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B.B.A.BANKING

THIRD YEAR

PAPER – XI : MARKETING OF BANKING SERVICES

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UNIT –I

INTRODUCTION TO AND MARKETING:

The word 'Bank' is derived from Italian word. In the Middle Ages, the moneychangers, of Italy did their business in the street on a bench, & the Italian word for bench is 'Banco'from which we have derived the word bank. A bank is an institution, which deals with money & credit. Money denotes means of payment or current medium of exchange. Credit denotes sum of money that will be returned with interest in future. Bank accepts deposits from the public, makes the funds available to those who need them & helps in the remittance of money from one place to another.

The banking system is an integral part of financial sector plays a major role in the mobilization & allocation of savings. In India the financial sector plays a major role in the mobilization & allocation of savings. In India the financial sector comprises the banking system, commercial & co-operative banks, financial institutions & capital markets the commercial banking sector in India consists mainly of schedule banks & few non schedule banks.

Marketing is indeed an ancient art; it has been practiced in one form or the other since the days of Adam and Eve. The word, marketing has been defined differently by authorities in different ways. The traditional objective of marketing had been to make the goods available at places where they are needed. This idea was later on changed by shifting the emphasis from "exchange" to satisfaction of a wide range of services also to the public. These include among others – banking, insurance, transport and medical services. Apart from buyers and sellers, a number of others function in a market like brokers, commission, agents, truck operators, and coolie workers and so on.

It covers place – convenient place for buyers and sellers to come together. An area stands for the contract between the buyers and sellers to strike the dealing. Demands stands for people with need and wants to satisfy and it also includes the purchasing power of the consumers.

Involvement –types.

1) Physical – Goods and services movement.

2) Mental – Behaviour (what, where, of what quantity, price).

BANKING – AN INTRODUCTION

- The word "banking " is derived from French word "bancus or banque" [ie] bench. Some people trace the origin of the word "bank" from the German word "back" meaning 'joint stock fund'.
- The term "bank" refers to an individual or organization, which acted as a moneychanger and exchanged one currency for another. But these days,

banks are institution in which people keep their cash balances in the form of deposits.

- According to prof. Sayer "banks are institution where debt is usually referred to as bank deposits are commonly accepted in final settlement of others people's debt"
- Sec 5 of Banking Regulation Act ,1949 defines the term banking as "accepting for the purpose of lending or investment ,of deposit of money from the public, repayable on demand ,order or otherwise and withdrawable by cheque ,draft, order or otherwise".
- According to Dr.L .Hart ," a banker is one who is in ordinary course of his business honours cheque drawn upon him by persons from and for whom he receives money in current account"

DEFINITION OF BANKING

According to sec5 (b) of the Banking Companies Act 1949 defines banking as "accepting for the purpose of lending or investment of deposits of money received from the public repayable on demand & withdraw able by cheque, draft order or otherwise. From the above definition, we can understand that a bank will accept deposits from the public, lends or invest in various assets, which brings revenue to the bank out of such earnings. Bank will repay the deposits as & when demanded by the public with interest.

According to Crowther, a bank " collects money from those who have it to spare or who are saving it out of their incomes, & it lends this money to those who require it.

According to Kinley, "a bank is an establishment which makes to individual. Such advances of money as may be required & safely made, & to which individuals entrust money when not required by them for use"

Organized bank

Commercial bank

It is a kind of bank, which promotes commercial activity by lending various commercial activities. Hey lend to traders & manufactures for short periods. They provide the working capital to the business in the form of overdraft & cash credit. Besides the bank render a number of agency services such as collection of cheques & bills & subsidiary services such as discounting bills of exchange, safe keeping the valuables, issue of letter of credit, remittance of funds etc.Commercial bank receives deposits from the depositors & allows the customers to draw cheques against their credit balance & also lend loans to borrowers. Primary objective of commercial bank is to earn profit. They mobilize savings & lend them to industries & trade they employ their funds profitably in order to earn sufficient income out of which it has to pay interest to depositors, salary to staff & to meet various expenses & also to distribute dividends to share holders of the bank. Commercial bank is divided in to schedule bank & non-schedule bank.

Schedule bank

It has to satisfy certain condition they are

1. It should carry on banking business in India
2. It should have reserves fixed by RBI
3. It must have paid –up capital
4. It must be state co-operative bank or company under the company act of 1956 schedule bank is classified in to Indian bank & foreign bank

FOREIGN BANK

These banks provide wide range of financial services; venture capital etc. foreign banks are nothing but the bank that is incorporated out side India & functions inside India. These banks are registered in India as commercial bank. These banks are mostly concentrated in metropolitan cities, for e.g. CITI BANK, BANK OF AMERICA, Hong Kong BANK etc

INDIAN BANK

These banks are incorporated in India. Banking business may be carried out inside & out side India. The profitability of Indian commercial bank are less compared to foreign commercial bank .The Indian schedule bank is sub divided in to public sector & private sector bank

PUBLIC SECTOR BANK

The public sector banks are those, which are owned by central government directly or through RBI, they have set up by passing special Act by parliament they include.

- State bank group
- Nationalized banks
- Regional rural banks
- Post office savings

STATE BANK OF INDIA

- It acts as an agent of RBI in India.
- It plays a leading role in financing agricultural & small-scale industries
- It has been set up with special purpose of stimulating banking development in rural areas

From 1994 it has performed an excellent work in the field of rural & industrial regarding credit.

- It provides larger remittance facilities & mobilizes rural savings
- It makes investment in technology up gradation
- Entrepreneur development scheme is the main aim of SBI.
- In recent years it has introduced new schemes like village adoption scheme, pilot scheme for provision o credit to small – scale industries, etc.

NATIONALIZED BANKS

There are 20 nationalized banks in India out of that14 major commercial bank are nationalized by govt. of India in 1969, other 6 banks were nationalized in 1980. The main reason for nationalization

Of bank is that

The banks before nationalization were under the control of industrialist & traders. This person used the funds of bank for there industrial development. So they neglected the small-scale business, suffered a lot because they were not able to get funds &agricultural credit. Due to this problem govt. decided to nationalize the banks.

After nationalizing banks, the following achievements have been made.

1. It result in rapid expansion not only in metropolitans cities, but has spread to nook & corner of the nation
2. Expansion resulted in awareness of savings
3. It has developed confident among people & helps them to utilize the service render by them.

REGIONAL RURAL BANK

Regional rural bank were established to develop rural economy by financing agricultures, traders, & for other productive ac0tivities in the rural areas. These banks act as an agent in providing credit to rural areas to replace the moneylenders in due course. But they supplement the activities of co-operative banks. Their area of operation is limited to a specified region comprising one or more district in any state. They grant loans & advances to small farmers agricultural labourers, rural artisans of respective region. Their lending rates are lower than the co-operative bank. These banks raise their funds through owned capital, deposits from public, refinance from NABARD & borrowings from sponsor bank. They are paying ½% more interest than any other financial institution on term deposits

PRIVATE SECTOR BANK

They play a vital role in Indian economy. They indirectly motivate the public sector bank by providing a healthy competition to them. These Banks helps to increase foreign investment & Indian entrepreneurs control them.

E.g.

1) Bank of Madura ltd.
2) Karur vysya bank ltd
3) Lakshmi vilas bank ltd

Non-schedule bank

If the name of the bank does not appear in 2nd schedule is termed as non-schedule bank. They do not have minimum reserves specified by RBI. They also carry business according to the regulations prescribed by RBI.

Co-operative bank

Co-operative bank are promoted to help agriculture & other activities. They provide assistances to weaker sections by lending loans at low rate of interest than other commercial bank; the state government & public contribute share capital to co-operative banks. The 3-tier structure of co-operative banks.

1) State level bank
2) District level bank
3) Primary level bank

State co-operative bank

They serve as link between national bank for rural development & agricultural bank & general money market on one side & central co-operative bank & primary co-operative bank.

They obtain funds mainly from public by way of deposits loans & advances from NABARD. It has own share capital, reserves & serves as clearing house for the cheque of co-operative banks.

Central co-operative banks (district level)

Central co-operative banks are the federations of primary co-operative banks. all types of co-operative banks is the member of central co-operative bank. They have been functioning as intermediaries between primary & state co-operative bank. The raise funds through share capital, deposits from public & loans from state co-operative bank & lend them to primary credit societies at village level. They are giving technical advice & administrative support to the primary co-operative societies.

Primary co-operative bank (village co-operative bank)

Primary co-operative bank function at village level. The accept deposits from members & non- members in order to promote thrift & self-help. These deposits will make advance to needy members. These banks have failed to promote savings among members. These banks receive loan from state & district level bank in order to provide loan to farmers.

POST OFFICE SAVINGS

It is consider as one of the good agencies to create awareness of savings towards the rural people. Commercial bank & co-operative bank cannot open branches in all villages but in every village there is a network of post office. It has intimate contact with people so it enabled the people to open saving bank account & transacted business like commercial & co-operative bank. It created the habit of saving from small children to old people from their income

Unorganized bank

Indigenous bank

Earliest bankers in India are indigenous banker. In olden days these banking business were carried on by some community people like chettiars as a profession they provided loans from their own capital against the securities such as gold, jewels, land. These bankers wee not under the control of RBI. They charged high rate of interest. Due to the spread of co-operative movement in the urban & rural areas, they are pushed back.

Explain the kinds of banks

List out the types of commercial bank

The banking institution forms an indispensable part in a modern developing society. They form various functions to meet the various sections of society on the basis of function performed by banks can be classified in to following types

- Development Banks
- Exchange Banks
- Agricultural Banks
- Regional rural Banks
- Central Banks
- Commercial Banks
- Co-operative Banks
- Industrial Banks or Investment Banks

Central Bank

- The leader of all the banks in a country is its central bank.
- It acts as a bank of note issue
- It seeks to manage the issue & circulation of currency & control credit creation of the bank deposits in order to safeguard financial stability. Central bank is the apex bank of the country in maintaing monetary & economic stability.
- It helps the government by providing loans whenever the government is in need of funds
- Government can raise loan through the central bank by issuing treasury bills in the money market

Commercial banks

It is a kind of bank, which promotes commercial activities by providing loan for various commercial activities. The bank cannot provide long –term loan & can provide only working capital for business purpose. It plays a vital role for the country.

Co-operative banks

Co-operative banks are formed on the principles of co-operation. Co-operative banks will have more service motive as the interest rate charged for the loans will be less & the majority of borrowers belong to the economically weaker section. They operate in rural & semi urban areas, providing enormous loans to the people in rural areas

Industrial banks

When a bank provides long-term loans to industries, they are called industrial bank or investment bank. They help new industries by underwriting shares & securities. They also mobilize long- term deposits. This bank helps for the development of backward areas by providing loans to start small- scale industries.

Development banks

It provides long- term loans to agricultural & industrial sector. It provides long -term loan for agriculture in order to enable them to purchase new land, tools, seeds, equipments, cattle etc, & for industry to generate more export & encourages import substitutions & to increase more employment opportunities

Exchange banks

These banks are engaged in foreign exchange transaction.

- Exchange bank helps in settlement of foreign trade transaction.
- They help in exporting & importing of goods

- The exporter will be able to receive his payment without much delay, when he processes his trade documents through exchange banks, similarly the importer will be able to obtain letter of credit, a guarantee for importing goods.

Agricultural banks

This bank is similar to co-operative bank; these banks help by providing loans to weaker section. But they provide long-term loan for agriculture purpose, which will enable the borrower

- To purchase new land
- To purchase heavy agricultural machinery such as tractor
- Helps in repayment of old debt& in soil conservation & land reclamation

As the bank is promoting the growth of agriculture, it is called Agricultural Development Bank

Regional Rural Banks

- Their area of operation is limited to specify region they are located in backward areas.
- Marginal & landless labourers are the main customers
- Loan will be given at a confessional rate of interest
- Main objective of this bank is service motive
- It is owned by central, state governments & sponsored bank

Meaning of market:

The word Market is derived from the Latin word Marcatus meaning merchandise, wares, traffic, trade or a place where business is conducted. The common usage of market means a place where goods are bought or sold. Market may mean a place, where buying and selling take place. Buyers and sellers come together for transactions. An organization through which exchange of goods takes place. The act of buying and selling of goods. An area of operation of commercial demand for commodities.

Definitions of Marketing:

One important reason for leaving about marketing is that marketing affects almost every aspect of your daily life. All the goods and services you buy, a store where you shop and the radio and TV powerhouse paid for by advertising are there because of marketing. By working to understand the needs of its customer, where they are. Toyota has successfully adopted marketing all around the world. Marketing place a big part in economic growth and development. Marketing stimulates research and new ideas – relating and innovating new goods and services. Marketing gives the choice among the products.

Marketing – Micro marketing – Looks at customer and the organization that serve them. Macro – Broad view of our whole production and distribution system.

Micro Marketing – Applies to profit and non-profit organization, begins with customer needs, does not do it alone, and builds the relationship with customer.

Def 1: Any inter personal and inter organizational relationship involving in a exchange (a transaction) is marketing – 'KOTLER'

Def 2: Marketing could be defined as those business function which are mostly concerned with the three activities – Recognition of demand , stimulation of demand, satisfaction of demand.

Def 3: Marketing involves all those activities that are devoted to finding out what the customers want and satisfying those wants.

Def 4: According to **CUNDIFF** – Marketing is the business process of by which products are matched with the market and through which transfers of ownership are affected.

Def 5: Marketing consists of all activities designed to generate and facilitate any exchange intended to satisfy human needs and wants.

Def 6: The American Marketing association (AMA) defines Marketing as – the performance of business activities that direct the flow of goods and services from producer to consumer.

Def 7: ENIS – defines marketing as a fundamental human activity, which encompasses exchange activities conducted by individuals and organization for the purpose of satisfying human wants.

Def 8: KOTLER as defined marketing as a social and managerial process by which individuals and groups obtain what they needed and want through creating, offering and exchanging products of value with others.

Def 9: A process, which converts a source, distinct knowledge into a contribution of economic value in the market place. The purpose of the business is to create a customer.

Def 10: Marketing is a economic process by which goods and services are exchanged and their values determined in terms of money, prices.

Def 11: Marketing is a delivery of a standard of living society.

Def 12: Marketing is a creation and delivery of a standard of living society.

Def 13: A market is a centre about which or an area in which the forces leading to exchange of title to a particular product operate and towards which the actual goods tend to travel-Clark and Clark.

Def 14: Mitchell says, "Market for most commodities, may be thought of not as a geographical meeting place but as getting together of buyers and sellers in person, by mail, telephone, telegraph or any other means of communication".

Def 15: Chapman defines a market not to a place, but to a commodity or commodities and buyers and sellers who are in direct competition with one another".

Def 16: According to Pyle, "Market includes both place and region in which buyers and sellers are in free competition with one another.

Def 17: According to Hansen, "Marketing is the process of discovering and translating consumer needs and wants into product and service specifications, creating demand for these products and services and then in turn expanding this demand".

Def 18: According to the American Marketing Association, "Marketing is concerned with the people and the activities involved in the flow of goods and services from the producer to the consumer".

Def 19: According to William J. Stanton, "Marketing is a total system of interacting business activities designed to plan, price, promote and distribute want satisfying products and services to present and potential customers".

Def 20: Marketing is the economic process by which goods and services are exchanged and their values determined in terms of money prices:. Duddy and Reizan.

Before studying about the concept of marketing we must know about the word MARKET. 'Market' in derived from a Latin noun "MARCATUS" meaning merchandise, ware traffic on trade.

Market is defined as an area or atmosphere for a potential exchange – "KOTLER".

What are the features or characteristics of marketing?

1. Distribution of Goods and Services:

Distribution of goods and services in the traditional concept of marketing. The term distribution covers all other activities such as transportation, storage, grading and all other efforts of the wholesalers and retailers. These activities, though do not form part of production, they are covered by the term distribution.

2. Delivery of Standard of Living:

Modern business managers consider marketing as consumer oriented. Therefore the major function of marketing is the satisfaction of consumers desires for goods and services. The structure and efficiency of the marketing system strongly influence the amount of satisfaction derived by the consumers.

3. Creation of Utilities:

Marketing activities try to create three types of utilities. Time, place and possession utilities. The creation of such utilities adds value to a product.

4. Generation of Revenue:

Consumer's satisfaction alone is not the only object of marketing. It does not overlook the producer. From the view point of the firm, it is marketing responsibility to generate revenue of a cost which will allow a reasonable profit to be realized from its operations. The marketing manager is therefore, expected to work for a revenue, which will be in excess of the cost incurred for salesmanship and advertising.

Natural elements of marketing

- Focus on customer: selling is a traditional concept of marketing. In olden days the barter system was followed, the n the improvement of technology, new marketing was introduces
- Marketing must deliver to customer
- Marketing is surrounded by customer needs
- Marketing is a key business
- Marketing sub-system affects company strategy
- Marketing is a part of total environment
- Marketing is changing its strategy and developing a strategy of relationship marketing
- Marketing is a career.

Enumerate the needs for markets:

- For exchange of goods and services.
- For adjustments of demand and supply by price mechanism.
- For improvement of the quality of life of the society.
- For the introduction of new modes of life.
- For higher production (development of markets encourage production)

COMPARE MARKET – MARKETING OR

EXPLAIN THE DIFFERENCES BETWEEN THE TERM MARKETING AND MARKET

Market:

It consists of all the potential customer sharing a particular need and want who might be willing and able to engage in exchange to satisfy that need or want. – PHILIP KOTLER

Marketing:

It is a social or managerial process by which individuals and group obtain what they need and want through creating and offering and exchanging products of values with others.

What are all the– 7" P ”s of Marketing or list out the marketing mix or elements?

1. Product
2. Price
3. Place
4. Promotion
5. Packaging
6. People
7. Physical Evidence

What are all the– 4" C”s of Marketing?

1) Customer solution
2) Customer cost
3) Convenience
4) Communication

What is the difference between a customer and a consumer?

The following distinction should help:

• **A customer** – purchases and pays for a product or service

• **A consumer** – is the ultimate user of the product or service; the consumer may not have paid for the product or service

Consider the following example:

- A **food manufacturing business** makes own-label, Italian ready meals for the major supermarkets.
- So far as the business is concerned; the **customer** is the supermarket to whom it supplies meals

- The **consumer** is the individual who eats the meal
- In terms of its marketing effort, who should the business above target?
- In reality – it needs to understand the needs and wants of both the customer and the consumer.

It needs to develop a strong understanding of the needs of the supermarkets in terms of their requirements for ready meals (e.g. packaging, recipes, price & delivery).

It also needs to understand (perhaps with the help of the supermarkets) the needs and wants of the consumer. How are tastes changing? Are consumers happy with the standard / taste of the product?

MARKETING CONCEPT AND ORIENTATION

There are three main alternatives to adopting a marketing orientation. These are:

(1) Sales orientation

(2) Production orientation, and

(3) Product orientation.

These are described briefly below.

Sales orientation

Some businesses see their main problem as selling more of the product or services which they already have available. They may therefore be expected to make full use of selling, pricing, promotion and distribution skills (just like a marketing-orientated business).

The difference is that a sale-orientated business pays little attention to customer needs and wants, and does not try particularly hard to create suitable products or services.

Production orientation

A production-orientated business is said to be mainly concerned with making as many units as possible. By concentrating on producing maximum volumes, such a business aims to maximise profitability by exploiting economies of scale.

In a production-orientated business, the needs of customers are secondary compared with the need to increase output. Such an approach is probably most effective when a business operates in very high growth markets or where the potential for economies of scale is significant.

Product orientation

This is subtly different from a production orientation. Consider a business that is "obsessed" with its own products – perhaps even arrogant about how good they are. Their products may start out as fully up-to-date and technical leaders.

However, by failing to consider changing technological developments or subtle changes in consumer tastes, a product-orientated business may find that its products start to lose ground to competitors

Marketing management in a customer-orientated business

The process of marketing management is about attracting and retaining customers by offering them desirable products that satisfy needs and meet wants.

