does to require large capital outlays, it does mean that the licensing company loses a certain amount of control over how its products are manufactured, marketed, and distributed in a foreign market. However, it does offer a viable alternative for companies to sell internationally with a minimum amount of risk.

For example, Selma Weiser founded Charivari, a chain of avant-grade boutiques on Manhattan’s Upper West Side. She licensed the Charivari name to a Japanese manufacture and retailer that own 500 men wear stores; in return, Weiser is paid a yearly royalty and a percentage of sales.

One of the fastest-growing forms of international licensing is franchising. There are now over 30,000 franchises in foreign countries for such U.S. companies as KFC and Coca-Cola. Although franchising enables a company to expand quickly in foreign markets, it is not a trouble free way to market internationally. One problem with international franchising is that it is sometimes more difficult to evaluate potential franchisees in a foreign environment. Another problem is that it can also provide the foreign franchisee with an opportunity to gain valuable expertise that can be used later to compete against the franchising company in the same market. The best way for a franchising company to protect itself is to thoroughly investigate potential franchisees and regularly monitor franchise operations.

Joint Venture: A joint venture involves shared ownership between a local and foreign company. Because many countries- such as Japan and South Korea will not allow 100 percent ownership of foreign investment ventures, a joint venture is sometimes the only way for a company to produce and market in a foreign country. Even the National Basketball Association is going international. In a recent joint venture with a Japanese partner, the NBA will develop television programming and play basketball games in Japan.

Joint ventures with Japanese and South Korean companies haven't always worked to the benefit of the U.S. companies involved. Two big complaints are that the foreign partner uses the joint venture as a way to learn new technologies and gain access to the U.S. market, not to cooperate in a mutually beneficial manner. However, experts point out that these partnerships can work if U.S. companies pay attention to several important points. First, companies need to understand that partnership in a joint venture should be interpreted as competition, just competition in a new and different form. An overseas partner may still be a competitor, but both companies can benefit if each pursues its strategic goals and' doesn't forget the strategic reason for being in the partnership. This also means giving away much knowledge as the agreement requires, but no more. Second, harmony doesn't always indicate a successful joint venture; the true measure of success is whether both players reach their goals. Third, keep in mind that learning from the other company is one other major reason for being in the alliance. If that's not happening, the partnership isn't working.

Direct Investment: The highest level involvement in international marketing is direct investment, in which companies invest directly in a foreign market to acquire ownership interests in local companies or to establish their own foreign production and marketing facilities- which enables them to maintain maximum control over international operations.

U.S. corporations spend billions of dollars building and upgrading factories aboard and foreign concerns put comparable amounts into their operations in the United States.

From the U.S. government's perspective, one of the problems with direct investment by U.S. companies is that it does nothing to help the nation's trade deficit; goods produced and sold abroad don't enter into trade figures. Nonetheless, many companies are setting up factories abroad in order to avoid import quotas and other trade barriers. Some companies are more concerned about the wide swings in the value of the dollar, and they see direct investment as a way to minimize the risk of locating all their operations in the United States.

Manufacturing concerns are not the only companies buying into foreign markets, however. According to data collected by the United Nations, service businesses account for nearly half of all direct investment in developed countries, and services are the fastest-rising component of investment everywhere. Federal Express, for example, invested in four transport companies in Japan. Even research and development is going international. Several companies, including Upjohn, Du Pont, and Eastman Kodak, recently built R&D centers in Japan so that they can tap the brain power of Japanese scientists.

GREEN MARKETING

Although environmental issues influence all human activities, few academic disciplines have integrated green issues into their literature. This is especially true of marketing. As society becomes more concerned with the natural environment, businesses have begun to modify their behaviour in an attempt to address society's "new" concerns. Some businesses have been quick to accept concepts like environmental management systems and waste minimization, and have integrated environmental issues into all organisational activities. Some evidence of this is the development of journals such as "Business Strategy and the Environment" and "Greener Management International", which are specifically designed to disseminate research relating to business' environmental behaviour.

