MANONMANIAM SUNDARANAR UNIVERSITY

(Reaccredited With "A" Grade by NAAC)

TIRUNELVELI – 627 012

Directorate of Distance & Continuing Education

B.Com

IV – SEMESTER

COURSE MATERIAL

PRINCIPLES OF MARKETING

COURSE MATERIAL

PRINCIPLES OF MARKETING

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SYLLABI - BOOK MAPPING TABLE

PRINCIPLES OF MARKETING

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UNIT – I

Introduction to Marketing

LEARNING OBJECTIVES.

After reading this unit, students will be able to:

- **Explain the meaning and concept of marketing.**
- **Understand the development of marketing concept.**
- **Understand the scope and importance of marketing**
- **Distinguish between marketing and selling.**
- **Learn the journey of marketing through different philosophies**
- **Learn the functions of marketing.**
- **Understand the Market Segmentation and Basis for segmentation**
- **Understand the Targeting, Positioning and Repositioning of marketing.**

1.1 INTRODUCTION

Our country, with a population of over 130 crore is one of the biggest markets in the world. Our economy, based on socialist pattern of growth and development, has moved away from License Raj and Centrally controlled system to free economy. These reforms in the form of liberalization , deregulation, relaxation of trade and investment controls and privatization have led to increase in exports and foreign exchange reserves, higher competition and efficiency in the market place and availability of a variety of goods and services. The result has been a sharp rise in income and consumption, especially among the growing middle class in urban and rural areas. The economic policies have resulted in major changes in the marketing environment of the country.

In olden days, goods were produced based on actual demand and hardly any marketing effort was required. The job of the salesperson was simply to book orders. Remember the days when a person had to make advance payment for a scooter or car and wait in the queue for the delivery. Similarly the consumer had to wait for years to get telephone connection. There was a craze for foreign goods such as wrist watches, transistors, television sets, cameras and non-resident Indians returning from working countries used to bring consumer durables which were in high demand in domestic market. To-day the market situation has completely changed and high quality branded goods are available in domestic market. The competition is increasing from a wide range of products and services available in the market. The competition is increasing in the market place and companies are wooing the consumers with discounts and schemes.

The rise in income coupled with increased awareness and the needs for possessing modern goods have influenced the marketing environment and the market has changed radically during the last fifteen years. Our country is emerging as a large market for a number of goods and services such as consumer goods, durables, financial services, education, health care, telecommunication and the list continues.

The return of multinationals such as Coca-Cola and IBM to India and entry of many other MNCs such as General Electric Company, Pepsi, Motorola, Sony, Proctor & Gamble, Nokia, LG, Ford, Hyundai, Samsung clearly proves that India has a vast market rising incomes, a booming middle class, rising rural elites with adequate purchasing power, offering long term opportunities for Indian as well as foreign industries.

All business operations revolve around consumer satisfaction and service. Marketing concept advocates serving the consumers and maximizing profits at the same time. Guaranteed route to profits is through customer satisfaction. Profit is a by product of supplying what the customer wants.

Therefore, marketing is considered the most important activity as it provides goods and services to the society and generates revenue for the organization.

1.2. MARKET

The term market was derived from the word 'marcatus', meaning merchandise, ware, traffic, trade, place where business is conducted. The term market denotes a place where potential buyers and sellers meet for exchange. The term market also implies the totality of demand for a product. For instance, tobacco market, metal market, jewelry market, vegetable market etc. represents the aggregate of demand for a given product. The term market also points to intangible service products too like banking, insurance, health care, financial services, consultancy etc. Let us see a few definitions of market.

According to Philip Kotler, "A market consists of all the potential customers showing a particular need or want who might be willing and able to engage in exchange to satisfy the need or want"

According to William J. Stanton, "A market may be defined as a place Where buyers and sellers meet, goods and services are offered for sale and transfer of ownership occurs"

The American Marketing Association defines a market as "The aggregate demand of the potential buyers for a product or services". The term market as a group of persons is also used to represent the total customer demand"

In this sense, market means people with needs to satisfy, the money to spend and the will to spend money to satisfy their wants. It is quite clear from the above definitions, that "Market" does not necessarily mean a physical place. It is an area in which forces of demand and supply operate directly or by means of any kind of communication to bring about transfer of the title of the goods.

1.3. ELEMENTS OF A MARKET

The key elements that make a market, without which a market is not complete or the elements on which a market depends are as follows:

1. Place.
2. Demand.
3. Seller.
4. Buyer.
5. Price.
6. Government Regulation.
7. Product Specification.

1. Place.

The area where the swapping of goods, commodities or services takes place between the seller and the buyer. The place should be convenient to both the parties.

2. Demand.

Market runs on supply and demand. A seller provides the products or services and a buyer wants to fulfill his requirements. A product with high demand is supplied more.

3. Seller.

A seller is the person or the party who offers a variety of or even a single product or service to others in return of some valuable item.

4. Buyer.

A buyer is the person or party who needs a product or service and in return is ready to pay some valuable item as demanded by the seller for the product.

5. Price.

This is the cost or the amount that is to be paid for a product or service. It should be fixed or flexible. Price of the product to create relationship between buyer and seller.

6. Government Regulation. The government may impose some regulations relating to both buyer and seller in regarding the buying and selling. For example, the buyer is not allowed to sell illegal products while the seller is prohibited from buying them.

7. Product Specification.

It is very important to specify the quantity required, ingredients used and all other details of the product as everybody has different tastes and requirements.

These are the key elements that can make or deteriorate a market. A market runs with all these elements together, if one of them is removed, there is no market. For example, if we remove the buyer for the market, the question of who will purchase the commodities arises. In same way, each element has its own role in the market.

1.4 MARKETING

Marketing, as indicated in the term, denotes a process that is continuous in nature. The market should be continuously involved in initiating, conducting and finalizing transactions and exchange. This is an unending process and would continue till production and consumption cease to exist in the world. The term 'marketing' can be defined analytically or operationally. The analytic way of explaining the terms to show how marketing differs from various other activities of a firm, marketing deals with identifying and meeting human and social needs. One of the shortest definitions of marketing is "meeting needs with profitably". Let us see a few definitions of marketing.

According to American Marketing Association "Marketing as the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objectives"

According to Prof. Drucker "Marketing is an organizational function and set of processes for creating, communicating and delivering value to customers and for managing relationships in a way that benefits both the organization and the stakeholder."

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

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

According to Hansen “Marketing is the process of discovering and translating consumer needs and wants into product and services specifications, creating demand for these products and services and then in turn expanding this demand”

1.5 FEATURES OF MARKETING.

1. Satisfying the Consumer needs and wants.

Marketing activities are aimed at satisfying the needs and desires of consumers and therefore, finding out consumer needs and wants is the starting point for all marketing activities. It starts with consumers and ends with consumers by satisfying their needs.

2. Marketing is a continuous activity.

Marketing is a continuous activity and the goods and services with money as the medium of exchange.

3. Exchange of goods and services.

Marketing deals with exchange of goods and services with money as the medium of exchange.

4. Societal Marketing concept.

Marketing concept has undergone changes over a period of time i.e., the recent one is the societal marketing concept which focuses on three factors: Customer demand satisfaction, public interest and profitability.

5. Marketing creates time, place and possession utilities.

Marketing creates time, place and possession utilities. The consumer is able to obtain the right product at the right time at the right place as and when he requires.

6. Expectations of the consumer.

Production and marketing are related and production takes place based on the needs and expectations of the consumer.

7. Create Employment opportunities.

Marketing facilities large-scale production, employment opportunities and social welfare.

8. Integral part of business.

Marketing is an integral part of business. The survival and growth of business depend upon the effectiveness of marketing operations in an organization.

9. Customer satisfaction.

The long term objective of marketing is profit maximization through customer satisfaction.

1.6 OBJECTIVES OF MARKETING

The main aim of any business is to earn maximum profits. Thus, for achieving this aim of earning higher profits, products and services are to be sold to the consumers in a very effective and efficient manner in the market. Consumers will buy commodities only if the products satisfy their needs. Therefore, following are the objectives of the marketing:

1. Creation of Demand: The first and foremost step of marketing is to create the demand.ϖ Products should be produced according to the demand and preferences of the consumers as „consumer is the king of the market". Demand can be created by attracting the customers through creative advertisement, personal selling, sales and promotion.

2. Capturing Market Share: Marketing also aims at capturing reasonable market share. More theϖ share higher will be the profits. New and innovative high quality products can attract the consumers more. Market share can also be captured through advertisement, low cost products, and better after sales services and etc.

3. Services to the Society: It is the acute need of every business so as of marketing to serve theϖ society. Marketing aims to provide services to society by

- Providing large variety of goods and services.
- Supply new and socially useful goods
- Providing better quality products at very reasonable prices
- Generating employment opportunity.

4. Marketing Policies: Policies are the guidelines to action. Marketing manager must formulateϖ effective and intelligent policies of marketing for the better results. Marketing objectives can be achieved by keeping close to the customers and by knowing their tastes and preferences. In order to fulfil this, policies should be developed and implemented.

5. Build Goodwill: Goodwill is the image and reputation of the business. It effects the sales ofϖ the business to a great extent and hence the profits too. Marketing also aims at enhancing the goodwill through the marketing techniques such as providing good quality products at affordable prices, timely supply of the goods, satisfying the customer needs and so on.

6. Profitability: No business can live without earning the profits. So, marketing plays a vital roleϖ in earning the profits. As profit has direct relation to the sales, therefore, marketing management tries to increase its sales by market development and exchanging goods. However, such profits should not be earned at the cost of customers because customer can affect the sales of the business. In order to earn the products only those goods are to be produced which are needed by the customers

7. Customer Satisfaction.

The first and foremost marketing manager must study the demands of customers before offering any product or services. Marketing begins and ends with the customer. Satisfaction of the customers is outcome of understanding of needs and meeting them successfully.

8. Market Share.

Every business aims at increasing its market share. It is the ratio of its sales to the total sales in the economy. For instance, both Pepsi and Coke compete with each other to increase their market share. For this, they have adopted innovative strategies. These strategies can be adopted in marketing, advertising, sales promotion activities and even through innovative packaging, etc.

1.7 SCOPE 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 scope of marketing is more than securing profits. The following are the scope 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.

1.8 ROLE AND IMPORTANCE OF MARKETING

Earlier finance was considered backbone for any business but gradually marketing gained importance and was considered more important than other functions of business i.e. Finance, Production and Human resources. Currently marketing is a core business discipline since it contributes greatly to the success of the organization.

(1). Importance to the Marketers

1. Marketing Promotes Product Awareness to the Public

The primary task of marketing is to get the product or service recognized by the market. It is important that public awareness of product and company information is spread to the buying public, this is possible if heavy advertising, sales promotion, personal selling, direct marketing is done for creating awareness. There is no fixed rule for all but obviously the use of a particular technique depends upon the nature of product, market and the financial conditions of the company.

2. Marketing Helps in Enhancing Product Sales

Apart from public awareness about a company's products and services, marketing helps boost sales and revenue growth. Once the public learns the your product through TV advertisements, radio commercials, newspaper ads, online ads etc, it will generate sales. More the people know a product or a service; more interested they would be in buying the products.

3. Marketing Builds Company Reputation

Marketers continuously aim to create an image of the company in general public eyes. They tend to create brand name recognition. This is done so that consumers can easily associate the brand name with the images, logo, or caption that they hear and see in the advertisements. For example, McDonalds is known for its arch design which attracts people and identifies the image as McDonalds. With an established name in the industry, a business continues to grow and expand because more and more customers will purchase the products from a trustworthy and reputed company.

(2). Importance to Customers

1. Marketing creates Utilities

Marketing creates different types of utilities, form utility – from a plumber to furniture, place utility- product moving from the factory to the customer, time utility- product available when needed, information utility- ingredients of the product and even how to use the product, and possession utility- transfer of ownership from retailer to customer.

2. Large number of choices available.

Marketers create needs and wants and try to satisfy that through offering variety of product choices. If one wantssoap, there are n numbers of brands available. For example Lux, Pears, Rexona, Dove are range of soaps offered by HUL.

3. More platforms available.

With the advent of technology, the marketers are offering customers both offline and online platforms to purchase. Now marketers are serving more number of customers through different ways, reminders of sales comes through sms, e-mail, facebook, whatsap, Even customers have become smarter, they search for information from different online platforms and buy the best deal.

4. Enhancing standard of living.

Consumers get goods of their preference and variety. Marketers constantly incorporate new features into existing products. New products are constantly invented. Every product is designed with utmost consumer comfort in mind. In this context, standard of living of people goes up. Besides mass production and mass consumption enables the producers to reduce the price, so that people of even ordinary means are able to consume goods of good quality at reasonable price.

(3). Importance to the Society

1. Source of Employment.

Marketing offers a great range of wide and exciting career opportunities. Marketing offers employment in the field of personal selling, packaging, and advertising, marketing research, consultancy, distribution and channel sales.

2. Welfare of Customers and Stakeholders

Though profit maximization is main motive of every business but many marketers have taken up corporate social responsibility in order to give back to society.

3. Increase in National Income.

Marketing contributes to national income of a country to the extent consumers pay lower prices for the commodities they buy. Lower price enable the consumer to save more money or it may add to purchasing power of consumers which in turn adds to the national income of a nation.

1.9 FUNCTIONS OF MARKETING

Marketing Functions are classified in the following ways :

1. Exchange Functions.

1. Buying and Assembling.

Buying is the first and foremost function of marketing. Buying involves procuring raw materials by producer form sources of supply or channel members or buying finished goods from producers for resale.

Assembling means maintaining inventory of goods purchased from varied sources. Retailers assemble a myriad items of consumption from countless producers and wholesalers.

2. Selling.

Selling means transferring the right over the goods to the buyer for consideration. Selling determines the pace of growth of an organization. The prime objective of business is achieved through selling activities. For selling to take place demand should be created for the products. Selling involves consideration of the factors like credit terms, discount, volume, kind of goods sold, quality, down payment, installment delivery, transportation, insurance etc.

2. Physical Supply Function.

1. Transportation.

Production centers are separated from selling points due to availability of raw materials only at certain locations. Raw materials need to be transported from the places of supply to production centers. Similarly finished goods need to be transported various places where channel members are located. Again finished goods with the channel members are to be routed to end consumers through transport network. Transportation gives place and time utility to products.

2. Storage and Warehousing.

Storage function creates time utility. Production of certain goods is continuous but consumption is seasonal. On the contrary some goods are consumed seasonally but production is continuous. In both cases, storages is required. The time gab between production and ultimate consumption is bridged by warehousing. Warehousing creates utility for the products. Warehousing helps in price stabililsation. In the event of oversupply of products and low supply of products. Warehousing helps in protecting the goods stored from moisture, heat, rats, bandicoots, white ants, breakage, spoilage, spillage and damage etc.

3. Facilitating function.

1. Financing.

Financing is the lifeblood of business. All business establishments require money for its efficient and effective functioning on a day- to –day basis. Business establishments require money for various purposes. Two types of capital required for any types of finance: Fixed Capital and Working Capital.

Fixed capital is needed for buying land, building, plant, machinery, equipment, vehicle, furniture etc. while working capital is needed for buying raw material, finished goods, spare parts, paying wages and salary, stationary, telephone bill, taxes, carriage inwards and outwards, rent, interest, power, postage etc. Fixed Capital is funded by shares, debentures, fixed deposits, bonds, grants, commercial papers, certificate of deposit, long term loans etc. Working capital is funded by term loans, credit purchases, short term loans from commercial banks.

2. Risk bearing.

There are innumerable risks associated with every aspect of operation of business. Demand for products may come down all of a sudden. Investment made may become worthless due to uncertain factors. Sometimes natural catastrophe like sea quake, earth quake, storm, hurricane, disease outbreak, burglary, etc. may devastate the business altogether. Thus the business is conducted in the face of lot of risks.

In these contexts, risks need to be managed. Certain risks like machinery breakdown or mishandling may be avoided by periodical maintenance or careful handling of devices etc. certain risks arising from fire, accidents, natural catastrophe can be shifted onto insurance companies. Certain risks arising from price fluctuation can be reduced by entering into hedging and forward contracts. Risks due to spillage, spoilage, leakage and breakage can be reduced by sophisticated storage facilities. Thus risks management is an important function of marketing.

3. Standardization.

Buyers and sellers expect certain standards from the products in which they are dealing. Standards are established in terms of thickness, thinness, weight, strength, purity, content, composition, taste, flavor, etc. standardization relieves the buyer closely examining the product.

4. Grading.

It indicates the quality aspect of a product. Usually farm products are graded in terms of quality, freshness, weight, colouration, juice content, size, shape, taste etc. Grading helps in price determination for products of different grades.

5. Market information.

Modern marketing requires adequate, prompt and accurate information. These information serve as raw material for decision making in the area of choice of appropriate channel, market targeting, product positioning, product design, demand forecasting, inventory management, price fixation, devising promotional mix, market expansion etc. Correct market information is essential for to take quality decisions relating to the business.

6. Packing.

This function involves, it conveys brands image at the time of ultimate purchase and facilitates self selection.

4. Modern Functions of Marketing.

1. Contact Function.

This function involves locating the potential buyer and accessing them. The activities involved in this function include choice of proper channel of distribution, choice of right media to reach the target customer and identifying the ever changing needs of customer.

2. Merchandising Function.

This function is nothing but product planning. The main aim of this function is to equate the merchandise produced or offered for sale to the customers demand. The important functions under this head include deciding the volume of goods to be produced, size, design, time of production / purchase etc.

3. Pricing function.

Products produced need to be appropriately priced so that consumers accept the market prices that are set taking into account a plethora of factors. Prices are set to accomplish several objectives namely expanding market share, market penetration, achieving targeted return, killing competition, prestige building etc.

4. Propaganda function.

All those activities undertaken by the seller to persuade the buyer to buy the product come under this head. Accordingly advertisement, salesmanship and promotion are propaganda vehicles. All the three components collectively called promotional mix purport to heighten the sales.

5. Physical distribution.

This function comprises transportation and storage of goods. These two have been dealt with in the chapter physical distribution.

6. Negotiation function.

This function points to buyer and seller reaching common ground with regard to certain terms like quantity, quality, delivery, credit price, payment, insurance, warranty, etc. In other words these terms are settled through negotiation between buyer and seller.

1.10 EVOLUTION OF MARKETING

Although marketing has always been a part of business, its importance has varied greatly over the years. The following table identifies five eras in the history of marketing: the production era, the product era, the sales era, the marketing era and the relationship marketing era.

Era	Prevailing attitude and approach
Production	• Consumers favor products that are available and highly affordable • Improve production and distribution • 'Availability and affordability is what the customer wants'
Product	• Consumers favor products that offer the most quality, performance and innovative features • 'A good product will sell itself'
Sales	• Consumers will buy products only if the company promotes/ sells these products • 'Creative advertising and selling will overcome consumers' resistance and convince them to buy'
Marketing	• Focuses on needs/ wants of target markets and delivering satisfaction better than competitors • 'The consumer is king! Find a need and fill it'
Relationship marketing	• Focuses on needs/ wants of target markets and delivering superior value • 'Long-term relationships with customers and other partners lead to success'

1.11 CLASSIFICATION OF MARKET

Classification of markets in the following catagories:

1. Markets on the Basis of Purchase and Consumption.

1. Consumer Market. : This market consists of people who buy goods and services for their own consumption and not for resale. The goods sold in the consumer market may be non durable ones like food grains, toilet soap, detergent cakes, shampoo etc., and durable ones like vehicle, home appliance, automobiles and so on.

2. Industrial Market or Organizational Market.

Industrial market comprises o individuals, groups or sellers government and organizations which buy products for producing other products or for the purpose of resale or for its use in day to day operations. For instance an enterprise producing cotton dress may purchase mops to clean the premises. The same firm may purchase cotton for producing the cotton dress purpose. Industrial markets are known as organizational market. In e-commerce environment, industrial market is known as B2B market.

2. Classification based on Geography.

1. Family Market.

Where the exchanges are limited to members of a family, it is known as family market.

2. Local Market.

People residing in a particular area buy and sell goods in the area. Shopping perishable goods like vegetables, fruits, flowers, groceries etc. come under this classification. These markets are found towns and villages.

3. National Market.

Where the goods command demand throughout the country, it is called national market. This market consists of rural, urban, metropolitan and cosmopolitan areas. In the contemporary world, tremendous development of transport and communication system has created national market for many products.

4. International Market.

Certain commodities have demand across the globe. For such products, the entire world is regarded as one market. Many multinational companies have their manufacturing, assembling or distributing facilities in many countries in the current context of liberalization.

3. On the basis of goods dealt with

1. Commodity Market: Commodity market is one where goods are bought and sold. It can be divided further into three categories viz, Produce exchange,Billion market and Manufactured market.

a. Produce Exchange Market.

Produce exchange market is one which deals with single commodity only.

b. Billion Market.

Bullion market deals with gold, silver and other metals.

c. Manufactured Goods Market.

It is a market for manufacturing goods like machineries, Plastics goods and so on.

2. Financial Market.

Financial market meets the financial needs of business concerns. It can be divided further in two categories viz, Money market and Foreign market.

a. Money Market.

Money market is a market where money is lent and borrowed for a short Period of time.

b. Foreign Exchange Market.

Exporters and importers, multinationals companies and authorized dealers in foreign exchange market get their currencies converted into foreign currencies and vice versa.

4. On the basis of Settlement.

1. Spot Market.

It is a market where goods are exchanged and physical delivery is made on the spot. *Example: Stock Exchange.*

2. Future Market.

It refers to a market where delivery of goods and settlement of transaction will happen in future period.

5. On the basis of Regulations.

1. Regulated Market.

Regulated market is one which is organized, controlled and regulated by relevant State and Central Governments rules and regulations.

2. Unregulated Market.: These are the markets not regulated by any specific rules prescribed by state and central government.

6. On the basis of magnitude of goods marketed.

1. Wholesale Market.

In wholesale market, goods are bought in bulk and distributed in small lots to number of retailers.

2. Retail Market.

The goods bought form wholesalers are sold to end consumers as and when they want or required.

7. On the basis of products traded.

1. Basic Goods Market.

Basic Goods are those goods which are basic for infrastructural development of a country. Eg. Steel, Cement, Chemical, Paints etc. The basic goods industries derive their demand from consumer goods market.

2. Intermediary Goods Market.

This market includes machines, equipments, tools, spares, components, elements, etc. manufactured for producing final product.

8. On the basis of Competition.

On the basis of competition, the market may be classified into two types.

1. Perfect Market
2. Imperfect Market

1. Perfect Market

A market wherein free play of all the "Market forces" are said to be operating is considered to be perfect market.

2. Imperfect Market:

A market where restrictions to the free play of the market forces obstructs free competition is imperfect Market.

9. On the basis of Time

Markets are classified into four groups. They are

1. Very short period
2. Short period
3. Long period
4. Very long period

1. Very short period.

It is a market that exists for a day or few hours or a season. The very short period is a market period. In case of flowers, market period may be few hours. In case of fish, market period may be a day.

2. Short period.

It is a market that exists for a week or a month or a year.

3. Long period market.

It is a market that exists for more than one year. The long period is longer than short period. It is the period in which the firms are able to adjust the supply conditions to meet the demand.

4. Very long period

It is a market that exists for a secular period. Secular period means a period 10 or 20 years or more than 20 years.

10. Niche marketing

Niche marketing refers to targeting a specific, well-defined segment of the market rather than trying to appeal to the broader population. This approach focuses on addressing the unique needs, preferences, and demands of a particular group of customers, who are typically overlooked by larger, mainstream brands.

Example: A company that sells eco-friendly yoga mats made from sustainable materials targets environmentally conscious yoga enthusiasts. Instead of appealing to all yoga practitioners, they focus on those who prioritize sustainability

1.12. RECENT INNOVATIONS IN MODERN MARKETING

Following are the recent innovations in modern marketing.

1. Demarketing
2. Remarketing
3. Overmarketing
4. Meta marketing
5. Green Marketing
6. Social marketing
7. Direct marketing

8. Online marketing

9. Relationship marketing

1. Demarketing.

Demarketing is concerned with the management of excess demand. It involves reducing demand to match the supply.

According to **Kotler and Levy,** "Demarketing is a situation which may come about as a result of temporary shortages occasioned by short term excess demand for a company's products.

2. Remarketing.

Remarketing takes the form of finding or creating new uses to users for an existing product. In real sense, marketing is a method by which new type of satisfactions are created for old products.

Example: Baking Soda now finds uses as cleansing and deodorising agent etc.

3. Over Marketing.

Over Marketing constitutes the striving buy a firm to generate increased sales while neglecting quality control, production efficiency and/ or cash flow management.

4. Meta marketing.

The term 'meta' is being used to mean 'beyond' as in metaphysics. Meta markets deal with the suppliers of all complementary products and services that are closely related to a product in the consumer's mind.

Example: When a consumer buys a house he needs finance, furnishings, house hold goods, interior designing, a construction firm and a dealer, when a construction firm, dealer, housing finance firm, interior designer, furnishers, media and internet site come together, a meta market is created. In this example, the buyer will get involved with many of these players, called meta- intermediaries.

5. Green marketing : Green marketing means the development, pricing, promotion and distribution of products that do not harm the environment. Environmentally safe products are approved and companies receiving the green signal can use it in advertising and on packaging.

Importance of Green Marketing:

Following are the reasons for Green Marketing.

i. Opportunities

Green Marketing provides opportunities to business firms to achieve its basic objectives.

ii. Social Responsibility

Green marketing helps an enterprise to vender social responsibility. Environmental issues are being integrated into firm's corporate culture.

iii. Government pressure

Government agencies are creating more and regulations to control hazardous wastes produced by industry. The main purpose of imposing regulations is to protect consumers and society from negative impact of business activities.

iv. Competitive Advantage.

Firms marketing environment friendly products and services will have a competitive advantage over firms marketing non environment friendly products and services.

v. Cost Factor.

Firms use green marketing to reduce costs. Firms which are able to reduce harmful waste can gain substantial cost savings. A firm may also develop a technology for reducing and recycling waste. Sometimes, the consumption of raw material may also be reduced due to advancement in technology. This reduces operating costs.

6. Social marketing.

Modern business is regarded as an integral component of society. It must have society's approval in order to function successfully. Society is expecting must more from the business. Society demands quality of life management. So the business has to establish its own social goals.

Modern marketing concept is a social approach in its nature. Environmental trends like public welfare, concern for better living, etc. indicate that organizations would have to adopt socially responsible marketing policies and plans in order to assure social welfare in addition to customer welfare.

According to Philip Kotler, "Social marketing is the design, implementation and control of programmes seeking to increase the acceptability of a social idea or practice in a target group. It utilizes concept of market segmentation, consumer research idea configuration, communication, facilitation, incentives and exchange theory to maximise target group response".

7. Direct marketing.

Direct marketing is an interactive marketing system that uses one or more advertising media to effect a measurable response and/or transaction at any location". It is also known as one to one marketing.

According to Direct Marketing Association (USA), "Direct Marketing is an interactive marketing system that uses one or more advertising media to affect a measurable response and/or transaction at any location.

Features.

Following are the features of direct marketing.

- In direct marketing, the message is normally addressed to a specific person.
- The message is tailor made to appeal to the targeted persons.
- The message can be altered depending on the person's response.
- The message can be prepared very quickly for delivery.
- The message is sent through catalogues. T.V. fax, e-mail and other impersonal means.

Channels for direct marketing:

i. Face to Face selling.

This type of channel is also known as direct selling and door to door selling. It is the oldest form of direct marketing. The salesman or agents or representatives directly contact the prospective buyers.

ii. Direct mail marketing.

In this channel of marketing, offer, remainder or other item directly sent to a person at a specific address. These are sent through mail, fax, e-mail, etc. to the persons included in the mailing list. It is also known as direct response marketing.

iii. Catalogue marketing.

In this channel, a company mails one or more product catalogues to selected persons. These selected persons are prospective buyers. The buyers may make selections and place orders by mail.

This type of channel offers convenience and saving in time and expense. But this type of channel inflexible. This channel is suitable only for selected products.

iv. Telemarketing.

Telemarketing has become a major tool of direct marketing. Tele marketing is the performance of marketing related activity by telephone. Teleshopping means shopping through the internet. This type of channel is suitable for fast moving consumer like toothpastes, cosmetics, groceries, etc.

Under this channel, the buyer places the purchase order through telephone or website of the seller, by mail or the sales representatives Goods are delivered at the door of the buyer.

v. Automated Vending machines.