Marketing management in a customer-orientated business consists of five key tasks summarised in the table below:

EXPLAIN THE NATURE AND SCOPE OR OBJECTIVES OR CHARACTERISTICS OR BEHAVIOUR OR COMPONENTS OF MARKETING?

1. **MARKETING IS CUSTOMER ORIENTED: A business exists to satisfy the human needs.**

Therefore, business must first find out what the consumers the want and then produce goods according to the needs of the customers. Only such products should be produced which best satisfy customer needs and at a profit to the maker.

2. **MARKETING STARTS AND ENDS WITH THE CONSUMER:**

Often it is thought that marketing is concerned only with the flow of goods and services from the producer to the consumer.

3. **MODERN MARKETING PROCEEDS AND SUCCEEDS PRODUCTION**:

A market transaction takes place when there is a successful matching of a buyer and a seller. The power of either party influence a transaction is basically depends upon the competitive strength.

4. **MODERN MARKETING IS THE GUIDING ELEMENT OF BUSINESS:**

It would be clear now that marketing has become a pervasive force capable of guiding and even controlling production, in fact, it is the market potential and not production resources that guide a business today.

5. **MARKETING IS A SCIENCE AS WELL AS AN ART:**

Marketing was born as the stepchild of economics. But it has moved into closer relationship with various social behavioural sciences. Marketing is inter disciplinary in nature, orientation and design. It has borrowed heavily form economics, law, psychology, anthropology, and sociology. Etc.

6. MARKETING IS A SYSTEM:

It consists of several inert dependent and interacting sub systems. It obtains the inputs from the environment, transforms these inputs ands supplies the output (customer satisfaction, profits. Etc.,)

7. **EXCHANGE PROCESS OF THE ESSENCE OF MARKETING**:

All Marketing activities revolve around exchange process. Exchange implies transactions between buyer and seller.

8. **MARKETING IS GOAL ORIENTED**:

Like any other business activity Marketing seeks to achieve some useful results. The ultimate aim of marketing is to generate profits through the satisfaction of human wants.

9. **MARKETING PROCESS:**

It comprises a series of functions, which are interrelated. It is a dynamic process because it keeps on adjusting to the changes in the environment of business.

Focus on customer: selling is a traditional concept of marketing. In olden days the barter system was followed, the n the improvement of technology, new marketing was introduces

WHAT ARE ALL THE OBJECTIVES OF MARKETING?

The object of Marketing, as of all productive activities, is to satisfy human wants. We does not consume or take bread to give the former market for its product, but what he grows it's the demand of the people and if that is not satisfied in the locality itself it is imported from other centers of production.

According to barker and ANSHEN – the end of all the marketing activities is the satisfaction of human wants.

Profit maximization is an objective of marketing, if the firm fails to earn decent profits, its every existence itself may be handicapped. Some authorities consider profit as only an incentive but not an objective.

Successful distribution of products is another notable objective of marketing. Effective distribution refers the free flow of goods and services to the consumers.

The object of Marketing, as of all productive activities, is to satisfy human wants. We does not consume or take bread to give the former market for its product, but what he grows it's the demand of the people and if that is not satisfied in the locality itself it is imported from other centers of production.

According to barker and **ANSHEN** – the end of all the marketing activities is the satisfaction of human wants.

- ❖ It enables the seller to sell.
- ❖ It enables the buyers to buy what the want.
- ❖ It makes available goods and services that raise the standard of living of the people.
- ❖ It gives the buyers access to goods that are made in different parts of the country and in different parts of the world.
- ❖ It generates lot of employment opportunities.
- ❖ It enables many like brokers, commission agents and coolies to earn their live hood.
- ❖ It generates income and thereby promotes trade and commerce.
- ❖ It is essential for the economic development of any nation.

IMPORTANCE OF MARKETING

1. It enables the marketers to know the tastes and preferences of the consumers and accordingly make a product. As a result they are able to sell their goods easily.
2. It fulfils the needs of the buyers by giving them what they want. Buyers get their money's worth.
3. Innovations in marketing have given the buyers superior goods at affordable prices.
4. Marketing today has developed to such an extent that the buyers are able to get international brands of goods at their doorstep.
5. Olden days – the buyers had to but what was available / modern marketing – buyers have many alternatives.
6. Updated technological products are available.
7. It guides the marketers in determining the correct price for their products by taking into account the various price determinants like cost, profit completion and soon.
8. It helps the marketers in matters of selection of the right promotional tool.
9. It also guides the manufacturers in selecting the correct channel of distribution.

10. It provides the employment opportunities to many
11. The lifestyles of the people have certainly improved over the years, thanks to the revolution in marketing.
12. Marketing has certainly converted "yesterday's luxuries into today's necessaries".

To the Society:

1. Marketing includes all activities in the creation of utilities form place, time and possession.
2. Marketing helps to increase the nation's income efficient system of marketing reduces the cost to the minimum; this in turn lowers the prices and the consumers' purchasing power increases. It will increase the national income.
3. Marketing removes the imbalances of supply by transferring the surplus to deficit areas, through better transport facilities.
4. Marketing is a connecting link between the consumer and the producer. Marketing process brings new and new items to retail shops from where the consumers can have them.
5. Marketing process increases employment opportunities. For continuous production, continuous marketing is needed. Continuous marketing invites numerous activities and true, because these are sources of livelihood to many people.
6. Marketing helps in increasing the living standard of people. Because of mass production, costs of manufacturing and marketing have come down.

To the Individual Firms:

1. Marketing generates revenue to firms. A firm fulfils its motive only through marketing.
2. Marketing section of a firm is the source of information to the top management for taking overall decisions on production. The information is the basis on which decisions will be taken by the management.
3. Marketing facilitates the development of business and creates employment opportunities for people.

MARKETING PROCESS

1) Analysing marketing opportunities :

To analyse and final the opportunities in the market, we may use survey, questionnaire, research study etc. by use the above methods we may obtain the opportunity areas in the markets.

2) Developing marketing strategies :

Means positioning of the customer. The grand plan / strategies are formed to direct the marketing process. So we must form and develop the marketing strategies.

3) Planning of marketing programmes :

To activate the marketing process, we have to plan what type of the programmes are to be used to make the process effective.

4) Managing the marketing efforts :

Final stage we may manage the above process output control also been done here.

RECENT TRENDS IN MARKETING:

1) Place Marketing: Tourism Marketing, Business sites Marketing
2) Person Marketing: Personnel's' selling, politicians Marketing, sports stars, cine actors, professionals
3) Augmented Marketing: additional service provider
4) Enlightened Marketing: support the best long run performance of the Marketing system. Ex: value Marketing.
5) Direct Marketing: eye to eye marketing.
6) Organization Marketing: profit, non profit organizations, Colleges …etc.,
7) Morph Marketing: transforming product in to services- customers are no price longer sensitive they are value sensitive.
8) Social Marketing: publicity campaign fro smoking – " NO SMOKING " Boards
9) Services Marketing: Insurance, financial products, transportation.
10) Relationship Marketing: Eg: " British Airways " –special benefits like best reception.

DISTINGUISH BETWEEN MARKET AND MARKETING:

Market	Marketing
Market refers to the total demand of the potential buyer for a product.	Marketing refers to all the activities aimed at consumer satisfaction.
Market may also refer to a place or area where buying and selling takes place. It covers only exchange functions.	It covers not only exchange functions but also other facilitating functions like financing, risk bearing, standardization etc./
The principal objective of market is	The main objective of marketing is

to facilitate the flow of goods and exchange.	consumer satisfaction and the creation and delivery of standard of living.

Is marketing a science of Art?

Science is a classified and systematized body of knowledge. Art means the application of principles laid down, to the practical life. The word art means, it is the application of a set of rules to practice.

Marketing is an art?

1. **Marketing is an art**

   The practice or method of marketing is applied by a marketing manager in his own way. He must have good knowledge of the situations, which are always, dissimilar from situation to situation.
2. The aim is to get satisfaction from the consumers. The marketer tackles the situation, aiming to get success in his filed.
3. The success of a marketer depends upon his ability and skill. His brain is applied and follows in his own ways. The prosperity of marketing depends upon the ability of the marketer or salesman and not on marketing rules.

Marketing is a science:

Men of science have to develop a systematic approach to their problems which is known as the scientific method. Hypotheses are developed and facts are collected and tested to known and soundness of the hypothesis. In marketing research, scientific method of study is adopted. Like science, theoretical knowledge is derived, tested and generalized into theories, law etc. Science has systematic knowledge. Marketing managers by experience derive scientific approach and apply to the problems. Modern market is a science in the field of prediction of marketing result. Marketing is both a science and art base.

MARKETING AND SELLING

Explain the difference between the marketing and selling?

The selling concepts holds that consumers if left alone, will ordinarily not buy enough of the organizations product. The organization must therefore undertake an aggressive selling and promotional effort.

SELLING	MARKETING
Focuses on the needs of the seller	Focuses on the needs of the buyer
Pre occupied with the sellers to	Marketing with idea of satisfying need of

convert his product in to cash	the customer by means of the product and the whole cluster of things associated with creating delivering and finally consuming it.
Inside – out perspective	Out side – In perspective
Satisfy the sellers need	Satisfy the Customers need and desires
Product occupies the pride of place	Consumer occupies the pride of place
Concerned with the goods already produces	Planning and development of the Products to match the market requirements
Piecemeal approach to achieve short term goals	Integrated approach to achieve long run goals
Converts product into cash	Converts customers needs into products
Marketing is not a part of selling	Selling is a part of marketing
Selling starts after production	Marketing starts before production
Selling is concentrated with sellers need	Marketing concerned with buyers needs
It is static	It is a change concept
It is concerned with just one aspect, namely, transfer of title for a price	It requires the performance of several activities including selling
It is done towards the end	It is the starting point of all business activities
Profit maximization is the philosophy of selling	The philosophy of marketing is customer satisfaction.

WRITE SHORT NOTES ON TYPES OF MARKETING:

1. STIMULATIONAL MARKETING:

This applies where there is no demand for a product or service. Peoples are not interested in purchasing a particular product. It may be due to lack of knowledge over a product. Here the strategy is to ‘no demand’ to ’positive demand’.

2. **CONVERSIONAL MARKETING:**

It arises only when there is a negative demand of a product or service. EXAPMLE: Dislikes of a product – vegetarians have a negative demand for all kind of meat.

3. **DEVELOPMENTAL MARKETING:**

It is a case of latent demand of product. A state latent demand exists when a substantial no of people share a strong need for something that does not exist in the form of an actual product task converts latent demand in to actual demand example cigarettes.

4. **MAINTENANCE MARKETING:**

The task is to maintain the full demands of the product demand forces – changing the needs and wants and competition, maintain the right quality, brand name, offer incentives. Etc.,

5. **DEMARKETING:**

Also called counter marketing. The main stage affairs under which the demand far exceeds the supply. The customers are discouraged the\rough heavy increase in prices or creating temporary shortage of the product. Example alcoholic, cigarettes, hard drugs etc.,

6. **AGGRESSIVE MARKETING:**

Large-scale efforts are made to increase the sales of a product. It applies to industries where the product in line has to be kept busy thought in order to cover costs with the result that must be sold continuously. Capture new and foreign market / heavy investment to be.

7. **MACRO MARKETING:**

It is concerned with how effectively a society uses its resources and how fairly it allocates its output of goods and services. Micro marketing is responsible for effective performance of the following functions, information, distribution and centralized exchange function. Broad view of our whole production and distribution system.

8. **MICRO MARKETING:**

It may be described as the process of formulating and implementing such strategies by a firm (product development, pricing, promoting and distributing) that ensures flow of need satisfying goods and services at a profit. Kotler – " marketing is a social and managerial process by which individuals and groups obtain what they need and want through creating, offering and exchanging products of value with others". Applies to profit and non-profit organization, begins with customer needs, does not do it alone, and builds the relationship with customer. Micro marketing looks at customer and the organization that serve them.

9. **META MARKETING:**

The literal meaning of ' meta ' is more comprehensive. In marketing Meta means – 'is to designate a new concept which deals critically with marketing as a discipline. The object of Meta marketing is to bring the whole of scientific, social, ethical and managerial experience toe bear on marketing.

<u>WHAT ARE ALL THE FUNCTIONS AND SCOPE OF MARKETING OR</u>

❖ **FUNCTION OF RESEARCH:**

Definition of marketing research:

The term research means investigation. It aim is to find out new fact or to collect additional information about a problem. When the process of research applied for collecting relevant facts about marketing problems it is called marketing. Research. American marketing association has defined marketing as "the systematic gathering, recording and analyzing of data about problems relating to the marketing of goods and service".

Product planning and development:

A product is something, which is offered by the business firm to customers to satisfy their needs. It has great importance in all other areas of marketing management. Product planning and development involves a number of decision, namely, what to manufacture or buy? How to have it's packaging? How to fix its price and how to sell it? The design, quality, color, size and other features of the product can be determined by conducting marketing research. The product department will be guided by the requirement of the users. It is necessary to plan and develop products which meet the specifications of the customers.

❖ **FUNCTION OF EXCHANGE:**

❖ Buying and assembling:

- ➢ Buying function is composed of those activities that are necessary to assemble goods for ownership and control. The primary purpose of buying is to bring commodities together, upon demand, for use in production (or) personal consumption.
- ➢ It is a time consuming function and it also requires intelligent analysis. The remark "well bought is half sold" is apt and meaningful.

- Selling:
  - The selling concepts holds that consumers if left alone, will ordinarily not buy enough of the organizations product. The organization must therefore undertake an aggressive selling and promotional effort. "Work up the customer" "close the sales" ~ there aim to sell what they make rather than make what the market wants.
- **FUNCTION OF PHYSICAL TREATMENT**:
- Standardization:

  Setting up of specifications of a product or services. Grades of agricultural products are based on these specifications and standards. Industrial goods are given brand names by their manufactures to convey the customers that their goods confirm to certain well-defined standards. These activities promote the sale of products. EX. ISO, ISI bench, mark of quality.
- Grading:

  An important part of the marketing process is determining of the shape or form in which a product is to be put in the market. Some of the most vital marketing center around this activity viz., establishing and maintaining standards and providing conformity to them. Standard is a measure that is generally accepted as having a fixed value. The measure may be in units of intrinsic quantities of characteristics of services.
- Packaging:

  Definition: packaging is a multi dimensional, multi disciplinary, dynamic art, science and technology, to protect, preserve and present the product.

  According to STANTO, "packaging may be defined as the general group of activities in product planning that involve designing and producing the container or wrapper for a product. ". Packaging is the sum of total the activities of designing and producing the container or wrapper.
- Branding:

  It is process of segmenting the goods. The company may have a wide range of product line. The product may be divided into different ways, may be based on quality, quantity, nature .etc, Eg: toothpaste is a product of Colgate company and Colgate SUPERSAKTHI, Colgate GEL, Colgate HERBAL are the brands

❖ Storage:

This is the place where the goods are stored for distribution or keep the stock level. The goods are stored for sale, that place is called storage. The quality of the goods is matinee by the storekeeper.

❖ Transportation:

It is a process of movement of goods. Transportation may be from the supplier to the customer and it may be internal transportation (if the goods from production unit 1 to production unit 2.

The transportation exceeds from the raw materials to finish the goods. The products are to be transported to each and every customer the transportation provides the physical means with facilitate the movement of persons, goods and services from one place to another. Transport plays a significant role in the economy, social and political development of the country. Rapid Industrialization and exchange of goods and services cannot take place unless sufficient facilities for transportation are available.

FUNCTIONS FACILITATING EXCHANGE:

❖ Salesmanship:

Profession means the specialized skill and a qualified set of goals. In a particular field or are is called profession. Eg: lawyers, doctors, auditors, etc.

Other feels "salesman are mostly made than born". Still others assert, salesman are born and made. They are certain qualities- emotional, physical development etc. that are born qualities with pleasing personality alone is not enough. There are specialized institutions imparting training in salesmanship.

❖ Advertising:

"Advertising is any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor. American marketing association (AMA) defines advertising "As any paid form of non-personal presentation and promotion of ideas, goods and services by an Identified sponsor".

❖ Pricing:

Pricing is the marketing mix elements that produces revenue the others produce costs. Price is also one of the most flexible elements. It can be changed quickly, unlike product features and channel commitments. At the same time, price competition is the number one problem facing companies. Yet many companies do not handle pricing well.

The most common mistakes are these pricing is too cost oriented; price is not revised after enough to capitalize on market changes. Price is set independent of the rest of the marketing mix rather than as an intrinsic element of market-positioning strategy; and price is not varied enough for different product items, market segments, and purchase occasion.

❖ Financing:

Arrangement OF finance for all activities and BUDGET making activity. “Budget is an estimate of future needs arranged according to an orderly basis, conversing some or all the activities of an enterprise for definite period of time – George R. Terry”.

Insurance: According to W.A. Dinsale, Insurance is a device for the transfer of risks of individual entities to an insurer, who agrees, for a consideration (called the premium), to assume to a specified extent, losses suffered by the insured.

MODERN MARKETING CONCEPT

Give the meaning and definition of marketing concept:

Meaning:

Marketing concept is a corporate stage of mind that insists on the integration and co-ordination of all marketing functions which in turn welded with all other corporate functions, for the basic objective of producing maximum long range corporate profits.

Definition:

Philip Kotler defines, “The marketing concept is a customer orientation backed by integrated marketing aimed by generating customer satisfaction as the key to satisfying organizational goals”.

Explain briefly about the evolution of marketing concept:

1. **Self sufficient stage:**

   In the earlier days of human history, each family was self sufficient. It produced the goods needed by itself and there was no need for exchange.

2. **Exchange oriented stage:**

   When the people began to realize the importance and uses of division of labour and specialization, the next stage i.e., exchange oriented stage came into being. Competition was totally absent in those days. With the invention of money, many problems connected with the exchange of goods and services were solved to a great extent. This is the first stage of the evolution of marketing.

3. **Production oriented stage:**

   It is the result of industrial revolution. The producers concentrated their attention only on the production side ignoring the problem of marketing. They cared very little about the consumer and even sales, because the competition between various producers was not so acute as it is today.

4. **Sales oriented stage:**

The sales oriented stage, witnessed major changes in all the spheres o economic life only in this stage, the business managers began to realize the importance of marketing. The place of the consumer was though accepted no serious steps were taken to satisfy his wants. The consumer had no other alternative other than to accept only those goods produced by the producers.

5. **Marketing oriented stage:**

The competition became more stiff than it was in the previous stage. In this stage the business units began to expand their production and produced more than the immediate needs of the society. The producers began to realize that their products cannot be sold without an effective sales force.

What are the essential features of modern marketing concept?

- The firm should appreciate and understand the strategic. Position of the consumers. The marketing system should be designed to serve the consumer needs.
- The marketing activities should be a planned one.
- Various marketing activities should be integrated and well co-ordinated.
- Marketing research should be undertaken.
- Product innovation and product planning should be recognized and emphasized.
- There should be a continuous reshaping of the firms products, services and other activities to meet the demands and the opportunities of the market place effectively.

Explain the benefits or advantages of the modern concept of marketing?

1. **Understanding of the consumer:**

The first advantage is that the management recognizes and appreciates the customer needs which are of basic importance. The products the designed and produced to suit the needs of the customer. Changes in the tastes of the consumers are immediately noticed and the goods are brought to suit the changing situations.

2. **Innovation and new opportunities:**

   This concept enables the producer to identify new opportunities and effect broad improvements in his products and services. Many changes in the product design can also be introduced to suit the changing taste of the customers.

3. **Creation of prestige and image:**

   By understanding the customer and satisfying his wants effectively, the businessman can add his prestige and acquire a better image in his line of business.

4. **Cordial Relationship with the consumer:**

   By accepting the modern concept of marketing the firm gives due consideration to satisfy the consumers along with its goal of profit making. The consumers pay only for those goods which provide them adequate satisfaction. This ensures a cordial relationship between the producer and the consumer.

5. **Elimination of Dead Stock:**

   Since the business firm constantly reviews its operations and produces only those goods required by the consumer, the question of slow moving item or dead stock and the consequent losses do not arise.