One business area where environmental issues have received a great deal of discussion in the popular and professional press is marketing. Terms like "Green Marketing" and "Environmental Marketing' appear frequently in the popular press. Many governments around the world have become so concerned about green marketing activities that they have attempted to regulate them. For example, in the United States (US) the Federal Trade Commission and the National Association of Attorneys-General have developed extensive documents examining green marketing issues. One of the biggest problems with the green marketing area is that there has been little attempt to academically examine environmental or green marketing. While some literature comes exist, it comes from divergent perspectives.

What is Green Marketing?

Unfortunately, a majority of people believe that green marketing refers solely to the promotion or advertising of products with environmental characteristics. Terms like Phosphate Free, Recyclable; Refillable, Ozone Friendly, and Environmentally Friendly are some of the things consumers most often associate with green marketing. While these terms are green marketing claims, 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 “ecotourist” 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. Yet defining green marketing is not a simple task. Indeed the terminology used in this area has varied, it includes- Green Marketing Environmental Marketing and Ecological Marketing, while green marketing came into prominence. In the late 1980s and early 1990s, it was first discussed much earlier. The American Marketing Association (AMA) held the first workshop on “Ecological Marketing” in 1975. The proceeding of this workshop resulted in one of the first books on green marketing entitled “Ecological Marketing”. Since that time a number of other books on the topic, have been published.

The AMA workshop attempted to bring together academics, practitioners, and public policy makers to examine marketing’s impact on the natural environment. At this workshop ecological marketing was defined as the study of the positive and negative aspects of marketing activities on pollution, energy depletion and non-energy resource depletion.

This early definition has three key components, 1) it is a subset of the overall marketing activity; 2) it examines both the positive and negative activities; and 3) a narrow range of environmental issues are examined. While this definition is a useful starting point, to be comprehensive green marketing needs to be more broadly defined. Before providing an alternative definition it should be noted that no one definition or terminology has been universally accepted. This lack of consistency is a large part of the problem, for how can an issue be evaluated if all researchers have a different perception of what they are researching. The following definition is much broader than those of other researchers and it encompasses all major components of other definitions.

From these definition is:

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 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 organisation 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. (To be accurate products making green claims should state they are “less environmentally harmful” rather than “Environmentally Friendly”. Thus green marketing should look at minimizing environmental harm, not necessarily eliminating it.

Importance green Marketing

The question of why green marketing has increased in importance is quite simple and relies on the basic definition of Economics; Economics is the study of how people use their limited resources to try to satisfy unlimited wants. Thus mankind has limited resources on the earth, with which she/he must attempt to provide for the worlds’ unlimited wants. In market societies where there is “freedom of choice”, it has generally been accepted that individuals and organisations have the right to attempt to have their wants satisfied. As firms face limited natural resources; they must develop new or alternative ways of satisfying these unlimited wants. Ultimately green marketing looks at how marketing activities utilize these limited resources, while satisfying consumer wants both of individuals and industry, as well as achieving the selling organisation’s objectives.

Why are Firms Using Green Marketing?

When looking through the literature there are several suggested reasons for firms increased use of Green Marketing. Five possible reasons are:

(i) Organizations perceive environmental marketing to be an opportunity that can be used to achieve its objectives.

(ii) Organisations believe they have a moral obligation to be more socially responsible.

(iii) Cost factors associated with waste disposal or reductions in material usage forces firms to modify their behaviour.

Some problems with going green

No matter why a firm uses green marketing there are a Number of potential problems ‘that they must overcome. One of the main problems is that· firms using green marketing must ensure that their activities are not misleading to consumers or industry, and do not breach any of the regulations or laws dealing with environmental marketing. For example, marketers in the US must ensure their green marketing claims can meet the following set of criteria:

- Clearly state environmental benefits;
- Explain environmental characteristics;
- Explain how benefits are achieved;
- Ensure comparative differences are justified;
- Ensure negative factors are taken into consideration; and
- Only use meaningful terms and pictures

Another problem that a firm face is that those who modify their products due to increased consumer concern must contend with the fact that consumers’ perceptions are sometimes not correct. Take for example the McDonald’s case where it has replaced its clam shells with plastic coated paper. There is ongoing scientific debate which is more environmentally friendly. Some scientific evidence suggests that when taking a cradle-to-grave approach, polystyrene is less environmentally harmful. If this is the case McDonald’s bowed to consumer pressure, yet has chosen the more environmentally harmful option.