These are coin-operated machines which automatically vend (sell) goods without the aid of any sales assistants, Products such as Cold Drinks, Candy, Newspapers, Tea, Coffee, Milk, Cigarettes, etc. are sold through automatic vending machines.

vi. Kiosk marketing.

These are customer-order-placing machines. These kiosk are placed in stores, airports and other locations.

vii. Television home shopping.

In this form of direct marketing, products are presented to television viewers who buy them by calling a toll free number and paying with credit cards.

viii. Online marketing.

Computer networks are used in online marketing. Internet has created online retail opportunities.

8. Online marketing.

Online marketing may be defined as the process of building and maintaining customer relationships through online activities to facilitate the exchange of ideas, products and services that satisfy the goals of both the seller and the buyer. It is also known as internet marketing or web marketing.

An online marketing is one that a person can reach via computer and modem. A modem connects the computer to a telephone line so that the computer user can reach various online information services.

9. Relationship Marketing.

The basic purpose of a business is to create customers and to retain them. In order to achieve this purpose, it is necessary to provide total customer satisfaction. A satisfied customer is a good advertiser to the product. A customer is satisfied only when he / she gets

a. high quality products

b. at reasonable or fair price and

c. efficient services

Relationship marketing requires building mutual trust and rapport between the business and its customers.

1.13. MARKET SEGMENTATION

A market segment is a group of individuals or organizations within a market that shares one or more common characteristics. *The process of dividing a market into segment is called market segmentation.*

Market segments are grouping of two or more consumers for a product or service, so that their needs are better served. Market segmentation is a natural reflection of the diverse and constantly shifting needs of the population. Market segmentation technique is a technique of product differentiation which involves manipulation of either the product and promotion or pricing variables.

The classification of markets based on consumer's characteristics is called **market segmentation.**

Under market segmentation, the manufacturer is in a better position to find out and compare the marketing potentialities of his product. It is an indicator to adjust the production in a most profitable manner. This strategy, attempts to penetrate a limited market in depth whereas the product, differentiation seeks breadth in a more generalized market.

Market segmentation is defined by **W.J. Stanton** as "the process of taking the total heterogeneous market for a product and dividing it into several sub-markets or segments, each of which tends to be homogeneous in all significant aspects".

According to **Philip Kotler,** "Market segmentation is the sub dividing of market into homogeneous sub sections of customers. Where any sub section may conceivably be selected as a market target to be reached with a distinct marketing mix".

OBJECTIVES OF MARKET SEGMENTATION.

Market segmentation is to be done for the following reasons.

- Efficient use of marketing resources.
- Better understanding of customer needs
- Better understanding of competitive situation
- Accurate measurement of goals and performance

1.14. CRITERIA FOR MARKET SEGMENTATION

The market segmentation must satisfy the following criteria.

i. Identity.

The market segments must have some identity. There must be clear differences between segments. Members of such segments can be identified by common features.

ii. Accessibility.

Market segmentation must reach the different segments in connection to promotion and distribution. That is, marketing efforts must be focuses on the chosen segments. The products of the firm must be known to prospect buyers and the products must be available to customers at a reasonable cost.

iii. Responsiveness.

The market segment must react to changes in any of the elements of the marketing mix. If there is no reaction, then the segment must be redefined

iv. Size.

The market segment must be large enough to be a profitable target. The size of the segment depends upon the number of people in it.

v. Nature of demand.

Quantities demanded by various segments are to be assessed.

vi. Measurability.

The main purpose of segmentation is to measure the changing behaviour pattern of consumers.

vii. Substantiality.

It refers to the size of the segmented markets. When the size of the segment becomes small, it may not by possible for the marketer to develop separate marketing mix for unprofitable segments.

viii. Response rates.

The market segments must show differences in responses to the marketing variables. If various segments respond in similar ways to a marketing mix, there is no need to develop a separate marketing mix.

Advantages of Market Segmentation.

- Competitive strengths and weaknesses can be assessed effectively.
- Market segmentation helps to have better control over the market.
- It helps to utilise marketing resources effectively.
- It helps to compare the performance of two or more segments.
- It helps the producer to adopt an effective marketing programme.
- It helps to serve the consumer better at comparatively lower cost.
- It helps to evaluate the marketing activities of products.
- It helps the marketers to adopt right strategy.

1.15. METHODS OR TECHNIQUES OF MARKET SEGMENTATION.

Following are the different types of market segmentation.

1. Geographic segmentation

2. Demographic segmentation

3. Socio economic segmentation

4. Product segmentation

5. Volume segmentation

6. Benefit segmentation

7. Market factor segmentation

8. Psychographic segmentation

9. Behavioural Segmentation

1. Geographic segmentation.

In geographic segmentation, the market is divided into different geographical units such as nations, regions, states, cities, or neighbourhood. A company has to pay separate attention to different geographical segments differently and it might also decide to operate in one geographical location, in more than one also. This all depends upon the company whether it operates in one location or two. *Like woollen cloths are sold more in north India as compared to south India due to geographical segmentation, laptops are more sold in urban areas while fertilisers are more sold in rural areas. All this type segmentation is done on the basis of the geographic segmentation*.

2. Demographic segmentation.

In demographic segmentation, the market is divided into groups based on the variables such as age, gender, family size, family life cycle, income, occupation, education, race, generation, nationality. This is the most common method of market segmentation in which the markets are segmented on the basis of demographic variables. The reason for the adoption of this method is that consumer needs, wants, usage rates vary closely with demographic variables and the other segment is easy measurement of this variable as compared to other variables. For example: garments are divided on the basis of age and gender which is the most suitable variable for the segmentation of garments.

3. Socio-economic segmentation.

This type of segmentation is meaningful in analysing buying patterns of a particular class. In this case, segmentation is done on the basis of social class**. For example**, working class, middle income group and higher income group. It is connected with the ability to buy. Middle income group may opt for bike and higher income group may opt for cars.

4. Product segmentation

Segmentation is done on the basis of product characteristics is known as product segmentation. The products may be classified into

1. Prestige products
2. Maturity products
3. Status products
4. Anxiety products
5..Functional products

This type of segmentation is less rational approach. In departmental stores, this type of segmentation is followed.

5. Volume segmentation.

Segmentation of markets on the basis volume of purchases is known as volume segmentation. Buyers may be classified into bulk purchasers, medium purchasers and single or small purchasers. Bulk purchasers may get some concessions when compared to single purchase in terms of price.

6. Benefit segmentation.

Segmentation of markets on the basis of benefits expected from a particular product. Benefits may be primary utilities and secondary utilities. *For example, purchase of toothpaste, primary utilities - cleaning, secondary utilities - Good taste, Brightness*.

7. Market factor segmentation.

Segmentation of markets on the basis of marketing factors such as price, quality, advertising and promotional devices. Here, the behavioural pattern of the buyers change with a change in the marketing activities of a business. *For example, A reduction in price of a product may increase the number of buyers.*

8. Psychographic segmentation.

Subdivision of markets on the basis of personality and life style. Dominance, aggressiveness, achievement, motivation etc. may influence buyer's behaviour. Life style concept determines buyers' behaviour. Life style reflects the overall manner in which persons live and spend time and money. Life style influences product interests.

9. Behavioural Segmentation.

In this type, buyers are grouped into groups on the basis of their knowledge of, attitude toward, use of or response to a product.

Following are the main behavioural Variables:

i. Purchase occasions : Buyers can be grouped according to the occasions, they develop a need or buy a product.

ii. Readiness status

Buyers are segmented according to how much ready they are to buy.

iii. User status.

Markets can be classified on the basis of users. Users of a product may be grouped into non-users, ex - users, potential users, first time users and regular users.

iv. Usage Rate

Buyers of a product may be segmented on the basis of usage rate such as light, medium and heavy product users.

v. Loyalty level.

Buyers can be segmented on the basis of consumer's or buyer's loyalty such as completely loyal, partially loyal etc.

1.16. BASIS OF SEGMENTATION OR LEVELS OF MARKET SEGMENTATION STRATEGIES

On the basis the intensity of segmentation, marketing strategies may be grouped into

1. Mass marketing
2. Differentiated marketing
3. Undifferentiated marketing
4. Concentrated marketing

1. Mass marketing

It is also called as undifferentiated marketing. Mass marketing is adopted in the following cases.

i. When products are fully standardized

ii. Where substitutes for the products are not available

In these cases, markets are not segmented. Therefore, undifferentiated marketing strategies are adopted. *Mass marketing enables manufactures to achieve mass production. Mass production enables to achieve lower cost of production*.

2. Differentiated marketing.

The differentiated marketing is sales oriented. *The firms group the buyers on the basis of their common needs and desires. It differentiates one group from the other on the basis of their needs, region, personality, etc.* Markets for shoes may be subdivided on the basis of age and sex. The firm has to design separate product marketing programmes. Each product offers a basis for segmentation.

3. Undifferentiated marketing.

It is also known as market aggregation. It is the opposite of segmentation. An organization does not permit the division of markets into segments. In such a case, a marketer may adopt total market approach. Under this concept, the management having only one product considers the entire buyers as one group. Product differentiation is not possible under the following cases.

- when there is fully standardized products
- where no substitutes are available.

Under such circumstances, firms may adopt mass advertising and other mass methods in marketing, *Example - Salt cannot be differentiated*.

4. Concentrated marketing

In this case, manufacturer focuses his attention on a particular segment only. This technique is adopted when new products are introduced. It concentrates its forces to gain a good market position in a few areas. There is only one marketing mix. *For example Volkswagen concentrated on the small car market. It offers cars for the middle class buyers also.*

1.17. FACTORS DETERMINING MARKET SEGMENTATION.

Following elements influence in deciding the principles of market segmentation.

1. Company resources.

Market segmentation involves heavy financial commitment. Market segmentation cannot be undertaken at all unless the company has got enough financial resources.

2. Nature of the market.

When the market is of a homogeneous nature, there is not much use of segmentation. When the market is of heterogeneous nature, then market segmentation is useful. Products like soaps, T-shirts etc. are heterogenous in nature. Here, the product differentiation is possible.

3. Product characteristics : Market segmentation is necessary only when products to be marketed are heterogeneous and not homogeneous.

4. Competitor's strategy.

It is necessary to fall in line with the competitor's activity of market segmentation. If competitors have segmented their market it becomes essential to fall in line with them. One marketer alone cannot take a different stand.

5. Position of product in the product life cycle.

Product life cycle has five different stages, namely Introduction. Growth, Maturity, Saturation and Decline. In the introduction and decline stages there is no need to segment the market. That is, market segmentation does not arise in the first and last stages.

1.18. TARGETING

Targeting is the process of identifying the most attractive segments from the segmentation stage, usually the ones most profitable for the business. It is the process of evaluating the attractiveness of each segment and chooses a target. It is one of the core parts of marketing.

Target marketing is the process of assessing the relative worth of different market segments and selecting one or more target market in which to compete. ***According to David "Target market is a group of existing or potential customers within a particular product market towards which an organization directs its marketing efforts".***

1.19. MARKET POSITIONING

Positioning refers to the place that a brand occupies in the minds of the customer and how it is distinguished from products and from competitors. In order to position products or brands, companies may emphasize the distinguishing features of their *brands through the marketing mix.* Positioning is the act of designing the company's offering and image to occupy a distinctive place in the target market's mind.

Market positioning refers to an effort to influence consumers' perception of a brand or product relative to the perception of competing brands or products. Its objective is to occupy a clear unique and advantageous position in the consumer's mind.

It is one of the most powerful marketing concepts. It focused on the product. It is also called as product positioning but that is a limiting description.

1.20 PRODUCT POSITIONING

Product positioning is an aid to product planning. Relating a product to the market is termed as "product positioning"

Product positioning refers to targeting the product as specific class of customers or for specific needs. It determines the image of the product in relation to the rival products. Product positioning is psychological in nature. It results in certain attitudes developed in consumers towards a product or service.

Product positioning is defined by **Stanton, W.J.** as follows "A process of identifying the needs of market segments, product strengths and weaknesses and the extent to which competing products are perceived to meet customer needs".

Positioning is based on some Unique Selling Proposition (USP). It may be some unique feature of the product, some unique of the market or some feature of the competition which becomes the core idea and around that feature the product is placed in the market.

The main aim of product positioning is the idea that a particular firm's brand or product must occupy a particular space continuously in the consumer's mind. It is called 'renting mind space'. That is, finding a suitable space in that mind and sits on it and do not let competitor to dislodge the particular firm's product.

Advantages of market positioning.

- To create a distinctive image of the product in the minds of
- To provide a competitive edge to the product.
- To serve as a guide in developing a marketing mix.

- To assist in taking appropriate action in response to the moves of competitors.

Different position strategies

There are several approaches to positioning of product and service offerings.

I. Positioning by product attributes or customer benefit.

ii. Positioning by price quality.

iii. Positioning by product - user

iv. Positioning by use or application

v. Positioning by corporate category

vi. Positioning by corporate identity

vii. Positioning by competitor

i. Position by product attributes or Customer benefit

In this case, a company positions itself on the basis of on exclusive attributes, such as, the size or the number of years in existence. Many products such as autos, cameras and other durable product brands offer excellent examples.

ii. Positioning by price-quality

The product can be positioned in the market either on the basis of the most economical price or on the basis of the best quality being offered by the company. The firm charges higher price to cover higher costs.

iii. Positioning by product - user

This deals with positioning the product keeping in mind a specific user or class of users.

iv. Positioning by use or application

This deals with positioning a product as best for some specific use or applications. Example: Vicks vaporu is to be used for a child's cold at night.

v. Positioning by corporate category

This positioning is used so that the brand is perceived as belonging to another product category.

vi. Positioning by corporate identify

In this approach, corporate credentials are added as a by-line. This approach offers a strong positioning and is used in line extensions or brand extensions.

vii. Positioning by competitors

In this approach, companies try to position the product in such a manner that they can prove their products to be better than the competitor's product.

1.21 REPOSITIONING

Repositioning refers to changing the way a brand, product, or service is perceived by its target audience. It involves altering the brand's image, messaging, or market focus to appeal to a new audience, differentiate from competitors, or adapt to market changes.

Repositioning a product can lead to a new growth cycle. Reposition- ing is basically changing the image or perceived uses of the product. Product repositioning is done mainly to enlarge the reach of the product offer and to increase the sale of the product by appealing to a wider target market.

Features of Repositioning

i. Target Audience Shift

Repositioning focuses on a different demographic or market segment. Example: A product originally marketed to young adults might be repositioned to appeal to older consumers.

ii. Differentiation

Repositioning distinguishes the brand from competitors by highlighting unique features, benefits, or values. Example: A generic coffee brand might reposition itself as a premium, artisanal coffee.

iii. Adapting to Trends

Repositioning helps to adapt current trends or consumer preferences, such as sustainability, health, or technology. Example: A fast- food chain may reposition by emphasizing healthier menu options.

iv. Addressing Misconceptions

Repositioning helps to correct or shift negative perceptions about a brand or product. Example: A product seen as outdated might be repositioned with a modern and innovative image.

v. Expanding Usage : Repositioning highlights new uses or benefits of a product to broaden its appeal. Example: Baking soda repositioned from a cleaning product to a multi-purpose household item. Repositioning can involve changes in branding, advertising. product design, pricing, distribution channels, or even product features to align with the new strategy.

1.22. REVIEW QUESTIONS.

PART - A

1. What is Market?
2. Define Marketing.
3. **What is Consumer Market?**
4. **What is Industrial Market?**
5. Define Money Market.
6. Define Societal Marketing.
7. What is grading?
8. List out a stages in Evolution of Marketing.
9. **Define Niche Marketing.**
10. **What is Market Segmentation/**
11. Define Targeting.
12. Define Positioning and Repositioning.

PART – B

1. List out a Elements of Market.
2. How would you classify market in terms of Geography?
3. **State the Scope of Marketing**.
4. State the Objectives of Marketing.
5. Differentiate between Marketing and Selling.
6. List out a criteria for Market Segmentation.
7. State levels for Market Segmentation.
8. State the Targeting, Positioning and Repositioning.
9. **List out a channels for Direct Marketing.**

PART – C

1. Discuss the different classification of Market.
2. Elucidate the functions of Marketing.
3. Discuss the Marketing Philosophies.
4. Discuss in detail about methods of Market Segmentation.

UNIT – II

CONSUMER BEHAVIOUR

LEARNING OBJECTIVES.

After reading this Unit - II, students will be able to:

- **Explain the meaning and concept of Consumer Behaviour.**
- **Understand the importance of Consumer Behaviour**
- **Understand the factors determining the Buying Process.**
- **Know the Stages in consumer buying process.**
- **Learn the motives for buying Process.**
- **Understand the Freud's Theory of Motivation.**

2.1 INTRODUCTION

Consumer is the most important entity in every business. The success or failure of any organization depends on the effectiveness with which they are able to entertain their present and potential customers.

A customer is the most important visitor in our premises. He is not dependent on us. We are dependent on him. He is not an interruption on our work. He is the purpose of it. He is not outsider on our business. He is part of it. We are not doing him a favour by serving him. He is doing us a favour by giving us an opportunity to do so.

- Mahatma Gandhi

Marketers must identify the needs and wants of the consumers clearly, so, that they can provide them with better products and services and also ensure constant up gradation of product and services.

Consumer behaviour is an orderly process whereby the consumer interacts with his or her environment (social, psychological, economic) for making purchase decision. It is all social, psychological and physical behaviour of individuals, who are end-users of products or services, as they become aware of, evaluate, purchase, use and tell others about products or services. Consumer behaviour is reflected in buying activities and includes communication, purchase and consumption behaviour.

2.2. MEANING OF CONSUMER BEHAVIOUR

The study of consumer behaviour is the study of how individuals make decisions to spend their available resources (time, money, effort) on consumption-related items.

Consumer behaviour refers to the study of how individuals, groups, or organisations make decisions about purchasing, using, and disposing of goods, services, experiences, or ideas. It involves understanding the processes consumers go through, including their motivations, attitudes, preferences, and decision-making patterns.

The study of consumer behaviour is the study of how individuals make decisions to spend their available resources (time, money, effort) on consumption related items. Consumer behaviour is closely related with how individuals, groups and organizations select, buy, use and dispose of goods, services, ideas and experiences to satisfy their needs and wants.

The Consumer behaviour is defined as the decision process and physical activity individuals engage in when evaluating, acquiring, using or disposing of goods and services.

According to Schiffman and Kanuk consumer behaviour is defined as *"the study of how individuals make decisions to spend their available resources (time, money, effort) on consumption-related items. It includes the study of 'what they buy', 'why they buy', 'when they buy', 'where they buy', 'how often they buy it' and 'how often they use it."*

2.3. IMPORTANCE OF STUDYING CONSUMER BEHAVIOR OR SIGNIFICANCE OF CONSUMER BEHAVIOUR.

The study of consumer behavior is very relevant for effective marketing management. It helps significantly in the formulation of production and marketing strategies in the following manner

1. Knowledge of consumer behavior helps to determine the marketing mix.

The management keeps on exploring -what type of product consumer purchases in general; what factors persuade him to buy a good; why does he buy a specific brand from a particular shop; why does he shift his preferences from one brand to another or from one store to another or what is his reaction to a new product introduced in the market. *These facts give signals to producers about marketing mix to be arranged for their product and to serve consumers in better manner*.

2. To assess consumer's actions or reactions. The consumer seeks value for money. He wants to pay fewer prices, but expects superior features in the product. *This has led many marketers to introduce quality products at prices which are affordable to the customers.*

3. To meet diversified consumer preferences.

With globalization customers got more availability of more choices compared to pre-1991 era. *For example, the customer now has many brands of cars to choose from like Hyundai, Honda, Mercedes, BMW etc*

4. A guide to planning and implementing marketing strategies.

Knowledge of consumer behaviour can serve as a great help to formulate and implement marketing strategies to achieve goals of the firm.

5. To address special needs, personalities, and lifestyles of consumers.

Consumer prefers differentiated products to reflect their special needs, personalities, and lifestyles. *The study of consumer behavior helps to satisfy such special needs. For example, when Onida 21 was introduced, it was advertised on the television 'for the elite classes. 'Similarly Maggi* introduced their ketchups with emphasis on "It's different"

6. To identify market segmentation.

This also helps to classify market segments to market the products effectively. *For example LIC provides its insurance cover to suit the needs of different types of customersJeevan Suraksha (Financial security and post-retirement benefits), Asha Deep II (Medical covers), Jeevan Shree (to retain key individuals in the organisation), Jeevan Surabhi (Money back with rising insurance cover), Jeevan Mitra (double benefit endowment plan), Money Back (for periodic cash flows), and Bima Kiran (for low*-cost, high insurance cover).

7. To remain updated with technological advancement and bring new products the market at faster pace.

*Studying consumer behavior is imperative to get to know consumers' expectations and address them quickl*y. Thus, identification of target market before production is essential to deliver the desired consumer satisfaction and delight by bringing product to the market at faster pace.

2.4 DETERMINANTS OF CONSUMER BEHAVIOUR

Consumer behaviour is dynamic and complex. It is influenced by various factors. *These factors are broadly classified* ***as Economic, Socio-cultural and Psychological factors****. An explanation of these factors has been given below:*

1. Economic factors

As per economists, consumer is a rational person. He has perfect knowledge about market. He tries to get maximum value for each unit of money and efforts spent. *However, his buying behaviour is affected by his personal income, family income, income expectation, level of standard of living and consumer credit available*

(i). Personal income.

Personal income significantly influences buying behaviour because it determines the purchasing power of an individual. *People with higher incomes tend to have more disposable income, allowing them to purchase luxury items, branded products, and invest in experiences or higher-quality goods. People with lower incomes prioritize essential goods and services focusing on necessities like food, housing, and clothing*. Personal income impacts what, how, and when people buy influencing both the type and quantity of goods or services consumed.

(ii). Family income.

Family income influences buying behaviour by shaping the overall spending capacity and priorities of the household. *A higher family income allows for greater spending on luxury goods, education, entertainment and travel, while lower family income focuses on essentials like groceries housing, and utilities.* Families with rising income levels may upgrade their life-style by buying better quality products, branded goods, or new technology. Family income impacts not only the type of products purchased but also the frequency and quality of buying decisions.

(iii). Future income expectations

Future income expectations influence buying behavior by shaping consumers' confidence in their financial stability and ability to spend. *If individuals expect their income to increase, they are more like to make significant purchases, take on loans, or spend on luxury items.*

On the other hand, if they expect a decrease in income or job insecurity often leads to cautious spending, prioritizing savings and essential goods.Expectations about future income influence whether consumers spend, save, or invest in their current financial decisions.

(iv). Consumer Credit.

Consumer credit significantly influences buying behaviour by enabling individuals to purchase goods and services beyond their immediate financial capacity. *Easy access to credit options, such as credit cards or loans, can encourage impulse purchases and spending on non-essential items. Credit facilities provide flexibility through installment payments, making high-cost products more affordable and attractive.* consumer credit enables greater flexibility in spending but can also lead to overconsumption if not managed wisely.

(v). Standard of Living.

The standard of living significantly influences buying behaviour by determining the level and type of goods and services people consider essential or desirable. *Individuals with a high standard of living prioritize quality, luxury, and convenience, often purchasing branded products, advanced technology, and premium services.* Those with a moderate standard of living focus on balancing quality and cost, choosing mid-range products that offer value for money.

People with a low standard of living emphasize affordability and basic needs, often opting for economical and functional products. The standard of living shapes consumer preferences, budget allocations, and the perceived necessity of various products or services.

2. Socio-Cultural factors.

Sociologists are of the view that individual consumer's behaviour is affected by group of individuals known as *reference groups, opinion leaders and family. Consumer's buying decisions are also influenced by social class and culture*. These factors have been explained in detail as under:

(i). Reference groups:

Reference groups are the social, religious and professional groups that exert direct or indirect influence on consumer's behaviour. These are the small groups to which an individual belongs and seeks their guidance and advice to evaluate his opinions and beliefs. The information provided by these groups on quality of a product, its performance, style etc. acts as a frame of reference. *Friends, local club members, neighbours, college living groups are the primary reference groups that have a direct influence on individual's buying decisions. Religious or professional groups are secondary reference groups that have an indirect influence on individual's behaviour. Word-of-mouth communication is used to pass messages within the group members. Group members provide more relevant and additional information about new arrivals, brands, style and products which cannot be provided by mass-media.* There are also aspirational groups that act as reference groups. Consumer does not belong to such groups but his buying behaviour is affected by life style or opinions of such groups. Sportsmen, successful businessmen, movie stars, models and political figures are the members of such groups.

(ii). Opinion leaders

Many a times, persons seek guidance of a particular individual in their group to form an opinion or take buying decisions. Such individual is called opinion leader who usually acts as informal group leader. His attitude, actions and beliefs influence the buying patterns of the group members. He sets the trend, tries new products and suggests other members to use such products if he has good experience. Opinion leaders can act as effective agencies of communication on behalf of marketers if marketing efforts are directed at opinion leaders.

(iii). Family

Family exerts influence on consumer behaviour in two ways i.e. by influencing consumer personality and his decision making process involved in the purchases. Personal values, buying habits and attitude of an individual are being shaped by family influences. *Family members have considerable influence on buying decisions. They play different roles in buying process as initiator, influencer, decider and/or user. More than one role may be played by one family member. Housewife usually influences the decisions regarding food and grocery items. Husband and wife have joint influence on decisions regarding luxury items. Children influence the buying decisions relating to toys, clothes and sports equipments*

(iv). Social class

Consumer buying behaviour is influenced by social class. Social class is a homogeneous division in society into which families or individuals sharing similar values, life-style and behaviour can be categorized. *In India, there exists three social classes i.e. upper class, middle class and lower class. One can observe differences in stores visited, products selected and magazines read by people belonging to different social classes. Thus, social classes can be a base for market segmentation. It is usually seen that consumers in upper class group use products and brands that are clear symbols of their social status. They can be attracted and retained through product differentiation, premium quality and advertising. Consumers in middle class group use rationality in their purchase decisions. They make comparison of prices, quality etc. before buying any product. Such consumers can be influenced through advertisements in newspapers or television. Lower class consumers have limited sense of choice-making and they usually make impulse buying. Such consumers can be attracted* *through point of purchase materials like window banners, advertising on package, information folders etc.*

(v). Culture.

Culture adds another dimension to the study of consumer behaviour. It includes a set of learned beliefs, customs, values, habits and attitudes that serve to regulate behaviour of members of a society. These values, beliefs, customs are adopted by society and passed from one generation to the next within that society. Culture has significant influence on patterns of consumption and decision-making and shape them right from infancy. Cultural changes take place due to social position, technological advancements, travel and education. Marketers must understand the values, rituals, customs and language of the culture of their target markets and develop marketing strategies for each culture separately. Cultural and sub cultural trends have important implications for market segmentation and designing marketing-mix.

(C) Psychological factors

Psychologists have explained the reasons as to why consumer behaves in a particular manner. According to them, motivation, perception, learning, attitude and personality are the major psychological factors, internal to the individual, that affect the behaviour of an individual as consumer.

(i). Motivation

Motivation is a driving force within individuals that impels them to some action. Motivation, in consumer, is related with reasons that impel him to take certain buying actions. It is an inner force governing consumer behaviour. An individual is motivated by physiological, social and psychological needs till they are not satisfied. Individuals should be regarded as need-satisfying mechanisms who try to fulfil a set of needs in a sequence reflecting their buying motives*. Buying motive is an urge prompting a person to purchase decision. For the same behaviour, there can be different buying motives (stimulated or aroused needs) like safety, pride, fashion, love and affection, comfort, social approval etc. Thus, the study of motivation helps marketers in finding rationale* *behind buying behaviour. It helps in market segmentation, product development, product positioning and advertising creativity*.

(ii). Perception.

Perception influences consumer behaviour. Consumer acts or reacts on the basis of his/ her perceptions. Perception is a process whereby stimuli are received by an individual, interpreted by him and translated into a response. In simple words, it is how an individual sees the world around him. Different people, exposed to the same stimuli, will interpret and respond in different ways based on their wants, needs, values and experiences. Perception is a selective process as it relates to the interpretation of information to select a response to stimulus.

(iii). Learning

Learning significantly affects consumer behaviour. *Learning is a process by which consumer acquires purchase and consumption knowledge (usually through observation, discussion or reading) and experience and applies them to future related behaviour. Most consumer behaviour is learned. Learning process involves the interplay of drive, cues, response and/ or reinforcement. Drive is a strong internal stimulus impelling action. Cues are external stimuli coming from market or social environment of consumer e.g. product or advertisement.* Reaction to cue or drive constitutes response. Reinforcement increases the possibility of similar response in future i.e. repeat purchases. Marketers are interested in knowing that how consumers learn about products so that effective promotional strategies can be formulated. Through learning, an individual acquires attitude which influences his buying behaviour.