6. **Consumer advertising and repeated sales:**

   The satisfied customer is the best advertiser. He advertises the utility of the product to his neighbours. The consumer advertising is more effective than the other forms of advertising by the producer. It increases the number of customers and consequently the volume of sales. Besides, the firm can get a repeated sale which is vital to the success of any firm.

Enumerate the factors influencing marketing concept?

A firm operating under the concept, receives direction from the market i.e. information regarding the customers wants needs and desires through market. The factors in brief are:

1. **Population Growth:**

   The increase in population naturally increases the demand too. Markets are made up of people. Increase in population causes increasing the markets, increasing the consumers, who have increased demand for goods, in kinds, varieties, preferences etc. Thus the producers have to meet the changing demands of people.

2. **Increasing Households:**

The growth of demand for household products is more than it is to the total population at any time. Joint family system has become unpopular because of many reasons. Most of the families are sub divided and this increases the number of families and their demands. Ex: Automobiles, refrigerators, electrical appliances, T.V. Sets etc.

3. **Disposal of Income:**

Automation in industries, births of many new firms etc., open the door of employment. Thus people have increased their income and in turn aim for more satisfaction and more comforts. When the income continues to increase, the purchasing power also increases.

4. **Surplus Income:**

The people have surplus income left after meeting the expenses on essential items. This surplus amount will be spent on non-necessary products or luxury goods. Such items are selected by people, if they can give satisfaction to their needs and desires.

5. **Technological Development:**

New inventions of products take place often. None will have the guarantee that his products will always possess good demand in the market. Some technological advancement may outmode the existing products, in turn the whole industry many come to a standstill. People always prefer to have the latest model.

6. **Mass communication media:**

The growth of mass communication media-Newspapers, magazines, radio television etc. facilitates the buyers to learn about the new products available for sale. The buyer gets information about the new products, faster and more effectively before the products come to the market.

7. **Credit purchases:**

Credit purchases through hire-purchases schemes and installment schemes are common today. Credit purchases push sales. The customers can enjoy the facilities and this widens the market.

SOCIAL MARKETING

Give the meaning and definition of social marketing?

Meaning:

Marketing can be used to bring not only products and services but also social cause to the attention of a market. In recent times, an increasing number of non-profit organizations are getting involved in the last type of marketing namely social cause or social change. The efforts made by such organizations to gain the support of the society for a social change is named as social marketing.

Definition:

Philip Kotler says, "Social marketing is the design implementation and control of programme, seeking to increase the acceptability of a social idea, cause or practice in a target group. It utilize market segmentation, consumer research concept, development communication, facilitation, incentive and exchange theory to maximize target group response".

DEMARKETING

What do you understand by de-marketing?

De-marketing consists of all activities by which efforts are made to reduce the demand and bring about equitable distribution of a product for short or long period tell the company is able to meet the demand fully.

Definition:

The aspect of marketing which deals with discouraging customers in general or a certain class of customers in particular on either a temporary or permanent basis.

Discuss the various types of de-marketing categories?

1. Selective de-marketing
2. Ostensible de-marketing
3. General de-marketing

1. Selective De-marketing:

A company is interested in reducing the demand of specific segment of the market

2. Ostensible De-marketing:

It means that the company goes through the motions of de-marketing in the hope of achieving the opposite effect. By creating the appearance of not wanting more customers, it helps to make the product even more desirable to people. The seller works on the principle that people want what may be hard to get and may even masochistically, enjoy being neglected by the seller.

3. General De-marketing:

It is required when a company wants to reduce the level of total demand. It may be temporary shortage due to production or distribution problems or the normal demand may be much larger than the company production capacity. The stabilize or reduce demand, the normal marketing functions are used in reverse.

- In ancient days the concepts are not familiar in this area. The traditional concepts are completely different from the modern concept. In ancient days, marketing is conducted on the philosophy that products are matched with the markets i.e., the firm takes the responsibility on itself to design, develop and sell its products to suit the need of its customers.
- The principal followed is CAVEAT VENDOR – let the seller behalf. The main object behind this thinking is to satisfy customer through constant study of their changing needs and wants. While, under the later, the firm does not take any responsibility for its goods – The philosophy that work is CAVEAT EMPTOR i.e., let the buyer behalf.
- The goods produced as per the decision of the marketing manager and are put on the market and the purpose of marketing ends. Ex. In olden days BPL Televisions are produced by its own technology and model. They are not bothering about the need and wants of the customer i.e., style required by the peoples.
- It was changed now readymade shirts are the basic example of ancient marketing concepts. In modern marketing the goods and services are produced according to the needs and wants of the customer. The desire of the customer is the key factor.
- Now a day, the production and marketing departments are interrelated. After done a big marketing survey in the hands of customer, the products were design. If we did not done or study the customer mind the product will get failure. Competition is the factor. Based on the potentials of the customer the marketing department plans the price, promotion and distribution activities. The present potential customer needs and wants basic criteria for a real marketer.

Explain the classification of markets:

A) On the Basis of Geographical Area:

1. Family Market:

When exchanges are confined within a family or close members of the family. Such a market can be called as family market.

2. Local Market:

When people buyers and sellers, belong to a local area or areas, say a town or village, participate in market, it is called local market. The demands are limited. For example, perishable goods like fruits, fish vegetables etc.

3. National Market:

For a certain types of commodities, a country may be regarded as a market, through the fast development of industrialization, it is called a national market.

Examples: The soaps of Godrej (Cinthol, Fair glow, etc.,) and Hindustan Lever (Liril, Lux etc., are marketed throughout India.

4. World of International Market.

World or International Market comes up when buyers and sellers of goods evolve on world level i.e., involvement of buyers and sellers beyond the boundaries of a nation. Ex:Coco-cola, Fanta, and pepsi are international brands of soft drinks that are marketed throughout the world.

Goods made in India are also marketed in different parts of the world. For ex. The silk sarees of Kanchipuram are marketed throughout the world.

B) On the Basis of Commodities / Goods:

a) Commodity Market: Produced goods or consumption goods are bought and sold. Commodity markets are sub divided into:

1. Produce Exchange Market:

This type of markets is found only in developed industrial centers or cities. Open market deals in one commodity only. Generally sellers and buyers of a particular commodity set up such markets and run them regulated and controlled by certain rules. Ex: The cotton Exchange Market of Bombay etc.

2. Manufactured Goods Market:

Such type of markets deals with manufactured goods. Eg., Leather goods, machinery etc. The leather exchange Market at Kanpur, piece, Goods Exchange of Bombay are examples of such markets.

3. Bullion Market:

This type of market deals with the purchase or sale of gold, silver etc.

b) Capital Markets: New or going concerns need finance at every stage. As such financial needs of concerns are met by capital markets.

1. Money Market:

It is a type of market where money is borrowed or lent. This type of market helps or guide the public to invest their surplus fund in industrial concerns and helps people to take loans through banks.

2. Foreign Exchange Market:

It is an international market. This type of markets helps exporters and importers, in converting their currencies into foreign currencies and vice versa.

3. The Stock Exchange Market:

This is a market where shares, debentures, bonds etc., of companies are dealt with purchased or sold. It is also known as security market. Stock Exchanges of Calcutta, Madras etc., are examples for this type of market.

c) On the Basis of Economics:

1. Perfect Market:

The homogeneous nature of goods and uniform price throughout the market are the key characteristics of a perfect market. The market for agricultural commodities is an example of a perfect market. It satisfies the following conditions:

i. Large number of buyers and sellers are there

ii. Price should be uniform throughout the market

iii. Buyers and sellers have a perfect knowledge of market.

iv. Goods can be mode from one place to another without restrictions.

2. Monopolistic or Imperfect Market:

The market for those products which are not identical and whose prices are different is known as a monopolistic market. The market for soaps, face powder etc is a monopolistic market. Prices are not uniform. There is lack of communications, there are restricitions on the movement of goods.

3. Monopoly Market:

It is a market having just one seller. In India, for example, the Railways are being managed by the Government. There is no perfect or close substitute available to the product or service for a monopolist.

4. Oligopoly Market:

It is a market in which there are a few sellers who work according to a common understanding. Their price strategy is the same. Ex. soft drinks.

d) On the Basis of Transaction:

1. Spot Market:

In such a market goods are exchanged and the physical delivery of goods takes place immediately.

2. Future Market:

In such a market contracts are made over the price for future delivery the dealing and settlement takes place on different dates.

e) On the Basis of Regulation:

1. Regulated Market:

These are types of markets which are organized, controlled and regulated by statutory measures. Ex. Stock Exchanges of Bombay.

2. Unregulated Market:

This is a free market. There is no control with regard to price, quality, commission etc., Demand and supply determine the price of goods.

f) On the Basis of Time:

1. Very Short Period Market:

Markets which deal in perishable goods like, fruits, milk, vegetables etc., are for a very short period. There is no change in the supply of goods. Price is determined on the basis of demand.

2. Short Period Market:

In certain goods, supply is adjusted to meet the demand. The demand is greater than supply. When the market exists for a week or month, it can be called a short period market.

3. Long Period Market:

This type of market deals in durable goods.

g) On the Basis of Volume of Business:

1. Wholesale Market:

In wholesale market goods are supplied in bulk quantity to dealers.

2. Retail Market:

In retail market goods are sold in small quantities directly to the users or consumers consumer market. The consumer gets the goods for consumption and not for profit making.

h) On the Basis of Importance:

1. Primary Market:

The primary producers of farm produce sell their output or products through this type of markets to wholesalers and consumers. Such markets can be found in villages and mostly the products arrive from villages.

2. Secondary Market:

The commodities arrive from other markets. The dealings are commonly between wholesalers or between wholesalers and retailers.

3. Terminal Market:

The ultimate consumer gets the goods from such markets

Explain about the Evolution of Marketing Concept:

1. Production Orientation:

In early days of business activities the emphasis was mainly on production. This is a stage where the producers, instead of being concerned with the consumer preferences, concentrated on the mass production of goods for the purpose of profit. They cared very little about the customers.

2. Sales Orientation:

The idea of mass production of goods as conceived in the previous stage did not work later. Mass production must have resulted in a condition of supply exceeding the demand. Further, with the growth of transport and communication and improvement in the lifestyles of people the attitude of businessmen had to change. They realized the need for selling efforts. Thus, emphasis shifted from production to sales.

3. Marketing Orientation:

Customer's importance was realized but only as a means of disposing of goods produced. Competition became stiff. Aggressive advertising, personal selling, large scale sales promotion etc. are used as tools to boost sales.

4. Customer Orientation:

The marketers felt that measurement of consumers needs alone is not enough. Their needs must be fulfilled. They decided to give all that the buyers expect in the goods and services marketed. This is mainly due to competitive pressures. As there are many alternatives available in the market the consumer is not dependent or any one seller. He can select the alternative that best fulfils his needs.

5. Management Orientation:

Management is the art of getting things done by others. The techniques of management are being applied in several functional areas of business like production, finance and marketing. The application of management techniques would call for the performance of certain functions like planning, organizing, staffing, co-ordination and control. The present day marketers are well versed in management and they adopt a systematic approach.

MARKETING MANAGEMENT

What do you understand by Marketing Management?

The marketing management activities include analusis, planning, implementation and evaluation of performance. It is a purposeful activity which aims at bringing about the desired exchanges. It stresses the adaptations and co-ordination of several factors like the product price, promotion and place to achieve the effective response.

Definitions:

According to Philip Kotler, "Marketing management is the analysis, planning, implementation and control of programmes designed to bring about the desired exchange with target markets for the purpose of achieving organizational objectives. It relies heavily on designing the organizations offering in terms of the target markets needs and desires and using effective pricing communication and distribution to inform, motivate and service the market".

What are the tasks of the marketing management?

- **Conversional Marketing:**

It refers to the conversion of a negative demand into a positive demand which all or most of the potential buyers dislike the firms product or indifferent towards the services rendered by the firm. Negative demand applies to many products and conditions. For example, vegetarians have a negative demand for meat.

- **Situational marketing:**

This is the process of creating a demand for a product which has no demand. No demand is a state in which all the prospects are uninterested or indifferent to a particular product. However, this a rare condition. If such a condition prevails, the marketer should experience much difficulty even to start with. Thus, situational marketing is a rough and an extremely difficult task.

- **Developmental Marketing:**

It refers to the conversion of the latent demand into actual marketing. Latent demand refers to a state when a substantial number of prospects have a strong desire or need for something or quality that does not found or exist in the actual product. In this case, the marketer has an opportunity of developing the product incorporating all the qualities in the product needed by the prospects.

- **Remarketing:**

It is the process of revitalizing or rebuilding a faltering demand into its earlier state. Faltering demand is a state in which the demand for a product is less than what it has originally and further fall is expected if no remedial measures are taken to rectify the defect.

- **Synchro Marketing:**

The process of converting an irregular demand into a regular demand is known as synchro marketing. Irregular demand is a state in which the timing pattern of the demand is marked by seasonal or volatile fluctuations that depart from the timing pattern of the supply. Ex: Hotels in hill stations are over booked in hot summer and less booked or even un-booked in other seasons.

- **Maintenance Marketing:**

Where the market is full, it should be maintained. Full demand is a state in which the current level and timing of demand is equal to the desired level and timing of the demand. Various goods and services reach the stage of full demand in the market.

- **De-Marketing:**

It refers to the task of reducing an overfull demand. Sometimes the actual demand for a product may exceed the level at which the marketer is able or motivated to supply it. This situation is known as overfull demand. Thus state of affairs may arise due to temporary shortages in supply or excessive popularity for the product. The process of reducing the overall demand can be done either by discouraging all the buyers in general or a certain classes of buyers in particular.

- **Counter Marketing:**

De-marketing tries to reduce the market, whereas counter market tries to destroy the market altogether. It is also known as un-selling. Classic examples are alcohol, cigarettes etc. This measure is generally taken by the producers only when the Government prohibits or bans the production of such goods.

RELEVANCE OF MARKETING TO BANKING - MARKETING IN BANKING

Marketing approach in banking sector had taken significance after 1950 in western countries and then after 1980 in Turkey. New banking perceptiveness oriented toward market had influenced banks to create new market. Banks had started to perform marketing and planning techniques in banking in order to be able to offer their new services efficiently. Marketing scope in banking sector should be considered under the service marketing framework. Performed marketing strategy is the case which is determination of the place of financial institutions on customers' mind. Bank marketing does not only include service selling of the bank but also is the function which gets personality and image for bank on its customers' mind. On the other hand, financial marketing is the function which relates uncongenitalies, differences and non similar applications between financial institutions and judgement standards of their customers.

The reasons for marketing scope to have importance in banking and for banks to interest in marketing subject can be arranged as:

Change in demographic structure: Differentiation of population in the number and composition affect quality and attribute of customer whom benefits from banking services. Intense competition in financial service sector: The competition became intense due to the growing international banking perceptiveness and recently being non limiting for new enterprises in the sector. Increase in liberalization of interest rates has intensified the competition.

Bank's wish for increasing profit: Banks have to increase their profits to create new markets, to protect and develop their market shares and to survive on the basis of intense competition and demographic chance levels.

The marketing comprehension that are performed by banks...

MARKETING ENVIRONMENT FOR A BANKER

What do you understand by marketing environment?

Marketing environment to all factors, which are external to and beyond the control of individual business enterprises and their management. Environment is the totality of forces and entities that are external and potentially relevant to a company. The environment also includes a company's internal organizational environment which also acts as an important force, influencing the activities of the company.

Definitions:

1. Cravens says "Marketing environment is that which is external to the marketing management function largely uncontrollable, potentially relevant to marketing decision making and changing and constraining in nature".
2. Kotler and Armstrong defines "A company's marketing environment consists of the actors and forces outside marketing that absect marketing managements ability to develop and maintain successful transactions with its target customers".
3. "A company's marketing environment consists of the actors and forces outside marketing that affect marketing management ability to develop

and maintain successful transactions with the target customers" - Kotler and Armstrong.

Nature and Characteristics of marketing environment:

1. Micro & macro faces:

The marketing environmental forces may be grouped as micro environment i.e company's immediate environment and all macro environment i.e the larger societal forces, such as political, legal, culture natural and economic forces. These factors may also be classified in terms of internal and external environment factors also.

2. Volatile orientation:

Marketing environment is volatile i.e is of fast changing and in dependable nature. Changing customer income, technological innovations, changing government rules and policies, changing social values and beliefs, and shifting consumer values and preferences are examples of changing market environment. Uncertainty is the basic element of marketing environment.

3. External orientation:

The marketing environment is outside the function of marketing management i.e., marketing planning, implementation and control. The environmental forces do not fall within marketing function. They are largely uncontrollable.

4. Comprises of opportunities and Threats:

The marketing environment has both some opportunities that may be availed by a company as well as certain threats and problems, which have to be faced and overcome by it. The internal strength of the marketing department of a company prove helpful in availing the opportunities and successfully dealing with threats or problems. On the other hand, its weaknesses may prove fatal to even the survival of the company as a whole.

5. Potentially relevant:

The market environment is highly relevant and influencing to marketing decision making in a company. However, the potentially relevant environment is different for different companies. For example, the potentially relevant environment for an electronic appliances firm is very different from that for a soap or food item producer.

6. Affects the managing of target markets:

The marketing environment affects the marketing managers' ability to serve the target customers and thereby influences the continuity and closeness of relationship with them. It acts as a constraining force against the managerial skills and abilities.

WHAT ARE ALL THE COMPONENTS OR FORCES OR FACTORS AFFECTING OF MARKETING ENVIRONMENT?

What are factors affecting Marketing Environment?

I) EXTERNAL COMPONENTS OR FACTORS OR FORCES

ENVIRONMENT	COMPONENTS OR FACTORS OR FORCES
DEMOGRAPHIC ENVIRONMENT	Age, sex, Life style, income group, martial status, profession
ECONOMIC ENVIRONMENT	Demand, supply, income and expenditure. Etc.
SOCIAL AND CULTURAL ENVIRONMENT	Cultural norms, life styles, purchasing pattern, social problems, educational
LEGAL OR POLITICAL OR PUBLIC POLICY ENVIRONMENT	Political situations, liberalization, globalization and privatization (LPG), fiscal polices, constituent. Etc.,
SCIENTIFIC AND TECHNOLOGICAL ENVIRONMENT	Growth and development in science and technology
COMPETITION ENVIRONMENT	Prevailing competition in the world of market
CONSUMER DEMAND ENVIRONMENT	Consumer behaviour
ECOLOGY OR NATURE OF PHYSICAL ENVIRONMENT	Nature and its change

II) INTERNAL COMPONENTS OR FACTORS OR FORCES

ENVIRONMENT	COMPONENTS OR FACTORS OR FORCES
CORPORATE RESOURCE	Infrastructure facilities
MARKETING MIX	Product, price, place, promotion and packaging (5 P’s)

I. External environment factors:

These are those elements, which affect an organisation performance that cannot be controlled by the organisation. So the external environment or uncontrollable factors must be monitored continuously and its effects are to be incorporated into any marketing plan. Uncontrollable factors include:

1. Demography:

The statistical study of human population and its size, density, distribution, location, age, sex, race, occupation is called demography. The demographic environment is of major interest to marketers because in involves people and the people make up markets.

2. Competition:

A company's competitive environment is a major influence on its marketing system. A firm's competitors frequently affect its marketing strategy and its success in attracting a target market. Therefore, the competitive structure facing a firm needs to be defined and analyzed.

3. Economic Environment:

The economic factors are of critical importance to marketers because economic cycles (prosperity, recession and recovery) and other economic factors (inflation, productivity, shortages and the value of the rupee) have a tremendous impact. This affects consumer's real purchasing power. Economic changes require substantial market place adaptation within the same organisation over time. Economic cycle three phases:

i) Prosperity: it is characterized typically as a period of economic growth. During this stage, organisation tends to expand their marketing programs as they add new products and enter new markets.

ii) Recession: It is typically the period of retrenchment for consumers and marketers. People may not have very much discretionary income to spend.

iii) Inflation: It is a rise in price levels when prices rise at a faster rate than personal income. There is a decline in consumer buying power. Inflation presents some real challenges in the management of the marketing program especially in the area of pricing and cost control.