When firms attempt to become socially responsible, they may face the risk that the environmentally responsible action of today will be found to be harmful in the future. Take for example the aerosol industry which has switched from CFCs (chlorofluorocarbons) to HFCs (hydro fluorocarbons) only to be told HFCs are also a greenhouse gas. Some firms now use DME (dimethyl ether) as an aerosol propellant, which may also harm the ozone layer. Given the limited scientific knowledge at any point in time, it may be impossible for a firm to be certain they have made the correct environmental decision. This may explain why some firms, like Coca-Cola and Walt Disney World, are becoming socially responsible without publicizing the point. They· may be protecting themselves from potential future negative backlash, if it is determined they made the wrong decision in the past.

While governmental regulation is designed to give consumers the opportunity to make better decisions or to motivate them to be more environmentally responsible, there is difficulty in establishing policies that will address all environmental issues. For example, guidelines developed to control environmental marketing address only a very narrow set of issues, i.e., the truthfulness of environmental marketing claims. If governments want to modify consumer behaviour they need to establish a different set of regulations. Thus government attempts to protect the· environment may resulting a proliferation of regulations and guidelines, with no one central controlling body.

Reacting to competitive pressures can cause all "followers" to make the same mistake as the "leader". A costly example of this was the Mobil Corporation who followed to competition and introduced "biodegradable" plastic garbage bags. While technically these bags were biodegradable, the conditions under which they were disposed did not allow biodegradation to occur. Mobil was sued by several US states for using misleading advertising claims. Thus blindly following the competition can have costly ramifications.

The push to reduce costs or increase profits may not force firms to address the important issue of environmental degradation. End-of-pipe solutions may not actually reduce the waste but rather shift it around. While this maybe beneficial, it does not necessarily address the larger environmental problem, though it may minimize its short term affects. Ultimately most waste produced will enter the waste stream, therefore to be environmentally responsible organizations should attempt to minimize their waste, rather than find "appropriate" uses for it.

CONSUMERISM

In a free economy, consumers are regarded as kings and queens, but in reality they are the least important persons. Sellers exploit buyers by adopting unfair trade practices such as adulteration, misbranding, poor quality, short weights and measures, deceptive packaging, false advertising, hoarding and black marketing. Consumer exploitation and the resulting dis-satisfaction is the root cause of consumerism in India. Consumerism (consumer movement) stresses the cooperative effort by consumers themselves to protect their rights and interest in the market place against unfair trade practices. It is an attempt to make the market work better. Consumerism may be described as organization and united activities of consumers in response to consumer dis-satisfaction arising from exchange relationship between buyers and sellers.

Consumerism can be defined as "an organised social movement to enhance the right and powers of buyers in relation to sellers".

A consumer can call for several rights like

- The right to safety: to be protected against the marketing of goods which are hazardous.

- The right to be informed: to be protected against misleading information on advertisements and other promotional campaign by the marketer.
- The right to influence products and marketing practices in ways that buyers think will help improve the quality of life.
- The right to be heard: to be assured that consumer interest will receive full and sympathetic consideration in the formulation of government policy.
- The right to legal remedies in case of any injustice being done to consumer.

Objectives of consumerism

1. To restore the balance in the buyer seller relations in the market place.
2. To protect consumers from unfair trade practices.
3. To safeguard consumer rights.
4. To represent consumer problems to the government and pressurize government to provide consumer protection by legislation.
5. To organize consumer resistance against business malpractices.
6. To undertake programme of consumer education to create awareness among consumers regarding business malpractices.
7. The consumer movement has been totally absent in the past and at present is growing extremely slowly in India for number of reasons.
8. Reasons for Slow Growth of Consumer Movement in India
9. Absence of general awakening in consumers
10. Poverty, Illiteracy and Ignorance
11. Lack of consumer education and guidance
12. Vast country and big population
13. Unfavourable attitude of government and political leaders.
14. General passive attitude of consumers against malpractices of traders.