(iv). Attitude

Attitude is a state of mind, a learned predisposition to respond in a favourable or unfavourable way to an object. *Attitudes develop gradually as a result of experience. They are difficult to change but a change in attitude leads to change in buying behaviour. An understanding of consumer attitudes is essential for the marketers to fit the product into existing attitudes, change the attitudes in the favour of product, or even create new attitudes through better marketing mix and effective promotion devices*.

(v). Personality

Personality refers to an individual's inner psychological characteristics that determine and reflect how an individual responds to his or her own environment. Personality traits such as dependence, impulsiveness, responsibility, creativity, aggressiveness, sociability etc. can determine how people would behave. *The study of personality traits helps marketers in knowing consumer innovativeness, his preference for uniqueness and response to different promotional messages. It guides marketing efforts regarding product positioning and marketing communications.*

2.5 PARTICIPANTS IN CONSUMER BUYING PROCESS:

1. Initiator

Initiator is a person who first suggests the need of the idea or the need for a particular product.

2. Influencer

The influencer is the person who gives more information or gathers more information, which influence the decision of the purchase.

3. Decider

The decider is the person who ultimately decides to buy a particula product depending upon the situation.

4. Buyer

The buyer is the person who actually buys goods for consumption or production.

5. User

The user is the person who actually consumes or uses of the product or service. He / She may or may not be the initiator, decider or buyer.

2.6. CONSUMER DECISION PROCESS.

Consumers undertake a step-by-step process while purchase a decision. The amount of time and effort they devote to a particular purchasing decision depends on the necessity of the desired good or service to the consumer. Purchases where high levels of social or economic issues are said to be associated are the high-involvement purchase decisions. Routine purchases that have little risk to the consumer are low-involvement decisions. Consumers generally spend more time and effort to make purchase decisions for highinvolvement products than to those for low-involvement products.

Fox example, a person purchasing air conditioner/refrigerator will probably compare prices, visit dealer showrooms, read online reviews and ask for advice from friends before making the final decision.

People might not invest huge effort in choosing between two brands of chocolates. They will also go through the steps of the consumer decision process but on a smaller scale. Purchase decisions can be thought-based (cognitive) or feeling based (emotive). It is observed that both cognition and emotion affect every purchase decision with either one of them dominating the decision at a given point of time.

2.7. STAGES IN CONSUMER DECISION PROCESS

1. **Problem recognition (Need identification)**
2. **Information Search.**
3. **Evaluation of Alternatives.**
4. **Purchase Decision and Action.**
5. **Post-Purchase Evaluation.**

1. Problem Recognition.

During the first stage of the consumer decision making process, the consumer becomes aware of the difference between the actual state (where we are now and the ideal state ('where we want to be')). This stage motivates the individual to achieve the desired state of affairs. Here they may also play a role through creating a new ideal state or by increasing dissatisfaction with the actual state. The factors as mention

2. Information Search.

In the second stage, the consumer gathers information related to his/her fulfillment of a desired state of affairs. This search identifies alternative means of problem solution. Highinvolvement purchases may invite large information searches, while low involvement purchases require little search activity. *The search may include internal or external sources of information. During the internal search existing information feelings and experiences similar to the problem solving situation are recalled from the consumer's memory*.

An external search collects information from outside sources, which may include family members, friends, store displays, sales personal, advertisements and product reviews. The external search may be a general ongoing search or a specific pre-purchase search. The search identifies the other existing brands for consideration and possible purchase. The number of brands that a consumer actually considers in making a purchase decision is known as the evoked set. Marketers seek to influence consumer decisions during the process of search by providing persuasive information about their goods or services in a format useful to consumers.

3. Evaluation of Alternatives.

The third step in the consumer decision making process is to evaluate the evoked set of options identified during the search step. The result of the evaluation stage helps in choosing a brand or product in the evoked set or might also result in a decision to start search for additional alternatives, when all those which were identified during the initial search seem to be unsatisfactory.

To complete this analysis, the consumers develop a set of evaluation criteria to guide the selection. These criteria can either be objective facts or subjective impressions. Marketers can attempt to influence the outcome from this stage in numerous ways. Initially, they can try and educate consumers about attributes that they view as important *in evaluating a particular class of good*s. They can also identify which criteria evaluate are important to an individual and attempt to show why a specific brand fulfills those criteria. They can try to help a customer in expanding his/her evoked set to include the product they are offering.

4. Purchase Decision and Action.

The search and alternative evaluation stages of the decision process result in the final purchase decision and the act of making the purchase. At this stage, the consumer has evaluated each alternative in the evoked set based on his/her personal set of evaluative criteria and lowered the alternatives down to one. Marketers can smooth the purchase decision and action by helping consumers through providing finance, delivery, and installation and so on.

5. Post-Purchase Evaluation.

The purchase act might result in one of two:

(a).Satisfaction – The buyer feels satisfied at the reduction of the gap between the actual and the ideal states or might experience dissatisfaction with the purchase. Consumers are generally satisfied if purchases meet with their expectations.

(b). Dissatisfaction – Sometimes, however, consumers experience some post purchase anxieties, called cognitive dissonance. It is a thought that one has not made the right decision. The consumer attempts to reduce this anxiety by searching for additional information that supports his/her choice. The marketer can help by providing supportive information to the buyer and also by positive marketing communications.

The consumer buying process enables the consumers take informed decisions. Higher the extent of satisfaction, higher the possibility of repurchase. Marketers usually look to reduce dissatisfaction as a dissatisfied consumer not only shies away from a purchase but also affects others.

2.8. BUYING MOTIVES.

Buying motives influences a consumer to buy a particular product. Motive is strong feeling, urge, instinct, desire or emotions that make the buyer buy a particular product or services. A motive is a drive or an urge for which an individual seeks satisfaction. Any urge promoting a person to decide to buy is called a buying motive.

Definition.

According to S.A.Sherlekar Bying motive is defined as " A product is the reason why a person buys a particular product. It is the driving force behind buying behavioural and may be based on psychological or physiological wants".

2.9. CLASSIFICATION OF BUYING MOTIVES OR TYPES OF BUYING MOTIVES

In a consumer-oriented marketing model, consumer is the king and a marketer should understand the needs, wants, buying motives and feelings of his potential customers, to be successful in his marketing efforts. Consumers have different kinds of needs and they do not pursue all their needs at all points of time. Whenever a need gets a direction or goal and all the energies of consumer are targeted towards achieving the goal, it takes the shape of a buying motive. Buying motives takes different forms. The important types of buying motives are as follows:

1. **Inherent Buying Motives**
2. **Learned Buying Motives**
3. **Emotional Buying Motives**
4. **Rational Buying Motives**
5. **Psychological Buying Motives**
6. **Social Buying Motives**

Above mentioned buying motives are discussed below:

1. Inherent Buying Motives

Inherent buying motives are those, which arise from the basic needs of the consumers such as sex, comfort and safety. These are more instinctive in nature and influence the consumer the maximum. In order to satisfy these motives, a consumer has to make his best efforts. If these motives remain unsatisfied, he is under tension. The satisfaction of these needs also happen very fast and they recede in a way as they started within the consumer. The consumer actively pursues to satisfy these hedonistic and biogenic motives.

2. Learned Buying Motives

Learned motives are those motives which a customer acquires or learns from the environment in which he lives or from his learning as he grows up in the society. These motives are social status, social acceptance, economic, political achievement, fear and security. These motives are learned and take time to have an impact on consumers and are influenced by socio-political environment of the customer.

3. Emotional Buying Motives

Emotional buying motives are those, which are affected by consumer feelings and are often judged by using feelings or affective part of consumer's attitude. In such motives, the heart dominates over head and mind. Sometimes in satisfying these needs, man is not rational. The motives are hunger, thirst, ego, prestige, comfort, pleasure, love and affection etc.

4. Rational Buying Motives

Rational buying motives are those motives where a consumer is rational and his decision is based on logic and justifications while taking buying decision. In this case mind dominates over heart. Before making any purchase, he satisfies himself with the price, quality, durability, reliability and service and then decides to purchase the goods, which are useful to him and are available at a reasonable price. The consumer is often seen taking more time in making rational purchases.

Both emotional and rational motives are important for a marketer. The marketer should decide which type of motive i.e. emotional or rational, should be aroused in *selling his product, keeping the merit of the product in mind. The advertising program for the brand should focus on the appropriate motive of the consumer. While buying Over the Counter (OTC) medicine, a consumer is more rational whereas in the case of buying a chocolate, a consumer is more driven by emotional motive. An example of a cash discount is a price value proposition attempting to address the rational appeal.*

5. Psychological Buying Motives

Psychological buying motives are based on personal feelings and cover a wide range of motives including impulses, instincts, habits and drives, etc. The motives include pleasure, comfort, status, pride, and ambition, economic and social achievement.

Example: Selection of gifts, maintaining and preserving heath satisfaction of appetite, proficiency, romantic instinct, social accepted recreation and relaxation, etc.

Psychological motives are found more among people of high income group. Purchase of TV, Air Conditioner, Refrigerator, Washing Machine, Geyser, Car, etc. a generally bought to satisfy such motives.

This psychological satisfaction may be received at the buyer’s conscious or subconscious level of thought. If a young lady receives psychological satisfaction from a bottle of expensive French aromatic perfume, it is because she associates it with an advertisement picturing a heavy romance; she is probably receiving psychological satisfaction at a subconscious level.

6. Social Buying Motives

Social motive which arises out of Pride. It is the most common and strongest emotional buying motive. Many buyers are proud of possessing some product (i.e., they feel that the possession of the product increases their social prestige or status). In fact, many products are sold by the sellers by appealing to the pride prestige of the buyers.

Example: Gold and diamond merchants sell their products by suggesting to the buyers that the possession of such jewellery items increases their prestige or social status.

2.10. FREUD'S THEORY OF MOTIVATION

Freud's theory of motivation helps marketers create persuasive campaigns that go beyond logic, tapping into deep psychological needs. Brands that effectively use these insights can build stronger emotional connections with consumers, leading to brand loyalty and increased sales.

Components of Freud's Theory of Motivation.

1. The Id (Instinctual Desires).

The id is the source of psychic energy and *seeks immediate gratification for biological or instinctual needs. It is like raw and thus remains basic to the individual thought life. The id obeys the pleasure principle.*

The id is the primal, unconscious part of the mind that seeks instant gratification of basic urges and desires, such as hunger, thirst, and sexual impulses. It operates on the pleasure principle, meaning it wants immediate satisfaction without considering reality or consequences.

Example: Eating an entire cake because it looks delicious, regardless of dietary goals.

2. The Ego (Reality and Decision-Making)

The id is unconscious part while the ego is conscious part of human personality. The ego is associated with the reality principle. Here, ego keeps the id in check through the realities of the external environment through intellect.

"The ego" refers to the act of weighing consequences and tries to reconcile with reality. The ego is the rational part of the mind that mediates between the id's desires and the demands of reality. It operates on the reality principle, seeking ways to satisfy the id's desires in a socially acceptable and realistic manner.

Example: Opting to eat a small slice of cake instead of the whole thing to maintain self-control.

3. The Superego (Moral and Social Standards)

The superego represents internalized societal norms and val- ues, acting as a moral guide. It often conflicts with the id by encouraging ethical behaviour and self-discipline.

The super ego represents social and personal norms and serves as an ethical constraint on behaviour. It can best be described as the science. The super ego provides norms and values to ego to determine what is wrong or right at a given time in given situation / society. Con- science is developed by absorption of cultural values and norms of society. "The super ego" is a persons conscience. It is highly rational and tries to keep the activities morally right in essence the 'id' urges an enjoyable act; the super ego presents the moral issues involved in the ad, the id and super ego are sometimes in conflict. The ego is the conscious and rational control which maintains the balance between the id and the super ego.

Example: Feeling guilty about eating any cake at all because it goes against a diet plan.

4. Socio-cultural theories or models

This theory is developed by Thorstein Veblen. It is also known as Veblenian model or group theories. Socio-cultural theories or models in marketing focus on understanding how social and cultural factors influence consumer behavior, purchasing decisions, and brand perceptions. These models emphasize the role of cultural norms, societal values, group dynamics, and interpersonal relationships in shaping consumer preferences.

Thorstein Veblen asserted that man is primarily a social animal and his wants and behaviour are largely influenced by the group of which he is a member. The tendency of all people is to fit in society inspite of their likes and dislikes. Culture sub culture. Social classes, reference groups, family are the different factor groups that influence buyer behaviour

Culture groups are based on families and religion. Sub culture groups based on regional entities. Social class based on income or division of labour, etc. Among these groups, family plays an important role in the formation of buyer's behaviour.

2.11. REVIEW QUESTIONS.

PART - A

1. Define Consumer Behaviour.

2. What is Personal income and Family income?

3. Define Reference Groups.

4. List out types of Social Class.

5. Define Motivation.

5. What is meant by Perception and Attitude?

6. What is Post Purchase Evaluation?

7. What is Ego and Super Ego?

.PART – B

1. State the importance of Consumer Behaviour.

2. Narrate the social factors which influence consumer behaviour.

3. Narrate the social factors which influence consumer behaviour.

4. Who are the participants in consumer buying process?

5. State the Freud's Theory of motivation.

.PART – C

1.) Discuss the factors which influence consumer behaviour.

2.) Explain the process involved in consumer decision process.

3. Analyze the different types of buying motives.

4. Explain the need or importance of consumer behaviour.

UNIT – III

PRODUCT AND PRICE

LEARNING OBJECTIVES.

After reading this Unit - III, students will be able to:

- Understand the concept of marketing mix
- Know the various components of marketing mix
- Describe policies of pricing.
- Understand product mix, place mix and promotion mix.
- Learn about the concept of product and product mix.
- Understand the process of product planning.
- Learn about product analysis and product controlling.
- Understand the concept and objectives of pricing.
- Explain the process and types of pricing.
- Understand the factors affecting pricing decisions.

3.1 INTRODUCTION

The concept of marketing mix is an important element in the field of marketing. Marketing mix is the policy adopted by the manufacturers to get success in the field of marketing. The idea of marketing mix was coined by Prof. Neil H. Borden of Harward Business School.

Marketing mix is the combination of the product, the distribution system, the price structure and the promotional activities. It is an integration of marketing elements. It is used to describe a combination of four elements, the product, price, physical distribution and promotion. They are popularly denoted as four "P"s.

DEFINITIONS OF MARKETING MIX

According to Borden, *"The marketing mix refers to the appointment of efforts, the combination, the designing and the integration of the elements of marketing into a programme or mix which, on the basis of an appraisal of the market forces will best achieve an enterprise at a given time".*

According to Stanton, "Marketing mix is the term used to describe the combination of the four inputs which constitute the core of a company's marketing system-the product, the price structure, the promotional activities and the distribution system".

3.2. ELEMENTS OF MARKETING MIX

The term marketing mix has been popularized by the marketing experts in terms of four P’s and accordingly the elements of marketing mix has been classified as follows:-

1. Product

2. Price

3. Place (Distribution)

4. Promotion

(1). Product

Product is one of the important components of marketing mix. It is the starting point of all marketing operations. It is bundle of satisfaction than physical object only. Product is considered as the sum total of physical and psychological satisfaction it gives to buyer. *Product includes not only tangible attributes like design, package, label, color but also includes intangible or psychological attributes such as prestige of manufacturers, warranty, credit and delivery terms. The term product extends to tangible products like scooter, toothpaste as well as to intangible products i.e. services such as banking, insurance, repairing etc*.

The term 'product mix' refers to the entire range of products which a company offers for sale. It has three dimensions i.e. *(i) width, (ii) depth (iii) consistency which need special attention in effective marketing management. 'Width' of product mix refers to the number of product lines offered by the company. The term 'depth' means number of product items within each product line. 'Consistency' means how closely related the different product lines are in end use, distribution channels, and product requirements. Thus, there will be consistency when products have research affinity, marketing affinity and production affinity. It is important to mention here that product mix may consist of unrelated products. For example, Hindustan machine tools offer product mix with diverse range of products like tractors, machine tools, watches etc.*

Elements of Product or Variables of Product Mix

(a). Product design : The marketing decisions start with designing the product as per requirement of target market. The colour and line of products are planned to provide beauty and functional utility. Design is the major selling feature of all products. Good design provides attractiveness, safety, utility, ease of operation and advertising feature.

(b). Product line simplification: It means eliminating from product line those products which provide no incentive to company to continue their production. A company can go for simplification in case of decreasing marketing share, increasing promotional budgets, decreasing sales volume as a percentage of firms' total sales or increasing variable costs as compared to revenue.

(c). Diversification: Diversification means increasing the number of products in product portfolio of the organisation. Many companies in India have diversified their product lines and added heterogeneous product in their product portfolio such as Hindustan Machine Tools Ltd. with diversified products like wrist watches, tractors, printing machines and lamp making machines etc. A company can opt for diversification for corporate survival, stability or growth purpose.

(d). Branding: Brand means a name, number, symbol or design used to create identification of the product. When a brand receives legal protection enabling producer to make its exclusive use, it is termed as trade mark.

(e). Packaging: Goods may get damaged during transportation or they may be damaged in warehouses. Goods are packed in suitable containers so as to protect them from leakage, spoilage or breakage. Packing means to wrap or fill goods with the purpose of their protection and convenient handling. It will also increase their durability.

(f). Product labeling: Labels are fixed to products to describe their quantity, quality, ingredients, and other features. Labeling is compulsory by the manufacturers in case of drug, cosmetics and food items. They are required to give their name, date and place of manufacture, expiry date and batch number.

(g). After-sale services: Manufacturers of machines, instruments, equipments, gadgets etc. have to frame service policy to chalk out the plan for servicing such products after sale. It is to be decided that who will provide after sale service i.e. manufacturer, wholesaler, dealer or distributor. If after sale services are to be provided by middlemen, then they are to be trained properly.

(2). Price.

The price is another powerful element in the marketing mix. Price is the valuation placed upon the product by the offeror. Price refers to the willingness and the ability of the customer to pay for the utilities and satisfaction, the customer wants from a product or service. Price is the value of product expressed interims of money. The price of a product should be in such a way that the buyers can pay and the company can earn adequate profits.

The price mix decisions extend to the following areas:

- ***Ascertaining appropriate price i.e. right price.***
- ***Pricing methods, policies and strategies.***
- ***Discounts, margins, rebates.***
- ***Terms of delivery and mode of payment.***
- ***Credit policy.***
- ***Resale price maintenance***.

(3). Place (Distribution)

Distribution means using external and/or internal sources for effective movement of goods and services and performing various activities like transport, warehousing, inventory management and packaging to achieve marketing goals of the firm. *Effective distribution creates time, place and possession utilities in products and delivers high level of customer satisfaction at less cost. It increases sales, provides smooth flow of goods and reduces order processing and material handling cost*.

The distribution mix involves the following variables:

- ***Channels of distribution decisions.***
- ***Order processing..***
- ***Inventory level.***
- ***Warehousing decisions.***
- ***Product handling decisions.***
- ***Transportation decisions.***

(4). Promotion. Promotion is concerned with bringing products to the knowledge of customers and persuading them to buy. In other words, marketing promotion is a management process through which organization provides information and persuading the customers regarding product. Promotion mix is also known as market communication

Elements of Sales Promotion.

Advertising, sales promotion, personal selling, public relations are important elements of promotion mix.

(1). Advertising : *Advertising is paid form of communication of goods, services or ideas by¬ an identified sponsor which is directed at mass audience. Magazines, newspapers, radio, television, posters, hoardings, direct mail are different media used by advertisers to influence and induce the viewers, readers or listeners to buy the advertised products.* Choosing a right media, to convey message and persuade target audience to buy product or services, is a difficult task.

(2). Sales Promotion: *Sales promotion refers to short term special selling efforts to accelerate sales. It is a promotional activity which provides monetary and non-monetary incentives to spark an immediate reaction from target consumers (consumer sales promotion) and dealers or firm's salesperson (Trade promotion*s). Consumer Sales promotion pull a product or service by stimulating demand and trade promotions push a product or service by arousing enthusiasm among channel members to sell more of a particular brand. Dealer contests, price reduction, free gifts, retail outlet displays are important sales promotion tools. Sales promotion influences purchase behaviour and provides immediate incentive to buy. Sales promotion tools provide marvellous results when supported by advertising and personal selling.

(3). Personal Selling: *Personal selling refers to direct personal contact between a sales representative and one or more prospective customers to influence the customer in a purchase situation*. It involves securing information about buyer's unsatisfied needs and wants by the salesman and supplying information about goods and services to the prospective buyer. Sales talk and product demonstrations play an important role in personal selling.

(4). Public relations and Publicity: *Public relations and publicity aims at protecting and promoting company's image through number of programmes and activities.* Publicity and public relations increase effectiveness of promotion as consumers are now more interested in evaluating company brand or product on the basis of what is written about it in the media.

3.3 FORCES AFFECTING or FACTORS INFLUENCING THE MARKETING MIX

There certain forces which affect the marketing mix. H. Borden classifies these forces into four kinds namely. Consumer's behaviour, trade's behaviour, competitor's behaviour and Governmental behaviour. Some authors classify the forces into two groups. They are

I. Factors affecting the market or External Factors.

II. Factors affecting the product or Internal Factors

(1). Factors affecting the market or External Factors.

Following are the factors which affect the market:

1. Consumer's behaviour

2. Trader's behaviour

3. Competitor's behaviour

4. Government's behaviour

1. Consumer's behaviour.

The consumer's buying behaviour is affected by buying habits, buying power, motivation in buying, living standard, social environment, technological changes, etc. It affects the demand of the product. A marketing manager should analyze their effects on the demand of the product consumer need.

2. Trader's behaviour: The behaviour of intermediaries (wholesaler or retailers) and their motivation, structure, practices and attitudes affect the marketing of the goods.

3. Competitor's behaviour

Competition is another factor which affects the price and demand for the product. Following are the factors which affect the competitor's behaviour.

- Supply and demand of the product
- Choice offered by consumers
- Technological changes
- New invention
- Size and strength of competitors
- Number of competitors
- Direct and indirect competition

4. Government's behaviour.

Government agencies play an important role in the economic and industrial system of the country. So the marketing manager should consider the rules and regulations of the Government in respect of products, pricing, competitive practices, etc.*The above factors are also known as uncontrollable factors or external factors. These factors or forces can not be controlled by the business firms.*

(II). Factors affecting the product

There are certain factors which affect the product and the marketing mix. Some of them are given below:

1. Product planning
2. Price
3. Branding
4. Packing

5. Personal selling
6. Advertising
7. Sales promotion
8. Physical distribution
9. Market research
10. Internal competition

(1). Product planning.

The product of the company must satisfy the needs of the customers. To satisfy the consumers, a wide product policy is essential.Satisfaction of wants is an essential factor to achieve the aim of a business A good product policy is a guide for decision making. A product policy covers the following areas:

- the type of the product
- the design of the product
- quality of the product
- market segmentation
- the volume
- the time and place of the sale, etc.

(2). Price.

Price of a product affects the marketing mix of a product. Price is determined by various factors. The price of the product should be suitable to the market. So, a good pricing policy must be framed so as to meet the competition.

(3). Branding.

Branding must create a particular image in the minds of the consumers. A brand policy is to be framed. Formulation of brand policies and decision of trade mark are to be considered.

(4). Packing.

Packaging is also decided by considering its objectives and economies, in attractive style. So a packaging policy is to be framed Packaging policy serves three main purposes. They are

- Protection of merchandise
- Enhancement of the product value
- Advertising the product

(5). Personal selling.

Personal selling will be the marketing mix of a product. Person selling is an effective tool which helps to increase the sales and also know the consumer's needs and desire.

(6). Advertising.

Advertising is a mass communication media. At the time of introducing a new product, advertising plays an important role. A marketing manager has to consider the factors which affect the advertising policy of a firm.

(7). Sales promotion.

Sales promotion is a short term tool to increase the sales of a product. Sales promotion measures include exhibitions, displays, price reduction, etc. A marketing manager has to prepare the programme for sales promotion.

(8). Physical distribution.

Distribution is the delivery of products at the right time and at the right place. It includes channels of distribution, transportation, warehousing, etc. These are to be adjusted according to the marketing programme of the concern. Channels of distribution may be of two types:

I. Direct channel of distribution

II. Indirect channel of distribution

(9). Market research.

Market research is a system by which a marketer can analyse the market conditions. It helps to formulate suitable marketing mix.

(10). Internal competition: A large concern may have several departments. There must be co-ordination among the departmental managers in order to achieve the aim of a business concern.

The above factors are also known as controllable factors or internal factors. These factors are subject to the control of the management.

3.4. PRODUCT

Varied new ways of marketing have emerged in the market with the globalisation and advancements in the technology. Marketing is the process of ascertaining customer needs, converting them into the products and finally selling them to the desired customers and users to satisfy the needs and wants. These are product, price, place, promotion. Product is the chief component which is exchanged between the two parties of the marketing.

Meaning of Product

Product refers to tangible and intangible goods like physical objects, services, events, persons, places, organizations, ideas *For example, washing machines, soaps, exhibitions, business schools, etc. Services are the form of activities that consists of activities, benefits that are offered for sale and are essentially intangible. It is very vital that whatever is produced, it must be according to the preferences and demands of the customers as customer is the king of the market. Product can be in the form of raw material, work in progress and finished product.* and combination of these.

Definitions of a product

"A product is a bundle of physical service and symbolic particulars expected to yield satisfactions or benefits to the buyer".- **Philip Kotler**

"A product should be considered as a bundle of utilities consisting of various product features and accompanying services"- **Wroe Alderson**

"A product is a complex of tangible attributes, including packing, colour, price, manufacturers prestige and retailers prestige and manufactures and retailer's services which the buyer may expect as offering satisfaction of wants or needs". **William J. Stanton**

3.5. CHARACTERTICS OR FEATURES OF A PRODUCT

A product has the following important features:

(1) Tangibility

(2) Intangible attributes

(3) Buyers buy the benefits

(4) Exchange value

(5) Consumer satisfaction

(1). Tangibility.

A product has an important feature of tangibility. An item to be called a product should have a tangibility character, touch, seen, or feeling. *Example: Television set*. Tangible product is the basic physical entity which has precise specifications.

(2). Intangible attributes.

The product may be intangible, in the form of services, for example, banking services, workshop services, etc. It is an associated feature. *Example: Two wheeler,* *tangible product and when free servicing is offered by the seller,* then the two wheeler is not only a tangible item but also an intangible one.

(3). Buyers buy the benefit.

A product is the sum total of physical, economic, social and psychological benefits. Buyers buy the product. The product consists of bundle of utilities. Utilities satisfy the needs of the consumers. So consumers are buying more than a set of physical attributes. Buyers are buying want satisfaction.

(4.) Exchange value: Everything the purchaser gets in exchange for his money is known as a product. So a product has exchange value. It must be capable of being exchanged between seller and buyer for mutually agreed price.

(5). Consumer satisfaction.

A product is one which satisfies the needs of customers. A product should be considered as a bundle of utilities consisting of various product features and accompanying services. So products should have the ability to offer value satisfaction to the consumer. The satisfaction may be real or / and psychological.

3.6. COMPOSITION OF A PRODUCT.

A product has five levels. They are

(1). Core product

(2). Basic product

(3). Expected

(4). Augmented

(5). Potential

(1). Core product.

This is the first and the most fundamental level of the product. A product in its pure raw or natural form is called the core product. Core product is the product which provides core benefit. It is the genuine reason for which the product is purchased.

(2). Basic product.

It is the second level of the product. The marketer has to add a certain quality level, some more features, design the products packaging etc., to the basic level (core product). This is known as basic product.

(3). Expected product. : At the third level, the marketer adds another set of attributes and conditions to the core product. After that this product is known as expected profit. The attributes may be quality, price, packaging etc.

(4). Augmented product.

At the fourth level, the marketer adds new improved features to the product. This product is more than customer's expectations. Moreover, these improved features are not being offered by competitors.

(5). Potential product.

At this level, the marketer adds certain exclusive features in their product. In order to have a distinct identity of product, exclusive features are added. The main aim is to differentiate the firm's product from competitor's product.