4. Natural or Physical environment:

The natural environment includes the earth's natural renewable resources (such as forest, food products from agriculture etc.) and finite non-renewable resources (such as oil, coal minerals, stones etc.), Weather or climatic conditions, land shapes and water resources, which quite often change the level and type of resources available to a marketer for his production purposes.

5. Social and cultural environment:

The social and cultural environment affects the functioning of everything in a society and it implicitly sets the priorities and the direction for change. Three aspects of social environment should be widely taken into consideration.

a. Changes in our life styles and social values.
b. Social problems like pollution.
c. Growing consumer discontent.

6. Legal and governmental forces:

These factors have a very considerable importance in marketing. Marketing systems are affected by government monetary and fiscal policies, import-export policies, state regulations, regulations relating to monopoly and restrictive trade etc. Marketing polices and strategies are influenced by government policies throughout the world. In some countries the government, rather than the market, provides the dominating marketing mechanism.

7. Technology:

Technology environment consists of forces, which affect new technology, creating new product and market opportunities. Technology has a tremendous impact on our life styles, our consumption patterns and our economic well-being. Unprecedented development of science and technology since 1960 has created a phenomenonal impact on our lives. New industry is the best example of technological advancement. Digital watches are killing the prospects of traditional watches; colour television had adversely affected the prospects of transistors and cinema etc.

8. Marketing intermediaries:

Marketing intermediaries are the persons who come between producer/manufacturer and customers. Intermediaries play a very important role as far as the distribution of products is concerned. The marketer has little influence over these intermediaries. These intermediaries include two types of institutions

(a) Resellers – the wholesalers and retailers.
(b) Various facilitating organizations that provide such services as transportation, warehousing and financing that are needed to complete exchanges between buyers and sellers.

9. Suppliers:

For production of goods or services, a company requires a variety of inputs. The firms or individuals that provide (supply) the inputs or resources needed by the company to produce good and services are called suppliers. They are critical to company's marketing success. Marketing executives often are not concerned enough with the supply side of the marketing system.

10. Competitors:

According to the marketing concept for being successful, a company must be consumer oriented satisfying their needs and wants in a manner better than that of its competitor. Competitors are those business organisations that seek to satisfy the markets much against each other. Marketers actually face three types of competition:

a. The most direct form of competition occurs among marketers of similar products.
b. A second type of competition involves products that can be substituted for one another.
c. The final type of competition occurs among all organizations that compete for the consumer's purchases. In other words, modern marketers accept the argument that all firms compete for a limited amount of discretionary buying power.

11. Customers:

The company must study its customers' markets, as customers are the important element of the marketing process. Customers can be (a) ultimate consumer, which consists of individual, and households that buy goods and services for personal consumption. (b) Industrial or business customers which buy goods and services for using them in their production process or for further processing (c) Agricultural customers consists off the customers who buy agricultural products for their won consumption or for business purposes.

II Internal Environment:

An organization's marketing system is also shaped to some extent by internal forces that are largely controllable by the marketer. These factors constitute the strengths and weakness of the organisation. It is in the complete control of the organisation how it regulates them. These internal influences include a firm's production, financial, human resources, research and development capability, company location and image. It is very necessary that the firm should develop its strengths and then relate them with the opportunities existed in external environment. The organization's external and internal forces collectively shape the organization's marketing program.

MARKETING OF FINANCIAL / HOSPITALITY SERVICES:

The marketing environment of financial services

A) Political and legal

B) economical

C) socio – cultural

D) technological

I. Demographic environment:

The first macro environmental force that marketers monitor is population, because, people make up markets, marketers are keenly interested in the size and growth rate of population in cities, regions, and nations, age distribution and ethnic mix; educational levels, house hold patterns and regional characteristics and moments.

2) Economic Environment:

Market requires purchasing power as well as people. The available purchasing power in an economy depends on correct Income, prices, savings, debt and credit availability marketers must pay close attention to major trends in income and consumer spending patterns.

3) Natural Environment:

The deterioration of the natural environment is a major global element concern. In many word cities air and water pollution have reached dangerous levels. There is great concern about "Green house gases" in the atmosphere due to the boring of fossil fuels, about the depletion of the one layer due to certain chemicals, and about growing shortages of water.

4) Technological Environment:

One of the most dramatic forces shaping people lives is technology. It has released such horrors as the hydrogen bomb, never gas, and the submachine gum. It has also released such mixed blessing as the automobile and video gamed.

5) Political and Legal Environment:

Marketing decisions are strongly affective by development in the political and legal environment. This environment is composed of laws, government agencies, and pressure groups that influence and individuals. Sometimes these laws also create new opportunities for business.

6) Social –Cultural environment:

Social shapes out belief, values, and norms people absorb, almost unconsciously, a world view that defines their relationships to themselves, to others, to organisations, to society, to nature and to the universe.

a) Views of themselves
b) Views of others
c) Views of organisation
d) Views of society
e) Views of nature
f) Views of the universe.

Applications in the area of

A) marketing of financial
B) hospitability
C) hospital
D) tourism and
E) Education services and international marketing of services and GATS.

These areas the wider use of service market applications are discussed here as under

What is Marketing Mix for a banker? Discuss the various elements of Marketing Mix.

Marketing Mix:

There are a number of tools the marketer uses to make sales. The policies and programmes adopted by the marketer to attain success in the market constitute the marketing mix. The important elements of the marketing mix of manufactures are product planning, branding, pricing, channels of distribution, personnel selling, advertising, promotions, packing, display, servicing and physical handling. All these elements can be grouped under four mixes. They are

- Product mix including aspects of product line, quality, packing and branding.
- Pricing mix including aspects of basic price and credit terms.
- Place mix or physical distribution mix including aspects of channels of distribution, warehousing, and physical handling of goods, transportation facilities and market location.
- Promotion mix including advertising, publicity, sales promotion and personal selling.

These four mixes product, planning, pricing, physical distribution, and promotion can be referred to as the Four P's in marketing.

1. Product Mix:

This mix includes product planning, packaging, branding and services. Product planning comprises policies and procedures relating to what types of product to be produced, their quality, designs and services offered new product policy etc. before producing a new market, marketing manager should see whether consumers would accept the new product. Branding policies and procedures relating to selection of trademarks, brand policy, sale under private label or unbranded packaging, and labels.

2. Pricing Mix:

Prices and pricing policies are of great importance not only to manufactures and middlemen but also to the consumers. Prices affect not only goods already produced but also future plans for production and future marketing. Therefore sound-pricing policies must be adopted to ensure that the organization secures satisfactory profits. If the prices are too high it will affect the sales volume. If the prices are low, it will affect the profits. So while fixing the prices, the following must be objectives:

1) Achieving target return on investment.

2) Stabilizing prices.

3) Maintaining a target share of the market.

4) Meeting or preventing competition; and

5) Maximizing profits.

3. Physical distribution mix:

Under this mix, the management should select the channels and routes that will be used to bring the product from the factory to the market i.e to ultimate consumers and industrial users. Distribution is concerned with various activities such as the movement and storage of goods, the legal, promotional and financial activities involved in the transfer of ownership from the producer to consumer.

4. Promotion Mix:

Finally, another important element of the marketing mix is promotion, which includes advertising, sales promotion, personal selling and other activities, which will inform and persuade the customers regarding the company’s products. Regarding advertising policies relating to the amount to be spent, methods and modes of advertisement must be clearly laid down. Separate policies and procedures should be laid for personal selling if any.

Apart from these marketing elements, there are certain forces, which bear on marketers. A marketing manager to be successful must understand not only the elements of the marketing mix but also the following forces. Borden classifies those into four categories as follows:

1. Consumer's buying behaviour: Which includes motivation in purchasing, buying habits, living habits, buying power and environment.

2. The trader's behaviour is influenced by their motivations, trade structures, practices and attitude.

3. Competitor's position and behaviour as influenced by size and strength of competitors and indirect competition, supply and demand for products, product choices offered to customers by the industry – competitors motivations and attitudes, trends in technological and social factors and change in supply and demand.

4. Government regulations: while building a marketing programme to fit the needs of the company, the marketing manager has to take into account the behavioural force along with the elements of the marketing mix.

NOTES

UNIT – II

MARKET SEGMENTATION

Define 'market segmentation'. Bring out the advantages of segmenting the market. Or What do you mean by Market Segmentation? Explain its objectives and importance. Or Write a short essay on "Market Segmentation".

- ❖ William J. Stanton "marketing segmentation" consists of taking the total, heterogeneous for a product and dividing into several sub markets and segments each of which tends to be homogenous in all significant aspects.
- ❖ Davar "grouping of buyers or segmenting the market is described as the market segmentation"

According to William J. Stanton, 'market segmentation is 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 respects'.

The above definition brings out the following points:

(i) The market is heterogeneous

(ii) It must be divided into sub markets and segments.

(iii) Such a sub division or segmentation will make the market homogenous.

A marketer may be unable to serve all the customers effectively or there may be superior competitors. In such a situation what is to be done by the marketer is

- To identify the most attractive (profitable) market group (segment)
- To serve it/them efficiently.

The crux of modern marketing strategy is STP (S-Segmenting, T-Targeting, P-Positioning). It consists of buyers differ in one or more respects. They may differ in the wants, resources, geographical locations, buying attitudes, and buying practices. Market segmentation is the process of identifying and evaluating various strata (or) layers of a market. They are large identifiable groups within a market, such as car buyer seeking basic transportation, car buyers seeking high performance, car buyers seeking safety. A niche is a narrow defined group that may seek a special combination of benefits.

- ORIGIN OF BANKING :
  - Though banks are of western type ,they has been of recent development in India, banking as such not has been unknown to India . From the very ancient times , indigenous banking has been organized in the form of family or individual business , There are three types of indigenous bankers.

[a] those whose main business is banking;

[b] those who combine banking business with trading and commission; and

[c] those who are mainly traders & commission agents but who do a little banking business as well.

  - Banking on western line had started from the beginning of the 19-century. The first joint stock bank was established under the European management in kolkatta by name of "bank of hindoostan" . Later many banks emerged like bank of Bengal ,Bombay etc which were merged together & named as imperial bank of India .
  - The supervision & control of the management of the money and banking in India till 1935 was peculiar . with the setting up of RBI , this situation changed & RBI became the supreme monetary & banking authority in the country.
  - At the time of independence , there were nearly 430 large & small banks. In mid 60's, the number was reduced to 75 and with the nationalization of leading 14 major commercial banks in 1969, the banking system in India got a big boost.

Objects of market segmentation:

The customers of a product are in quite a large number and scattered and all have different characteristics. No two buyers have similar characteristics. The difference affects the demand of a product to a great extent. A successful marketer is one who understands and considers these differences of the customers of his product. For marking his product more popular and for providing maximum possible satisfaction to maximum possible customers, he groups the customers on some common basis of similarity of characteristics.

Thus, the main object of segmentation of market is to identify the difference and provide maximum satisfaction to customers.

In the words of Philip Kotler, "The purpose of market segmentation is to determine difference among the buyers which may be consequential in choosing among them or marketing to them".

Advantages of Market Segmentation:

1. It enables the marketer to have better control over the market.

2. It is possible to satisfy the varying needs of the buyers.

3. It makes it possible for the seller to know the response and reaction in each segment.

4. It is also possible for the merchant to take suitable corrective action when he finds that the performance in any segment is not up to his satisfaction.

5. The resources of the business can be utilized more effectively.

6. It also helps the marketer to select the most appropriate promotional tool for the each segment.

7. A segment requiring greater attention can be given more weightage.

8. The market segmentation concept enables the marketer to conquer the market more effectively than the total market approach does.

Explain the criteria for market segmentation. Or What are the requirements for effective segmentation?

1. Size of the segment:

Size of the segment should not be too small. If it is too small, it will not be worthwhile for the marketer to make efforts.

2. Measurement of behavioural patterns:

The segment should indicate the changes in the behavioural patterns of the buyers.

Example: Most two-wheeler manufacturers, these days, come out with a number of models. Each model is being updated in tune with the needs of the market. Hero Honda, for example, introduced the 'CBZ' model mainly to please the youth.

3. Accessibility:

Another important condition for segmentation is that it should be possible for the marketer to approach or reach each segment with the existing channels and media.

Example: Product brought out exclusively for women may be advertised in magazines intended for women, e.g., 'women's Era'

4. Representative nature:

Each segment must have its own identity.

Example: 'Saravana Bhavan' group of hotels, chennai, has its own 'fast food' units, and bakery. The Hindu newspapers also brings out the 'Business Line', the 'Frontline', the 'Sportstar' etc., each has distinctive identity.

5. Demand:

The need for creating a segment will arise only if such a segment exhibits demand by itself. **For Example**: ‘The Hindu’ brings out the ‘Sportstar’ to satisfy the sports lovers.

6. Response:

It is important that each segment responds differently to the marketing strategies of the seller. **For example,** edible oil is sold in different quantities, i.e., from half a liter pack to 5-litre container, to satisfy different classes of buyers.

Explain the various factors determining market segmentation. Or

“The choice of a base for segmenting consumer markets depends on its relevance for differentiating the buying pattern of consumer groups in a particular market”. Explain.

Factors determining Market segmentation:

1. Resources available:

Market segmentation involves heavy financial commitment. Unless the business has adequate financial resources at its disposal, it will not be able to undertake such a task. If a marketer is able to offer different versions of the same product it should mean that he has enough funds.

2. Nature of the product:

The nature of the product must be such that if offers scope for segmentation. Products like biscuits, chocolates, soaps, etc., are heterogeneous in nature. This is product differentiation is possible in the case of these products. Certain products like salt, sugar, kerosene etc., are homogeneous in nature, i.e., is no scope for product differentiation.

3. Nature of the market:

The market should be of a diverse nature. That is, the tastes and preferences of the buyers must vary. If all the buyers react in the same manner to the marketing strategies, there will not be any scope of segmentation.

4. Competitors’ strategy:

If the competitors have segmented their market, it becomes essential to fall in line with them. It is not possible for a business to survive with a strategy of undifferentiated market, if all the competitors have resorted to a strategy of market differentiation. This is why, one finds the market for soaps, biscuits and chocolates, durables like television, fridge etc., properly segmented by all the manufacturers concerned. One marketer alone cannot take a different stand.

5. Consideration of the product life cycle:

The decision on segmentation will be very much influenced by the particular stage in which the product exists in its life cycle. If the product is only in its introduction stage, the marketer may not think of segmenting its market. The product acceptance must first of all be ensured. The question of segmentation does not arise when the product is in its decline stage.

6. Socio-Economic Factors:

It is the most common way of segmenting the markets on the basis of socio-economic characteristics of the consumers dispersed over geographical segments. Such factors are:

(a) Age. (b) Sex. (c) Income. (d) Educational Level. (f) Size of family. (g) Business or profession.

7. Geographical Factors:

The second most popular criteria for segmenting the market may be the geographical segmentation of the whole operational area. The markets are divided on the basis geographical factors such as area, climate and density of population.

8. Psychographics or personality factors:

Personality, thinking, etc. are not the same in all the consumers. Some customers are crazy for novel design or products of new fashion that may increase their prestige in the society.

9. Consumer Behaviour Factors:

Consumer behaviour may also from the basis of market segmentation. Consumer behaviour divides the markets on three bases: (i) Usage-rate, (ii) Buyer motives, and (iii) Brand loyalty.

Market Segmentation - Bases

Describe the various methods of segmenting the market.

1. Geographic Segmentation:

Here, segmentation of market is done based on the geographical area. This becomes necessary in view of the regional differences. Publishers of textbooks follow this method. The syllabi of different universities in India are not the same. Often, the publishers may have to bring out different editions of the same book to satisfy the needs of the students studying in different university areas.

Newspapers also adopt such a method. The same edition cannot be released in all the regions. Separate editions are necessary. 'The Hindu', for example, is in circulation in different parts of India. Separate editions of the newspapers are being brought out for Chennai, Hyderbad, Delhi, Kochi and so on.

2. Demographic Segmentation:

In this case, the population characteristics such as age and sex get focus. For segmenting the market for certain goods like footwear, ready-made garments etc., the age and the sex of the buyer become the key factors. The market for slippers, segmented on the basis of the age and sex of the buyer is shown below:

1. Children Age 1 to 10
2. Children Age 1 to 5
3. Gents Size 6 to 10
4. Ladies size 6 to 9

3. Socio-Economic Segmentation:

The main criterion here is the ability of the buyer to pay for the goods. The manufacturers of most consumer goods strive to satisfy different classes of buyers. They bring out goods for the lower income group, middle-income group and also for the higher income group. For example, people belonging to the lower income category may buy a black and white television set. People in the middle-income category can afford to buy a colour television set. People in the higher income category may prefer the ultimate in colour TVs – a big screen model or a home theatre.

4. Product Segmentation:

When segmentation is done based on product characteristics, it will be called product segmentation. In a departmental store or super market, different kinds of goods are offered for sale. There are a number of segments in such a store each offering a particular type of goods as shown in the following:

1. Provisions.
2. Diary products.
3. Snacks.
4. Cosmetics.
5. Toys.
6. Garments.
7. Medicines.

The advantage of product segmentation is that a buyer wanting only fruits and vegetables can just walk into that segment that sells fruits and vegetables and buy.

Certain manufacturers have also created various segments based on the variety of products they market. Tata and Godrej, for example, are companies that offer a wide variety of products to the customers. The market of Godrej segmented on the basis of its products is shown in the following:

1. Furniture. 2. Home appliances. 3. Cosmetic items. 4. Safety locks.

5. Benefit Segmentation:

Segmentation of the market can also be done based on the befits sought by the buyers out of a particular product. All the buyers do no look for the same benefit in a product. The benefits sought by the buyers buy in a motorcycle, for example, may be explained by following ways:

- Affordable price.
- Fuel efficiency.
- Speed.
- Stylish Look.
- Low maintenance.

Every Motorcycle company tries to satisfy the above needs of the buyers by introducing different models of motorcycles incorporating one or more of these features.

6. Volume Segmentation:

Here, segmentation of market is done based on the volume of purchases made by the buyers. Buyers may be classified as bulk or large quantity buyers, medium buyers and small or single unit buyers based on the quantity of goods they buy. Such a classification is useful to the marketer as it enables him to quote the price for these different categories of buyers. Bulk buyers always get more concessions than medium buyers. Small or single unit buyers may have to pay the maximum retail price (MRP).

7. Marketing Factor Segmentation:

The behavioural patterns of the buyers change with a change in the marketing activities of a business. The marketing activities that bring about change in the responses of the buyers have been shown in the following:

- Packing.
- Media of Advertising.
- Discounts.
- Free Gifts.

A change in the product packing may attract some buyers. A discount or free gift offer may prompt many buyers to buy. Marketers do capitalize on such activities to enhance sales.

MARKET SEGMENTATION – FINANCIAL SERVICES:

The market segmentation divides customer. The customers are divided into market is made small and the process of study is found convenient. The market segmentation is the recognition that market is composed of different buyers who have different responses to market offerings. There is no single approach which will satisfy all buyers. Each segment represents a some what different opportunities for the organisation. Today we find the market behaviour is changing due to geographical age, sex, nationality, educational background and income classes etc.

IMPORTANCE OF SEGMENTATION TO THE FINANCIAL SERVICES:

A) Segmentation explores the opportunities

B) Segmentation helps to frame a workable marketing strategy.

C) Segmentation helps to study the environment

D) Segmentation helps to decide the budget

E) Segmentation helps to build the marketing resources

CRITERIA FOR SEGMENTATION– FINANCIAL SERVICES:

I. Economic System:

a) Agricultural sector

b) Industrial sector

c) Service sector

SERVICE SEGMENT

Profit making bank	Not –for profit making
Insurance, transport	Education and hospital
Hotel, tourism	Social welfare, religion and
Communications	Political
Electricity and personal care	

II. House hold sector:

It includes

(a) Household segment, which consists of high income group, middle income group, low income group and marginal income with different hierarchy of needs which influence the level of their expectations.