Consumerism in India

Consumer Guidance Society of India [CGSI] is one of the leading consumer organisation in India. It is a voluntary, non-profit, non-political organisation established in 1966 by 9 housewives and few social workers to unite the Indian consumers in a strong enduring movement. Today it is the leading consumer organisation with representatives at central and state bodies. The society takes up consumer complaints, fights all kinds of complaints, and gives information through its monthly publications to create awareness among consumers.

Consumer Protection Act

In order to protect the consumers from the unfair trade practices, the Union Government of India has enacted various legislations. But due to lack of proper co-ordination and integration among these legislations, it is observed that consumers are not fully and properly protected. Very prominently, this is because of poor and inadequate implementing machinery of the government, and rampant corruption and dishonesty.

A silver line was traced in the era of consumer protection during 1986 as it was the year of dawning of visible and tangible consumer movement in India. It was the year when the Consumer Protection Act came into force. It really provided a boost to the existing consumer protection activities in the country. It safeguards the rights of consumer and provides the remedies.

Consumer Disputes Redressal Agencies

The Consumer Protection Act, 1986 provides for the establishment of a three-tier quasi-judicial machinery for redressing consumer grievances. They are: (a) District Forum, (b) State Commission, and (c) National Commission.

(a) **District Forum:** A Consumer Disputes Redressal Forum to be known as the District Forum is required to be established by the state government with the prior approval of the central government in each district of the state. The Act provides that each district forum shall consist of a president, who is required to be or qualified to be a district Judge nominated by the state government. It shall consist of two members, among them one should be a lady social worker. The members may hold the office for a period of five years of up to the age of 65 years whichever is earlier and they are not eligible for re- appointment. Vacancy occurred by members resignation may be filled by the state government and it has entire authority about deciding salary or honorarium to be paid to the members.

District Forum has the jurisdiction to entertain the complaints where the value of the goods or services or compensation claimed is less than Rs. 5,00,0000 (earlier it was Rs. 1,00,000). The person (whether complainant or opposite party) dissatisfied with the order made by the District Forum may prefer an appeal against such order to the State commission within a period of 30 days from the date of order.

(b) State Commission: The state commission is the consumer disputes redressal agency at the state level which is established by the state government with the prior approval of the central government It consists of a president who is or has been a Judge of a High Court and two members- one of them is a woman. The State Commission can entertain the complaints where the value of the goods and compensation if any, claimed exceeds Rs.

5,00,000 but does not exceed Rs. 20,00,000 (earlier it was Rs. 1,00,000 and Rs. 10,000,000 respectively). It may be noted that an order made by the State Commission on an appeal against the orders of the District forum is not appealable to the National Commission. Thus, provision exists only for a single appeal to the State Commission, from the order of the State Commission to the National Commission.

(c) National Commission: This is the highest authority to settle the consumer disputes under the Act. It is an independent statutory body. The National Commission shall consist of a president appointed by the central government who is or has been a Judge of Supreme Court and four other members who are eminent in any field of knowledge- one of whom should be a woman. However, no sitting judge of the Supreme Court shall be appointed under the aforesaid provisions except after consultant on with the Chief Justice of India.

Jurisdiction of National Commission is original as well as appellate. The original jurisdiction is limited to the complaints where the value of the goods or service and compensation exceeds Rs. 20,00,00 (earlier, it was Rs. 10,0000,000). A person dissatisfied with the order made by the National Commission may prefer an appeal against such order to the Supreme Court within a period of 30 days from the date of the order made by the National Commission and on an appeal preferred from the orders of the State Commission shall be final and no further appeal against such orders should be preferred to the Supreme Court.

Prepared by

Dr. A. JAFAR SATHIC
Assistant Professor,
Department of Business Administration,
Manonmaniam Sundaranar University College,
Sankarankovil - 627756