3.7. COMPONENTS OF A PRODUCT.

The physical attributes of a product has the following components:

- Brand
- Brand image
- Guarantee/Warranty

- Product services
- Psychological benefits
- Safety

3.8. NEW PRODUCT

A new product refers to goods, service, or idea that a company offers to the market for the first time. It can be completely novel or an improvement, modification, or extension of an existing product.Introducing new product is a strategy to address consumer needs, stay competitive, and increase market share. New product may be regarded as a product which may have several recognizable categories, such as

(i). products which are 'really', innovative, truly unique

(ii). Adaptive replacement of existing products involving a 'significant' differentiation in the existing article.

(iii). initative products which are new to a company but not new to the market.

TYPES OF NEW PRODUCTS

(1). Innovative Products:

Innovative products are completely new and unique in nature. These create a new market (e.g., the first smart phone).

(2). Improved Products:

Enhancements or updates to existing products (e.g., a new version of software).

(3). Line Extensions:

New products are new variations of an existing product line (e.g., a new flavor of a popular snack).

(4). Repositioned Products:

New products are those existing products which are marketed to a different audience or for a new use (e.g., baking soda marketed as a cleaning agent).

3.9. PRODUCT MIX

The product mix (or product assortment) refers to the complete range of products and services that a company offers to its customers.

Product mix is sum total of all the products manufactured or traded by some business firms to reinforce their presence in the market, increase market share and increase turnover for more profitability. Product mix denotes the complete set of all products offered for sale by a company.

Product mix refers to the collection of products dealt with by a business 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 sale. It is defined as the composite of products offered for sale by a firm or a business. The composite products offered for sale by a firm or a business unit.

Definition of product mix:

"Product mix (also called as product assortment) is the set of all product lines and items that a particular seller offers for sale to buyers" - Philip Kotler

"The product mix is the full of all products offered for sale by a company" - **William J. Stanton**

3.10. PRODUCT MIX or PRODCUT ASSORTMENT or DIMENSIONS OF PRODUCT MIX

A product mix has three dimensions namely, width, depth and consistency. Philip Kotler adds one more dimension known as length.

1. Product Width.

This term refers to the number of product lines possessed by a firm. For example, Hindustan Unilever has many product lines like Personal care, Food, beverage, Industrial goods, Agriculture products etc.

2. Product Length.

This term denotes the number of different items offered under each and every product line. For example, Proctor & Gamble offers different products in a given line. Tide, Aerial etc. are different washing powder offered by Proctor and Gamble.

3. Product Depth.

The depth of a product refers to number of variant offered under each product in the line. Example, Hindustan Uniliver offer tooth paste named close up at different size like 200 gram, 150 gram, 100 gram, 50 gram and 5 gram. In this case Hindustan Uniliver has a product depth of 5. The different variants may include size, colour, flavor, fragrance etc.

4. Product Consistency.

This term implies the relatedness of various product lines in terms of end use, production requirements, distribution channels etc. P & G's product lines are consistent in so far as the consumer goods go through the same distribution channels. The lines are less consistent when they perform different functions for the buyer.

The product mix is a strategic aspect of marketing as it helps companies to determine how to allocate resources, manage product life cycles, and reach different customer segments effectively. A well-planned product mix helps companies to meet diverse customer needs, optimize market coverage, and adapt to changing market conditions.

3.11. FACTORS INFLUENCING PRODUCT MIX.

The fundamental reason for changing product mix is due to the change in the market demand. It is impossible to determine the exact number of product items or lines which a firm should deal. The factors which usually influence the product mix decision are the following.

(1). Market Demand

(2). Cost of production

(3). Quantity of production

(4). Advertising and Distribution factors

(5). Use of Residuals

(6). Change in company desire

(7). Competitor's Actions and Reactions

(8). Change in purchasing power

(9.) Full utilization of Marketing Capacity

(10). Goodwill of the company

(11.) Financial influences

(1). Market Demand .

Changes in demand occurs due to the following factors:

- ✓ Population increase
- ✓ Changes in the level of income of the buyers
- ✓ iii) Changes in the consumer behaviour

(2). Cost of production.

If a company can develop a new product with the help of the existing resources, it can start the production of that product at lower cost.

(3). Quantity of production.

If the production of the new product is considered to be at large scale and the company can add one more item to its product line just to get the economies of large scale, production it can make this new product.

(4). Advertising and distribution factors.

If the advertising and distribution organization are the same, a company may add one or more item to its products line. It will lower down its advertising and distribution cost.

(5). Use of Residuals.

If residuals can be used gainfully a company can develop its by products into the main products. Example: Sugar mill.

(6). Change in company desire.

Unprofitable products or processes may be eliminated and the company may start the process of producing a new product. It will reduce the cost of production.

(7). Competitor's action and reactions : To meet the competition, a firm has to differentiate its product line. It can add a new product to its product line when it thinks that it has the capacity to meet the competition.

(8). Change in purchasing power.

If there is a heavy demand for the product due to increase in the purchasing power of the society, it may add one more product to its product line.

(9). Full utilization of Marketing capacity.

If the marketing personnel are not being utilised fully, then the company may add a new product to its product line. It helps to reduce its marketing costs.

(10). Goodwill of the company.

If the company is of repute, it can market any new product without much difficulty. Because people will accept any product which is introduced by the firm.

(11). Financial influences.

The firm may add or drop out product line as per its financial resources. The product mix may be expanded to increase a firm's profitable sales volume; or a product line may be dropped to meet depression in the market.

3.12. PRODUCT PLANNING

Product planning is the systematic determination of the manufacturer's product-line. Product line refers to the variations in the products which are offered in the market for the sale. It comprises of two words, product and planning. Product refers to all goods and services that satisfy the consumers and planning refers to looking in the future. Thus, product planning includes all those activities which decides that which products of a company should be offered to the market for sale so that in spite of acute competition in the market which can be sold profitably.

Product planning is a process of searching new ideas to produce and launch a product in order to earn the higher profits. It is further concerned with monitoring the ideas systematically, converting them into tangible products and introducing the new product in the market for the use. It also comprises of formation of policies and strategies. It includes improvement and expansion in the existing products. Product planning is a complex process and requires effective coordination between different departments of the organization.

Definition of product planning

Product planning has been defined by AMA as "the act of making out and supervising the search, screening, development and commercialisation of new products, the modification of existing lines, and the discontinuance of marginal or unprofitable items".

Objectives of Product Planning

Product planning is required for the following reasons:

- ✓ To meet customer needs.
- ✓ To ensure proper and optimum utilisation of resources.
- ✓ To increase firm's sales.
- ✓ To employ surplus funds or borrowing capacity.
- ✓ To diversify risks and face competition
- ✓

3.13. PROCESS OF PRODUCT PLANNING OR PROCESS OF PRODUCT DEVELOPMENT.

New product development is a growth strategy because of the heavy role which the marketing plays in finding, development and launching of new products successfully. New products can be product modifications and new brands which the company develops through its own R&D efforts. A key factor in effective new product development process is to establish workable organizational structures. The process is as follows :

1. Idea Generation.

The new product development process starts with the search of new idea. The top management defines the markets and the products to be emphasized. It should state the new product objectives and should state how much effort should be devoted to development of original products, modifying existing products and imitating competitors' products. New products ideas can be derived from many sources like customers, scientists, competitors, company's sales people, dealers and top management. Idea generation includes techniques like forced relationships, problem analysis, brainstorming and synetics help in generating better ideas.

2. Idea Screening.

The second stage is idea pruning or reducing by screening. In this stage, the company must avoid the drop error, i.e. permitting a poor idea to move into development and commercialisation or dropping a good idea. The purpose of screening is to spot and drop poor ideas as early as possible, and making rough guesses for market size, product price, development time and costs, manufacturing costs and rate of return.

3. Concept Development

Surviving ideas must be developed into product concepts. A product idea is an idea for a possible product that the company can see itself offering to the market. A product concept is an elaborated version of the idea expression in meaningful consumer terms. Like producing any powdered item for putting in milk to change its flavour is a concept development. *EXAMPLE: Horlicks jar occupies an important position in the kitchens. Since, 1930's it is one of the best known brands in the health food industry. It owes a success to a strong brand heritage, commitment to quality, focused communication, and a deep understanding of the consumer needs. The Horlicks product concept was developed by James Horlicks and his brother* William in Chicago, U.S.

4. Marketing Strategy

The new product manager needs to preliminarily test the new product in the market. It will help in refinement of the product in further stages. The marketing strategy consists of three stages. The first stage describes the size, structure and behaviour of target market. In the second stage the product planned price, distribution strategy and marketing budget for the first year. The third part describes the planned long run sales, profit goals and marketing mix strategy.

5. Business Analysis

The next stage is the evaluation of the business attractiveness of the proposal. The management must review the sales, costs and profit rejections to determine the objectives. If this is done then the product moves to product development stage. With any new information, the necessary required changes are made. The management needs to *estimate about the sales and this is done by estimating the first time sales and replacement sales and also repeat sales. After preparation of the sales forecast, the management estimates the costs and profits and this is done by R&D, manufacturing, marketing and finance departments.*

It is an in depth study of the economic feasibility of product ideas. It is assessing the profitability of a new product idea that helps management in deciding whether to introduce the new product, continue the development and the evaluation further or to drop the idea. It is the evaluation of product idea in depth to determine its financial, competitive, manufacturing and marketing viability in an accepted business environment

6. Product Development

If the product passes the business analysis, then it moves to the R&D and engineering departments to be further developed into a physical product. This stage provides the answers for the product idea which can be translated into the technically and commercially feasible product. The R&D department develops one or more physical versions of the product. It helps to find whether the consumers see the product as embodying the main attributes of the product.

7. Test Marketing.

After the management is satisfied that the product's functions are proper, the n the product is considered to be ready for the dress-up with a brand name, packing, and a preliminary marketing programme. The main purpose of the test marketing is to learn how the consumers and dealers react to handling, using and repurchasing the actual product and how large the market is. The cost of marketing test may be enormous and take time that may allow competitors to gain advantage. If management is confident about the new product then the company may do little or no test marketing. Test marketing is an ultimate test to experience and experiment with actual selling and purchasing of the product.

Test marketing is done due to following reasons

- ✓ It helps the company to get knowledge about the potential market of the product.
- ✓ It helps to pre test the marketing plans of the company.
- ✓ It helps the company to get knowledge about the reactions of the customers..

- ✓ It helps the company to find faults in the product.

8. Commercialization

Test marketing apparently gives the management necessary needed information to make a final decision about the launch of the product. In launching new product, the company makes the new decisions, like when the product be introduced, where should it be introduced and in which target market should it be introduced and how the company should introduce it.

3.14. PRODUCT MODIFICATION

Product modification is an adjustment made to an existing product, usually made for greater appeal or functionality. A modification may include a change to a product's shape, adding a feature or improving its performance. Often a product modification is accompanied by a change in packaging. It is

i). A strategy of quality improvement aims at increasing the product’s functional performance - its durability, reliability, speed, taste.

ii). A strategy of feature improvement aims at adding new features (for example - size, weight, materials, additives, accessories) that expand the product’s versatility, safety, or convenience.

iii). A strategy of style improvement aims at increasing the product’s aesthetic appeal. The periodic introduction of new car models amounts to style competition rather than quality or feature competition.

3.15. PRODUCT DIVERSIFICATION

Product diversification is the process of expanding business opportunities through additional market potential of an existing product. Diversification may be achieved by entering into additional markets and/or pricing strategies. Often the product may be improved, altered or changed, or new marketing activities are developed. The planning process includes market research, product adaptation analysis and legal review.

Product diversification involves addition of new products to existing products either being manufactured or being marketed. Expansion of the existing product line with related products is one such method adopted by many businesses. Adding tooth brushes to tooth paste or tooth powders or mouthwash under the same brand or under different brands aimed at different segments is one way of diversification. These are either brand extensions or product extensions to increase the volume of sales and the number of customers.

3.16. PRODUCT ELIMINATION

Product elimination is a withdrawal of a product from the normal market place The decision to drop a product (for example, in the decline stage of its life cycle) in order to use the costs associated with it to enhance profits or to release resources that could be more effectively used in other ways. Product elimination is elimination or complete withdrawal of a product from the market. *For example, withdrawal of ZEN model of car by Maruti Suzuki from Indian markets.* The process of evaluation of a product's performance falls into the below categories-

- **Performance** – sales, market share, costs involved in manufacturing, promotion and profit made
- **Product line/mix** – if the product elimination will have impact on the sale or other products (product mix), brand, and customer needs. *For example, pharmaceutical companies ensure that their product elimination doesn't affects the need in the market.*
- **Customer need** – ability/ inability of the product to satisfy the need of the customer.
- **Operations** – impact on manufacturing activity, marketing, resources, management's and employee's time, support activities line servicing and maintenance.

- **Distributors and Suppliers** – how the product elimination will impact the profits and relationships with suppliers and distributors. The organization has to assess how they will react to its decision.

3.17. PRODUCT LIFE CYCLE

Like human beings, every product has its own life. It is born, grows up fast, mature and then finally passes away. When the product idea is commercialized, the product enters into the market and competes with the competitors for making sales and earning profits. Products have length of life. This length of life to products is known as product life cycle. A new product progress through a sequence of stages from introduction to growth, maturity and decline. The sequence is known as Product Life Cycle. The product life cycle is termed as product market life cycle.

The Product Life Cycle (PLC) in marketing refers to the stages a product goes through from its introduction to the market until it is eventually discontinued. It helps businesses to understand how their product performs over time and guides marketing strategies at each stage. The period of product life cycle may differ from products to products.

3.18. STAGES OF PRODUCT LIFE CYCLE

The various stages of the product life cycle are shown below; the typical product life cycle graph is a bellshaped curve depicting different stages:

I. Market Introduction Stage

It is a stage wherein the product is launched in the market with the full scale production and marketing programmes. The product is new one. The new product means that product which opens up in the market and which is new in the market and which replaces an existing product. Because of it, the growth rate is very slow. In this stage, there is low profit margin, few direct competitors, high production and distribution costs, *limited markets, more emphasis is paid by the company on the advertising and sales promotion activitie*s. The main characteristics of this stage are as follows:

1. Low and Slow Sales: The growth in sales volume is at a lower rate due to lack of knowledge about the products in the consumers, delay in expansion of production facility, delays in making available the product to consumers due to lack of retail outlets of the product.

2. High promotional expenses: During this period of introduction of the product, the promotional expenses are the highest. This is because of small sales and high promotional efforts to create demand. Demand for the product is created by informing potential and present customers.

3. Highest Product Prices: The process charged at the beginning is the highest due to low sales output and very few competitors. There are also some technological problems also which are encountered at the launch of the product.

4. Narrow Product Line: In this stage, the product has only one model and this product line is shorter and also the market area for the product at the introductory stage is limited. The main aim of this stage is to create awareness and to generate demand for the product.

The main aim of this stage is to create awareness and to generate demand for the product.

II. Market Growth Stage

Once the product is accepted by the market, the next stage comes of the growth in sales of the product. In this stage, the product achieves the considerable approval in the market. The sales and profits increase at an increasing rate in this stage. The main characteristics of this stage are as follows:

1. Rapid Increase in Sales: The sales in this stage increase at a rapid rate as the consumers become familiar with the product and they start accepting the product. Moreover the distribution network of the product is established at this stage. The promotional expenses are heavy and there is product improvement and also there is increase in number of product items in the product line.

2. Product Improvements: in this stage, the manufacturer improves the product quality and also adds some new features in the product. The length of product line id enlarged by introducing the new versions of the product fulfilling the requirements of different types of the customers.

3. High Promotional Expenses: In this stage of growth, the promotional strategy of the product changes. At this stage the product is promoted so that the customers identify the product through its brand. Special offers, concessions, allowances are provided.

4. Increase in profits: During this stage, the profits of the manufacturers, retailers and the distributors increase at a rapid rate

The main aim of this stage is to expand market reach and attract new customers for the new product.

III. Market Maturity Stage

Ultimately, the market becomes saturated as the household demand is satisfied and the distribution channels are full. Sales level off and over capacity in the production channel becomes apparent. The greater the cost of production at a level which gives him low unit costs. The product has to face keen competition which brings pressure on prices. The sales rise at lower rate and profit margin also declines in this stage. The main characteristics of this stage are as follows:

1. Sales increases at decreasing rate: as most of the demand of customers is satisfied, the increase in the sales level is at decreasing rat. This happens as the demand is of repeat sales, competitors enter and the prices falls and selling becomes more aggressive. Moreover, the profits are squeezed. This leads the firms to employ extension strategies to retain their market share. The extension strategies can be development of new products, new uses of the products, wider range of products and development in the style of the product.

2. Normal Promotional Expenses: During this stage, the promotional expenses reach a normal ratio to sales. Advertising at this stage lays more emphasis on brand promotion.

3. Product modifications: Efforts are made for product modifications, improvements in marketing mix or product mix becomes apparent.

4. Uniform and lower prices: Prices charged by the manufacturer are quite lower and uniform with the competitors. 5. Profit margin decreases: In this stage, prices are lowered and promotional efforts are made aggressive to face competition. This lowers the profit margins of both manufacturers and retailers.

The main aim of this stage is to retain customers through loyalty programs and discounts.

iv. Saturation

In the saturation stage, the sales are at the peak and further increase is not possible. This is a period of stability. The demand for the products is stable. During this stage, other competitors shall also become popular and invade the market. It brings the cost of distribution and promotional efforts at high. Fresh efforts are made in this stage to improve the products

The main aim of this stage is to decide whether to rejuvenate the product (e.g., rebranding) or phase it out.

V. Market Decline Stage

The final stage of the product life cycle is called market decline stage. It is the terminal stage in which the sales begin to fall under the impact of new product competition and changing consumer behaviour. The sales and profits fall down sharply and the promotional expenditure has to be cut down. The main characteristics of this stage are as follows:

1. Rapid fall in Sales: As the product becomes old and the new products are available in the market and there is change in the trend in the market. People get more interested in buying new products. The sales fall shapely and over production of the product becomes a major problem for the company.

2. Further fall in prices: Due to rapid reduction in sales of the product the company reduces prices to intensify competition to liquidate the stock.

3. No promotional expenses: Due to saturation, advertising and sales promotion efforts lose their effectiveness. Therefore, many companies reduce their advertising budget. Distribution network is also reduced to the minimum. Only selected promotional expenses are incurred.

At this stage, new strategy to be taken by a manufacturer or producer is known as injecting new products.

vi. Obsolescence

At this stage there is no chance for profitable sale of the product. The product become totally out of date. Because new products are developed and introduced by the competitors. Profits are reduced to negligible point. It is advisable to switch off to other products. Therefore the management must drop it from the product lie.

Life Cycle helps marketers to allocate resources effectively, plan product extensions, and decide when to introduce new products.

Benefits of Product Life Cycle Concept

- It helps to prepare an effective product plan.
- It helps to chart styles, fashions and facts.
- It helps a firm to improve its forward planning.
- It helps to adopt product modification, pricing strategies, style, quality change etc
- It facilitates estimation of profits.
- It is useful to chart individual item, brands, product forms, etc.

3.19. PRICING

Price is one of the most important elements of the marketing mix. This is the only element which generates revenue for an organization and determines its growth. The other three main elements of the marketing mix are Product, Place and Promotion. *A* *firm incurs a certain cost to produce a Product or service. The Place element is concerned with the sale and distribution of the product through various channels, therefore a firm incurs some expense there, like in choosing the sales-methods, payment to salesmen, expense incurred on transporting products to place of selling, etc. The Promotion element, concerned with the advertising and promotion of the firm‟s product leads to expenditure on different promotion and advertising media like TV& Radio advertising, sample-promotion, etc.*

All of these are the variable costs for an organization, that is, these costs change with the changes in level of production and sales activity; therefore influence the process of setting the right price for the product. *"Right price‟ denotes the level of price which can cover all these expenditures on the final product and brings some profit to the firm.*

Meaning of 'Price'

The term *price* denotes money value of a product. It represents the amount of money that customers pay to the sellers to gain benefits of having or using a good or service. In fact it is marketers' assessment of the value customers see in the product. *So price indicates the money value which a buyer is ready to exchange for purchase of certain good or service*.

The *definition of Price according to Philip Kotler* is "Price is the amount of money charged for a product or service."

According to William Stanton "Price is the amount of money needed to acquire some combination of goods and its companying services."

Pricing is defined as "The process whereby a business sets the price at which it intends to sell its products and services".

3.20. 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 organizations 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:

1. Ensuring target return

2. Market share

3. Preventing Competition

4. Maximizing the profit

5. Stabilizing the price

6. Ability of the customers

7. Resource mobilization

8. To achieve long run welfare of business

1. Ensuring target return

The main goal of pricing policies is to achieve the expected profit. The prices of the products are so calculated as to earn that rate of return on investment. Every business requires capital for making both capital and revenue expenditure. So the business aims to have minimum return on its investments. Then it fixes the price accordingly. Here the pricing is based on seller oriented policy.

2. Market Share

Second objective of pricing is to increase in market share. Another objective of pricing policy is to acquire a position in the market. Higher the sales volume may lead to lower unit costs. Lower unit costs may increase the market share and this leads to earn higher long term profit. A good market share is the best indicator of progress. When the market share is decreasing, low pricing policy can be adopted because competitors may be discouraged from entering the market and new users may also attracted. Thus, it helps to increase the market share of business.

3. Preventing Competition

Preventing Competition is the third important objective of pricing. Meeting competition is an important factor to be considered when the product is introduced in a competitive market. That is, the pricing policy of a firm aims at facing the competition successfully. In such a way, firms fix their prices that they are able to compete with others. A low pricing policy can attract customers and can get a good market share. It may also discourage competitors also. To meet the competition in the market, a firm should frame a suitable pricing policy after considering the price of rival products, existing competition etc.

4. Maximising the profit

Profit maximization is the basic goal of marketers. The scarcity conditions offer chances for profit maximisation by high pricing policy. Pricing policy directly affects the earnings of the concern. So, the first objective of a pricing policy is the maximisation of profit. That is, the pricing decision should be made with a view to maximise the profit in the long run.

5. Stabilising the price

The price fixed once should be reasonably stabilised as it will give a continuous income to the firm and bring reputation also. When the price of the product often changes, there arises no confidence on the product. A stable price policy can win the confidence of the public. So, even during periods of depression, the prices should not be allowed to fall below a certain level. Like this, in the boom period, the prices should not be allowed to rise beyond a certain level.

6. Ability of customers

Sometimes, the firm fixes its prices in such a manner that ability to pay principle of taxation is followed. That is, price decisions may be taken according to the ability of the customers to pay for the product.

7. Resource mobilization

Resource Mobilizing means the creating resources for either self – development or reinvestment in the firm. Prices are deliberately set high in certain cases to generate surplus for reinvestment in the same firm or its sister concerns, e.g. petrol rates are kept very high as it yields a good surplus (excess of income over spending) because gasoline automobiles depend fully on petr.

8. To achieve long run welfare of firm

To achieve long run welfare of the firm is also one of the objectives of pricing policy of a concern.

3.21. PRICING PROCEDURE

After laying down the objectives, the price of the product is determined. It is the base price which is set initially and quoted to buyers. This price is subject to changes as per policies and strategies of firm to meet specific market situation. The pricing procedure consists of the following steps:

1. Collecting the necessary information

First of all, a strong and upto date information base is developed to take an effective decision regarding price. Information about cost of production, government regulations, collaboration arrangements and industry practices is collected. The cost of production indicates the expenses incurred to make the product. Obviously the price should not be fixed below cost. It will lead to losses to firm. The price control measures of government should be studied. Upto date information about various laws affecting price or seller's pricing policies is of utmost importance and needs to be collected. Restrictions imposed by foreign collaborators of the firm are required to be thoroughly studied. Sometimes agreements with suppliers also affect pricing decisions. So these should be considered to create a sound information base. Further, it is equally important to have knowledge about practices and methods of pricing adopted by other members of industry.

2. Selecting the target market

It is important to select the market where marketing manager wants to sell the product. The paying capacity, willingness to pay, buying pattern, buying motives, price sensitivity and attitude about firm of customers / consumers in the target market affect the pricing decision.

3. Estimating demand

Next step, is to estimate the demand of the product. For this, there is need to know the expected prices for which survey may be conducted of competitors' price, potential buyer or even test marketing can be initiated. Then, there is need to determine the sales volume at different prices. So demand schedule is developed which indicates demand as reflected in sales volume at different prices. Thus, sales forecasts, intermediaries' opinion and degree of market competition will help in determining total demand.

4. Anticipating competitive reaction

It is essential to anticipate the reaction of competitors at present and in future as it has great impact on pricing decision of the firm. The firm may face competition from similar products like car manufacturer faces competition from other car manufacturer; from close substitutes like motorcycle manufacturer face competition from scooter manufacturer; or even from unrelated product seeking same consumer's disposable income. Competitors' reaction may be instant or delayed. In instant reaction, competitor changes price quickly so as to be at par with the firm or capture a large market share. In delayed reaction, competitor watches the market reaction and then reacts if he seeks any opportunity or feels threat. To know the competitors' reaction, it is essential to collect information about competitors regarding their cost structure, production capacity, market share, promotional strategies and various marketing policies.

5. Understanding the Internal Environment

The next step is to study and understand the internal environment of the firm in terms of labour relations, production capacity, contracting facilities, ease of expansion and supply of inputs. Sometimes, inefficiencies in internal environment lead to more wastages or increased overheads due to idle plant, idle labour or penalties etc. These inefficiencies result in increased cost of production per unit. So prices are to be fixed higher in such circumstances to cover the cost.

6. Considering Components of Marketing- mix

In this stage, there is need to consider the other components of marketing mix such as product, distribution channels and promotion for determining price. The price of the product is influenced by the degree of perishability of product. Faster the perishability of product, lower will be the price. Thus, price is affected by nature of product i.e. whether product is durable or perishable, old or new, consumer product or industrial product. Apart from this, strength, composition and quality of product do affect its price. The length of distribution channel affects the pricing decision. Longer channel would require higher list price so as to provide a sufficient margin for middlemen. Likewise, more promotional efforts would require higher price to cover promotional expense.

7. Selection of pricing policies and strategies

Pricing policies and strategies provide guidelines for setting as well as varying the prices as per specific market need. There are number of pricing policies available and a firm can choose suitable policies. Keeping in mind the pricing objectives, a suitable pricing strategy should be selected. Skimming pricing strategy is characterized by high prices. It can be used if the new product is distinctive and consumers are not price sensitive. Penetrating pricing strategy is characterized by low initial prices. It can be used if consumers are price sensitive or there is possibility of high competition.

8. Price determination

For determining the price, the management should use all decision inputs and determine a suitable price. The price may be determined on the basis of cost of production, competitive prices or forces of demand and supply. It is necessary that the price should be checked against pricing objectives to determine the consistency of price with pricing objectives and narrow down their difference. It is also desirable to test market validity of price through test marketing for its wider acceptance in actual market. Before quoting the price as list price to consumer, a feedback of consumers' reaction (in test market) and intermediaries' reaction should be taken and accordingly a realistic price should be fixed and quoted. 5. Factor Affecting Pricing Decision.

3.22. FACTORS AFFECTING PRICING OR FACTORS DETERMINANTS OF PRICING POLICIES.

The decisions related to price and pricing policies of a firm are affected by several factors present in marketing environment. A firm plans production keeping in view the customers' needs, market characteristics, competing firms, behaviour of suppliers and distributors for its product and certain legislative factors. These factors give important inputs to the management for marketing-decisions. A firm also gives due consideration to these factors while determining price of the product. These are studied under two categories:

I. Internal factors

II. External factors.

FACTORS AFFECTING PRICING

I. Internal factors

1. Objectives of the firm
2. Role of Top Management
3. Cost of the Product
4. Product Differentiation
5. Marketing Mix
6. Size of the organization
7. Location of the organization
8. Nature of Goods.
9. Promotional programs

II. External factors.

1. Demand.
2. Buyers' behaviour.
3. Competition.
4. Raw Material or Input suppliers.
5.Prevalent Economic Conditions.
6. Government Regulations

I. Internal factors.

Internal factors are the forces which are within the control of a firm up to certain extent. The firm can regulate and change these factors as per requirement. For example all the P‟s of marketing mix, procurement of raw material, employment of labour and cost of production etc. not only determine the success of firm’s operations, but also have great influence on product pricing. The factors can be discussed as following-

1. Objectives of the firm

A firm may have various objectives and pricing contributes in achieving them. Firms may pursue different objectives such as maximizing revenue, maximizing profit, maximizing market share or maximizing customer satisfaction. The Pricing policy should be established only after clear consideration of the firm‟s objectives.