B) Gender segment:

Which consists of male and female having different needs are requirements? The banking organisations must identify the level of expectations of both sexes.

C) Professional Segment:

From the following figure, we can see different categories of professions and their needs and requirements.

PROFESSION SEGMENT

The technocrats, corporate executives, intellects, white and blue collar employees have different needs and requirements and therefore the financial institutions must know their expectations.

3) Institutional sector:

It includes the cultural organisations, chair, table, industrial not profit making philanthropic and trade and commerce the needs and requirements and the level of expectations differ in all the cases the banking organisations must be organisations be familiar with their changing needs and requirements.

Basis of Segmentation:

Segmenting the total market is possible in the case of almost all the consumer goods and services. The nature of certain products may not offer scope for segmentation. There are three options available to the marketer in the matter of segmentation. These are:

1. Undifferentiated Market:

This is option is used when the nature of the product is such that it does not allow any scope for segmentation. In such a case, the marketer will adopt the total market approach. This happens in the case of such products as sugar, kerosene, salt et., where product differentiation is difficult.

2. Differentiated Market:

When it is possible to bring out variations in the product, the marketer may go in for segmentation. The products that offer scope for differentiation are:

(i) Soap

(ii) Toothpaste & Brush

(iii) Face Cream

(iv) Detergent soap and powder

(v) Shampoo, etc.

The following durable goods also offer scope for differentiation:

(i) TV

(ii) Fridge

(iii) Music system

(iv) Washing Machine, etc.

Product differentiation is also possible in the case of cycles, motorcycles, scooters and cars. Differentiated market has been explained below by following examples: TVS - (a) Max R. (b) samurai. (c) Shogun. (d) Fiero. (e) Victor.

3. Concentrated Market:

In this case, the marketer does not cater to the entire market. He focuses his attention on a particular segment only. For example, the manufacturers of 'Ford Ikon' cars target only the elite group, i.e., their cars are meant only for the VIPs. This is in contrast to 'Maruti', which offers cars even for the middle class buyers.

REQUIREMENTS FOR SUCCESSFUL SEGMENTATION

- ✓ **SUBSTANTIALITY:** It refers to the size of various market segments. To be earning effective and successful segmentation, the various market segments should be substantial. i.e. it should be sufficiently large and profitable.
- ✓ **ACCESSIBILITY:** To be an effective and successful segmentation the segments should have the feature of accessibility. This segments should be of effectively reached and serve. It could be attained through the channels of distribution, advertising media, and salesmanship. Etc.,
- ✓ **MEASURABILITY:** Measuring the changes in consumer behaviour is the main aim of segmentation and it is not an easy task. The segments should be capable of providing accurate measurements.
- ✓ **NATURE OF DEMAND:** It refers to variations in demand among various market segments. Segmentation is needed only if there are marked differences in the nature of demand.
- ✓ **FORMULATION OF EFFECTIVE PROGRAMME:** The marketing segment should be made in such a way that effective programmes could be formulated for attracting and serving various segments.
- ✓ **DIFFERENCE IN RESPONSE RATES:** It various segment responds similarly to a marketing mix, there is no need for developing a separate marketing mix.

EXPLAIN THE OBJECTIVES OR CHARACTERISTICS OR NATURE OF MARKETING SEGMENTATION:

- ✓ Grouping of customers on the basis of their homogenous characteristics, such as nature, tastes, habits, income, behaviour, qualities and needs.
- ✓ To locate of identify the tastes and preferences and buying motives and needs, priorities and preferences of the customers.
- ✓ To determine the marketing strategies and targets, goals of the firm.
- ✓ To make the activities of the firm as customer oriented.
- ✓ To identify the areas or sectors where the customers may be created and the sphere of the market is expanded.

EXPLAIN THE ADVANTAGES OR MERITS OR IMPORTANCE OR BENEFITS OF MARKETING SEGMENTATION:

- ✓ It provides various types of information that are useful in product development, marketing research, and other marketing activities of the company.
- ✓ Channelises money and effort to the most potentially profitable segments of the markets.
- ✓ Designs the products, which truly parallel the demands of the market.
- ✓ Facilitates the preparation of sound marketing programmes.
- ✓ Give information with regards to a major trend in a suitably changing market with a view to take advantages of it by preparing the products to the expected changes in the market.
- ✓ Determines the most effective promotional appeals for the concern.
- ✓ Choose advertising media more wisely and determines the proportion of amount which should be allocated to each media.
- ✓ Corrects the timing of the advertising efforts so that they are heaviest during those periods when response is likely to be as its peak.
- ✓ Helps the producer to determine and compare the marketing potentialities of the products.
- ✓ Helps the manufacturer to face the competition effectively.
- ✓ Helps the producer to understand demographic market information and to apply it in scores of new and effective ways.

STP STRATEGY

Segmenting: Segregating or dividing or grouping the market. Grouping of consumes is called market segmentation.

TARGETING : Process of fixing one's market for a given product

POSITIONING : Reaching the product in the mind of target audience.

PROCESS OR STEPS INVOLVED IN THE SEGMENT PROCESS:

1. **ASSESS THE DIFFERENCE BETWEEN THE CUSTOMER GROUPS:**

Find the different type of customers in the market and make it as group. List the customers group and make a comparison. Make an access between the listed the groups.

2. **UNDERSTAND THE EXACT CHARACTERISTICS OF THE CONSUMERS:**

The outcome of the first step is the second step. Find the characteristics of those customer groups listed in the first phase.

3. **DISAGGREGATE THE CONSUMERS INTO SUITABLE SEGMENTS:**

Divide the consumers as segments based on their character.

4. **ANALYZE AND ESTABLISH MARKETING PROGRAMMES FOR VARIOUS SEGMENTS:**

Find what type of marketing programmes is required to those peoples and conclude the suitable programme.

5. **SELECT THE RIGHT SEGMENT THAT HAS HIGHER POTENTIAL:**

Selecting the profitable segment. It depends on the buyers purchasing power.

MARKETING OUTLET AND SUITABLE LOCATION FOR A BANK BRANCH

SELECTION OF BANK LOCATION:

- Good marketing management delivers satisfaction.
- It offers the right products to the right people, at the right time, at the right price, and at the right place.
- Of course, what is 'right' lies with the customer.
- Place or location management in offering bank services plays a very important role in the marketing mix of bank services.
- Banking is essentially a convenience business – and hence the selection of bank location is very important to the success of the marketing – mix.

Suitable location for a bank branch

Location:

Least flexible of strategic retailing issues and one of the most important. Need to consider:

- cost
- location of the target market
- kinds of products being sold
- availability of public transportation
- customer characteristics
- competitors location
- relative ease of traffic flow, incl. pedestrian
- parking and major thorough fares
- complementary stores

Location of Industry:

This is described as the ‘one where unit cost of production and distribution are at the minimum and where the prices and volume of sales will bring the maximum profits”. So every item in the profit and loss account statement is influenced by the location.

Factors to be considered for location:

Location information may be complied from the different sources like.

1. Regional and local development agencies
2. Chamber of commerce
3. Local government officials
4. Local Commercial Banks
5. State government agencies
6. Utility Companies
7. Bureau of Labour statistics

General Location of a Factory:

The location of the industry at a place is the result of many decisions taken during several occasions by many entrepreneurs and this is a continuous process of evaluation. Initially establishing a new factory is influenced by the nearness to the materials and power. The secondary factors include the existence of social and industrial network that encourages development of industry.

1. Availability raw materials : Eg. Salem steel plant, started in Salem because the ‘Kanjamalai’ is a basic raw material supporting area.
2. Nearness to raw materials : It should not like the factory one place and raw materials one place. It will increase the transport cost, time etc.
3. Nearness to market: Where the customers, there the factory. It will reduce the cost, time and supply is wide on a correct time.
4. Transport Facilities: If we start a factory in hill area and it is interior from the city, then the availability transport also a factors that affects the location.
5. Availability of labour : If we want hard workers and with cheap labour rate, then we start a factory in villages. So the labour availability is also an factor to be considered at the time of plant location.
6. Availability of power and fuel : For village industries there will be a concession in power rates.
7. Climate and atomospheric conditions : It is better that we may start dyeing factories we in out of the city and chemical factories too.
8. Availability of water is a main problem of any industry or firm. We should be careful on that.
9. Availability of capital : Funding institutions, private funding persons are decide the location.
10. Land : Drinage, to pography lands, lands are not affected by earth quakes and floods…etc. are to be considered.
11. Community attitude : The size must be collected to provide social and recreational facilities also. The employees should be kept in proper safe, healthy and pleasant conditions. So amenities like residence, parks, health centers, having facilities and security are attribute to be made available.
12. Business and commercial facilities : availability of financial and banking facilities etc.
13. Existence of realated industries small scale industries repairing is a major problem. Their related industries of carry out mechanical and electrical repairs and maintenance and service stations must be available within easy reach.
14. Other factors like a) Local bye laws,
    b) Taxes,
    c) Fire protector facilities
    d) Post and telegraph
    e) Telecommunication , e-mail / investment

are also to be considered.

Selection of Plant Site :

The actual selection of plant site, depends on balance between the need and the availabilities at the alternatives sites and master plan area. Other factors are.

1. Availability of cheap land and expansion facility.
2. Cost of leveling the land and soil conditions.
3. Cost of construction material.
4. Facilities for the up keep and general maintenance.
5. Facilities for housing the workers, conveyance .. etc.
6. Transport of materials should be easy.
7. Cost of laying the water supply and sewage facilities.
8. Cost of installation of electricity and other facilities
9. Possibilities for disposing wastes.
10. Restrictions by town planning departments / municipalities / Local bye-laws

Location of Factory In a urban site advantages:

1. Better transport facilities.
2. Skilled and unskilled labour both are available.
3. Better educational facilities.
4. Better banking facilities.
5. Adequate police and five protection.
6. Greater amenities like shopping centers, medical facilities, services, etc.
7. availability of power of water.
8. Good advertising value.

Disadvantage – urban side:

1. Higher price land.
2. Development difficult and expensive
3. Various municipal restrictions.
4. Highest cost of living
5. Ill effect of overcrowding
6. Higher wages, rents and taxes.

Country location of a factory advantages:

1. Cheap land
2. facilities for future expansion
3. Rent, taxes and wages are low
4. Lower cost of living
5. Less fire hazard.
6. No congestion in housing
7. No restrictions such as municipalities.
8. Less labour trouble.

Disadvantages – Country Location:

1. Restricted supply of skilled labour
2. Less attraction on country site
3. Housing facilities
4. Lack of Social amenities
5. Lack of communication facilities.
6. Poor educational facilities
7. Scarcity of power and water supply.

Decision to be taken in facilities planning and layout:

1. Production equipment
2. handling equipment
3. Auxiliary Equipment
4. Space
5. Land
6. Buildings

BRANCH LAYOUT

Branch office is headed by a Brach manager. Branch Managers operate under the supervision and guidance of regional managers. A Branch Manager has several employees working at different ranks example Accountant, sub accountant, clerk, and peon.

Choosing structural patterns

1. Board Of Director
2. Head Office
    1. personnel department
    2. operations department

3. planning and development department
4. credit department

3. zonal office
4. Regional or divisional office.
    1. personnel unit
    2. operations / general administration unit
    3. credit unit
    4. planning and development unit
    5. Rural development unit.

BRANCH MANAGER

↓

CHIEF ACCOUNTANT

↓

ACCOUNTANT

↓

CLERK

↓

PEON

Product Mix

Define Products. What are its characteristics?

Definition of Philip Kotler "A products is anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or need. It includes physical objectives, services, persons, places, organizations and ideas".

Marketing characteristics of a product:

A careful analysis of the above stated definitions clearly reveals the important characteristics of a product in the context of modern marketing. They are as follows:

1. Goods and products:

In marketing the terms goods and products are used synonymously. But the product is a not mere goods. It is not confined to mere tangible goods. Even intangible goods like services; the term product covers ideas etc.

2. Buyers buy the benefit:

The key ideas of all the definitions referred above are that consumers are buying more than a set of physical attributes. Fundamentally they are buying want satisfaction. Thus, a wise firm sells product benefits than just products.

3. Each brand is a separate product:

Any change made in its physical feature like design, colour, size packaging etc. however minor it may be creates another product. In other words, if a minor change is made in the existing product, a new product is created.

4. Inclusive of all services accompanying the product:

The product includes all services rendered by the marketer along with the sale. For e.g. the credit facility offered to a customer, after sales services, the advice given by the seller in selecting the goods are included in the term product.

What do you understand by product? What are the elements of product policy?

Product policy:

In spite of the fact that a product has varied attributes, the consumer need not necessarily buy it. Thus two important views emerge here:

- Even if there is a better product it will not be bought unless its existence is brought to the notice of the consumer.
- A bad or useless product may be bought when its uses are highlighted to the consumers.
- There are two opposing concepts make it necessary on the part of the producers to adopt certain policies, so that the prospective buyers are brought closer to the product.
- The term 'policy' connotes a principle of operation adopted by the management to guide those who carry out action. A policy sets the objectives to achieve and also the limits within which the management has to operate. The policies taken in regard to the development of a new product or for retaining an existing product in the market is known as product policy.

Elements of product policy:

When a product policy is formulated various factors are to be taken into consideration. Therefore, policy is fundamental to the whole operation of the business. It consists of:

1. Product planning and development:

Product planning has been defined by AMA as "the act of making out and supervising the search, screening; development and commercialization of new products, modification of existing line; and the discontinuance of marginal or unprofitable items". Simply stated product planning decides the nature and other related aspects of the articles produced and sold.

Product development is a more limited term but includes the technical activities of product research, engineering and design.

2. Product item and product line:

Product item refers to a specific product offered by a company that satisfies a specific need of the buyer.

Ex. Wrist watches of Titan.

Product line: Product line refers to a group of products, offered by a company that can be brought under a particular category.

Ex. The bulbs, tube lights, ceiling fans etc. offered by Crompton can be brought under the category 'electrical items'.

Any change in product line or product item naturally changes the product mix and vice versa. The following are instances where product mix is altered.

A. Product modification.
B. Product elimination.
C. Product line modification.

3. Product standardization:

Fixing up standards for products requires careful planning. Standards are fixed taking into consideration the process involved, the nature of the product, consumer demand etc. Fixing a standard for product is, therefore, purely a technical function to be handled by management with vision and foresight. Standardization includes various elements such as grading, packaging, labeling, branding etc.

4. Product Identification;

Product identification is one of the elements of product policy. The ultimate aim of producing a commodity is selling. But the position of products in the market is determined by contrasting their image with competing products as well as other products marketed by the same company. In other words one's product should be capable of easy identification by the buyers in the market place.

5. Product style:

Consumer buys certain products instantaneously. They reject some products spontaneously. It was explicitly shown that the quality of product alone is not the criterion for its acceptance. Most of the products are brought to meet the psychological needs only. Physiologically these products are not at all necessary. Therefore their need is only subjective and not objective. Yet, this completely subjective force is recognized as the pivotal point of economic behaviour and is called ‘style’.

6. Product packaging:

This is also an important product policy to be considered in depth. The major purpose of any package is to influence control of the location of product storage within the marketing channel. This function is closely linked with labeling also.

Explain consumer goods and Industrial goods or

Write a short note on the classification of goods.

1. Consumer goods:

Consumer goods are destined for final consumption by ultimate consumers. Television sets, Ratio, cigarettes, shoes etc are examples of consumer goods. Consumer goods can be again classified into three kinds namely.

2. Convenience goods:

Goods, which are purchased by the consumers frequently, immediately, and with minimum shopping effort are called as convenience goods.

Examples: Newspapers, magazines, grocery products.

3. Shopping goods:

Goods, which are purchased by the consumers after making comparisons on certain bases such as suitability, quality, price and style, are called as shopping goods. Example: Furniture, Ready made garments etc.

4. Speciality goods:

Goods for which significant number of buyers is habitual willing to make a special purchasing effort are known as speciality goods they should possess unique features or have a high degree of brand identification or both.

II. Industrial goods:

Goods, which are used in the commercial production or use in connection with carrying on some business or institutional activity, are known as industrial goods. Industrial goods can be again classified into four categories viz.,

1. Equipment and physical facilities used in producing goods or services:

This category of industrial goods include major capital asserts such as plant, machinery, building etc.

2. Materials entering into product:

Raw materials, semi-manufactured goods, fabricating parts etc., come under this category.

3. Manufacturing or service supplies:

These products are essential to the business operations of the industrial users but do not become part of the finished product. Example Fuel, oil, coal etc.

4**. Management materials:**

This category covers both office equipment, and office supplies. Example, stationery,type writers, ribbons, computers, calculators.

What are the various product mix strategies? Explain them briefly. Or

What do you understand by product line policies and strategies? Explain the various product line strategies.

Product mix refers to the full list of all products offered for sale by a firm or company. Manufacturer and middlemen are using several major product mix strategies while marketing their products. Due to compelling reasons the marketing firm may make changes in its product lien or product mix.

These changes in the product line shall produce adverse result. Therefore, to regulate and direct these changes in the product lines, well-conceived plans are essential. This is known as product line strategy. A change in the product line or item naturally changes the product mix and vice versa.

William Stanton suggests six different strategies of product mix. They are the following:

1. Expansion of product mix:

A firm may decide to expand its present product mix either by increasing the number of lines or by increasing the depth with a line. The introduction of new lines may be related to the present products. However, a firm will give several sound reasons for the additions of product to its lines as follows:

1. The success in one product may induce the marketer to come out with more.

Example: In case of Maurti udayog limited, it is only the success in marketing the "standard, 800, omni" models to come out with more superior models like 'esteem, 'Zen', 'wagnor', 'versa'.

2. When a business knows that it has the good will of the customers, it may like to capitalize on it. This may also lead to product mix expansion. The example given for the previous point holds goods here also.

3. To face the challenge posed by competitors, a marketer may add new products to his existing list.
4. Availability of surplus funds may also induce the marketers to expand their product mix.
5. Sometimes even surplus production capacity may force marketers to bring out something new.

2. Contraction of Product mix:

The product mix is said to be contracted when certain products are dropped form the list. Contraction of production mix is usually done under the following circumstances:

1. A marketer may drop an existing product if he is unable to sell it in the market. Example: ‘Enfield’ the manufacturer of ‘Bullet’ motorcycles was once marketing certain models of bikes branded as ‘silver plus’, ‘Explorer’. The company has abandoned these models now.
2. Availability of better products in the market may also force marketers to give up production of certain goods. Example: the availability of compact discs and Mp3 discs has now put the manufacturers of cassettes in a fix.
3. A product that is only bringing losses for the marketer has to be abandoned.

3. Alternations of existing of products:

As an alternative to developing a completely new product, management should take a fresh look at the company’s existing products. Improving an established product can be more profitable and less risky than developing a completely new one.

4. Product positioning:

A product’s position is the image which that product projects or holds in relation to images projected by other competitive products or in relation to its own other products. So it is the management responsibility to position the product appropriately in the market in order to achieve its marketing goals.

5. Trading up and down:

Trading up refer to the decision of a business, which is marketing a low priced product, to add a high priced product to its list.

Ex. ‘T series’ (super cassettes India Ltd.) a Delhi based company, was initially selling audiocassettes. It under took the production of TVs, Music systems and CD Players’ etc.

Trading down is nothing but a decision of a business, selling mainly high priced goods, to introduce low priced goods into the market. By doing, so, the marketer can later to the needs of different classes of buyers.

Ex. TATA group of companies has been basically engaged in the production of trucks, buses, cars and so on. Over the years they have undertaken the production of low priced goods like 'wrist watches, iodized salt, and tea and coffee powder'.

6. Product differentiation and market segmentation:

Product differentiation means developing and promoting an awareness of difference between one company's product and those of others. Market segmentation is a natural reflection of the diverse and constantly shifting needs of the population. By dividing the whole market into a small number of specific markets (segments), which has different wants and motivations a marketing organisation can tailor, it's offering to fit to the carefully defined needs of specific markets.