2. Role of Top Management

Usually, it is the top management that takes a firm‟s pricing decisions. But pricing activities are so crucial for future sales and profits that a marketing manager has to remain involved with the pricing. The role of the marketing manager is to assist the top management in price-determination and ensure that pricing takes place within the policies laid down by top-management.

3. Cost of the Product

There is a direct relation between the cost of production and price of a product. If the cost of acquiring material and manufacturing cost of the product are high, the price of the product in the market will also be higher and vice versa. The firm should also fix prices that are realistic, considering current demand and competition in the market.

4. Product Differentiation

The price of a product also depends upon its specifications. Generally, producers add more and more features to their products to attract customers, and the customers pay a price for them. Therefore, a highly differentiated product will have more features and attributes, and a higher price than one which is less-differentiated.

5. Marketing Mix

Price being an important element of the marketing-mix must be coordinated with the other elements- product, place and promotion. The price should be such that it covers the expenses on the other elements of the marketing mix and corresponds to them ideally. For example- a high-priced branded electronic product should be sold in high-end urban showrooms instead of rural markets; the promotion technique should be TV-advertising and not personal-selling, etc.

6. Size of the organization

If the size of firm is big and the scale of production is large, it can afford to set lower product price and increase its sales. On the other hand small sized firm keep high price of its products.

7. Location of the organization.

Location of the organization is an important determinant of the price of a product. The price and product-size will vary depending upon whether the market is located in a rural or urban area. For example, in the kirana stores in smaller towns and villages, one will find the Rs 1 or Rs 2 shampoo-sachets instead of a big 200ml or 250ml bottle found in departmental stores in a large city of the same shampoo.

8. Nature of Goods.

If product is necessity good, firm may set a moderate price keeping in view social welfare purpose; but if the product is luxury good in nature and is being demanded by high end consumers; its price will be high.

9. Promotional programs

The extent of promotional programs and advertisement expenditure also influence the price of a product. If it is huge, the product will have high price and vice-versa.

II. External Factors.

External factors are forces which are beyond control of the firm. A firm cannot alter or change these factors or forces for its advantage. These factors can be discussed as following –

1. Demand.

The market demand for a product has a direct impact on its pricing. Since demand is affected by prospective buyers, their incomes, tastes and preferences etc., they should be taken into account while making decision of pricing. For an instance if the demand for a product is inelastic, as in case of necessity goods, a high price may be fixed. But if the demand for a product is elastic, i.e., changeable in response to change in price, the firm should not fix higher prices; rather fix lower prices to grab major market share.

2. Buyers' behaviour.

Buyers' behavior also affects the pricing decisions. If they are habitual of the product the price may be fixed high. Similar pricing decisions are taken by the firm, if buyers have a particular perception of the product being a symbol of prestige/ status, or utility, e.g. luxury cars.

3. Competition.

Market-competition plays a crucial role in pricing. In a highly-competitive market, a seller's objective is to give maximum utility at minimum-possible price. Each firm tries to outsell others offering lesser price and better quality products in the market. Therefore, prevailing information about what price the competitors are charging for similar products and what possibilities exist for increasing/decreasing price also affect pricing.

4. Raw Material or Input suppliers.

Pricing decisions take into consideration three parties- the supplier of raw material, the manufacturer, and the final consumer. If the supplier charges a high price for inputs, the manufacturer shifts this burden to the consumer by charging a higher price for the final product. On the other hand, if a manufacturer is making large profit on a particular product, suppliers will also try to cash in on these profits by charging a higher price for the raw material. When this happens, the manufacturer would only want to absorb the additional cost and not increase the prices further.

5. Prevalent Economic Conditions.

During a boom-period in the economy, when market conditions are favourable due to "bullish attitude" or inflationary trend, firms can afford to fix higher prices of their products. On the other hand, during slump-period when market conditions are unfavorable due to „bearish attitude‟, firms have to lower the prices of products to keep the business going and to clear off their old stocks.

6. Government Regulations

If Government policies exert regulatory pressures, promote anti-price rise sentiment etc, then the companies cannot fix a higher price to capture the market. On the other hand, if government policies are supportive and promote businesses through healthy competition in the market, then firms can fix higher prices.

3.23. KINDS OF PRICING or TYPES OF PRICING

A firm may choose various kinds of pricing for their products. Following are the various kinds of pricing.

1. Odd Pricing

Odd Pricing refers to a price ending in an odd number or a price just under a round number. *For example, a shoe company priced one of its products at Rs. 49.96. Such a pricing is adopted generally by the seller of specialty or convenience goods.*

2. Psychological pricing.

Seller should consider the Psychology of prices besides their economics. Most buyers use the price as an indicator of quality. *Generally high Quality products are considered to be of high quality. Under this method, the price is fixed at a full number*.

3. Customary prices.

Under this method prices are fixed by custom. The prices are fixed to suit local conditions. This kind of pricing is usually adopted by chain stores. *Example soft drinks are priced under this method.*

4. Pricing at the prevailing prices.

This type of pricing is undertaken with a view to meet the competition. It is also known as pricing at the market. Such a policy is aimed at avoiding price competition and price wars. There is no possibility of further price reduction. This type of pricing is based on the principle that a price above those of the competitors would sharply bring down sales.

5. Prestige pricing

Many customers judge the quality of a product by its price. *Generally inferior quality products may be priced at lower price and high quality products may be priced at higher price.* This type of pricing is applied to luxury goods.

6. Penetration pricing.

Penetration pricing is intended to help the product penetrate into markets to hold a position. Under this method price is fixed at low price in the initial stages or till such time the product is finally accepted by customers. *Due to the lower price, sales volume goes up and competition falls down. This method of pricing is suitable under the following circumstances:*

i. When the sales volume of the product is very sensitive to price.

ii. When a large volume of sales is to be effected

iii. When the product faces a threat from competitors.

iv. When stability of price is required.

7. Skimming pricing.

This method is opposite to the penetration pricing. This is also termed as "skim the cream pricing". Under this method, a very high price is fixed for a new product initially and later the price is reduced gradually when competitors enter the market.

This method starts with a skim price (high price) and moves the price downward step by step until it reaches the right price. The idea is that when a producer is unsure about what price to charge, it is advantageous to begin with too high an initial price and move systematically downwards.

8. Price lining.

This method of pricing is followed by the retailers under this method. Pricing decisions are made initially and such fixed prices remain constant over a long period of time. *Under this pricing decision, any changes in the market conditions are met by making adjustments in the quality of the product rather than the price of the product.*

9. Geographical pricing.

This policy is sometimes used where a producer serves a number of distinct regional markets. He can adopt different prices in each area without creating ill-will among customers. Example: Pricing of Petrol. There are different approaches to geographical pricing.

(i). FOB Pricing:

FOB (Free on Board) Pricing may be two types:

(a). FOB origin

(b). FOB destination

Under FOB origin, goods are placed free on Board a carrier, at which point the title and who pays the freight from the factory to destination.

Under FOB destination, Price quoted is inclusive of transit charges. That is, the company charges the same price plus freight to all customers irrespective of their location.

(ii). Zone pricing.

Zone pricing denotes some amount of equality of prices in the same zone. All the customers within the particular zone will pay the same price and the price is higher for more distant zones.

(iii). Basing point pricing:

It is a type of pricing in which all customers are charged the freight cost from the basing city to the location of the customer irrespective of the city from which the goods are actually transported.

iv) Freight Absorption pricing:

Under this method, the seller absorbs all or part of the freight charges so as to get the business. This method is useful for market penetration.

10. Dual Pricing.

When a manufacturer sells the same product at two or more different prices, it is known as dual pricing. This type is also known as discriminatory pricing. It is possible only if different brands are marketed in the same market. This method is adopted in Railways, Cement factory, Paper industry etc.

11. Monopoly Pricing.

Monopoly pricing is adopted in those circumstances where monopolistic conditions exist for a product. In an administrative pricing, no competition is present, hence the seller has a free hand in fixing the price, Here only a single seller and more number of buyers.

12. Administered Pricing

Administered Pricing is determined on the basis of managerial decisions and not on the basis of cost, demand competition, etc. Administrative price usually remain constant for a long period.

13. Expected Pricing

Expected Pricing is the price that will be accepted by the consumers. The customers response to the price is analysed and then a price is fixed.

14. Negotiated Pricing.

Under this method, the price is not fixed. The price is to be paid on sale depends upon bargaining. The price has to be negotiated and then price is fixed. This kind of pricing is adopted by industrial users. It is also called as variable pricing.

15. Cost Plus Pricing

It is also known as Markup Pricing. This method is adopted by wholesalers and retailers in establishing a sale price. Under this method, Certain percentage of profit is added to the cost of the product. When the goods are received, the retailer adds a certain percentage to the manufacture's price to arrive at the retail price.

16. Charging what the Traffic will Bear.

There are two principles in pricing. *One is called 'Cost of service principle' and another is called 'value of service principle'. The second one is also termed as charging what the traffic will bear. It is usually adopted by Railways in our country. Professionals like doctors, lawyers, chartered accountants, consultants, etc., adopt this principle of charging what the customer will bear. They charge their fees on the basis of ability to pay and the cost factor is secondary in their charges.*

3.24. PRICING POLICIES

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 pricing policies followed by marketers usually fall under three categories.

Following are the basic policies recognised for pricing.

(1). Cost oriented pricing policy

(2). Demand oriented pricing policy

(3). Competition oriented pricing policy

(1). Cost oriented pricing policy

The price determination of a product is made on the basis of cost of production plus an additional margin of cost. Following are the principal methods of pricing based on cost.

(i). Cost plus pricing

(ii). Target pricing

(iii). Break even pricing

(i). Cost plus pricing.

This method is based on cost concept. Cost of a product is taken as a starting point to the cost. *Under this method, tentative price can be fixed easily. This method is often used by retail traders and in manufacturing industries where the production is not standardized.*

Advantages:

- Difficulties in Forecast
- It can be applied only when there are few buyers.
- It is suitable to public utility services
- It is a long term policy.

Demerits:

- Demand and Supply and Competition are ignored
- Correct cost can not be calculated
- Cost can not influence the prices, but prices influence the cost.

(ii). Target pricing.

This policy is invariably followed by manufactures who *fix a target return on the total cost*. It has also proved to be highly useful technique for the broad planning of manufacturing facilities.

(iii). Break Even point pricing.

Break even point is the point at which there is no profit or no loss. That is, the total revenue is equal to total cost. This is a sophisticated pricing technique which takes into account both the fixed cost and variable costs. Break even analysis helps in estimating the effects of different prices on profits. Break Even point (BEP) is calculated by using the following equation.

Total fixed cost Break Even point = Contribution per unit

Contribution per unit = Selling price - Variable cost per unit

Break even analysis also helps in evaluating the likely effects on profits of various alternative solutions to many other marketing problems. It is based on variable cost. Fixed cost is irrelevant.

Merits:

- This method is suitable to introduce new products.
- It is also helpful in order to check the shutdown.
- This method is useful to sell the perishable product or to oust the competitors.

Demerits:

i) It is a short term policy. ii) The producer may lose market of other products.

(2). Demand oriented pricing.

Under this method, demand is the pivotal factor. Pricing is done on the basis of demand for the product. When the demand is greater, a high price is charged and when the demand is low, a low price is charged. Another method is that the management may enter into test marketing, through different prices and select the prices on the basis of historical data available. A common form of demand oriented pricing is price discrimination. That is, commodities are sold at two or more prices.

Merits:

- Demand and supply is considered
- Inefficiency is penalized and Price is charged on the basis of ability of customers.

Demerits:

- It is socially unfair and It does not ensure competitive harmony

(3). Competition oriented pricing

Many companies set prices after a careful consideration of the competitive price structures policies are to be determined to fix the selling price at above or below or in line with competition.

Marketers competing on a non price basis simply meet competitor's price. *Sellers have the means of non price competition. Under pricing above the competition, the price is fixed above the market price. It is based on the assumption that high quality products are priced at high price. Under pricing below the competition, many firms set lower prices in order to attract more customers. Many companies will change its prices only when the competitors change*

3.25. REVIEW QUESTIONS.

PART – A

1. **Define Marketing Mix.**
2. **What is Branding and Product Labeling?**
3. **List out a Elements of Sales Promotion.**
4. **What is Personnel Selling?**
5. **Define the term product.**
6. **What is Physical Distribution?**
7. **Define Augmented Product and Potential Product.**
8. **List out a Components of Product.**

10. **What is Repositioned Products?**
11. **Define Product Mix.**
12. **What is Product Planning?**
13. **What is Marketing Strategy and Test Marketing?**
14. **What is Product Modification and Product Diversification?**
15. **Define Product Life Cycle.**
16. **Define the term pricing.**
17. **What is meant by cost oriented pricing policy and Prestige Pricing?**
18. **What is meant by Geographical pricing and Odd Pricing?**
19. **What is meant by Break even pricing and Skimming Pricing?**
20. **What is Charging what the Traffic will Bear?.**

PART - B

1. **State the features of a Product.**
2. **List out the different dimensions of Product mix.**
3. **Elucidate the objectives of Pricing.**
4. **List out the different methods of Pricing.**
5. **State the different stages involved in the Process of Price determination.**
6. **Recall a Elements of Marketing Mix.**

7. Enumerate the Forces Affecting Or Factors Influencing the Marketing Mix.

8. State the Product Life Cycle Analysis.

PART - C

1. **Discuss the different elements of marketing mix.**
2. **Discuss the factors which influence product mix**
3. **Discuss the different steps involved in the process of product development.**
4. **Discuss the different methods of pricing.**
5. **Briefly discuss the different factors which influence pricing decisions.**
6. **Enumerate the different pricing policies?**

UNIT – IV

PROMOTIONS AND DISTRIBUTIONS

LEARNING OBJECTIVES.

After reading this Unit - IV, students will be able to:

- **Explain the meaning and concept of Channels of Distribution.**
- **Understand the importance of Channels of Distribution.**
- **Understand the Types of Channel Members.**
- **Understand the Elements of Promotional Mix.**
- **Understand the Types of Advertisement.**
- **Understand the different Types of Advertisement Media.**
- **Learn the different stages of Sales Promotion.**
- **Understand the importance of Public Relations.**
- **Learn the different stages of Personal Selling.**

4.1 INTRODUCTION - PROMOTIONAL MIX

In order to survive in a competitive market, it is important that a company makes its consumers are aware of its products, idea and services is able to reach the masses, it is impossible to establish your business in the market. Therefore, marketers need to promote their product or services in an organized way. They need to implement the right techniques and tools for a successful promotion.

Marketing promotion helps in providing important marketing information and persuading its consumers to buy or avail their products or services through persuasive measures. Markets should be familiar with the important tools and techniques used. Marketers should have a clear understanding of promotional mix for both new products and existing products.

Meaning of Promotion.

Promotion focuses on communicating with the target market. Promotion, thus, informs, persuades and reminds the target group of the availability of the product, the place where it is available, and the price of the product. Thus it includes the Integrated Marketing Communication, the Process of Communication, and the promotion mix or the tools to promote product, service or idea. Promotion is a fact of life and is essential for every business.

4.1.1. IMPORTANCE OF PROMOTION

(a). Information.

It informs (awareness and education) customers about the launch of new product/service/idea and the place of availability.

(b). Persuasion.

The promotion is to persuade the customers to use one particular brand in this brands-cluttered world.

(c). Remind. Promotion has to continuously remind the customers of the brand and enforce customer loyalty; It is true not only during normal times, but even when the product is in shortage, so that customers do not forget your brand. During the World

War II Bourn Vita was in short supply, yet the company continued to advertise for this very purpose.

(d). Relationship.

Promotion is meant to create relationships through constant promotion and involvement of customers with the marketer so as to create a lifetime relationship with them.

(e). Adds value : Promotion creates value by influencing consumers‟ perceptions.

(f). Assists other company efforts.

Promotion accomplishes goals, assists sales representatives, and enhances the results of other marketing communications

4.2. ELEMENTS OF PROMOTION MIX

Most of the writers on marketing have identified four elements of promotion mix, viz., *Advertising, Sales promotion, Public Relations and Personal selling. However, Kotler et al. have identified eight elements of promotion mix – Advertising, Sales Promotion, Events and Experiences, Public Relations and Publicity, Direct Marketing, Interactive Marketing (online), Word-of-Mouth Marketing and Personal selling*. All the eight elements can be included into the following five elements:

(1). Advertising and Word - of –Mouth Communication.

(2). Sales Promotion.

(3). Direct marketing and online Marketing.

(4). Personal Selling.

(5). Public Relations and Sponsorship.

4.2.1. ADVERTISING.

It is a paid form of mass communication and can be traced to an identified sponsor. Now a days *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.

Definition.

According to William J.Stanton, ***'advertising consists of all the activities in presenting to a group a non-personal, oral or visual, openly sponsored message regarding a product, service or idea'.***

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

4.2.1.1. Objectives of Advertising.

- To announce the introduction of a new product.
- To motivate the buyers to buy.
- To create demand for the product.
- To achieve an immediate sale.
- To announce certain concessions to buyers like discount, price cut, gift etc.
- To popularize the brand name and to secure brand loyalty.
- To support the activities and efforts of the middlemen, distributor, wholesaler, retailer and salesman.
- To build up image for the business and achieve a higher market share.
- To counter the competitors strategies.
- To promote sale during off-season and maximize sale during festival session.

4.2.1. 2 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.

(a). Advantages to Manufactures.

- It helps in opening new market and maintains the existing market
- It increases the demand for the product
- It helps to build up or increase goodwill of the company.
- It controls product price.
- It stabilizes the sales volume and increase the profit.
- It helps to introduce a new product into the market .

(b). Advantages to Middlemen.

- It guarantees quick sales
- It acts as a salesman.
- It increases the prestige of the dealers.
- It makes retail price maintenance possible.
- It enables the dealers have a product information.
- It creates a colorful background for salesmen to begin his work.
- It reduces his burden of job.
- It helps to develop self confidence and initiative among the salesmen.

(c). Advantages to consumers:

- It ensures better quality product at reasonable price.
- It provides product related information to the customers and thereby makes the purchasing an easy task.
- It helps the consumers to save time by providing information related to the availability of product.
- Helps the consumers in intelligent buying.

(d). Advantages to society.

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

4.2.1.3. 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 advertising copy has the following attributes:

Attributes or Elements or Good qualities of a Advertisement copy.

- **It is brief:** Being brief is not dropping words or chopping sentences, it is the work of eliminating and substituting the words without 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.

4.2.1. 4 TYPES OF ADVERTISEMENT MEDIA or KINDS OF MEDIA.

There are different advertisements Media, they are,

(I). INDOOR ADVERTISING.

When advertising is made through ***newspapers, magazines, radio, television programmes or cinema programme in video etc.,*** so that people can get the message at home, it is known as Indoor advertisement.

Merits.

- Wide coverage is possible.
- It is more effective for all possible.
- Detailed and informative sales programme is possible.
- It is economical and compare with other advertisement media.

- It stimulating the demand of the product.

Demerits.

- It is having a shortest life.
- It is less flexible and in many cases, listeners may be irritated with the indoor advertising.

TYPES OF INDOOR ADVERTISEMENT MEDIA.

Indoor advertisement classified in the following ways,

(1). Press Media.

Advertisement in newspapers, general magazines, specialized magazines, journals, etc., can be called as press advertising. It is the most popular and widely used means of advertising. They convey the message to multitude of population across the globe. Growth of literacy, number of magazines in different languages, colour pictures etc, encourage the people to go in for press media. Press media advertisement reaches every nook and corner of the country

(2). Radio.

Radio is the quickest medium of advertising when compared to newspapers or magazines. Sound moves faster than other media. This medium reaches, the look and corner of a country. The main advantage is that it can be carried anywhere due its portable character, ninety percent of population possess radio. Advertisement of FMCG goods accounts for large portion of radio advertisement.

(3). Television.

Television has exhibited a rapid growth among all advertising media. A major portion of promotional budget of companies spent on television. Television is intense in nature in the sense that it commands undivided attention and dedication of viewers to the programs. *An eye catching commercial is easily noticed, thus creating product awareness among TV viewers. TV appeals to both the sense sound and sight. As a result, it combines the two to produce high impact commercia*ls. Products promoted through TV commands great image. Because of inherent life quality, the advertiser use infinite creativity through this medium.

(4). Film advertisement.

Advertising could be effectively carried out through the use of motion picture of cinema. It is audio visual medium. Film advertisement can be audience specific. For instance, educational film is meant for student community. Film on agricultural practice is meant for farmers. But films on sanitation, sports, food preservation etc, are for general public.

(II). OUTDOOR ADVERTISING.

Outdoor advertising passes the message to those people who are moving audience. Generally, almost all the people go out on some purpose or other office, walk, sightseeing, journey, park visit etc. This outdoor advertising has the best effects of advertising compare with other advertising.

Merits.

- This is the best for local advertising; it has the wider appeal.
- It engage few seconds of peoples time and need no effort.
- Its effect is permanent.
- It is flexible compare with other advertisement media.
- It is a low cost medium.

Demerits.

- It reduces its value because of brevity.
- It can be used only as a supplementary type of advertising.

TYPES OF OUTDOOR ADVERTISING MEDIA

Outdoor advertising classified in the following way,

(1). Posters and Painted boarding or Mural Advertising.

Posters are pasted on the walls or exhibited on street corner, bus terminus, railway station, thorough out etc., Painted display are exhibited on hoarding ererted on the top of buildings or on specially constructed building. The use of attractive colours catches the eye of moving population. They have a mass appeal. Posters should be big and attractive. It is mostly used in cinema advertising and political party advertisement.

(2). Vehicular advertising.

This moving advertisement finds place on vehicles – buses, trains etc. The vehicle passes through many places and many people happen to see it.

(3). Travelling Display.

These are the advertisements as posters, small in size, written beautifully and placed inside trains, buses, tramcars, vans etc. The travelling people, in these vehicles repeatedly notice it and keep it in their memory.

(4). Electric and Neon sign.

These are the most attractive forms of outdoor advertising used in busy locations during evenings and nights. The erection cost and power cost add to the cost of the medium and it is more bright and alluring.

(5). Sky writing.

Advertising message written on balloons floated in the air or message written in the sky with use of smoke etc. are called sky writing. Aeroplanes or helicopter display illumination banners containing message in the open sky.

(6). Sandwich man.

The term sandwich refers to people who are sent out on in the crowded street dressed in fancy clothes with placard carrying the message. When they go in the crowded street or procession, attention or passersby is arrested. They shout slogans about the product.

(7). Handbills or Leaflets advertising.

Handbills are very cheap. It contains printed matters of advertisement. They are distributed with the help of an hired man. At times distribution of handbills is accompanied by loud speakers and music bands. This type of advertising is suitable for small business people.

(8). Point of Purchase.

Point of purchase advertising refers to display of goods attractively arranged inside the shop on the racks. Manufacturing firm themselves supply materials to dealer for this purpose. Where goods are displayed on the racks, they are called counter display.

(9). Specialty advertising.

The practice of offering diaries, cigarettes cases, table weight, pincushion, pen stands, calendar, key chain, pens etc bearing the name of the company to the prospects and existing customers is referred to as 'specialty advertising'

(III). DIRECT ADVERTISING.

The object of direct advertising is to create a direct contact with the customers. *The advertiser can keep a close touch with the customers or the public, who are supposed to have interest in his product.* He contacts them and keeps a close touch with them through mail advertising.

Merits.

- A personal relationship with the customers can be maintained.
- Detailed information can be conveyed.
- This system is elastic; addition or deletion is possible.
- Privacy can be maintained.
- Effectiveness of this system can be measures.

Demerits.

- The success depends upon the reaching of the recipient.
- In many cases, it fetches no attention of the receiver.

TYPES OF DIRECT ADVERTISING

Direct advertising classified in the following way,

(1). Sales Letter.

Sales letter are written advertisement mailed to specific individual. They contain messages couched in a tactful language. Readers are persuaded to peruse it completely. They urge the readers to act in quick time.

(2). Circulars.

It carries communication to a number of addresses. The circular letter contains information about the product features, uses places availability, technical specification, price, terms of sales etc. It is generally cyclostyled or is in the printed form.

(3). Booklets and catalogues.

These contain more particulars of the product and the firm. Booklets are in the form of a small book. Catalogue contains more information than a booklet. Fundamentally both are similar. Catalogue will be more attractive and it contains illustration of products with details and price lists.

(4). Folders.

They are printed loose leaflets or booklets. They furnish vital information about the product. They are flexible and cheap.

(5). Package inserts.

These are inserted inside the pockets of products. They provide information about the content of the package or other products offered by the company. It reaches only the actual buyers of the product.

(6). Inhouse Magazines.

Companies periodically publish magazines for distribution among its customers. It contains article, stories, cartoons, pictures etc., It enhances the image of the company in the market.

(IV). PROMOTIONAL OR DISPLAY ADVERTISING.

The object of promotional advertising is to increase the sales. These are also known as 'display advertising'. By this, we mean that the products are systematically kept in a place so as to attract the attention and notice of the lookers. It demonstrates the products.

Merits.

- Purchasing is made easier.
- It facilitates to sell allied products.
- It is flexible.
- It is always interesting to the public.
- Varity of products display can be witnessed.

TYPES OF PROMOTIONAL ADVERTISING

The following way classified in the promotional advertising.

(1). Window Display.

Window display is the medium used to attract the public by creating an interest in them. The products dealt in by the firm are placed at the front of the firm, trying to create an arousing interest in the minds of them. A good arranged system of window display naturally increases the sales. It gives a memorizing attitude to the public and intention to buying the products.

(2). Interior Display.

In large scale organization, they use this type of display. Glass - doored cupboards, sunglass show-cases are used for internal display. Window display is arranged, outside, but interior display is inside the shop. The related articles are displayed within easy reach. It is easy for the buyers to get the products needed by them.

(3). Show-room.

Consumers always insist on prior inspection of the products. Which they aim to purchase and to know the facility for the products. Therefore sellers must provide facility for their inspection. Buyers are not satisfied with mere publicity. They want to have a close look at the product. In a show-room, not only the needed products are kept, but different products also. And this creates an inward interest on other products, when one makes a purchase of the needed item. In the show-room, salesmen are there to explain about the products and clarified the doubt about the products. It must be highly decorated and must have good lighting arrangement with good atmosphere. ***For instance, textile mills, and firms producing furniture, refrigerators, television sets, radio*** sets and other luxurious items must have generally show-rooms.

(4). Exhibition.

Exhibition is organized at important locations. It aims at promoting sales of goods. Various organizations participate in the fair. Buyers have opportunity to get exposed to variety of products. They are in a position ot compare the offerings of various companies participating in the exhibition. It develops a close relationship between buyers and companies.

4.2.2. SALES PROMOTION.

No firm or organization can be successful unless it is able to promote its sales through various promotional techniques. Only advertising can not work in case of technical or complex products. Moreover, face to face interaction can be more convincing in case of various products. Personal selling is important technique to increase sales of the firm. Similarly, sales promotion is also effective in increasing sales. Both the techniques can be combined to achieve good results.

Sales promotion is an important instrument in marketing to lubricate the marketing efforts. *Promotion means to make efforts to move or advance forward. Sales Promotion means taking efforts to move sales of the product of the company forward in the market. It is the process of selling more and more goods of the company to the satisfaction of consumers.*

4.2.2. 1. Objective of Sales Promotion

1. Providing information:

Promotion is an exercise in information, persuasion and influence. Thus, its major role is persuasive communication. The producer through promotional means provides information regarding the quality, different uses and the price of the product or service to the consumers.

2. Increase sales volume:

The main purpose of all promotional activities is to increase the sales of the product or products of the company. Promotional activities help to increase sales volume through various techniques. The techniques such as distributing samples, free gifts, purchase premium, discounts etc may be used.

3. To arrest sales decline:

In slack season, the promotional activities help in maintaining the sale of the product. Attractive discounts are offered to customers and to sales force. This leads to increase in sales volume. In this way, the producer arrests the seasonal decline in the demand of his product.

4. To keep the memory alive:

One of the main objective of sales promotion is to keep the memory of the product alive in the minds of the present customers.

5. To search new customers: To main objective of sales promotion is find out new customers, on occasion producers to boost sales, give tempting concessions such as buy one and get one free.

6. To face competition effectively:

Promotional activities help the producer or seller to meet the competitive situations in the market. The competition may be from manufacturers or sellers of similar products or of substitutes. Without promotional activities, a concern cannot meet competition effectively.

7. To induce middlemen:

Middlemen are induced to buy more stock of company's product by offering more facilities such as credit facilities, discount, free gifts, additional products etc.

8. Effective sales support:

Sales promotion policies supplement the efforts of personal and impersonal salesmanship. Normally good sales promotion measures make the salesman's effort more productive.

9. Useful to salesmen:

Sales promotion reduces the burden of salesman. Sales promotion programme gives detail information about consumers requirements. Sale promotion policies supplement the efforts of salesman.

10. To attract prospective buyers:

To attract prospective buyers towards the product and to induce them to buy the product at the point of purchase.

4.2.2. 2. TYPES OF SALES PROMOTION

Many promotional tools/Techniques/Tactics are in use, these are:

1. Dealer promotion /Trader promotion.

2. Consumer promotion.

3. Prize Promotions.

4. Sales force promotion contests.

5. Off-the Shelf Offers.

1. Dealer promotion /Trader 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.

2. Consumer promotion.

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

- **It includes Extra Fill Packs** - 20% extra free, i.e., extra fill without any additional charge.
- **Free Offers** - Buy two pieces and one piece is free, i.e., extra unit free.
- **Reduced Shelf Price** - The most common form of price promotion is reduced Shelf Price.
- **Reduced Price Offers (RPOs)** - RPO are flashed on-pack, offering a saving (Rs 10) or a price slashed through and a lower price given.
- **Cash Rebates** -The customer is invited to collect tokens from a number of packs and send them to receive cash voucher.
- **Cash Share-Out -** A sum of fixed money is divided among all those returning the requisite number of proofs of buying the product or service.
- **Discounts -** On single unit of higher value purchase sales through discount coupons is made.
- **Repurchase Offers-** Manufacturers of consumer durables, like cars, fridges, stereos are offered a commitment by them to buy back at a specified in the future.
- **Frequent-user incentive -** Most of the airlines offer this facility to their fliers. Economy class fliers can use free miles to upgrade their tickets.

- **Coupons -** Issue of coupons is very popular way of sales promotion.
- **Sale -** A sign on store item „sale‟ can increase sales by 50%, even if the price is unchanged.
- **Finance Deals -** Many manufacturers, especially, the consumer durables, give either interest free facility or finance at low rates to buy the product.

3. Prize Promotions.

Prize Promotions include free prize draws, sweepstakes, and competitions.

- **Free Prize Draws (and lotteries) -** It involves putting the names of all the entrants in a computer and deciding winners by chance.
- **Sweepstakes/Games -** “A sweepstake is a contest where the distribution of prizes is dependent on random distribution of predetermined winning tickets.” The participants exercise no control.
- **Competitions -** A competition is a contest where the winner is determined on the basis of exercise of skill.

4. Sales force promotion contests.

- **Sales contests** – Sale 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.

5. Off - the Shelf Offers.

“Off-the-shelf offers" typically refer to products, services, or solutions that are readily available for purchase without the need for customization or special orders. The leading off-the-shelf offers can be:

- **Free Accommodation -** Particularly for hotel industry, the offer now extends to be “two nights for price of one.

- **Holiday Vouchers -** Some companies give cash discount, traveler cheques, duty-free shopping voucher, etc.
- **Discount coupons -** In India firms like include Snapdeal.com, Sodexo,etc provide discount coupons which can be redeemable. Snapdeal.com provides discount vouchers for health and beauty, entertainment and adventures, mobiles, apparel, lifestyle, electronics and travel categories.
- **Two-for One Flights** - Especially budget airlines offer this facility.
- **Insurance Offers** - Mostly the car manufacturers provide free insurance for the first year as part of sales promotion during slack season.
-

4.2.3. DIRECT MARKETING AND ONLINE MARKETING.

Direct marketing is the process by which a firm approaches its customers on one to one basis and markets its product directly to them.

According to Direct Marketing Association, "***Direct marketing is an interactive system of marketing which uses one or more advertising media to affect a measurable response and transaction at any location"***

4.2.3.1. Advantages of Direct Marketing.

- Direct marketing offers the advantage of reaching large number of well defined target customers and almost eliminates waste coverage.
- There is a direct reduction on cost to serve customers due to less number of intermediaries in the value of network.
- The companies are able to remove the non-value adding intermediaries from the channel: thus serve the customers with profit.
- A marketing manager can measure the benefits of direct marketing programme and identify attributes responsible for the success or failure of marketing programmes.
- Direct marketing facilitate to reach prospects at just the right moment.
- Direct marketing also offers greater opportunities for developing tailor made messages for particular groups of customers.

4.2.3.2. Direct Marketing Techniques.

Direct marketing techniques are usefully and profitably employed by companies. The following techniques are used in direct marketing:

1. Mail Order Marketing.

2. Direct Mail Marketing.

3. Direct Response Marketing.

4. Database Marketing.

5. Telemarketing.

6. Teleshopping.

7. E – marketing.

8. Kiosk Marketing.

4.2.4. 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".***

4.2.4. 1. 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.

4.2.4. 2. 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.

(a). Prospecting.

It is the work of collecting the names and addresses of persons who are likely to buy the firm's product of services. He collects the names from telephone directory, data base of departmental store, customer data base of airliners, social media, business associations and the like.

(b). 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, size of the family, tastes and preferences etc.

(c). 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.

(d). 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.

(e). 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.

(f). Sale.

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

(g). Follow up.

A representative of sellers visits the customer and ascertains the perception of the buyer as to the utility of the product. If the buyer experiences any problem. Let she should take steps to attend to it. He should assure the buyer all sorts of support from seller side.

4.2.4. 3. METHODS OR TECHNIQUES OF PERSONAL SELLING.

(a). Sales across the table.

Under this method, firm's executives negotiate sales across the table with the prospect. Industrial products are sold under this method.

(b). Counter Sales. : Company salesmanship sell the goods in the retail shop to prospects visiting the shop. The salesperson attached to the counter shows the product, explain its features communicates price etc. to the prospect. The salesman working in departmental stores, textile shops, watch dealer, electronic shops, electrical shops and so on sell the goods across the counter.

(c). Selling at door steps.

Sales persons call on the prospects at their residence and present the product. This method is popular in selling insurance policies, selling textile wares, vaccume cleaners, fruits, vegetables and the like.

(d). Auction selling.

Company's sales executive invites the prospective buyers to be present at the appointed place and time. The auctioneer appointed by the company invites bids from those who have assembled at the venue notified. He sells the goods to the highest bidder. He collects the sales proceeds and deposits into bank account.

(e).Tender selling.

Under this method, the selling company invites tenders from prospective buyers. The company stipulates conditions to be satisfied for eligibility to participate in the tender. The company set a deadline for submission of tenders and opens the tender quoted by various perspectives at the appointed time and place. The selling company selects buyer whose quotation is lowest or most profitable for the selling company.

4.2.5. PUBLIC RELATIONS AND SPONSORSHIP.

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, Public relation 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. Public relation 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."***

4.2.5.1 .ADVANTAGES OF PUBLIC RELATIONS.

1. 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.

2. Cost.

In both absolute and relative terms, the cost of Public relation 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.

3. 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.

4. 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 public relation.

5. Image Building.

Effective public relation helps to develop positive image for the organization. A strong image is insurance against later mis-fortunes.

6. 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.

4.2.5.2. TOOLS OR METHODS OF PUBLIC RELATIONS.

Public relations involve activities related to persuading customer and prospects to buy or continue to buy the firms products and services. The following are publicity tools:

1. News Letter.

Many companies issue periodically news letters disclosing the development unfolding in the company like volume of production, sales achieved, tie up entered, expansion programmes, foreign collaboration, list of achievers, research and development initiatives etc. The purpose of news letter to provide authentic information about development in the company to shake holders.

2. Press Releases or Special Events.

The press release is the basic building block of a publicity programme concerned with story placement. This is where the important information about the product or services is summarized in a way that will catch the media's attention.

3. Speaking Engagement.

Top executives or CEOs of an enterprise may be invited as a chief guest or special invitee for international and national conference, college day function, convocation event of university, workshop invited talk etc inaugural ceremony and the like. The very participation of these key figures adds to the image of the company besides promotion a good relationship with host institution.

4. Sponsorship: Some corporate sponsor the programmes like village adoption, blood donation, community development, infrastructure development, sports activities, mass literacy programmes, free medical camp, sponsoring schools etc. All these positive initiatives are more likely to develop a good relationship between the company and local people.

5. Employee Relations.

Organizations employees are an extremely important internal public. Many companies offer subsides, transport, canteen facility, housing facility, loan facility, reimburse the medical expenses and educational expense of dependent employees, upgrade qualifications of employees, provide participatory opportunities in decision making process, profit sharing, celebrate important events and anniversaries etc. all these initiatives strengthen relations between employers and employee. The satisfied employers serve as brand ambassador for the company and reveal that fullest performance in the relevant work.

6. Media.

Elite companies maintain good relations with media public. They support them by their advertisement budget support. Media people are invited for important events like launching new product, opening new show rooms, celebrating anniversary and launching community development programmes. All these initiatives promote and strength relations with media companies. They promote company by encouraging articles favorable to the company.

7. Social Networking.

Social networkings have emerged as vibrant online community interested in the news of many sorts. Face book MySpace, Bing, LinkedIn etc are some of the top social networks used for updating ones profile; adding videos and pictures and compelling content that will catch the attention of the community.

8. Online Newsletter.

Contemporary companies bring out newsletter online. Online news letter is inexpensive. It enables the company to connect with audience on a regular basis and gets instant feedback through e-mail.

9. Message Boards and Forums.

Discussion threads message boards and forums are various channels to keep the online community or netizens posted of new developments unfolding in any business. One can solicit views or suggestions for the issue an individual in facing.

4.2.5.3.DIFFERENCE BETWEEN ADVERTISING AND SALES PROMOTION.

Advertising is different from sales promotion as it is clear from the following points.

- The advertising is derived from the Latin word „advertere‟ (turn towards), whereas Promotion has its roots in Latin word „pomovere‟ (move forward).
- Advertising is aimed at long-term building of positive brand attitude, whereas promotion is aimed at more shot-term tactical goal of moving forward sales now.
- Advertising deals indirectly with potential action by providing information or creating feelings that turn them towards the product/service. The promotion does not require an incentive. What is required is the primary communication objective is band purchase intention.
- The pursuits of advertising are of long term, whereas sales promotion offers short term pursuits.
- Advertising is costly, but sales promotion is cheaper as compared to advertising.
- Advertising is suitable for medium to large firms, whereas sales promotion is suitable for large firms.
- Advertising has twin purposes of increasing sales and build brands, whereas sales promotion has an extra objective of providing knowledge.
- Sales Promotion is direct effect on sales, whereas advertising assumes that sales will increase.
- Advertising is done through newsprint, TV, Radio, Outdoor publicity, etc., however sales promotion is done through discount coupons, free stuff, tasting, contests, events, meets, etc.
- Result of advertising are slower and of sales promotion are faster.

4.2.5.4. DIFFERENCE BETWEEN PERSONAL SELLING AND SALES PROMOTION.

The following factors differentiate personal selling and sales promotion. Though both of them are part of a marketing communication. But, both are effective tools for integrated marketing communications.

- Objective of personal selling is to create awareness and build a long term relationship which will lead to closing the sale, whereas the objective of sales promotion is to increase the sales and dispose of stocks in a short span of time.
- Personal Selling is face-to-face interaction performed by individuals to give information on products and create mutual long-term relationships. Whereas, Sales Promotion has no interaction and provides incentives to encourage purchase and to disseminate information.
- Personal selling involves negotiations and incentive is not mandatory whereas sales promotion would have incentive definitely to lure customers.
- Personal selling is used for products having the characteristics of high value, or technically complex, or custom made. Whereas. Sales promotion is used for products having low value or easy to understand usage.
- Personal selling involves use in markets with less potential customers or customers with high purchasing power. Whereas, Sales promotion involves use in markets where a larger number of customers exists and the product is of low value comparatively.
- Personal selling is expensive as it needs sales force training, dedicated persons, repeated visits and transportation whereas sales promotion is bit less expensive to run compared to personal selling.

4.3. QUALITIES OF A GOOD SALESMAN OR QUALITIES REQUIRED FOR A SUCCESSFUL SALESMAN.

Sales are made through specially appointed persons known as the salesmen. They are regarded as the key - men in the marketing team.

A salesman to perform all his functions must possess certain basic qualities. Sales personality is the total of everything about a salesman which makes its impression upon the customer. Personality can be produced and improved by developing qualities and traits are positive and not negative. The qualities required by an ideal salesman is classified under various headings are given below.

(1). Physical Traits.

A good salesman must possess the following Physical Traits:

1. Health:

Sound health and good physique are very essential for a salesman. Travelling salesmen need good health as they have to travel to many places. A salesman who does not possess good health can not do his functions properly.

2. Breadth:

If a person follows the rules for maintaining good health, he will not suffer from offensive breadth.

3. Posture:

The way or the style of holding the body is another controllable. A salesman must have a good posture when he meets his prospects. Good posture must be maintained both whilst sitting and standing although a salesman will generally be standing most of the time.

4. Voice:

The voice is very important for a salesman. It must be very expressive. The voice should not be hoarse, loud, nasal, high pitched or monotonous. It should be pleasant. The voice is the index of one's own feelings. It should not irritate the customers.

5. Appearance:

It is sometimes remarked that appearance is a great factor in earning money and vice versa. Appearance would depend upon the following "

- Health
- Energy

- Voice and speech
- Poise and self confidence
- Dress
- Neatness

(II). Mental Traits.

A successful salesman must develop certain mental qualities. Mental qualities include the following:

- Teachability and Resourcefulness.
- Flexibility
- Judgement
- Observation
- Analytical abilities
- Foresight and Self confidence.
- Business sense
- Imagination and
- Resource fullness

(III). Social Qualities.

The ability to make friends to get along with people is one of the most valuable assets in any walk of life particularly in the profession of a salesman. A salesman should develop certain social traits. Following are some of the important social qualities of a salesman.

1. Ability to meet the public:

A salesman should possess aptitude to meet the public. An introvert (one who dislikes to meet people) should not become a salesman. An extrovert (one who likes to meet people) would fit in the profession of salesmanship.

2. Effective speech:

A salesman's ability to speak correctly and with each impresses the public prospects and customers. Pleasant reactions are produced in a customer when the salesmen speaks with a pleasant and well modulated voice, correct grammar and good articulation.

3. Tact:

Tact means doing the correct thing at the right moment. This is a very essential quality to be developed by a salesmen because he will come across various difficult situations which can be solved happily by tact.

4. Courtesy:

The salesman should always be polite and courteous. Using polite and courteous words, a salesman can turn prospects into customers

5. Good manners:

A salesman must cultivate good manners. Good manners is the ability to tolerate bad manners in others. A person's manners reveal his inner personality and is founded on consideration for others. Good manners are charming while bad manners are irritative. So bad manners should be avoided.

6. Co-operation:

Co-operative attitude is essential for the success of a salesman. Co-operation between employer and employees as well as among the employees themselves would result in better business and happier working conditions. In order to co-operate, a salesman must be (i) loyal to the organisation (ii) loyal to his customers (iii) loyal to his fellow workers.

7. Empathy:

Empathy is the mental ability of an individual to feel as the other person does. Empathy would allow the salesman to secure useful feedback from the client and modify, where required his sales presentation in terms of such feedback.

(IV). Character Traits

There are certain moral attributes of personality known as character traits which ought to be developed by a person desiring to improve this sales personality. There are certain desirable character traits which the salesman can and should develop. Following are the important character traits:

1. Honesty:

Honesty is the best policy looking at it either from the moral or business point of view. A liar and a cheat may succeed temporarily but will eventually be found out in the market. A good salesman would form habbits which communicate reliability.

2. Enthusiasm:

Enthusiasm makes the work of a seller pleasant. Enthusiastic talk is always listened to by prospects. It gains interest and confidence of buyers and inturn more sales.

3. Persistence:

A certain amount of persistence is also required for the salesman. A positive mental attitude is very essential for success as a salesman

4.4. CHANNELS OF DISTRIBUTION

Every marketing activity starts with the customer and ends with the customer. Every marketing activity is customer driven and a customer would only purchase a product only when it is available to him. Availability of product depends upon efficiently managed place. Place is the process of moving products from the producer to the intended user. *Place in marketing mix refers to the channel, trade channel, or distribution channel or the route, through which goods move from the source or factory to the final user. In other words, the path between producers and users that goods and services follow is called a marketing channel or distribution channel.*

Today’s customers have much more choice than their forefathers. Marketers have made this possible not only by offering choices but by distributing them at the consumption point at the right time. In fact, distribution has become increasingly important to marketers because of ever increasing competition and consumer concerns regarding prompt availability of products. Marketing efforts amount to nothing unless the products and services are made available at the hands of those who need them.

In marketing, place has many names. Place is also known as channel, distribution or intermediary. ***Place is the mechanism through which goods move from the manufacturer to the consumer. In case of services place is moving of services from service provider to consumer. Place could*** be the intermediaries, distributors, wholesalers and retailers.

DEFINITION

According to Philip Kotler, "Every producer seeks to link together the set of marketing intermediaries that best fulfil the firm's objective. This set of marketing intermediaries is called marketing channel."

According to William J.Stanton, "***A distribution channel for a product is the route taken by the title to the goods as they move from the producer to the ultimate customer."***

According to Richard M.Clewelt, "The structure of intracompany organization units and extracompany agents and dealers, wholesalers and retailers through which a product or service is marketed"

4.4.1. 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 through effective distribution channel.

✓ The total wealth production of the world has increased.

✓ Reduction of fluctuations in demand and supply of products.

4.4.2. FUNCTIONS OF CHANNELS OF DISTRIBUTION

Channels of distribution help in smooth flow of goods by creating possession, place and time utilities. The functions performed by the middlemen in distribution channels may be grouped into three categories as follows:

(1) Transactional Functions

(2) Logistical Functions

(3) Facilitating Functions

(1). Transactional Functions.

The primary function of distribution channel is to bridge the gap between production and consumption for which various transactions performed for movement of the goods from one place to another are called transactional functions. Transactional functions includes:

- Buying.
- Selling.
- Risk bearing

Buying, selling and risk bearing functions come under this category. Buying takes place as producers sell the goods and intermediaries buy them. Later intermediaries sell the goods and consumers buy them. Because of this buying and selling by the channel participants, title to goods changes hands and goods flow from producer to consumer. There has to be willingness of buying and selling in the transactions involved, on the other hand there will be no transaction if there is no willingness for buying and selling, there would be no transaction. When goods are bought, it involves risk also. For instance, an intermediary bought goods from the producer with the intention of selling at a profit but Government announced a decision due to which price of product fell down which can lead to loss. All the participants in the distribution channel must assume such risk of loss.

(2). Logistical Functions.

The functions involved in the physical exchange of goods are called logistical function. The goods are produced by producer /manufacturer and assembled in different assembly lines. Logistical functions it includes:

- Assembling.
- Storage
- Grading,
- Sorting and transportation

Assembling refers to the process of keeping the goods, purchased from different places, at a particular place. *Assembling of goods is done only after they have been bought. Not only assembling but also storage, grading, sorting and transportation are essential for physical exchange of goods which forms logistical functions of physical distribution.*

Grading and packing of goods facilitate handling and sale of goods promptly. Proper storage of goods prevents loss or damage as well as helps regular supply of goods to consumers whenever they want. Transportation makes goods available at places where buyers are located. In the channel of distribution all these functions are performed so that goods may reach the market place at proper time and may be conveniently sold to the ultimate consumers.

(3). Facilitating Functions.

These functions facilitate both the transaction as well as physical exchange of goods. *These facilitating functions of the channel includes:*

- Post-purchase service and maintenance.
- Financing, Market information,Product promotion.
- Demonstration of product, display and contest and Negotiation.

Sellers provide necessary information to buyers in addition to after sales services and financial assistance in the form of Sale on credit. Similarly, traders are often guided by manufacturers to help them in selling goods, while the traders also inform manufacturers about the customers' opinions about the products.

Thus, a channel of distribution performs a variety of functions such as buying, selling, risk bearing, assembling, storage, grading, transportation, post-purchase service and maintenance, financing, market information, etc. But the relative importance of storage is more important for perishable goods and bulky material such as coal, petroleum products, iron, etc. In the case of automobiles, computers and mobiles etc after sales service is very important. Some other important functions are product promotion which involves advertising and sales promotion activities organized by manufacturers. Middlemen are also involved in various activities like demonstration of product, display and contest etc. to increase the sale of products.

Negotiation takes place between manufacturers and customers before closing a deal. Negotiation in terms of quality of product, guarantee, after sale services and finally price takes place before the transfer of ownership is done.

4.4.3. TYPES OF DISTRIBUTION CHANNELS

A manufacturer can choose from direct distribution channel to indirect distribution depending upon the kind of product or market they serve. The two main types of distribution channels are as follows:

I. Direct Channel

II. Indirect Channel

I. Direct Channel (Zero level)

The most simple and the shortest mode of distribution is direct channel. In this channel, the manufacturer directly provides the product to the consumer.

MANUFACTURER → **CONSUMERS**

In zero level there are no intermediaries involved, the manufacturer is selling directly to the customer. This is called the 'direct channel' or direct selling. In this the manufacturer or producer supplies the product to the customer through its own retail outlets and salesmen present there (e.g. Mc Donald, Patanjali stores). Another option is delivering directly to customer either by hand or by the option is using the medium of post office. Similarly, mail order selling, you obtain orders from your customers who respond by mail or telephone to your advertisements or to letters mailed directly to their houses.

Examples of Direct Channel

Eureka Forbes, the company which markets vacuum cleaners and water purifying equipment. It believes that if the market is in the customer's house, the best way to get there is to knock at the door. The company has clearly demonstrated that door-to-door selling can be effective in Indian conditions. One benefit of this method is that the company has complete control over the product, its image at all stages and the user experience.

II. Indirect Channel.

In this channel, a manufacturer doesn't sell directly to the consumer rather chooses various intermediaries to sell a product to the consumer that is why called indirect channel. When a manufacturer/producer employs one or more intermediary to move goods from point of production to point of consumption also called indirect marketing channel.

The company may sell to a wholesaler who further distributes to retailers (retail outlets). This may raise product costs since each intermediary will get their percentage of the profits. This channel may become necessary for large producers who sell through hundreds of small retailers.

(a). One level channel (Manufacturer-Retailer-Consumer).

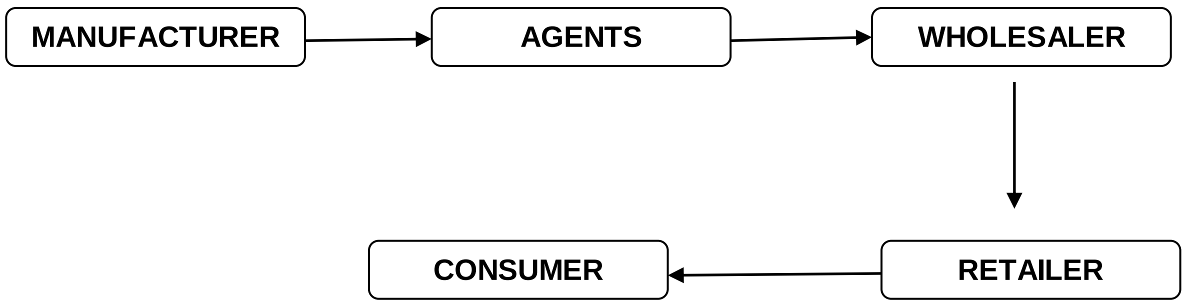
In this only one intermediary is involved. Normally the manufacturer supply goods directly to retail which finally sell to the end consumer. In this case the producer ascertains the requirements of retailers at periodical intervals and goods are supplied accordingly. As and when required, the retailer may also procure goods from the producer's godown located in that region. ***For Example: Maruti Udyog selling it cars through company approved retailers like DD Motors is called indirect channel***.

(b). Two level channel (Manufacturer-Wholesaler-Retailer-Consumer.

When the manufacturer can use the services of the wholesaler as well as the retailer. This is the most common adopted distribution network for consumer goods. In this case the manufacturer may supply his products in bulk to wholesalers. The retailer may buy periodically from the 'wholesaler and sell the same to the consumers located in his locality. As there are two middlemen (both wholesaler and retailer) in this channel, it is referred to as two level channels (2 level channel) and helps in covering a larger market. For Example: Consumer goods like oils, cloths, sugar, pulses and soaps etc.

(c). Three level channel (Manufacturer-Agents-Wholesaler-Retailer-Consumer).

Another alternative channel of distribution consists of mercantile agents, wholesaler and retailer. The gap between the manufacturer and the consumer is very great. In this channel the manufacturer deals with a mercantile agent. Then the wholesalers buy the goods from the agents and sell the same to retailers. In turn the retailer sells it to the ultimate consumers. For example, Lottery ticket business in Kerala.



4.4.4. CHANNEL MEMBERS OR MEMBERS PARTICIPATING IN THE CHANNELS OF DISTRIBUTION.

Channel members or members participating in the channels of distribution refer to the individuals or organizations involved in the process of moving a product from the manufacturer to the end customer. These members play key roles in ensuring that products reach the market effectively and efficiently. Channels of distribution can be direct or indirect, depending on the number of intermediaries involved.

1. Manufacturers (Producers)

The manufacturer is the originator of the product. They design, produce, and often market the product. Manufacturers are the starting point in any distribution channel.

Example: **Apple**, which designs and manufactures electronic devices like iPhones, iPads, and MacBooks.

2. Wholesalers (Distributors)

Wholesalers purchase large quantities of products from manufacturers and sell them in smaller quantities to retailers or other businesses. They typically don't sell directly to the final consumer. Wholesalers help manufacturers reach a broader market without dealing with individual consumers.

Example: **Costco** or **Sysco**, which buy products in bulk from manufacturers and distribute them to smaller retail stores or restaurants.

Types of Whole Salers:

1. M**erchant Wholesalers**: These are the largest group of wholesalers. They take ownership of the goods and resell them to retailers or other wholesalers.

2. Agents and Brokers: These channel members don't take ownership of the products; they act as intermediaries to facilitate the sale between manufacturers and wholesalers/retailers.

3. Retailers

Retailers are businesses or individuals that sell goods directly to the final consumer. Retailers purchase products from wholesalers or directly from manufacturers and sell them to consumers for personal use.

Example: **Walmart**, **Target**, or **Amazon**, which sell various consumer goods to individuals through physical or online stores.

Types of Retailers:

1. Department Stores: Large retail establishments like **Macy's** that offer a variety of goods under one roof.

2. Supermarkets: Stores like **Kroger** or **Whole Foods**, which specialize in food and household items.

3. Specialty Stores: Retailers like **Best Buy** or **Sephora**, which specialize in particular types of products (electronics, cosmetics, etc.).

4. Agents

Agents are intermediaries who don't take ownership of the goods. Instead, they act as facilitators, negotiating and securing deals between the manufacturer and wholesalers or retailers. They are typically paid on commission.

Example: **Real estate agents** or **sales agents** who help manufacturers find buyers for their products without owning or handling the products themselves.

5. Brokers

Brokers are similar to agents but typically work on a more temporary basis and facilitate the sale of goods between buyers and sellers. They are usually paid a commission based on the transaction value. Brokers are commonly used in markets like commodities or real estate.

Example: **Freight brokers**, who arrange the transportation of goods between suppliers and buyers but do not own the goods themselves.

6. Distributors Role.

A distributor is an intermediary that buys products directly from manufacturers, holds inventory, and resells it to retailers, other wholesalers, or even end consumers. Distributors often work closely with manufacturers to promote and support their products.

Example: **Ingram Micro**, a distributor of technology products like computers and software that supplies goods to retailers or other businesses.

7. Agents and Brokers.

These are intermediaries who facilitate the sale of products by connecting manufacturers to wholesalers, retailers, or consumers but do not take ownership of the goods.

Example: **Advertising agents** or **stock brokers** help companies find buyers and sell their products without taking possession of the goods.

8. Franchisees

Franchisees are individuals or companies that operate a business under the name and business model of a franchisor. The franchisee distributes the franchisor's goods or services and shares profits with the franchisor. Franchisees are common in industries like fast food, retail, and fitness.

Example: **McDonald's**, where franchisees run individual stores and sell McDonald's food products to customers.

9. End Consumers (e- commerce).

The final step in the distribution channel, where the product reaches the ultimate user. In many cases, consumers are the direct buyers from retailers or through other intermediaries like e-commerce websites.

Example: A person who buys a **Samsung Galaxy phone** from an online store or physical retailer.