Define Product:

A product may be defined as "anything that is tangible, used and can be purchased for the price".

"Product may be anything that can be offered to a market to satisfy a want and need".

What is the meaning for Product Mix:

Product mix is the complete list of all the products for the sale by a business unit. The composite of products offered for sale by a firm or business.

Define Product Mix:

According to Kotler – "Product mix is the set of all product line and items that a particular seller offers for sale to buyers".

What are the factors influencing change in the product mix?

The following are the factors of influencing the product mix.

They are:

a. Market Demand:

The change in the demand of a product affects the decision of the product mix. If the demand of a new product is increasing in the market and the production of that new product is beneficial to the company considering its cost of production, utilization of its plant and machinery and labour force and it is think that it can compete with its competitors, it can start production of the new product like wise if the demand of a product is declining fast it can decide to drop its production.

b. Competition action and reaction:

The decision of adding or eliminating the product may be the reaction of competitor's action.

c. Quantity of production:

If the production of the new product is considered to be a large scale and the company can add more items to its product line just to get the economics of large scale production.

d. Use of residuals:

If the residuals can be used gainfully, the company can develop it's by product into the main product. For an example A sugar mill can develop the production of Paper etc.,

e. Good will of the company:

If the company is of repute, it can market any new product in the market with out much difficulty.

f. Change in purchasing power:

If the number of customers increases in their purchasing power or with the change in their behaviour, fashion etc., and the company may think to add one more product.

g. Full utilization of marketing capacity:

If the marketing personnel are not being utilized to their capacity, the company may start the production of another production in order to utilize their marketing capacity fully.

h. Change in company desire:

Keeping in mind the objectives of the firm i.e., maintaining or increasing the profitability of the concern the firm may eliminate some of its unprofitable process or may start the process of producing a new product, this way the firm tries to make its product mix an ideal one.

Explain the structures of the Product Mix:

Most manufactures, these days, came out with not just one product but with number of product consider the following examples.

Manufacturer	Product
(a) Philips	(a) Audio system, Colour TVs, CD Players, etc.,
(b) Cromption Greaves	(b) Bulbs, Tube lights, Ceiling Fans.
(c) Colgate	(c) Tooth paste, Tooth Brush, Shaving Cream.
(d) TVS	(d) Moped, Scooter and Motor Cycle.
(e) Godrej	(e) Fridge, Furniture, Soaps, Shaving Cream.

The structure of the product mix has three dimensions which are,

(i) Breadth

(ii) Depth

(iii) Consistency.

(i) Breadth:

The breadth of the product mix refers to the verity of products, of the different nature, offered by particular manufactures.

Eg: Godrej offers a wide range of consumer product like Locks, Bureau, Refrigerators, Soaps

and Hair dye.

(ii) Depth:

The depth of the product mix refers to the assortment of the models, colours and size offered with in each product line.

(iii) Consistency:

The consistency of the product mix refers to the close relationship between the various product lines of a business.

Eg: All the products of Philips music system, TV, CD Players, Tube light, etc., can be brought under the category of electronic and electrical goods.

Changing the product mix involves the issues of what markets the marketer should enter or leave and how to handle promotional communication for the various product line or items.

Explain about the Product Mix Strategy:

William Stanton suggests six different strategies of the product mix. They are the following.

(i) Expansion of product mix:

A firm may decide to expand its present product mix either by increasing the number of line or by increasing the depth with a line. The introduction of new lines may be related to the present product. A firm will give several sound reasons for the additions of the product to its lines.

1. The success in one product may involve the marketer to come out with more.
2. When a business knows that it has the goodwill of the customers, it may like to capitalize on it.
3. To face the challenge posed by competitors, a market may add new products to his existing list.

4. Availability of surplus funds may add new products to his existing list.
5. Sometimes even surplus production capacity may force markets to bring out something new.

(ii) Contraction of product mix:

The product mix is said to be contracted when certain products are dropped from the list contraction of production mix is usually done under the following circumstances.

1. A marketer may drop an existing product if he is unable to sell it in the market.
2. Availability of better products in the market may also force marketers to give up production of certain goods.
3. A product mix that is only bringing losses for the marketer has to be abandoned.

(iii) Alternation of existing product:

As an alternation to developing a completely new product management should take as fresh look at the company's existing product can be more profitable and less risky then developing a completely new one.

(iv) Product Positioning:

A product's position is the image which that product projects or holds in relation to images projected by other competitive products or in relation to its own other products. So it is the management responsibility to position the product appropriately in order to achieve its market goals.

(v) Trading Up and Down:

Trading up refers to the decision of a business, which is marketing low priced product, to add a high price product to its list.

Eg: T.Series a Delhi based company was initially selling audio cassettes. It undertaken the production of TV's, Music system and CD Player etc.,

Trading Down is nothing but a decision of a business, selling mainly high priced goods, to introduce low priced goods into the market. By doing, so the marketer can later to the needs of different classes of buyer.

Eg: TATA group of companies has been basically engaged in the production of trucks, buses, cars and so on over the year they have undertaken the production of low priced goods like Wrist Watches, Salt and Tea and Coffee Powder.

(vi) Product differentiation and marketing segment:

Product differentiation and market segment means developing and promoting an awareness of difference between one company's product and those of others. Market segment is a natural reflection of the diverse and constantly shifting needs of the population. By this time the whole market into a small number of specific markets. This market has different wants and motivation.

Product Innovation:

What is the meaning for Product Innovation?

Product innovation is the process of doing something that has never been done before for a firm innovative product is completely differentiated product.

Product line of a banker :

Product item refers to a specific product offered by a company that satisfies a specific need of the buyer.

Ex. Interest on deposits. .

Product line: Product line refers to a group of products, offered by a bank that can be brought under a particular category.

Ex. The savings plan, deposits and insurance etc. offered by a bank can be brought under the category 'savings and deposits.

Any change in product line or product item naturally changes the product mix and vice versa. The following are instances where product mix is altered.

A. Product modification.

B. Product elimination.

C. Product line modification.

New product Development:

What is the meaning for new product development?

The development and distribution of new product are of great current interest among business man. Business firm are placing increasing reliance on new products for the achievement of their profit objective.

Even among a group of well managed companies in America, the success rate for the products, which reached the market, was still only 2 out of 3. Hence a good programme for planning and development of new product is essential for the success of new products. Product is concerned with the technical activities of product research, engineering and design.

Products they introduce to the market as new – whether they are genuine innovations or slight modifications of the existing product. Genuine innovations the nearly innovations are television, computers, mobile phones, and ATM facilities of banking sector.

Categories –

- Really innovate
- Different from existing product
- New to the company not to the market

WHAT ARE ALL THE ADVANTAGES OR IMPORTANCE OR NEED FOR A NEW PRODUCT

- Increased consumer selectivity.
- Product life cycle.
- Product is a basic profit determinant.
- New Products are essential to growth.
- Resources and environmental conditions.

WHAT ARE ALL THE FACTORS TO BE CONSIDERED WHILE SELECTING A NEW PRODUCT

MANUFACTURES CRITERIA	MIDDLEMEN CRITERIA
Adequate demand	Relationship with the producer
Suitable to current environment	In store polices
Suitable to current market structure	Distribution net work
Product fit	Time and cots aspects
Financial considerations	Present market scenario
Legal objections	
Managerial considerations	
Companies image and objectives	

CLASSIFICATION OF BANKS:

Banks have an indispensable part in the modern developing society. They perform varied functions to meet the various sections of the society .on the basis of the functions performed the banks can be classified into following types.

[a] CENTRAL BANK:

Central bank of a country is the leader of the banking & financial system. It supervises, controls & regulates the activities of commercial bank & other financial institutions. It is responsible for the financial monetary discipline of the country's economy. It helps to manage the issue and circulation of currency & to control the creation of bank credit with a view to safe guard the financial stability in the country. A central bank also offers the best means of communication and operation between the banking system of the country & that of another.

[b] COMMERCIAL BANK:

A commercial bank is a financial institution that receives deposits from the public, lends money to industry, trade & consumers & provides a number of other agency services useful to the entire community. They borrow money from those who have surplus to save & lends money to those who needs funds for commercial purposes.

They are the dealers of loan able funds of the community.

[c] INDUSTRIAL BANKS:

These banks facilitate the industrial & entrepreneurial development of the economy. They usually offer medium &long-term loans &supply fixed capital to the industrial concerns by subscribing the shares & debentures of the industrial enterprise. They promote new industrial concerns & provide funds for their management.

[d] EXCHANGE BANKS:

These banks are responsible for foreign exchange earnings of a country . They functions like commercial banks which primarily engage in the transaction involving foreign exchange . They specialize in financing import & export trade in foreign exchange transaction . Like other commercial banks , they also under take other banking business such as receiving deposits and granting loans & advances.

[e] COOPERATIVE BANKS:

These banks are established on the basis of cooperation & mutual trust to provide credit facility to the farmers in the village SSI concerns & to promote in general the habits of thrift & self help among the low-income group of the society.

[f] AGRICULTRAL LAND MORTGAGE BANKS:

These banks encourage agricultural activities of a country. They provide term loans to the agriculturist against the security of their land for purchasing tools & implements, cattle & for renovation on land etc. The loans are granted to the agriculturist are repayable on instalments being spread over a period of time.

[g] INDIGENOUS BANKERS:

This bank do unrecognized operations in receving deposits & deal in hundi, finance, trade, and industry & lends money. In rural area they play a key role in providing ready finance to agriculturist & others.

[h] REGIONAL RURAL BANKS:

Rural banks are established by the central government on the request of the commercial banks that have sponsored such proposals & are called as sponsor banks.

Rural bank is a body corporate with perpectual succession & common seal. It does the normal banking business.

KINDS OF COMMERCIAL BANKS: BRANCH BANKING Vs UNIT BANKING

[A] BRANCH BANKING :

The word branch banking it self implies that it means banking through branches. This concept was first introduced in England and is now in practice in most of the countries. Under this system, large sized banks have a nationwide network. Example; SBI, IOB, RBI.

ADVANTAGES:

This banking system through branches has gained vast popularity in the 20 century. This rapid development is due to the major advantages of this type which are short listed as follows:

[a] CENTRALISED CONTROL:

It has the advantage of centralization as the branches are operating under a single authority.

[b] DIVERSIFICATION OF RISK:

As it covers a large network the risk can be diversified at the time of crisis , through transfer of reserves.

[c] ECONOMIES OF SCALE:

The bank enjoys economies of scale due to wider geographical distribution of branches. Moreover, capital is made available in plenty at cheaper rates.

[d] EFFICIENCY IN MANAGEMENT:

It shows its efficiency by recruiting personnel & by proper supervision.

[e] EQUALITY IN INTEREST RATES:

As it is controlled by single authority , uniform interest rate prevails all over.

DISADVANTAGES:

Though the above advantages might strongly support the application of this system, there are certain disadvantages which are as follows:

[a] ENCOURAGES MONOPOLY:

This system results in monopolistic condition in the banking industry. Centralization of authority leads to poor banking service.

[b] RED TAPISM:

Red tapism leads to slow movement of files which is due to long procedures.

[c] RISK OF MANAGEMENT:

This management will be facing supervision problems due to the wide geographical extension of branches. The head office cannot exercise effective control over the functioning of branches.

[d] FAILURE OF BANKS:

The failure of branch bank will result in nationwide calamities because branches are spread throughout the country.

[B] UNIT BANKING:

The concept of unit banking originated from U.S.A. unit banking refers to the system of banking when individual banks carry in their business & each bank has its separate entity & management. These banks have either no branches or if at all they have it as a restricted to a few .

ADVANTAGES: The following are the advantages of unit banking:

[a] CLOSENESS TO LOCALITY:

The major advantage of unit banking is the closeness of the banks of the locality. These individual banks are more responsive to the locality.

[b] AREA DEVELOPMENT:

Funds mobilized are utilized for the upliftment of the same locality, as there is no other branch.

[c] SAFETY OF OPERATION:

As the affairs of the bank are less scattered, the possibility of fraud & mismanagement are controlled.

[d] AVOIDENCE OF DISECONOMIES:

Unit banking system enjoys the economies of small scale operation & hence are free from larger risk which are common to branch banking.

List the steps in the development of a new product. Or

Comment on the factors, which you would take into account in developing successfully a new product and its commercialization. Or

"The new product development process starts with search for goods ideas". Explain

New product Development:

The development and distribution of new products are of great current interest among businessmen. Business firms are placing increasing reliance on new products for the achievement of their profit objective. But most of new products are marketing failures. Even among a group of well-managed companies in America, the success rate for products, which reached the market, was still only two out of three. Hence a good programme for planning and developing new products is essential for the success of new products.

Steps in new product Development process:

The new product planning process, progresses from the idea stage to the production and marketing stage. Although there may seem to be no particular pattern, in general it includes the following six steps:

1. Exploration of new product ideas.
2. Evaluation of new product ideas.
3. Business analysis.
4. Development.
5. Test marketing.
6. Commercialization.

1. Sources of new product ideas:

This is the first stage, in the new product planning process. New product ideas originate from many sources. Most concerns rely solely in internal sources such as the company's engineers, its managers, its marketing department, or from its workers in the form of suggestion box ideas.

Outside ideas can come from such sources as the company's wholesale distributors, retailers, customers, and independent inventors and outside consultants. Sometimes, the marketing information system of the firm may also supply the new product ideas. There seems to be no one single source for good ideas. Each idea regardless of its source should be evaluated on its own merits, considering both market needs and opportunities and the company's capabilities.

2. Evaluation of new product ideas:

The first crucial stage of new product development process is the screening of the new ideas. Numerous considerations enter into the evaluation of a new product idea. Apart from consideration of market potentials and profitability of the new product, the following factors must be also considered.

- Existing production facilities.
- Existing marketing organization.
- Availability of using the exiting plants.
- Possibility of using the existing plants.
- Availability of finance.
- Competition.
- Image of the firm.

The basic step is to find out which of them warrant further study. All the departments of the concern devote full attention to evaluate the new product idea and decide whether the new product is to be produced or not. Evaluation stage involves a through investigation of the competitive market situation and company resources with respect to each idea. Thus evaluating or screening new product ideas is of great importance.

3. Business analysis:

Those ideas that are passed through the screening contain many unknown. The development group must now determine if the product can be made and sold profitably. The idea is converted into a concrete business proposal in which the management should think about the following things:

1. Products market potentials.
2. Production cost and problems.
3. Capital requirement.
4. Distribution problems
5. Investment research and development.

At this stage, the management must spend some money to get, some fairly accurate answers to these questions.

4. Product development:

At this stage, the idea on paper is converted into physical product. The first phase of the development stage is to manufacture model products, in small quantities so that they can be taken to the market for use testing. Use testing is important, because products often perform differently in actual use than they do under laboratory conditions, where the operating variables can be closely on controlled.

This stage can be time consuming and costly. Sometimes, before putting into a commercial production, a firm will have a product in the development stage for several years. Management must take care that at each stage throughout the new product-planning programme, evaluation sessions are held, at which time the economic feasibility of the product is re-evaluated.

5. Test marketing:

Up to this stage, potential customers have been asked to react to one or more product features and to comment on the advertising appeals. The reaction of potential customers can be tested by means of use testing. Test marketing is the stage, where commercial experiments in limited geographic areas are conducted in order to ascertain feasibility of the full marketing programme. The test marketing is more frequently used by consumer companies than industrial companies.

Test marketing may yield several benefits to the manufacturer. It may determine the potential success or failure of a new product prior to full-scale launching. During the test marketing,

(1) The company may discover a product fault that escaped its attention in the product development stage.

(2) The company may get information regarding distribution problems.

(3) The company may also gain a richer understanding of the various segments of the market.

6. Commercialization:

Once test marketing is completed, the management has to take a final decision regarding the commercialization of the product. If the test marketing results are favourable for the introduction of the new product, then full-scale production and marketing programmes should be planned. The firm must invest in new equipment and facilities to make large scale production possible. It must arrange for promotional programmes with its agency.

The product generally is introduced first in prime markets and regions and then at national level. If the test marketing results are very encouraging, the company may try to introduce the product on a full-scale basis.

In the development process, up to this stage, the management has complete control over the product. Once product is ‘born’ the external competitive environment becomes a major determinant of its destiny. When a company introduces its new products swiftly or gradually it needs to schedule its commercial introduction carefully.

CONSTRAINTS IN NEW PRODUCT DEVELOPMENT

WHAT ARE ALL THE REASONS FOR THE FAILURE OF NEW PRODUCT

Causes for Failure of New Product:

1. Inadequate market analysis:

Where the product is introduced in the market without proper market analysis or with biased and incomplete data, the product fails in achieving its objectives. It is because the enterprise fails in

(i) Understanding the consumer's needs and wants properly,

(ii) Making correct estimates of sales, and

(iii) Meeting the standards of utility etc.

2. Product Defect:

This arises out of technical flaws in the process of production. This is a fundamental reason for product failure. Low quality of products, poor design or packing may lead to product failure. This can be done away through the proper product testing.

3. Higher costs:

Higher final costs than anticipated at the time of product planning are another reason for product failure. It might be partly due to wrong pricing policies adopted by the firm. The cost estimates also often go wrong when the products are finally introduced into the market.

4. Poor Timing:

The fundamental principle to be followed in product planning is to find out the exact time at which the product is to be introduced in the market. Usually when and how are the two questions a manufacturer is often finding difficult to answer. A close analysis of the market conditions and consumer behaviour and attitudes is essential to find an answer to the two problems.

5**. Distribution problems:**

This includes channels of distribution; failure to train marketing personnel for new products and new markers; failure to co-operate with middlemen; poor physical distribution of goods.

6. Promotion problems:

Inadequate advertisement, use of wrong appeals, failure to cooperate with distribution system etc.

7. Pricing problems:

This includes higher costs than anticipated. This led to higher prices, which in turn led to lower sales volume than anticipated.

PRODUCT MANAGEMENT

(i) Product Positioning:

A product's position is the image which that product projects or holds in relation to images projected by other competitive products or in relation to its own other products. So it is the management responsibility to position the product appropriately in order to achieve its market goals.

(ii) Trading Up and Down:

Trading up refers to the decision of a business, which is marketing low priced product, to add a high price product to its list.

Eg: T.Series a Delhi based company was initially selling audio cassettes. It undertaken the production of TV's, Music system and CD Player etc.,

Trading Down is nothing but a decision of a business, selling mainly high priced goods, to introduce low priced goods into the market. By doing, so the marketer can later to the needs of different classes of buyer.

Eg: TATA group of companies has been basically engaged in the production of trucks, buses, cars and so on over the year they have undertaken the production of low priced goods like Wrist Watches, Salt and Tea and Coffee Powder.

(iii) Product differentiation and marketing segment:

Product differentiation and market segment means developing and promoting an awareness of difference between one company's product and those of others. Market segment is a natural reflection of the diverse and constantly shifting needs of the population. By this time the whole market into a small number of specific markets. This market has different wants and motivation.

Non fund Based Business

INTRODUCTION:

It is generally perceived that the non-fund based business is very remunerative to bank and the borrowers. The banks, besides getting handsome commission or fee and some other service charges, also get the low cost deposits in the shape of margin and ancillary business. The funds of the borrower are not blocked in the advances to be given to the suppliers or beneficiaries and this keeps his liquidity position comfortable, production smooth and costs low.

NON-FUND BASED FACILITIES

Funds remittance/ Transfer Facilities	Establishment of LC/BG	Agency Function	Merchant Banking Function

PURPOSE FOR NON-FUND BASED FACILITIES:

The borrowers need such facilities not only for purchases of current assets or financing there of or take benefit of certain services with the help of non-fund based facilities. They also need the facilities for acquisition of fixed assets including their financing.

WHY CALLED NON-FUND BASED FACILITIES ?

These are called non-fund based financing (or quasi-credit facilities) because, at the time of opening of the letter of credit or bank guarantee, no amount, as such, becomes immediately payable. But, these facilities do involve some financial commitment on the part of the bank in as much as the bank is required to pay the amount of the bill (drawn under the L/C, and in meticulous compliance of all the terms and conditions stipulated therein), in the event of the applicant (borrower) refusing or being unable to honour the bill on presentation, at the material time.The bank, however, is within its rights to proceed legally against the applicant (borrower) on the basis of the letter of request (counter guarantee and indemnity) executed by the applicant, at the time of the issuance of the Letter of Credit, on a duly stamped paper.

Similarly, no amount becomes payable by the bank at the time of execution of the B/G, but as per the undertaking (commitment) given by the bank, under the B/G issued, the bank will have to make the payment of the amount, covered under the B/G by the beneficiary concerned. The bank may make the required payment by debit to the applicant's account, even if sufficient balance may not be available therein. The amount so overdrawn may have to be deposited by the applicant, in the due course, failing which the bank may prefer to file a civil suit against the applicant to cover the amount, on the basis of the counter-guarantee executed by the applicant on the stamped paper, at the time of the issuance of the Bank Guarantee. Thus, it is for the aforesaid reasons that the L/C and B/G are referred to as Non-Fund Based working capital financing. And, accordingly, one should notharbour any misconception that L/Cs and B/Gs do not involve any financial commitments and risk. These facilities (L/C and B/G) are also referred to as Quasi-(or Semi) Credit Facilities for the same reasons

ESABLISHMENT OF LETTER OF CREDIT AND BANK GUARANTEE

The major non-fund based facilities that are considered as a part of regular credit facilities are letter of Credit and Bank Guarantee. As a part of their non-fund based functions banks allow Letter of credit and bank guarantee facilities for their customers to meet their requirements. Banks charge commission for the services rendered by them and commitments on the pact of the bank these are allowed after making out a very careful and detailed assessment of borrower’s requirement and capacity. Only need based facilities are extended after making a detailed appraisal of borrower’s strengths and capabilities to honour the commitments as and when the same arise in respect of the facility.

RBI NORMS:

Prudential exposure norms as per extant guidelines of Reserve Bank of India provides that the maximum exposure of a bank for all its **Fund based** and **Non-fund based** credit facilities, investments, underwriting, investments in Bonds and commercial paper and any other commitment should not exceed 25 percent of its (bank's) net worth to an individual borrower and 50 percent of its, net worth to a 'group'. It may however, be rioted that while calculating exposure, the **Non-fund based** facilities are to be taken at **50 percent** of the sanctioned limit. To illustrate the point let us consider the following example: Total credit limits to the above borrower are Rs.200 crores which are in excess of the maximum exposure norm of Rs. 175 crores. but for the purpose of determining exposure we have taken non-fund based limits at 50 percent of its value and total exposure is taken at 150 crores which is well within the norm.

Letters of Credit

- Bank should normally open letters of credit for their own customers who enjoy credit facilities with them Customers maintaining current account only and not enjoying any credit limits should not be granted L/C facilities except in cases where no other credit facility is needed by the customer.
- The request of such customer for sanctioning and opening of letter of credit should be properly scrutinised to establish the genuine need of the customer. The customer may be, required to submit a complete loan proposal Including financial statements to satisfy the bank about his, needs and also his financial resources, to mire the bills drawn under
- Where a customer enjoys credit facilities with some other bank, the reasons for his approaching the bank for sanctioning L/C limits have to be clearly stated. The bank opening L/C on behalf of such customer should invariably make a reference to the, existing banker of the customer.

NOTES

UNIT – III

PRICING – PRICE MIX

Meaning of price and definition of Pricing:

- Pricing is also an important function, which is closely related to selling. Price policy of a business concern affects its successful functioning by directly influencing the element. Therefore, price policy should be carefully determined by considering the factors like cost of the goods, prices fixed by the competitors, marketing policies etc.
- Price may be defined as the amount of money paid by the consumers for an exchange for combined assortment of a product and its accompanying service.
- Price is the exchange value of the goods or services in terms of money. The exchange value of product is called price. The value and utility of a product have to be set against its price.
- Pricing is the marketing mix elements that produce revenue to the others produce costs. Price is also one of the most flexible elements. It can be changed quickly, unlike product features and channel commitments. At the same time, price competition is the number one problem facing companies. Yet many companies do not handle pricing well. The most common mistakes are these pricing is too cost oriented; price is not revised after enough to capitalize on market changes.
- Pricing assumes a significant role in competitive economy. Price is the main factor, which affects the marketing organisation. A good pricing policy is of great importance to the manufacturer, wholesalers, retailers and customers. Price affects volume of production and the amount of profit. It is the regulator of production & allocation of resources.
- Price is the perceived value of goods or services. A price is the amount we pay for goods or a service or an idea. The amount of money that must be given up to acquire ownership or use of a product.

What is pricing Mix?

Prices and pricing policies are of great importance not only to manufactures and middlemen but also to the consumers. Prices affect not only goods already produced but also future plans for production and future marketing. Therefore sound-pricing policies must be adopted to ensure that the organization secures satisfactory profits. If the prices are too high it will affect the sales volume. If the prices are low, it will affect the profits. So while fixing the prices, the following must be objectives:

1) Achieving target return on investment.

2) Stabilizing prices.

3) Maintaining a target share of the market.

4) Meeting or preventing competition; and

5) Maximizing profits.

What is Pricing Plan?

Pricing is theoretically the single most important instrument of competition in a market economy. The firms have to consider different pricing policies, strategies, legal constraints relating to pricing and so on.

IMPORTANCE OF PRICING

a) Pricing for target return (ROI):

Business needs capital, i.e., investment in the shape of various types of assets and working capital. When a businessman invests capital in a business, he calculates the probable return on his investment. A certain rate of return ion investment is aimed. Then, the price is fixed accordingly. The price includes the pre-determined average return. Many well establishes firms adopt the objective of pricing in terms of return on investment.

b) Market shares:

The target share of the market and the expected volume of sales are the most important consideration in pricing the products. Some companies adopt the main pricing objective so as to maintain or to improve the market share towards the product. A good market share is better indication of progress. For this, the firm may lower the price, in comparison to the rival products, with a view to capture the market.

c) To meet or to prevent competition:

The pricing objective may be to meet or prevent competition. While fixing the price, the price of similar products, produced by other firms, will have to be considered. Generally, producers are not in a haste to fix a price at which the goods can be sold out. One has to look to the prices of rival products and the existing competition and to chalk out proper price policy so as to enable to face the market competition.

d) Profit maximization:

Business of all kinds is run with an idea of earning profit at the maximum. Profit maximization can be enjoyed where monopolistic situation exists. The goal should be to maximize profits on total outputs, rather than on every item. The scarcity conditions offer chances for profit maximization by high pricing policy. The profit maximization by high pricing policy. The profit maximization will develop an unhealthy image. When a short-run policy is adopted for maximization the profit, it will exploit the customers.

e) Stabilize price:

It is a long time objective and aims at preventing frequent and violent fluctuations in price. It also prevents price war amongst the competitors. When the price often changes, there arises non-confidence on the product. The prices are designed such a way that during the period of depression, the prices are not allow to fall below a certain level and in the boom period, the prices are not allowed to rise beyond the certain level.

f) Customer's ability to pay:

The prices that are changed differ from person to person, according to his capacity to pay. For instance, doctors charge fees for their services according to the capacity of the patient.

g) Resource mobilization:

This is a pricing objective, the products are priced in such a way that sufficient resources are made available for the firm's expansion; developmental investment etc. marketers are interested in getting back the amount invested as speedily as possible.

FACTORS AFFECTING PRICE OF A PRODUCT

Explain the factors influencing pricing decisions. Or

Explain the internal and external factors affecting pricing decisions. Or

Examine the various factors that must be carefully considered by the sales manager while fixing the price of a product and for minimum resale price maintenance.

<u>Factors affecting the price of a product:</u>

1. **Economic factors –** Consumer demand, competition, political consequences, legal aspects, ethical aspects.
2. **Internal factors –** Those factors, which are well within the control of the business, are called internal factors. These include:

    (1) Costs and (ii) Business objectives

1. Costs:

A conventional approach to the determination of price for a product is based on its cost of production and distribution. All that is done here is to add up all the costs incurred (material cost, labour cost, administration overhead and selling and distribution overheads) and divide the same by the number of units produced. This will give us the cost per unit of output. To this figure, if a certain percentage of profit, as desired by the business, is added we can arrive at the selling price per unit. The drawback of this approach is that it ignores several external factors like demand, extent of competition and so on. Irrespective of the cost of production and distribution, the buyer may be willing to buy a particular product at a certain price.

2. Business objectives: Apart from the basic preference for profits, every business has certain other objectives. These objectives can also influence pricing decisions. These are given below:

a. Return on investment:

Every business expects a certain rate return on the investment made every year. The rate of return is expressed in percentage terms.

b. Market share:

If a business is aiming only for a small share of the market, i.e., catering to the needs of a certain category of buyers only, the price of its product has to be naturally high. On the other hand, if the business is aiming for a large share of the market, i.e., catering to different classes of buyers, the price of its product can be fixed low.

c. Preventing competition:

If the goal of a business is to prevent its competitors from gaining upper hand, it will probably keep the price of its product low. Such a strategy will certainly work if the market consists mainly of middle and lower income buyers and the business is able to offer the product at a price lower than that of the competitors. To prevent competition, a business may also keep its price high if it is able to convince the buyers that the quality of its product is much more superior to that of the competitors.

d. Meeting competition:

If the aim of the marketer is just to meet competition, his price will fall in line with that of the competitors. The very nature of the soft drinks market is such that whoever enters the industry will keep the price on par with their rivals.

e. Stability in price:

A marketer, who is aiming for a stable price for his product, will keep it unchanged over a fairly longer period of time. He ignores all other factors like demand, competition, etc., and is determined to deep his price stable. Those buyers, who are specific about stability in price, may wholeheartedly offer their support to such a product.

f. Maximizing profits:

The objective of ‘profit maximization’ can be achieved by adopting any of the following measures:

a. Large-scale production.
b. Curtailing the cost of production and distribution.
c. Maximizing sales.
d. Increasing the market share and so on.

3. **External Factors:**

Those factors, which are behind the control of the marketer, are called external factors. Although they are beyond the marketer’s control, they cannot be ignored. They play a crucial role in pricing decisions and are as important as the internal factors. These include the following:

(a) Demand:

The demand for a product is nothing but a buyers desire to have a product backed by his ability and willingness to pay for it. The law of demand says that ‘the quantity demanded of a commodity will be less when its price increases and it will be more when the price decreases, other things (tastes and preferences of the consumers, competitive pressures etc.) remaining the same. Marketers do alter the price according to the demand position in the market. For this, they closely monitor the market conditions.

(**b) Competition:**

Only a monopolist is free from competitive pressures. If the competing products are all identical, price variation cannot be adjusted. If they are dissimilar, i.e., each has certain unique features, price differences may be accepted.

(c) Middlemen:

He does not directly market the goods produced by a manufacturer. Normally, there are wholesalers and retailers in the market. In addition to wholesalers and retailers, there are also other intermediaries in the market like brokers, commission agents and so on. All these intermediaries have to be paid for their services. All these charges come to be included in the price and it is only the ultimate consumer who finally bears the burden. Longer the chain of intermediaries, greater will be price payable by the consumer.

(d) Government regulations:

The Government does regulate business activities. If the excise and customs duties payable by the producers to the Government are hiked by the latter, the producers usually shift their burden on the consumers by increasing the price. Similarly, if the sales tax is increased by the Government the burden will again fall only on the consumer. All such increases will be reflected in the price.

(e) Political conditions:

The political conditions, prevailing both at the national and international level, influence pricing. The 'share market' is particularly vulnerable to political changes. A change in the portfolios of ministers may influence share prices. The recent war between U.S.A and Iraq has brought about a hike in the price of gold and petroleum products.

PROCEDURE FOR PRICE DETERMINATION

EXPLAIN THE PROCESS OR STEPS OR DESIGNING OR SETTING UP OF PRICING POLICY OR HOW A COMPANY SET HIS PRICE AND EXPLAIN THE PROCEDURE:

- SELECTING PRICING OBJECTIVES
- DETERMINING DEMAND
- ANALYZING COMPETITIONS COST PRICE
- ESTIMATING COSTS
- SETTING THE FINAL PRICE.

1. Estimating the demand for the product:

Estimating the anticipated demand of the product. It is estimated by

a. Estimated price – can be anticipated on the basis of the relative importance of the product to the consumers in their budget estimates.
b. Estimated demand of the product at different price level.

2. Anticipating competition:

It can be done by

a. Competition from the producers or similar products
b. Competition from the substitutes of the product reactions and activities of both types of competitors should be made extensively. Estimated the future competition situation is more important in fields where production of the product can be started with low initial capital and effort and the profit margin is quite attractive.

3. Determining expected share of market:

Determine the share, which a company will try to capture. It depends on various factors such of present production capacity, cost of extension programmes, cost of production and competition etc.

4. Selecting a suitable price strategy:

Select the skimming, penetration, strategy or discouraging potential competitors or follow the competition.

5. Making policies of the company:

The making policies regarding production, channels of distribution, promotion, should consider of next step. The nature of the product i.e., whether it is a new or old product, perishable or durable product, consumer or industrial product etc., should also be considered product mix is also one of the considerations. Channels of distribution also affects the price of the product i.e., transport cost etc.

6. Fixing the price:

Having completed all the above said steps the next and final step is fixing the price, that time we should consider the interest of producers, middlemen, consumer, the price should be fixed in such a fashion to five fair returns to the producer a good profit margin to the middlemen and a nominal price to the consumers. It will give stability too. Consultation with the various departments like plan, marketing, finance etc., also essential. As there are no hard and fast rules to fix the price, it heavily relies upon the ability and experience of the management.

PRICING OBJECTIVES

"The success or failure of a business depends upon its product price policy". Explain this statement.

Some specific objectives of company's pricing may be noted below:

1. To maximize the profits:

The primary objective of the pricing decision is to maximize profits for the concern and therefore pricing policy should determined in such a way so that the company can earn the maximum profits.

2. Price Stability:

As far as possible, the prices should not fluctuate too often. A stable price policy above can win the confidence of the consumers. It will also add to the goodwill of the firm. For this purpose, the concern should consider long run and short-run elements.

3. Competitive situation:

One of the objectives of the price decision is to face the competitive situation in the market. Prices of the commodities should be fixed keeping in the mind the competitive situation.

4. Achieving a Target-return:

This is a common objective of well-established and reputed firm in the market (either for the company's name, or its brand or the quality of the product) to fix a certain rate of return on investment.

5. Ability to pay:

Price decisions are sometimes taken according to the ability of customers to pay, i.e., more prices can be charged from persons having a capacity to pay.

6**. Long-run Welfare of the firm:**

The main aim of some concerns is to fix the price of the product, which is in the best interest of the firm in the long run keeping the market conditions and economic situations in mind.

PRICING POLICIES

Describe in brief the main pricing methods that can be followed by a firm for its products. Or Discuss the various kinds of pricing.

Types or kinds or methods of Pricing:

1. Odd pricing:

When the price of a product is an odd number, such pricing method is knows as odd pricing.

Example: Conventionally, Bata shoe company has been fixing the price of shoes and chapples by the method of odd pricing, e.g. Rs. 399.95

2. Psychological pricing:

When the price of a product is a round number, such a method of pricing is known as psychological pricing. For example, a product may be priced Rs. 10 or Rs. 15. Such a method preferred by those marketers who do not believe in the techniques of off pricing.

Many consumers use the price as an indicator of quality. Costs and other factors are important in pricing. Yet, psychology of the prices is also considered. Certain people prefer high priced products, considered to be of high quality. Costly items like diamonds, jewellery etc, and reveal the status of the personal, which wear them. They demand highly priced items.

For example:

Highly priced TV sets carrying prestige prices are in demand. Then in retail shops another pricing "**odd pricing"** is used. Odd prices, by psychology may bring more sales. An article priced at Rs.9.90 will have more sales than when it is priced at Rs.10.

3. Price based on the prevailing or ruling price:

Such a method is followed by those marketers who want to fall in line with their competitors. They keep the same priced as decided already by their rivals. Example: Manufacturers of cement follow a uniform price policy

4. Prestige pricing:

This method is followed by those who deal in luxury goods. Such marketers, generally, keep the price of goods high for they think that customers will judge quality by the price. Example: Those who sell cosmetic items, leather goods, electronic items, etc., follow prestige pricing.

5. Customary prices: By custom or convention, certain products are sold almost at the same price by different marketers. Example: Milk, butter, coffee powder, soft drinks, etc.

Customers expect a particular price to be charged for certain products. The prices are fixed to suit local conditions. The customers are familiar with the rates and market condition. Manufacturers cannot control the price. Such products are typically a standardized one.

For example: Confectionery item.

6**. FOB (Free on Board) Pricing:**

Such a pricing has relevance when goods are to be transported to the buyer's place. In case of FOB origin, the buyer will bear the transit charges himself and in the case if FOB destination, he need not pay the transit charges.

7. CIF (Cost, Insurance and Freight) price:

In the case of CIF price quotation, the price paid by the buyer (may be an importer) is inclusive of cost, insurance and freight charges.

8. Dual pricing:

It refers to the practice of some marketers who quote two different prices for the same product, one may be for bulk buyers and one for small quantity buyers.

Under this dual pricing system, a producer is required compulsorily to sell a part of histones production to the government or its authorised agency at a substantially low price.

9. Administered pricing:

Here the pricing is divided only the administration (or) the owner (or) the seller. He is not interested is reading the competitor, demand, supply or any thing what the policy division of a company (or) a owner, that is the factor declines the pricing of a product.

10. Monopoly Pricing:

Here the new products are fix the price based on this policy only. Here the substitutes are not available, so the decision of one seller or person is the pricing of a product. Kingmaker pricing is done.

11. Price lining:

In this case, the price, once determined remains unchanged for a fairly longer period of time.

The retailers than wholesalers generally follow this method of pricing. This method consists of selecting a limited number of prices at which the store will sell its merchandise. Pricing decisions are made initially and remain constant for a long period.

For example:

A shoe firm has several types of shoes. Priced at Rs.120, 140, 170etc.

12. Mark-up pricing:

It refers to the price arrived at by a retailer by adding a certain percentage (towards his margin of profit) to the manufacturer's price. It is only at this price that he sells the goods to the consumers.

This method is also known as cost plus pricing. Wholesaler's ans retailers generally adopt this method. When they set up the price initially, a certain percentage is added to cost before marketing the price. For example, the cost of an item is Rs.10 and is sold at Rs.13. The mark up is Rs.3 or 30%.

13. Penetration pricing:

Here consumers are the target peoples. Initially we fix very less price and after reaching the product into consumer minds, we may increase the price.

A low price is designed in the initial stage with a view to capture greater market share. That is, if the pricing policy is to capture greater market share, then this is done only by adoption of low prices in the initial stage. Because of low price, sales volume increased, competitions fall down.

14. Expected pricing:

The price, that is expected by the consumers, study the consumer minds and find out what price they are expected and fix a price.

15. Sealed bit pricing (or) contract price:

This is for a particular work. The work value is calculated and fixes a price through the tender or contract.

16. Negotiated pricing:

Manufacturer of industrial goods, who need components from suppliers, negotiate with the latter before finalizing the price. This becomes necessary in view of the high cost of the components.

It is also known as variable pricing. The price is not fixed. The prie4 to be paid on sale depends upon bargaining. In certain cases, the product may be prepared on the basis of specification or design by the buyer.

17. Skimming pricing:

It refers to the practice of setting a very high price for a product, when it is introduced into the market for the first time and to reduce the same gradually as competitors enter the market.

It involves a high introductory price in the initial stage to skim the cream of demand. The products, when introduced in the market have limited period free from other manufacturers. During this period, it aims at profit maximization, according to the favourable market condition. Generally, the price moves downward when competitors enter into the market field.

18) Geographical pricing:

The distance between the seller and the buyer is considered in geographic pricing. In India, the cost of transportation is an important pricing factor, because of the wide geographical distance between the production centre and consuming centre. The majority of the production centers are located on Bombay, Delhi, Calcutta, Madras and the same time the consuming centers are dispersed through out India.