10. Value-Added Resellers (VARs).

Value-added resellers are businesses that take a product (usually a component) and add additional features, services, or support before reselling it. VARs don’t typically create new products but enhance existing ones by offering bundled solutions, including installation, technical support, or customization.

Example: In the tech industry, a **VAR** might take a basic server, add specialized software, and then sell it to businesses needing that particular solution, such as custom IT configurations for a client.

11. Jobbers

Jobbers are specialized wholesalers who typically distribute products to smaller retailers. They don't always take large quantities of stock like traditional wholesalers but instead focus on niche or local market distribution. Jobbers often operate in specific regions or serve specific sectors.

Example: A **book jobber** might distribute educational books or textbooks from publishers to small independent bookstores..

12. Drop Shippers

Drop shippers are intermediaries that don’t handle or stock the goods they sell. When a customer places an order, the drop shipper forwards the order to the supplier or manufacturer, who then ships the product directly to the customer. Drop shipping is particularly popular in e-commerce.

Example: A **fashion e-commerce store** may use a drop shipper to sell clothing without holding any physical stock. When a customer buys an item, the drop shipper handles the shipping from the manufacturer.

13. Agents of Exclusive Distribution

In some cases, manufacturers choose to have exclusive agreements with certain agents or distributors. These agents have exclusive rights to distribute a product within a specified geographic area or market. This is known as **exclusive distribution**.

Example: A **luxury brand** like **Rolex** might work with an exclusive distributor who has sole rights to sell their watches in a particular country or region.

14. Online Marketplaces (E-commerce Platforms)

Online marketplaces like **Amazon**, **eBay**, and **Etsy** act as intermediaries between sellers and buyers. These platforms provide a vast customer base and take care of logistics, payment processing, and sometimes customer service, allowing sellers to focus on product marketing.

Example: A small business selling **handmade jewelry** might list its products on **Etsy**, leveraging the platform's marketplace to reach customers.

15. Direct Selling Representatives

Direct selling is a method where sales representatives sell products directly to consumers, typically outside of traditional retail stores, often through home parties, one-on-one meetings, or personal relationships.

Example: **Tupperware** and **Avon** are classic examples of companies that use direct selling through representatives to reach consumers directly.

16. Wholesaler-Distributors

A **wholesaler-distributor** performs both the functions of wholesaling and distributing. They typically purchase products in bulk from manufacturers, store them, and then sell them to retailers. These distributors can also provide additional services, such as advertising or technical support, to help promote the product.

Example: **Ingram Micro**, which supplies tech products to various resellers and retailers, also provides value-added services such as product education, integration, and technical support.

17. Third-Party Logistics Providers (3PL)

3PL providers manage some or all of the logistics functions of companies, including warehousing, inventory management, order fulfillment, and distribution. By outsourcing logistics to a 3PL, companies can focus more on their core competencies like product development and sales.

Example: **FedEx Supply Chain** or **DHL Supply Chain** can handle storage, fulfillment, and shipping for an e-commerce brand, ensuring timely delivery to customers.

18. Cross-Docking Facilities

Cross-docking refers to the practice where products are transferred directly from inbound to outbound transportation, bypassing storage. These facilities are designed to speed up the distribution process, allowing goods to be moved quickly through a warehouse without being stored.

Example: Large retailers like **Walmart** and **Amazon** use cross-docking to streamline operations and reduce inventory holding costs.

19. Independent Sales Representatives

Independent sales representatives act as third-party intermediaries who represent manufacturers or wholesalers in specific regions or markets. These reps often work on a commission basis, helping to sell products without taking ownership of the goods.

Example: A company selling **high-end electronics** might employ independent sales reps to contact **retailers** and negotiate bulk orders.

19. Specialty Retailers

Specialty retailers focus on selling a specific category of products or services. These retailers often offer a unique selection, high customer service, and specialized knowledge in a particular area.

Example: **Apple Stores** are specialty retailers that exclusively sell Apple products like iPhones, Macs, and accessories.

20. Multi-Channel Retailers.

Multi-channel retailers use several distribution channels simultaneously (e.g., both physical stores and online platforms) to sell products and reach customers.

Example: **Nordstrom** operates both physical retail stores and an online store, offering a broad range of products like clothing, shoes, and accessories.

21. Direct Selling Organizations.

These businesses engage in direct selling, where independent sales representatives (often referred to as consultants) sell products directly to consumers, typically in non-retail environments like homes or online.

Example: **Amway**, a company that sells a variety of products (health, beauty, home goods) through independent distributors directly to consumers, often via home parties or online consultations.

22. Merchant Wholesalers.

Merchant wholesalers purchase goods in bulk from manufacturers and then resell them, often providing storage and logistical services. They take ownership of the products and may provide additional services like customer support or product customization.

Example: **Uline**, which sells packaging and industrial products to businesses, operates as a merchant wholesaler.

23. Cooperative Marketing Groups.

These are groups of businesses or independent retailers who collaborate to market and distribute products. They pool resources to increase their buying power and marketing efforts.

Example: **Farmers' cooperatives**, where a group of farmers can collectively sell their produce to wholesalers and retailers to increase bargaining power.

24. E-commerce Platforms (Marketplace Model).

These platforms provide a marketplace where third-party sellers can list their products. The platform itself may not own or handle the products but facilitates the transaction, often providing customer service, payment processing, and logistics support.

Example: **Amazon Marketplace**, where independent sellers list and sell products, and Amazon handles payments, customer service, and shipping logistics through its Fulfillment by Amazon (FBA) program.

25. Catalog Marketers.

These are companies that sell their products through catalog distribution channels, usually mailed to potential customers. Customers can then place orders through mail, phone, or online. **Example**: **L.L. Bean** used to primarily distribute its outdoor clothing and gear through catalog marketing before expanding its online and physical stores.

26. Telemarketing Firms.

Telemarketing firms directly sell products to customers via phone calls. These firms may work for a specific manufacturer or act as independent entities to sell various goods or services. **Example**: **1-800-Flowers** operates using telemarketing techniques, taking customer orders for flowers and gifts via phone or the internet.

27. Telesales or Inside Sales Teams.

Telesales teams are often part of a company's direct sales effort. They sell products or services over the phone, reaching out to existing customers or new leads.

Example: **Dell**'s telesales teams contact corporate clients to sell customized computing equipment, offering personalized service and building relationships over time.

28. Private Label Brands.

A private label brand is a product manufactured by one company and sold under the retailer's brand name. These often appear in various retail chains, offering competitive pricing by cutting out some intermediaries.

Example: **Great Value** is Walmart's private-label brand for groceries, competing with national brands but sold exclusively at Walmart stores.

29. Warehouse Clubs.

Warehouse clubs are retailers that sell products in bulk and require membership. They often serve both businesses and individual consumers, providing low-cost access to goods.

Example: **Costco** is a well-known warehouse club where customers can buy bulk quantities of products ranging from electronics to groceries.

30. Independent Distributors.

Independent distributors operate independently of manufacturers and may represent a variety of products. They are often found in specific industries like automotive, industrial equipment, or electronics.**Example**: **Genuine Parts Company** distributes automotive replacement parts from various manufacturers and sells them to retailers, repair shops, and directly to consumers.

31. Vending and Self-Service Machines.

Vending machines are a form of direct-to-consumer distribution where products are dispensed automatically. While typically smaller in scope, they are a distribution method that removes traditional intermediaries.

Example: **Coca-Cola vending machines** in public spaces allow consumers to purchase beverages directly without the need for retailers or distributors.

32. Concessionaires.

Concessionaires are businesses that sell products or services at a specific location or through exclusive rights, such as in airports, amusement parks, or sports venues. They usually have temporary, limited locations within larger spaces.

Example: **Hudson News** in airports sells books, snacks, and travel accessories, often acting as a concessionaire in those spaces.

33. Brokers (Financial Products or Real Estate).

Brokers specialize in connecting buyers and sellers of financial products (like insurance, stocks, or bonds) or real estate. They often work on a commission basis and don't hold inventory of the products they sell.

Example: **Coldwell Banker**, a real estate brokerage, helps buyers and sellers of properties connect, facilitating the transaction process.

34. Industrial Cooperatives.

Cooperatives in the industrial sector are organizations owned by a group of businesses or manufacturers that collectively purchase industrial goods to reduce costs and improve their bargaining power. Members of the cooperative often share resources, such as warehouses or supply chain networks, to enhance efficiency.

Example: **Agri-business cooperatives** might pool resources to purchase large quantities of fertilizers or farm machinery at a reduced rate for the collective benefit of the group.

35. Franchise Systems.

In some cases, **industrial goods manufacturers** operate under a franchise model. In these cases, a franchisor offers a product or service, and the franchisee sells it to businesses or consumers. This model is particularly common for businesses that sell industrial tools, equipment, or services.

Example: **Snap-on Tools** offers franchises that allow individuals to operate as distributors of its tools and equipment to automotive repair shops and other businesses

Difference between Wholesaler and Retailer

Wholesaler	Retailer
1. Deals in large quantities and on a large scale	Deals in small quantities and on small scale
2. Handles a small number of items and varieties	Handles a large number of items and varieties
3. First outlet in the chain of distribution	Second outlet in the chain of distribution
4. Sells to retailers and industrial users	Sells to consumers
5. Receives goods from manufacturers/producers	Receives goods from wholesalers and sometimes from the manufacturers
6. Location of a wholesaler's shop is not very important	Location of retailers' shop near the residential areas is very important
7. Window display is not very important	Window display is a must to attract customers
8. Sells at a very low margin of profit as turnover is very fast	Sells at a higher margin of profit as he has to spend on window display and pay higher rent for accommodation in a central place
9. Do not provide after-sale service	Provide after-sale service

4.4.5. FACTORS TO BE CONSIDERED IN CHANNEL SELECTION

Every producer, in order to pass on the product to the consumer, is required to select a channel for distribution. The selection of the suitable channel of distribution is one of the important factors of the distribution decisions. The following factors affect the selection of the channel of distribution:

1. Nature of Product.

The selected channel must cope up perish ability of the product. If a commodity is perishable, the producer prefers 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.

10. Number of Customers.

If the number of customers is large, definitely the services of the middlemen will have to be sought for. As against it, the products whose customers are less in number are distributed by the manufacturer himself.

11. Expansion of the Consumers.

The span over which are the customers of any commodity spread over, also affects the selection of the channel of distribution. When the consumers are spread through a small or limited sphere, the product is distributed by the producer himself or his agent. As against it, the goods whose distributors are spread throughout the whole country, for such distributors, services of wholesaler and the retailer are sought.

12. Size of the Order.

When bulk supply orders are received from the consumers, the producer himself takes up the responsibility for the supply of these goods. If the orders are received piece-meal or in smaller quantities, for it the services of the wholesaler could be sought. In this way, the size of the order also influences the selection of the channel of the distribution.

4.5. REVIEW QUESTIONS.

PART – A

1. What is promotional mix?
2. List a types of promotional mix.
3. Define Advertising and Advertising Copy.
4. What is Moral Advertising and sky writing advertisement?
5. List out Traders Promotional Techniques.
6. Define off- the shelf offers.
7. List direct marketing techniques.
8. What is Personal Selling?
9. Define social networking and online news letter.
10. What is Persistence/?
11. Define channels of distribution.
12. What is VARs?
13. What is Warehouse clubs and Concessionaires?

.PART – B

1. State the elements of promotional mix.
2. State the importance of advertising.
3. Give the types of promotional advertising.
4. State the importance of sales promotion..
5. What are the different kinds of indirect advertising media?
6. State the consumer promotion techniques.
7. List out types of personnel selling techniques.
8. State the methods of public relations.
9. Distinguish between Advertising and Sales Promotion.
10. Differentiate between Personnel Selling and Sales Promotion.

11. State the functions of channels of distribution.

12. List out the factors influencing the channels of distribution.

.PART - C

1. Explain the types of Advertisement Media.

2. Enumerate the different kinds of sales promotion.

3. Discuss In detail about Qualities of a Good Salesman.

4. Explicit the different types of distribution channels.

5. Describe in detail about different types of member participating in channels of distribution.

6. Discuss in detail about the qualities of a Successful salesman.

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UNIT – V

COMPETITIVE ANALYSIS AND STRATEGIES

LEARNING OBJECTIVES.

After reading this Unit -V, students will be able to:

- **Explain the meaning and concept of Global Market Environment.**
- **Understand the importance of Social Responsibility**
- **Understand the Recent Trends in Marketing.**
- **Know the process of E – Marketing, M – Marketing and E-Tailing**
- **Stages in CRM Process.**
- **Understand the Market Research and Steps in Marketing Research Process.**
- **Know the elements of Management Information System.**
- **Learn the different modes of Marketing Regulations.**

5.1 INTRODUCTION

The global market environment refers to the overall economic, political, social, and technological conditions that affect international trade and business operations across borders. It encompasses various factors that influence global business strategies and decision-making, and understanding it is crucial for companies looking to enter international markets, expand their operations, or adapt to external changes

Global marketing environment can simply be defined as, *All the factors and forces inside or outside an organization or company which affects the marketing strategy to build and maintain successful relation-ships with targeted customers.*

5.2. GLOBAL MARKET ENVIRONMENT

The global market environment refers to the complex and dynamic conditions that businesses face when marketing products or services across different countries and regions. It involves understanding and adapting to a wide range of factors that influence consumer behaviour, competition, and business operations on a global scale.

5.2.1. COMPONENTS OF THE GLOBAL MARKET ENVIRONMENT / KEY ASPECTS OF THE GLOBAL MARKET ENVIRONMENT

1. Economic Environment.

Global market environment includes global economic trends, GDP growth rates, inflation, and currency exchange rates. Hence, marketers must assess purchasing power and affordability in different regions. *For example, fluctuating exchange rates can significantly impact the profitability of international trade. As of March 2025, global inflation remains a concern in many economies, influencing consumer spending and investment decisions.*

2. Political Environment.

Government policies, trade agreements, political stability, and regulatory frameworks play a significant role. For instance, the Trade and Economic Partnership

Agreement (TEPA) signed between India and the EFTA bloc in March 2024 is expected to boost trade and investment between these regions once it comes into effect, potentially before the end of 2025. Conversely, political instability in a region can deter foreign investment and disrupt supply chains.

3. Legal Environment.

Different countries have varying legal systems, including laws related to contracts, intellectual property, consumer protection, and environmental regulations. Businesses must comply with the legal requirements of each market they operate in. For instance, the registration and enforcement of trademarks are crucial for protecting a company's brand in international markets.

4. Socio-cultural Environment.

Cultural differences, demographics, consumer behavior, and social values vary significantly across countries. Businesses need to adapt their products and marketing strategies to suit local preferences. For example, understanding the demographic shifts in a country, such as an aging population or a growing middle class, is essential for targeting the right consumer segments.

5. Technological Environment.

Advancements in technology, such as the internet, e-commerce, mobile communications, and automation, have revolutionized global trade and business operations. E-commerce platforms like Alibaba and Amazon have enabled businesses, including SMEs, to access global markets directly. Furthermore, technologies like AI-powered forecasting tools help companies anticipate market fluctuations and make data-driven decisions.

6. Competitive Environment.

Global markets often have more intense competition, requiring dif-ferentiation and innovation.

Monitoring local and international competitors is key for strategy development.

7. Natural Environment. Global market environment includes ecological and environmental factors like climate change and sustainability concerns. Global market environment includes ecological and environmental factors like climate change and sustainability concerns.Marketers are increasingly focusing on eco-friendly and sustainable practices to appeal to environmentally conscious consumers.

5.2.2. Marketing Strategies in the Global Environment.

To thrive in the global market, businesses must adopt specific strategies:

1. Market Research.

Global market environment helps to understand consumer preferences and market conditions through data analysis. Global market environment employs surveys, focus groups, and online analytics to know consumers' preferences.

2. Digital Marketing.

Global market environment leverages social media, search engines, and e-commerce platforms to target global audiences.

Global market environment helps to tailor online content based on regional languages and preferences.

3. Global Branding.

It builds a brand image that resonates universally while accommodating local nuances. It emphases core values that appeal across cultures.

4. Distribution Channels.

Global market environment establishes efficient supply chains and partnerships to ensure timely product delivery. It adapts logistics to meet local infrastructure capabilities.

5.2.3. CHALLENGES IN THE GLOBAL MARKET.

1. Cultural Sensitivity.

Missteps in understanding local customs can harm brand reputa-tion.

2. Regulatory Compliance: Global market environment helps to navigate different laws and trade agreements and regulatory compliance.

3. Economic Instability.

Global market environment helps to know the fluctuations in exchange rates and economic conditions.

4. Competition.

Global market environment balances global scale with local market penetration.

5.2.4. IMPORTANCE FOR MARKETERS

Understanding the global market environment helps marketers

- To identify growth opportunities in untapped regions.
- To build long-term competitive advantages by anticipating global trends
- To enhance customer satisfaction through culturally appropriate strategies.
- To foster innovation by learning from diverse markets.

The global market environment requires marketers to be agile, informed, and culturally aware to successfully navigate the challenges and seize opportunities in international markets.

5.3. SOCIAL RESPONSIBILITY OF MARKETING.

Now a day's business is recognized and accepted as a social and economic organ of the society.

Social marketing is a method that uses marketing principles to change or maintain people's behavior for the benefit of society or individuals. It combines ideas from commercial marketing and social sciences to influence behavior in a sustainable and cost-effective way.

Every business has some social responsibilities. Social responsibility is the obligation of the business towards different groups of society. ***Social responsibility applies to both private sector business and public sector business. Business is***

an integral part of the social system. It influences all areas of society which in turn affect business. Social responsibilities of business mean the obligation of the business towards society. Service to society is an important objective of business.

Koontz & O Donnel defines Social responsibility as follows ***"Social responsibility is the personal obligation of every one, as he acts for his own's interests, to assure that right and legitimate interests of all others are not impinged".***

5.3.1. SOCIAL RESPONSIBILITY OF MARKETING.

The social responsibility of marketing with regard to the global environment involves ethical and sustainable practices that consider the wellbeing of society and the planet. ***Businesses that adopt socially responsible marketing contribute positively to global challenges such as environmental sustainability, cultural respect, and equitable economic development.***

Following are the social responsibility:

(1). Environmental Sustainability.

Marketers have a responsibility to promote eco friendly practices and minimize the environmental impact of their activities. This includes:

i. Sustainable Products.

Developing and marketing products that use renewable resources, are biodegradable, or are energy-efficient.

ii. Eco-Friendly Packaging.

Reducing plastic waste by using recyclable, compostable, or re-usable packaging materials.

iii. Green Advertising.

Avoiding exaggeration of environmental claims ("green washing") and providing transparent, factual information about sustainability efforts.

(2). Ethical Marketing Practices.

Social responsibility in marketing involves promoting honesty, fairness, and respect for consumers globally:

i. Honest Communication.

The main social responsibility is to avoid false claims or mislead-ing advertising.

ii. Fair Pricing.

It ensures that products are affordable and not exploitative.

iii. Consumer Privacy.

The social responsibility of marketing is to protect personal data collected through digital marketing campaigns.

(3). Promoting Social Equity.

Marketing strategies should aim to address inequalities and sup-port community development by:

i. Inclusive Representation:

It helps to create campaigns which reflect diverse cultures, gen-ders, and ethnicities without perpetuating stereotypes.

ii. Support for Local Economies:

It helps to promoting fair trade practices and sourcing materials locally by partnering with local businesses.

iii. Community Engagement:

It directs to invest in programs that benefit underprivileged com-munities, such as education, health care, or infrastructure projects.

Example: The Body Shop emphasizes fair trade and community trade partnerships in developing countries.

(4). Addressing Global Challenges.

i. Climate Change

The social responsibility advocates for and adopts carbon neutral practices in production and distribution.

ii. Waste Management.

The social responsibility encourages recycling or takes back programs for used products.

iii. Health and Well-being.

It promotes healthier lifestyle choices through products and campaigns, such as reducing sugar in beverages.

iv. Sustainable Living Plan.

It integrates environmental and social objectives into its marketing strategies.

(5). Cultural Sensitivity and Respect.

In the global market, respecting local traditions and values is essential for socially responsible marketing:

i. Culturally Appropriate Messaging.

It ensures marketing materials align with local customs and to avoid cultural insensitivity.

ii. Avoiding Exploitation.

The social responsibility helps to avoid exploiting cultural symbols or undervaluing local labour.

(6). Transparent Reporting.

Consumers increasingly demand transparency from brands about their social and environmental impact:

i. Impact Metrics : The social responsibility enables sharing reports on carbon emissions, recycling rates, and community investments.

ii. Certifications.

It highlights third party verifications, such as Fair Trade, LEED, or Carbon Neutral certifications.

(7). Long-Term Brand Loyalty: Socially responsible marketing creates trust and loyalty by demonstrating that a company prioritizes more than just profits. Customers are more likely to support brands that align with their values.

Social responsibility in marketing is not just an ethical obligation but a strategic advantage in the global environment. By addressing environmental and social issues, companies can foster goodwill, contribute to sustainable development, and build stronger relationships with their consumers. This approach ensures that marketing efforts benefit both businesses and the broader global community.

i. Philanthropy and Community Engagement: Businesses contribute to social causes through charitable donations, community service, or partnerships with non-profit organizations. These efforts help improve the quality of life in local communities.

ii. Ethical Treatment of Employees: Ensuring fair wages, safe working conditions, and opportunities for advancement are key components of social responsibility that affect a company's reputation and employee morale.

5.4. RECENT TRENDS IN MARKETING.

The marketing landscape has undergone a seismic shift in recent years, driven by rapidly evolving technologies, changing consumer behavior, and the need for brands to stay relevant in an increasingly competitive market. These transformative trends have reshaped the way businesses approach marketing, forcing them to adapt and innovate to capture the attention of their target audiences.

Due to the advancement in technology, following techniques are adopted in marketing:

1. Omni channel Marketing

Omni channel marketing has emerged as a paramount strategy for businesses seeking to *create a cohesive and seamless customer experience across multiple touch points. This approach recognizes that consumers interact with brands through various channels, including websites, social media, mobile apps, and physical stores*. By integrating these channels, companies can provide a consistent brand experience and ensure that customers receive relevant and personalized messaging, regardless of the platform they use.

2. Database marketing or Personalization and Data-driven Insights

Database marketing is the process of building, maintaining and using customer database for the purpose of contacting and transacting. Business to Business marketers and service retailers most frequently use database marketing. *Example: Hotels, banks, agents of capital markets and airlines use database marketing.*

3. Influencer Marketing and Brand Advocacy

In a world where consumers are bombarded with marketing messages from all directions, influencer marketing has emerged as a powerful tool for brands to cut through the noise and connect with their target audiences authentically. By collaborating with influential individuals or brand advocates, companies can leverage their credibility and reach to amplify their messages and build trust with potential customers.

4. Content Marketing and Storytelling

With consumers increasingly skeptical of traditional advertising, content marketing has become a crucial strategy for brands to establish themselves as thought leaders and build meaningful connections with their audiences. By creating valuable, informative, and engaging content, companies can educate their customers, foster brand loyalty, and ultimately drive conversions. Storytelling has also gained prominence as a means of emotionally connecting with audiences and creating memorable brand experiences.

5. Video Marketing and Live Streaming.

The power of visual content has never been more apparent than in today's digital landscape. Video marketing has emerged as a highly effective way to capture attention, convey brand messages, and showcase products or services in an engaging and immersive manner. Live streaming, in particular, has gained traction as a tool for brands to connect with their audiences in real-time, fostering a sense of authenticity and community.

6. Artificial Intelligence and Automation

Artificial Intelligence (AI) and automation technologies have revolutionized the marketing industry, enabling businesses to streamline processes, optimize campaigns, and deliver personalized experiences at scale. From chat bots and virtual assistants to predictive analytics and programmatic advertising, AI has become an invaluable asset for marketers seeking to enhance efficiency. Improve customer service, and gain a competitive edge

7. Voice Search and Conversational Marketing

With the rise of voice-activated devices and virtual assistants, voice search has become an increasingly important consideration for marketers. Optimizing content and marketing strategies for voice search requires a deep understanding of natural language processing and conversational patterns. Conversational marketing, which involves engaging with customers through chat interfaces and voice-based interactions, has also gained momentum as a means of providing personalized and real-time assistance.

8. Social Responsibility and Purpose-Driven Marketing

Consumers, especially younger generations, are increasingly conscious of social and environmental issues, and they expect brands to align with their values and take a stand on important causes. Purpose-driven marketing, which involves aligning a brand's messaging and initiatives with social or environmental causes, has become a powerful way for companies to connect with their audiences on a deeper level and demonstrate their commitment to making a positive impact.

9. Augmented Reality (AR) and Virtual Reality (VR)

Augmented Reality (AR) and Virtual Reality (VR) technologies have opened up new frontiers in marketing, allowing brands to create immersive and interactive experiences for their customers. From virtual product demonstrations and virtual try-on experiences to AR-enhanced packaging and marketing campaigns, these technologies have the potential to transform the way consumers engage with brands and make purchasing decisions.

10. Metaverse and Web3 Marketing

The emergence of the metaverse and Web3 technologies, such as block chain and decentralized applications, has introduced new possibilities for marketing in virtual worlds. Brands are exploring ways to establish their presence in these digital realms, create unique experiences for their audiences, and leverage new monetization models. As the metaverse and Web3 ecosystems continue to evolve, marketers will need to stay ahead of the curve and adapt their strategies accordingly.

11. Green marketing:

Green marketing means the development, pricing, promotion and distribution of products that do not harm the environment. Green marketing is also known as Environmental marketing and Ecological marketing. Green marketing involves the study of positive and negative aspects of marketing activities on pollution, energy depletion and non energy depletion.

Importance of green marketing:

- It provides opportunities to achieve the objectives of the business.
- It gives more importance to social marketing
- It helps to reduce the cost of the products.
- It focuses on the dynamic inter relationship between business society and the environment.

12. E- Commerce.

E-Commerce or Electronic Commerce is the buying and selling of goods and services through electronic networks like the Internet. E-Business is a broader term that includes internal and external transactions of an organization across the internet. The internal transactions of an organization include finance, production, operations and other internal functions of management. External transactions include customer service, sales and marketing and business to business transactions and transactions of business collaboration through the internet.

Advantages of E-Commerce.

- Reduced cost of operations.
- Provides opportunities for 24 / 7 transactions.
- Interaction with multiple buyers and sellers in the market place model.
- Targeted customer information and niche marketing.
- Access to a wide variety of products and product information.
- Availability of products at low costs, offers, special discounts etc.
- Market place buyers get availability of products at one place.
- Digital products can be downloaded or accessed easily.

E-Commerce Domains

The following are E-Commerce Domains,

1. Business to Consumer (B2C).
2. Business to Business (B2B).
3. Consumer to Consumer (C2B).
4. Consumer to Business (C2B).
5. Business to Government (B2G).

1. Business to Consumer (B2C).

A business concern sell products and services directly to customers. Some examples of B2C players include amazon.com, irctc.co.in, bookmyshow.com and so on.

2. Business to Business (B2B).

As the name suggests, this is a model where business transact with each other over the internet. Some E-Commerce companies in the B2B segment include Snapdeal, Flipkart, Alibaba, Indiamart, Tradeindia. Com etc.

3. Consumer to Consumer (C2C).

The C2C model enables customers to sell directly to other customers through online classified advertisements and auctions or through mobile market places. Some examples quikr, olx and eBay.

4. Consumer to Business (C2B).

The consumer to business model is a reverse auction model. Products like automobiles, electronic items, furniture and similar such products are traded by customers through the websites. Some examples Naukri.com, monster.com are some examples of Indian companies in this segment.

5. Business to Government (B2G).

A large number of products and services are traded by business to government. For instance TCS operates the passport application process for the government of India as part of an offline process.

13. E-Marketing or Electronic marketing

E-marketing, or electronic marketing, is the process of promoting products or services using digital technologies and online platforms. It combines traditional marketing strategies with modern digital tools to reach a larger audience more efficiently.

E-Marketing is a process of planning and executing the development, distribution, promotion and pricing of products and services in a computerized networked environment. E- Marketing is also known as Internet marketing, web marketing, Digital marketing or online marketing.

In the words of **Kotler and Keller** "**E-Marketing portrays company efforts to inform and communicate with buyers, and promote and sell its products and services over the internet ".**

Types of E- Marketing:

Following are some of the types of E-Marketing:

1. E-Mail marketing

2. Search Engine optimization

3. Paid Advertising

4. Social Media Channels

5. Video Marketing

6. Article Marketing

7. Affiliate Marketing

1. E-Mail marketing.

It is the most popular method of e-marketing, E-marketing includes marketing a product or service to a database through targeting a certain segment of customers via e-mails. This method of marketing is inexpensive and it increases the return on investments.

2. Search Engine optimization

SEO Marketing is done through targeting key words in the firm's website to appear in search engines in the top results.

3. Paid Advertising.

Paid advertising is one of the type of e-marketing. Paid advertisements are advertisements appear in search engines. The success of paid advertisements depends upon the keywords that are used to help the advertisements in the search engine.

4. Social Media Channels.

Social media channels such as Face book, Twitter, Google plus, Linkedin, YouTube, Instagram, etc are used to market the products of a firm. Social media channels help to highlight the information about the firm and its products.

5. Video Marketing.

Video marketing is used to catch the attention and emotions of targeted groups.

6. Article Marketing.

Article Marketing is a consistent and ongoing process of delivering quality content to the readers of the message. In this type of marketing. the main aim is to educate the audience and to help them to add some value in their lives.

7. Affiliate Marketing

It a the process of promoting some products of certain brands.

13. Mobile Marketing or M – Marketing.

M - Marketing, or mobile marketing, is a marketing strategy that uses mobile devices to promote products or services. It involves using mobile channels such as SMS, MMS, mobile apps, messaging apps, and mobile-optimized websites to reach customers.

Mobile marketing is any advertising activity that promotes products and services via mobile devices, such as tablets and smart phones. It makes use of features of modern mobile technology, including location services, to tailor marketing campaigns based on an individual's location.

Mobile marketing refers to the strategies and techniques used to promote products, services, or brands through mobile devices such as smart phones, tablets, and apps. It leverages the fact that people increasingly use their mobile devices to access the internet, shop, communicate, and consume content.

Elements of Mobile Marketing:

1. Mobile-Friendly Websites.

Ensuring websites are optimized for mobile devices with responsive designs that adjust to different screen sizes.

2. Mobile Apps.

Developing apps that provide value to users, such as shopping, gaming, or utility apps, and using them to engage customers.

3. SMS and MMS Marketing.

Sending text messages (SMS) or multimedia messages (MMS) to customers with promotions, updates, or alerts

4. Push Notifications.

Alerts sent through mobile apps to inform users of offers, updates, or reminders.

5. Mobile Search Ads.

Ads tailored for mobile search platforms, often with click-to-call functionality.

6. Social Media Marketing.

Utilizing social media platforms optimized for mobile (e.g.. Instagram, Tik Tok) to engage users through posts, stories, and ads.

7. QR Codes.

Scan able codes that direct users to specific content, websites, or promotions.

8. Location-Based Marketing.

Using GPS or geo targeting to deliver ads or notifications based on a user's location.

9. Mobile Wallet Marketing.

Leveraging mobile payment systems (like Apple Pay or Google Wallet) to deliver promotions, coupons, or loyalty rewards.

14. E-tailing or Electronic retailing.

E-tailing, or electronic retailing, refers to selling goods and services directly to consumers through online platforms. It is a subset of e-commerce focused specifically on retail. E-tailing enables businesses to reach a global audience without needing physical storefronts, relying in-stead on websites, mobile apps, or online marketplaces.

Electronic retailing (e-tailing) is an internet-based sales platform where consumers are able to buy and sell goods online directly from a business without physically inspecting the goods.

Features of E-Tailing Marketing:

1. Digital Storefronts.

Websites apps serve as virtual stores, where marketing focuses on creating a user-endly design, engaging visuals, and clear product descriptions.

Example: Amazon, eBay, or a brand's dedicated e-commerce site.

2. Search Engine Optimization (SEO).

E-tailing optimizes e-tailing platforms to rank higher on search engines for keywords related to the products being sold.

Example: A clothing retailer using SEO to appear at the top of Google results for affordable summer dresses.

3. Pay-Per-Click (PPC) Advertising : Paid ads on search engines or social media platforms to drive traffic to the e-tailing platform. *Example: An electronics retailer running Google Ads for "best deals on smart phones.*

4. Personalization.

E-tailing uses data analytics to provide tailored shopping experiences, such as personalized product recommendations or offers. *Example: A platform suggesting products based on a user's browsing or purchase history*.

5. Email Marketing

E-tailing sends targeted emails with promotions, new arrivals, or abandoned cart reminders. *Example: A fashion retailer emailing a discount code for items left in a customer's shopping cart*.

6. Social Media Integration.

E-tailing leverages ever aging social media platforms for product promotion, influencer collaborations, and direct sales. *Example : A beauty brand using Instagram shopping to allow customers to buy directly through posts.*

7. Mobile Optimization.

E-tailing ensures e-tailing platforms are mobile-friendly, as a significant portion of e-commerce traffic comes from mobile users.

8. Customer Reviews and Ratings.

E-tailing highlights customer feedback to build trust and encourage purchases.

Example: Displaying star ratings and user reviews on a product page.

9. Loyalty Programs. E-tailing rewards repeat customers with points, discounts, or exclusive offers. Example: An online bookstore offering free books after earning a certain num-ber of loyalty points.

5.4.1 Comparing E-Marketing, M-Marketing, and E-Tailing

Aspect	E-Marketing	M-Marketing	E-Tailing
Platform	Primarily internet-based (email, websites, social media)	Focused on mobile devices (smartphones, tablets, apps)	Conducted via e-commerce platforms (online stores)
Target Audience	Broad, targeting internet users across all devices	Specifically targets mobile users	Targets online shoppers looking to purchase goods/services
Purpose	Promote brand, increase visibility, drive traffic to website	Engage users through mobile-specific content and offers	Facilitate online shopping and sales
Engagement Method	Email campaigns, ads, content, social media, SEO	SMS, push notifications, mobile apps, mobile ads	Online catalogs, product reviews, payment options
Focus	Brand awareness, lead generation, content distribution	Real-time, location-based, and instant engagement	Sales transactions, customer service, order fulfillment
Example	Google Ads, Instagram Ads, Email Newsletters	SMS campaigns, Location-based Push Notifications, In-App Ads	Amazon, Etsy, Shopify Stores

5.5. Customer Relationship Marketing (CRM)

In today's highly competitive business landscape, Customer Relationship Management (CRM) has become a crucial component for organizations seeking to build lasting relationships with their customers, drive growth, and achieve long-term success. By embracing CRM strategies and leveraging the power of technology. Businesses can gain a deeper understanding of their customers, deliver exceptional experiences, and foster loyalty, ultimately leading to increased profitability and a sustainable competitive advantage

Relationship marketing is also called Customer Relationship Marketing. This refers to a technology enabled process for customer interaction and relationship building. Relationship Marketing is a strategy of Customer Relationship Management (CRM) that emphasizes customer retention, satisfaction, and lifetime customer value. Its purpose is to market to current customers versus new customer acquisition through sales and advertising.

The main aim of CRM is generally to create a better customer experience. It helps to increase the sales of the company. The purpose of a CRM (Customer Relationship Management) system is to streamline how businesses manage and nurture their relationships with customers and prospects.

Relationship marketing is marketing which consciously aim to develop and manage long term and / or trusting relationship with customers, distributors, suppliers or other parties in the marketing environment" - American Marketing Association.

5.5.1. Significance of Customer Relationship Management (CRM)

1. Improved Customer Satisfaction and Loyalty: By collecting and analyzing customer data, businesses can gain insights into customer preferences, pain points, and expectations. This knowledge allows companies to provide personalized experiences, proactive support, and tailored offerings, leading to increased customer satisfaction and loyalty.

2. Enhanced Customer Retention and Profitability: Retaining existing customers is generally more cost-effective than acquiring new ones. CRM strategies help businesses identify and prioritize high-value customers, anticipate their needs, and deliver exceptional service, ultimately leading to improved customer retention and increased profitability.

3. Increased Cross-selling and Upselling: Opportunities: With a comprehensive view of customer behavior, purchase history, and preferences, businesses can identify relevant cross-selling and upselling opportunities. This allows companies to offer complementary products or services to existing customers, driving additional revenue streams.

4. Streamlined and Efficient Operations: CRM systems centralize customer data and interactions, enabling efficient collaboration and information sharing across departments. This streamlines processes, reduces redundancies, and improves overall operational efficiency, leading to cost savings and productivity gains.

5. Data-driven Decision Making : CRM solutions provide businesses with valuable customer data and analytics, enabling data-driven decision-making. This information can inform marketing strategies, product development, pricing decisions, and resource allocation, ultimately driving better business outcomes.

6. Competitive Advantage: By leveraging CRM to deliver personalized and exceptional customer experiences, businesses can differentiate themselves from competitors and gain a competitive edge in their respective markets.

7. Improved Customer Segmentation and Targeting: CRM tools allow businesses to segment their customer base based on various criteria, such as demographics, behavior, preferences, and purchase history. This enables more effective targeting and personalization of marketing campaigns, leading to higher conversion rates and better return on investment (ROI).

8. Enhanced Customer Insights and Market Intelligence: CRM systems capture vast amounts of customer data, providing businesses with valuable insights into customer behavior, market trends, and industry dynamics. These insights can inform strategic decision-making, product development, and market positioning.

5.5.2. Steps towards CRM

Following are the steps involved in CRM:

1. Know your customer

2. Design the product accordingly

3. Deliver value for money

4. Maintain after sale service network

5. Seek constant appraisal from customers

1. Know your customer.

It is the duty of the marker to know the customers of his/ her firm. The marker must know the taste. Preference of products, demographic, geographic and psychographic profile of customers. Well bought goods 'are half sold'. Therefore, before designing a product, a marketer must know his customers.

2. Design the product accordingly.

Designing of product is the second step in CRM. After knowing the tastes and preference of customers, the marketer has to design the product. Then only it is possible for the firm to supply right product, at the right place with the right price.

3. Deliver value for money.

A marketer has to supply goods or products to his customers. After the consumption of goods, the customers must be satisfied with the price paid for the goods. The customer must be satisfied with the price of the goods.

4. Maintain after sale service network.

After sale service is an essential service provided by the marketer to his customers in order to retain the customers in the business. After sales, service may be giving guarantee, warranty providing repair and maintenance service, etc.

5. Constant appraisal from customers.

Feed back from customers is essential for a company for the existence of a company for a long. Through feedback, a company may get comments and criticisms, suggestions for improvement of the product from its customers. Feedback helps the company to take corrective actions in order to keep the customers satisfied and retain them for long.

5.5.3. Objectives of CRM.

In order to retain the customers, a firm has to reduce its defection rate. It is the rate at which the customers leave the organization and join the competitor's firm.

- Stays loyal longer
- Buys more
- Talks favourably about the company and its products
- Pays less attention to competing brands and advertising
- Offer product/service ideas to the company
- Costs less to serve than new customers.

In order to retain its customers, a firm has to reduce its defection rate. Following steps may be followed to reduce defection rate.

i) First impression is the best impression: A company has to make the right impression to win customers.

ii). Retention rate is to be increased : Retention rate is the rate which gives them an idea as to how many customers they have been able to retain. Normally the retention rate must be high.

iii). A firm has to measure the retention rate of the customers: Then it has to analyse the reasons or causes for the slow retention rate. The causes must be analysed and rectified. A lot of marketing efforts is required to retain those customers who are driven away by poor service, shoddy products, misleading claims, or high prices.

iv). **The firm has to motivate the marketing staff in order to retain the customers.**

v). Customer is the king: Goods must be produced on the basis of customer's specifications and preferences.

5.6. Marketing Research

The successful entrepreneurs always make an effort to search for information and identify newer ways to create, communicate and deliver value to their markets. So far the history of marketing research is apprehensive, the role and impact of industrial revolution is ineradicable. Consequently, the paradigm shift in the ways of production and management had shown the seeds of market research of modern days.

Marketing research has wider meaning and scope. It refers to the methods of defining the marketing problems and consequently, collecting, analysing and interpreting the facts to help marketing manager in making rational marketing decisions, implementation of decisions and reconsider of marketing decision. In this way marketing research is continuous business process. It is disturbed with all those factors which have a direct impact upon the marketing of goods and services. Marketing research deliberate on various aspects of product planning and development, pricing policies, effectiveness of personal selling, advertisement and sales promotion, distribution structure and channels, marketing strategies, competition, and the entire domain of buyer's behaviour and attitudes in the market. To recognize the concept of marketing research, the viewpoints of various thinkers have been discussed as under:-

Hasty, Ronald, W. and Till R. Ted, "Marketing research may be defined as the systematic gathering, recording, and analyzing of data about problems relating to the marketing of goods and services under essentially non-recurring conditions."

Seibert, Joseph C., "Marketing research has to do with the gathering, processing, analysis, storage and dissemination of information to facilitate and improve decision-making."

Green and Tull, "The marketing research is the systematic and objective research for analysis of information relevant to the identification and solution of any problem in the field of marketing."

5.6.1. Objectives of research.

The following are the main objectives of the marketing research:-

1. **Formulation of marketing plans:** Marketing Research is used in the formulation of all marketing plans, policies, programmes and procedure.
2. **Control of plans:** It is working for control and evaluation of business plans and policies etc.
3. Reduction of costs: It is used in curtailing all marketing costs, like, selling, advertising, promotion and distribution costs.
4. **Solution of marketing problems**: Marketing problems demanding the best solution through market research system and it can be classified under the major heads: (a) problems relating to o the product itself; product include branding, packaging and labelling and services. (b) Problem relating to consumer markets. (c) Problem relating to each phase of the entire marketing process.
5. **Essential for the growth of business:** Programmes of marketing research incidentally provide insurance cover for the survival and growth of the business in a dynamic economy.
6. **Right selection of Marketing mix:** Marketing management through marketing research can bring about the sale of right product throughout right channels to right customers at right places and at right prices by developing right plans, policies and programmes with the help of right employees.
7. **Right decision of production:** The main objective of marketing research is to enable entrepreneurs to produce goods satisfactory and saleable and to ensure that they reach the market easily, quickly, cheaply and profitably without sacrificing the consumer's interest.
8. **Management of risk and uncertainty:** Marketing research helps in the minimization of risk and uncertainly and maximization of sales revenue.
9. **Expansion of Market:** Helpful in the expansion of market with improved product and will augment revenue and profit of business.
10. **Research knowledge helpful in many ways:** With adequate knowledge obtained by marketing research help the business in many ways such as: producers need not make unwanted goods, need not offer those through wrong passages to persons who are not interested; traders need not stack unwanted goods, offer them at the wrong season in the wrong quantities or at wrong

pieces; advertisers need not make mistake in what they say, to whom they appeal, and how they appeal to audience.

11. **Understating of economic environment:** Marketing research help in understanding the dynamic economic environment i.e., understanding the nature of business cycles. This will make companies capable to face the challenges of market by making its SWOT analysis.
12. **Helpful in sales forecasting:** It helps in attaining information that could help to formulate short -range and long range forecasts.
13. **Evaluation of Market:** Companies can use marketing research to evaluate new product opportunities and acceptance, and to test existing product relative to competitors' products.
14. **Evaluation of Marketing Efforts:** It is also helpful to evaluate the effectiveness of marketing activities and to call attention to the presence of a potential problem.

5.6.2. Market Research Process

The market research process typically follows a series of steps:

1. Define the Problem and Objectives.

The first step is to clearly define the problem or opportunity that needs to be addressed. This might involve understanding why sales are declining, identifying consumer preferences, or exploring new market opportunities.

Example: A company may want to know why its product isn't selling well in a particular region.

2. Develop a Research Plan:

After defining the problem, the next step is to determine the research methods (primary or secondary), sources of data, and tools needed to gather the information.

Example: Deciding whether to conduct a survey, focus group, or secondary research from existing market reports.

3. Collect Data:

Data collection involves gathering information according to the research plan. The type of data depends on the research goals and methodology chosen.

Example: Conducting an online survey or reviewing market reports from a research firm.

4. Analyze Data:

After collecting data, businesses analyze it to identify trends, patterns, and insights. This step involves statistical analysis, data visualization, and interpretation of the findings.

Example: Analyzing survey results to identify the top three reasons consumers prefer one product over another.

5. Interpret and Present Findings:

The results are then interpreted in light of the research objectives. A final report is usually created, presenting the findings, conclusions, and recommendations.

Example: Presenting findings in a comprehensive report or presentation to stakeholders, such as product teams or executives, with actionable insights.

6. **Make Decisions:**

Based on the research findings, businesses make informed decisions, such as adjusting marketing strategies, modifying products, or entering new markets.

Example: A company may decide to improve its product design based on feedback gathered during research

5.7. Marketing Information System. (MIS)

Management perform five distinct functions, viz., planning, organising, co-ordinating, deciding and controlling and each function require support from an information system. Marketing Information System is proposed to support such management decision making. A marketing information system is intended to carry together dissimilar items of data into a logical body of information.

Every company should systematize and channelize a continuous flow of market-related information to its marketing managers, to help them to understand the changes happening in the marketing environment, changes in buyer behaviour, preferences, consumption patterns, competitors' activities, etc. Support of a good marketing information system will be a competitive advantage for a company.

MIS consists of set of procedures and methods or techniques for regular and planned collection of information, analysis and accurate interpretation of information in timely for use in marketing.

According to American Marketing Association "Marketing information system is an organised set of procedures, information handling routines and reporting techniques designed to provide the information required for making decisions.

According to ***Philipkotler,*** *"Marketing information system consists of people, equipment and procedures together sort, analyse, evaluate and distribute needed timely and accurate information to marketing decision -makers".*

In the words of ***W.J.Stanton****, "Marketing information system as a prognosis as well as a diagnosis. It is preventive as well as a curative medicine for marketing. The system operates continuously".*

5.7.1. Objectives of Management Information System.

The following reasons, information is given much importance in marketing activities.

- Complexity of marketing decisions
- Shifts in consumer preferences
- From buyer's needs to buyer's wants
- Increased awareness and consciousness amongst the customers
- Increased competition in the market

MIS is the major tool used by marketing management to aid in problem-solving and decision making.

5.7.2. Components of Marketing Information System

The major components of Marketing Information System, viz. Marketing environment, its components and the types of decisions which the marketing information system helps are as follows:

A. Marketing Environment: It covers markets, channels, competitors, political, legal economic and technological factors.

B. Components: It covers internal reporting system, marketing research systems, marketing intelligence systems and marketing models.

C. Types of decisions: It covers strategic decisions, control decisions and operational decisions.

1. Internal Reporting System: Every company will have a lot of information to be stored in internal reporting system on its sales, orders, inventory, receivables and other sales invoices. These can be sources of valuable information to marketing managers. They can examine the reports and identify the opportunities as well as threats. For example, some of the information that could be derived from sales invoices is as follows:

- Product type, size and pack type by territory.
- Product type, size and pack type by account.
- Product type, size and pack type by industry.
- Product type, size and pack type by customers.

A company can determine the degree to which it is giving a satisfactory level of customer service by comparing orders received with the sales invoices. Similarly, the company can ascertain whether its stocks are in line with the present demand patterns by comparing stockholding records with the orders received. Big stores and super markets determine sales in the way by comparing the each and every product store-wise and total for the company every evening so that the supplier can provide the delivery of replacement stocks.

2. Marketing Research System: Marketing research is a practical search for information. Such study aims to solve supposed marketing problem that can be defined and solved within the course of the study. Marketing research is the systematic design, collection, analysis and reporting of the data relevant to a precise marketing situation facing an organisation. It focuses on practical research, which are conducted to answer questions about explicit marketing problems or to make decisions about the particular courses of action, strategies or policies. Firm must have timely admittance to the market information so that the competitive pressure, the cost of making a strategic mistake and intricacy of domestic and foreign markets.

3. Marketing Intelligence Systems: A marketing intelligence systems is a set of methods and data sources used by marketing managers to transfer information from the environment that can be used in their decision-making. Marketing intelligence can be collected by reading books, newspapers, and journals and by captivating information from the customers, suppliers and distributors.

4. Marketing Models: A good marketing information system should have the means of interpreting information to make possible by giving direction to decision making. This will consist of marketing models, which could be computerized or manual. Some useful information marketing models are Time series sales models, Brand switching models, Linear programming, Elasticity models like price, demand, supply, income, Regression and correlation models, Analysis of variance models, Sensitivity analysis models, Discounted cash flow and Spreadsheet models.

These are related mathematical, statistical, economic and financial models that are analytical subsystem of the marketing information system, computers provide a great help for this analysis. Some of these models used are stochastic means that including probabilistic element, whereas others are deterministic models where chance plays no part. Brand switching models are stochastic models since these eloquent choices in the probabilities where as linear programming is deterministic in that the relationship between variables is expressed in the mathematical terms.

5.7.3. Differences between marketing research and marketing information system:

1). Marketing research is concerned with solving problems only where as marketing information system is concerned with preventing complaints and solving problems. bas

2). Marketing research operates on specific problems where as MIS is a continuous process.

3). Marketing research handles external information. MIS handle both internal and external information.

4). Marketing research is concerned with past but MIS is concemed with future.

5). Marketing research is pertaining to a particular field of activity whereas MIR suggests solution to problems for the whole organisation.

5.7.4. Essential requisites of a good MIS:

The main purpose of marketing information system is to gather co-ordinated, systematic and continuous flow of relevant information.

Following are the essential requisites of good MIS:

- MIS makes available only the required information and is less time - consuming in making decisions.
- It saves the time of decision-makers.
- MIS is operated and designed by specialists.
- It provides fast and accurate marketing information.
- It is a unified system.
- It is economical.
- It is an ongoing process. It operates continuously.

5.8. Marketing Regulation

Marketing regulations are rules and guidelines established by government agencies and self-regulatory bodies that govern how businesses can promote and advertise their products and services. These regulations are in place to protect consumers from deceptive or unfair practices and to ensure fair competition in the marketplace

Marketing Regulations vary by country but share the common goal of fostering trust between businesses and consumers.

Following are the marketing regulation in India:

(1) Regulatory Framework Governing Marketing in India:

(a). Laws Governing Advertising and Promotions.

i) Consumer Protection Act, 1986:

Marketing regulation ensures that marketing practices are fair, ethical, and compliant with the legal and societal norms of the country.…

ii) Competition Act, 2002:

Marketing regulation ensures fair competition in the market and prohibits anti-competitive practices in marketing. It prevents deceptive prac-tices that could harm competitors or consumers.

iii) Legal Metrology Act, 2009:

Marketing regulation mandates accurate labeling on products, in-cluding details like weight, price, manufacturing date, and expiry date. It ensures transparency and prevents deceptive marketing.

(b). Regulations for Digital Marketing:

I) Information Technology Act, 2000 (Amended 2008):

Marketing regulation regulates online advertisements and pro-tects users against fraudulent online marketing practices. It enforces pen-alties for data breaches and unsolicited communications.

ii). The Indian Penal Code (IPC), 1860:

Marketing regulation addresses cyber crimes, including identity theft or defamation through marketing campaigns. It guidelines on Influencer Advertising (2021)

Issued by the Advertising Standards Council of India (ASCI):

Marketing regulation requires influencers to disclose paid promotions with clear tags.

i) Telecom Commercial Communications Customer Preference Regulations, 2018:

Introduced by the Telecom Regulatory Authority of India (TRAI). It prevents unsolicited commercial communications via SMS, calls, or emails.

(c). Sector-Specific Regulations:

i) Food Safety and Standards Authority of India (FSSAI): This authority oversees advertisements and marketing claims related to food products. It prohibits misleading health claims or false infor-mation.

ii) **Securities and Exchange Board of India (SEBI):** SEBI regulates marketing of financial products, ensuring trans parency and accuracy in advertisements.

iii) **Reserve Bank of India (RBI):** RBI issues guidelines for the marketing of banking and finan-cial services to prevent fraud and ensure ethical practices.

iv) Ministry of AYUSH: It regulates advertisements related to Ayurvedic, Yoga, Natur-opathy, Unani, Siddha, and Homoeopathy (AYUSH) medicines.

(2) Role of Self-Regulatory Bodies:

i). Advertising Standards Council of India (ASCI):

A self-regulatory organization that enforces ethical standards in advertising. This council monitors misleading, harmful, or offensive advertisements. It provides a grievance mechanism for consumers to report violations.

ii). Indian Broadcasting Foundation (IBF):

It monitors marketing practices in television broadcasting. It ensures compliance with ethical guidelines for on-air promotions.

iii). Press Council of India (PCI):

This council regulates marketing in print media. It enforces norms for ethical journalism and marketing communications.

(3). Challenges in Marketing Regulation:

i) Digital Marketing Evolution:

Rapid growth of digital platforms has outpaced regulatory frame-works. Difficulties may arise in monitoring cross-border marketing cam-paigns.

ii) Misleading Claims:

If there is any ambiguity in interpreting certain marketing claims, then it may lead to exploitation.

iii) Subtle forms of false advertising often escape scrutiny:

a) Influencer Marketing:

Unregulated influencer endorsements can lead to biased or deceptive marketing.

b) Lack of Consumer Awareness:

Consumers are often unaware of their rights, making it harder to curb malpractice.

c) Enforcement Issues:

Limited capacity of regulatory bodies to monitor all forms of marketing activities.

(4). Penalties and Enforcement:

i) Consumer Protection Act:

Consumer Protection Act imposes fines for misleading advertisements and bans for repeat offenders.

Rights of consumers such as:

- Right to be informed about the quality, quantity and other necessary information so that consumer can be protected from the unfair trade practices.
- Right to be protected against the marketing of the goods and services which are harmful for the society Right to be assured.
- Right to be heard and assured that the consumer disputes shall be heard at appropriate consumer councils .
- Right to seek redressal against restrictive trade practices.
- Right to consumer education.

ii) Drugs and Magic Remedies Act:

Drugs and Magic Remedies Act penalizes offenders with impris-onment up to a certain period of months for a first offense.

iv) Competition Act:

Competition Act levies fines up to 10% of turnover for anti competitive practices.

v) ASCI can recommend suspension or modification of unethical advertisements.

(5) Ethical Marketing Practices:

a) Transparency:

Clear and truthful marketing communication ensures transparency.

b) Consumer Empowerment:

Ethical Marketing Practices educate consumers about their rights and responsibilities.

c) Data Protection:

Ethical Marketing Practices ensures to secure handling of consumer data.

d) Sustainability:

Ethical Marketing Practices promotes products responsibly without exploiting environmental or social issues.

e) Global Standards:

Ethical Marketing Practices adopt international best prac-tices in digital marketing.

India's marketing regulations are a mix of proactive statutory measures and industry-driven ethical standards.

5.9. REVIEW QUESTIONS.

PART - A

1. Define meant by global environment.

2. What is a social responsibility of a business?

3. Define green marketing and telemarketing.

4. What is E – marketing and M - marketing?

5. What is meant by MIS?

6. What is meant by CRM?

7. What is **ASCI**, **IBF and PCI**?

8. Define Marketing Research.

9. What is FSSAI?

10. Define Marketing Intelligence System.

11. What is AR and VR?

. **PART – B**

1. State the components of Global Market Environment.

2. Narrate the social responsibility of business.

3. Narrate the advantages of e-commerce and e-commerce domains.

4. State the types of E-Marketing.

5. State the elements of mobile marketing.

6. Distinguish between E-Marketing, M-Marketing and E-Tailing.

7. Differences between marketing research and marketing information system

8. List out a Rights of Consumers.

PART – C

1. Discuss in detail about social responsibility of business.
2. Explain the process involved in consumer relationship management.
3. Analyze the different types of recent trends in marketing.
4. Explain the need or importance and process of marketing research.

Further Readings :

Text Books

1. Philip Kotler, Principles of Marketing: A South Asian Perspective, Pearson Education, NewDelhi.
2. Dr.C.B.Gupta & Dr.N.Rajan Nair, Marketing Management, Sultan Chand & Sons, NewDelhi.
3. Dr.AmitKumar, Principles of Marketing, Shashibhawan Publishing House, Chennai.
4. Dr.N.RajanNair, Marketing, Sultan Chand & Sons ,New Delhi.
5. NeeruKapoor, Principles of Marketing, PHI Learning, NewDelhi.
6. Prof Kavita Sharma, Dr.Swati Agarwal, Principles of Marketing Book, Taxmann, Newdelhi.
7. Dr.J.Jayasankar ,Marketing Management, Margham Publications, Chennai.
8. Dr.K.Sundar, Essentials of Marketing, Vijay Nicole Imprints Pvt Ltd, Chennai.

WebResources

1.https://www.aha.io/roadmapping/guide/marketing/introduction
2.https://www.investopedia.com/terms/m/marketsegmentation.asp
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