19) Zone pricing:

Under this, the company divides the market into zones and quotes uniform prices to all buyers who buy within a zone. The prices are not uniform all over India. The price in one zone varies from that of another zone. The prices are uniform within a zone.

20) Base point pricing:

Base point policy is characterized by partial absorption of the transport cost by the company. One or more cities are selected as points from which all shipping charges are calculated.

21) Administrated price:

Administrated price is defined as the price resulting from managerial decision, and not on the basis of cost, competition, demand etc. But the management after considering all relevant factors sets this price. There are many similar products manufactures by different firms and more or less, the price tends to be uniform.

22) Negotiated pricing:

It is also known as variable pricing. The price is not fixed. The prie4 to be paid on sale depends upon bargaining. In certain cases, the product may be prepared on the basis of specification or design by the buyer.

23) Competitive bidding:

Big firms or the government calls for competitive bids when they want to purchase certain products or specialized items. The probable expenditure is worked out. Then the offer is made quoting the price, which is also known as contract price. The lowest bidder gets the work.

24) Monopoly pricing:

Monopolistic conditions exist where exclusively one producer or the seller sells a product. When a new product moves to the market, its price is monopoly price. There is no competition or no substitutes. Monopoly price will maximize the profits, as there is no pricing problem.

25) Oligopolistic pricing:

Oligopoly is a competitive market situation and the presence of few large sellers, who compete for larger market share. None has control over the price it charges.

For example: watch, tyre.

26) Trade discount:

Trade discount is allowed in the form of deduction from the list price. Manufacturer gives this type of discount to wholesalers and retailers as a consideration for the remaining marketing function to be performed by them.

27) Quantity discount:

Quantity discount is allowed to encourage a buyer to purchase in bulk. It is used as a sales device for slow moving items.

Rs. 3 for one pen, Rs.10 for 5 pens. In this case quantity discount is in the form of free units.

28) Cash discount:

It is concession or dedi8uction given to the consumer by the seller for remitting the bill within the specified period of time.

What are the pricing policies? Explain them briefly.

Pricing policies:

It provides the framework and consistency needed by the firm to make reasonable, practicable and effective pricing decisions. The correctness of any pricing depends on such variable as managerial philosophy. Competitive conditions and the firm’s marketing and pricing objective. The following are however, the policies recognize for pricing.

1. Cost oriented pricing policy
2. Demand oriented pricing policy

3. Competition oriented pricing policy

1. COST ORIENTED PRICING POLICY:

It is also referred to as cost-plus pricing. Such a policy considers only the cost of production and distribution. The production and distribution costs of product are added and then divided by the number of units produced. The resultant figure is the cost per unit. To this, the percentage of profits desired by the marketer is added to arrive at the selling price. This policy ignores altogether the influence of demand, competition and all other external forces.

2. DEMAND –BASED PRICING POLICY:

In this case, the price of the product will be determined in accordance with the demand position in the market. If the demand is more, the price will be hiked and if it is less the price will be reduced.

3. COMPETITION-BASED PRICING POLICY:

Here, the price of the competing products is taken as the basis. The price of the product may be more or less than the price of the competitors' products. It may even be equal to the price of the competitors' products. The drawback of this approach is that it ignores cost and demand. The price might have been hiked although there would not have been any increase in the cost.

Explain the pricing strategy to be used to determine the price of a new product. Or

Write a brief note on skimming the cream pricing policy or low penetration pricing policy. Or

How will you fix the price for a new product? What are the problems involved in pricing a new product?

New products howsoever distinctive have limited period free of competition. The period depends on innovation, potentiability, and the rate at which it gains market acceptance and potential competitors product development capability. In the market pioneering stage, marketer has three price strategies:

1. Skim the Cream Pricing:

The 'Skim the cream Pricing strategy' uses a very high introductory price to skim the cream of demand at the very outset. This strategy is adopted when there is no competition in the market or the new product has come exclusive characteristics. Such prices continue to be high till the competitors begin to enter the field. As soon as competitors enter the market, the producer reduces the prices of his product. This is a method of recovering the product development cost very soon. It is a short-range pricing objective and is followed when the producer feels that there will be rapid competition in roads and he wants to take the cream before this happens.

Attraction of price skimming – this policy is attractive in the following cases:

(i) In the beginning, there is lack of competition and therefore, innovative company can fix the monopolistic price of its product.

(ii) This policy is suitable especially pricing the luxury products because it is an index of social status and price sensitivity is less.

(iii) It attracts the prompt return of investment.

(iv) If the price is highly distinctive, it tends to have more price in elastic demand at first then it will be reduced later on, because advertising and personal selling have more influence on sales than price does during a products market pioneering stage.

(v) A high introductory price divides the market into segments differing in their responsiveness to price – the skimming price taps the market segment that is relatively insensitive to price. Later price reduction can reach more price conscious market segments.

2. Market penetration pricing:

This is just opposite of the 'skim the Cream' technique. It offers a very low introductory price to speed up its sales and therefore widening the market base. Low price is used as a major tool for rapid penetration of a mass market and is based on a long-term viewpoint. It aims at capturing the market. If, there is already a competing product, its aim may be to capture a share of the market from a company product, which the new product it is hoped will replace. It also discourages competitors from entering the market.

Conditions making penetration Pricing Appropriate:

Management should seriously think using penetrating pricing under any or all of four different conditions:

(i) When the new product's demand is highly price elastic even early in the pioneering stage.

(ii) When the marketer can realize substantial manufacturing and marketing economies if he obtains a large sales volume (such economies bring down average total costs).

(iii) When the marketer expects strong competition very soon after introducing the product, i.e., when he expects the product's market pioneering stage not to last long.

(iv) When there is little or no 'elite' market for the product in a market segment made up at buyers who will probably buy regardless of price.

3. Follow the leader Pricing:

In a competitive market, some big firms assume the role of a leader in pricing. When a company starts production such competitive product, it follows the pricing policy of such leader firms. It fixes the prices near about their prices, which are generally lower than those of their leaders. This policy has no scientific and rational basis for fixing the prices.

Attraction of the policy:

(i) This policy is suitable when competitive situation exists in the market.

(ii) Small firms, which cannot afford various market survey techniques generally, follow the big firms, on the assumption that big firms in the field have broad marketing research base and their prices are more scientific.

(iii) Such pricing is successful when buyers are price-conscious.

The policy has no scientific base. Cost of the product and other marketing factors are not considered at all under this policy.

Explain briefly the pricing policies to be sued in different stages of the life cycle of a product.

The product life cycle have different stages such as (1) Introduction, (ii) Growth, (iii) Maturity, (iv) Saturation, (v) Decline, (vi) Obsolescence. Different pricing policies are adopted at different stages of a product's life cycle. These policies can be explained as:

1. Pricing at Introduction stage:

At this stage, a new product is introduced into the market and intensive advertising campaign is launched to make the public familiar with the product. At this stage of product life cycle either of the two strategies may be adapted – skimming the cream pricing and low penetration price strategy.

2. Pricing under Growth:

At this stage of product life cycle, the demand and sales volume of the product go up. The consumer prefers the product to other products available in the market. The producer should very careful at this stage in determining the price because it is the time when the firm can earn the maximum profits through maximum sales. The producer in determining the price at this stage must consider the pricing policy of the competitors. If the existing price may be reduced at this stage, maximum benefit can be taken of the increasing popularity of the firm. If the producer feels that there is no close competition, price of the product may be raised slightly. Stress should be for intensive and extensive advertising.

3. Pricing under the Stage of Maturity:

At this stage the sale of the product continue to increase but at a lower rate. It is because at this stage new competitors enter the market with superior quality product. The customers shift their brand loyalty to other new and superior products. The popularity of the enterprise begins to fall. At this stage, low price must be determined to check the customers shifting to new brand. The enterprise must also stress upon marketing research and product research so that a new improved product may be introduced in the market. Efforts should also be made to develop new uses of the product so that some customers may be attracted to the product.

4. Pricing under the stage of saturation:

Under this stage of product life cycle, the total sales volume becomes stagnant. At this stage price of the product should be kept lower or reduced to a great extent, if possible. In addition to it, the efforts must be made to change the physical and chemical attributes of the product so that it may look better.

5. Pricing under Decline:

In the declining stage, the sales of the product continuously go declining in spite of the best selling efforts the hope of future sale becomes almost nil. At this stage the producer must use Break-even pricing. Policy of price-differentiation may also be adapted at this stage.

6. Policy under the stage of Obsolescence:

At this stage, demand and sales of the product are reduced to a minimum low and possibilities of future sales are also bleak. Continuance of such product will cause loss to the firm. At this stage of life cycle, it is better to discontinue the production of the product in order to avoid losses and sue the resources to other profitable products.

These different pricing policies are required to be adopted under different stages of a product life cycle. The main is to maximize or maintain the price of the product.

Distinction Between Skimming Pricing and Penetration pricing:

Skimming pricing	**Penetration pricing**
1. Setting a high initial price.	1. Setting a low initial price.
2. Suitable for the market which is not sensitive to price.	2. Suitable for the market which is very sensitive to price.
3. It is preferred when the marketer is doubtful about the correct price.	3. It is preferred when the marketer faces constant threat from competition.
4. It helps to take the cream of the market.	4. It helps the marketer to find a place in the market.
5. It will certainly offer scope for price reduction when necessary.	5. As the initial price itself is low, the question of price reduction does not arise.

Central Bank

Every country has a central bank, which controls its entire banking system. Central bank is the supreme monetary institutions, which is vested with certain prerogative power to regular the monetary system in the country.

The RBI is the central bank of our country. It was established on 1st April 1935 under the RBI act passed in the year 1934. When RBI was established, it took over the functions of the currency issue from the government of India and the powers of credit control.

Definition

According to R.S.Sayer "The business of a central bank, as distinguished from a commercial bank, is to control the commercial bank in such a way as to promote the general monetary policy of the state".

Constitution of RBI

The RBI was originally constituted as a share holders bank with a capital of Rs.5 crores divided into 500000 fully paid shares of Rs.100/- each. The entire share capital was contributed by private share holders with the exception of the nominal value of Rs.2.2 lakhs subscribed by the central government.

Function of Central Bank

1. Issues and Regulation of Currency

(i) The Central bank has been entrusted with the monopoly of note issue. It issues notes of all denominations except one rupee note, which are issued by the ministry of finance, government of India.

(ii) The Design, form and material of note issued should be approved by the central government on the recommendations of the central board.

(iii) There are two departments issue and banking in the central bank irrespective of note issue.

(iv) The notes are issued by the issue department on demand by the banking department. The banking department is responsible for circulation and withdrawal of currencies.

(v) RBI is following the minimum reserve system of note issue. Under this system, the RBI is required to maintain gold and foreign exchange reserve of Rs.200 Crores of which Rs.115 Crores should be in the form of gold coins, gold and bullions, whereas Rs.85 crores should be in the form of government and foreign securities.

The Central bank is given with the monopoly of note issue for the

Following reasons.

(a) It gives uniformity to the system of note issue.

(b) It imparts greater prestige, which is absent in the notes issued by several banks.

(c) It provides the much needed elasticity in the system of note issue.

(d) It exercise greater control over credit creation by commercial banks

(e) It has a good machinery to solve effectively the problem relating to the issue of notes.

2. Banker & financial adviser to the Government

The Central bank acts as a banker to the government, it keeps the balances of the government and carries out all its banking operations. It collects the taxes and accepts deposit of cash cheque or drafts and undertake the purchase & sale of securities and pays interest on such government loans on behalf of the government.

It also acts as a financial adviser to government. In our country, the RBI is acting as a banker, agent and adviser to the central government. It gives export advice and guidelines to the government of India on all important economic policy matters such as deficit, financing, devaluation of currency etc. It also provides loan to central and state government. Adhoc treasury bills are also issued to provide short-term finance to the state government, semi-government institutions etc.

3. Banker's Bank

The Central bank is a banker to all banks in the country. The commercial Banks are controlled and guided by the central bank. It also acts as the custodian of their cash reserves. Every commercial bank is required to keep a certain percentage of their deposit with the central bank. The central bank is in a better position to meet the cash requirements of the commercial banks

4. Lender of the Last resort

When the commercial banks are not able to secure financial accommodation from other sources then as a last resort, they can approach the central bank for necessary facilities. The central bank, in such a case, will be prepared to grant financial accommodation against eligible securities.

By the lender of last resort, the central bank takes the responsibility of meeting directly or indirectly all reasonable demand for finance in times of emergency. This practice benefits the commercial bank in the following ways.

(a) The bank can carry on their activities on the basis of small cash reserves.

(b) The system helps the commercial bank to maintain the liquidity of their financial resources.

By this function, the central bank gets an opportunity to establish control over
The banking system of the country.

5. Bank for central clearance, settlement & transfer

The central provides clearing service to the member banks. Since banks keep cash reserves and deposits with the central bank, settlements between them can be more easily effected in the books of the central bank. By economizing the use of money in banking operations this function strengthens the banking system.

6.Custodian of National foreign Exchange Reserve

The central bank regulates both gold and foreign currencies as reserve against note, issue and also to meet any adverse balance of payments with other countries. It acts as an custodian of the nation's reserve of international currency. It is entrusted with the responsibility of safeguarding the value of national currency.

7. Controller of credit

Credit control is one of the most important functions of the central bank of a country. Control of credit means the regulation and controls the volume of bank advances. Today, the bank credit has become the most important source of money in the country. According to RBI act, the Reserve Bank has "to operate currency and credit system of the country to its advantage". The Indian Financial System is operated by the RBI.

Development Bank

Export- Import Bank of India: - [EXIM Bank]

The Export – Import Bank of India was established on 1st January 1982 on the recommendations of several committees and study groups such as Alexander committee (1977), The tan don committee on export (1980) etc.

It is a statutory financial corporation similar to certain banks already functioning abroad. It has taken over the international finance wing of IDBI and provides financial assistance to exports & imports. The EXIM Bank co-ordinates the working of the institutions engaged in financing exports with its head quarters at Mumbai.

Resources

The authorized capital of EXIM Bank is Rs.200 Crores. If necessary, the Central government may increase it to Rs.500 crores. The initial subscribed and paid up capital of Rs.50 crores was fully contributed by the central government. The central government is to contribute Rs.25 crores each year toward the subscribed capital to equalize the authorized capital of Rs.200 crores. However, at the end of 1985, the paid up capital stood only at Rs.147.5 crores.

Management

A board consisting of a managing Director who is the chairman and 17 directors, representing different areas, manages the Exim bank. They are,

(a) Secretary to the Department of industrial Board, Commercial secretary, Finance Secretary, Secretary of Banking, Secretary of IDBI, Secretary of ECGC, Secretary of RBI and

(b) 3 directors representing other schedule commercial banks, 4 directors chosen from export community and 3 others representing ministries and departments.

Functions

The EXIM bank was established primarily for the purpose of financing, facilitating and promoting foreign trade of India. Some of the specific functions are as follows:

(i) Planning, promoting, developing and financing export oriented concerns

(ii) Under writing the issue of shares, stocks, bonds, debentures of any company engaged in export

(iii) Financing export or import of machinery on lease basis

(iv) Granting Loans and advances for joint-ventures in foreign countries

(v) Accepting, discounting and collecting bills of exchange or promissory notes relating to export or import trade.

(vi) Subscribing to or purchasing of shares or debentures of any development bank of EXIM bank of other countries

(vii) Developing and Financing export-oriented industries

(viii) Providing technical, administrative and financial assistance of any kind of export or import

(ix) coordinating the working of the institution engaged in promoting foreign trade.

(x) Giving lines of credit to foreign government and foreign financial institutions in developing countries by participation in the S.Capital of such institution

(xi) Providing refinance facilities to commercial banks by discounting their export bills.

(xii) Collecting, compiling and disseminating market and credit information about foreign trade.

Industrial Development Bank of India : IDBI

The industrial development bank of India is the apex financial institution in the field of development banking in the country. It was established in July 1964 with the object of meeting the growing financial needs of industries in the country and coordinating the activities and assisting the growth of all institutions engaged in financing industries. Initially the IDBI was set up as a wholly owned subsidiary of the RBI, but in 1976, it was taken over by the government of India and was made as an autonomous institution.

Capital

Initially, the authrised capital of IDBI was Rs.5 crores, now it has been raised to 500 crores, it can further be raised to the amount not exceeding Rs.2000 crores.

Resources

The principal source of funds of IDBI is

(1) S.Capital and Reserves
(2) Borrowings from government of India & RBI
(3) Market borrowing by way of bonds
(4) Foreign currency borrowings from world bank, Asian Development Bank and International markets
(5) Deposits and other borrowings
(6) Repayment of past assistance by borrowers

Functions of IDBI

The various functions or types of assistance to be provided by the IDBI are as follows

(i) IDBI provides Direct financial assistance to the industrial concerns in the form of granting loans and advances etc.

(ii) IDBI provides indirect financial assistance to the small and medium sized industrial concern through others financial institutions such as SFC, RRB etc.

(iii) The creation of the development assistance fund is used to provide assistance to those industries whicha re not able to obtain funds in the normal course.

(iv) Besides the above, the IDBI also under takes various promotional activities such as marketing and investment Research, techno-economic surveys etc.

Criticisms of IDBI

(i) It had confined itself for providing direct loans to the industrial concerns and has treated the underwriting of shares and debentures as a less important activity. In this way, it failed to develop capital market.

(ii) The IDBI has not been able to contribute much to promote balanced development of industrially backward areas in the country. During the period of 70 to 83, 48.5 % of the total assistance to backward areas has been obtained by five industrially advanced states.

(iii) Similarly, in spite of repeated emphasis to assist SSI, the large portion of the assistance has been received by large sized industrial concerns

(iv) The IDBI has largely concentrated on providing financial assistance to the industries and has given less importance to promotional and consultancy functions.

Industrial Credit and Investment Corporation of India (ICICI)

The ICICI was registered as a private limited company in 5 January 1955 with its headquarters at Mumbai. It was setup as a private sector development bank to assist and promote private industrial concern in the country.

Capital

Initially the corporation started with the authorized capital of Rs.25 crores. At the end of June 1986, the authorized capital was Rs.100 crores and the paid up capital was Rs.49.5 Crores.

Resources

Various sources of financial resources of ICICI are India Banks, Insurance Companies, and foreign Institutions including the World Bank.

Functions

The ICICI performs the following functions

(i) It provides long term and medium term loan in Indian rupees and in foreign currencies

(ii) It participates in the equity capital of the industrial concerns.

(iii) It underwriters new issue of shares and debentures

(iv) It guarantees loans raised by private concerns from other sources

(v) It provides technical, managerial and administritative assistance to industrial concerns.

Features of ICICI

(i) The financial assistance as provided by the ICICI includes Rupee loans, foreign currency loans etc

(ii) It also extended its scope by extending financial assistance to industrial concerns in the public, joint and co-operative sector

(iii) The ICICI has been providing special attention to financing riskier and non traditional industries such petro-chemicals etc

(iv) Now a days, the ICICI has also been providing assistance to SSI

(v) It has active participation in conducting surveys to examine the industrial potential

(vi) In 1977, the ICICI has promoted the Housing Development Finance corporation (HDFC) to grant term loans for the construction of a purchase of residential houses.

(vii) Since 1983, it has been providing assistance for computerization, modernization etc.

National Bank for Agricultural and Rural Development [NABARD]

NABARD is the apex bank in the field of agricultural finance and rural development. It was setup in July 1982 by merging the Agricultural Credit Development and Rural Planning and credit call of the RBI and the entire undertaking of Agricultural Refinance and Development Corporation. It has been assigned the task of providing credit for the promotion of agriculture, SSI, rural crafts etc.

Capital

The paid up capital of NABARD has been gradually increased from Rs.100 crores in 91-92 to Rs.1000 crores at present. It is proposed to increase it further to Rs.2000 crores in the next 2 years. Capital is contributed by RBI & the Government of India.

Resources

To meet its long term requirement the NABARD draws funds from the government of India, the World Bank, raises funds from the market and also used the funds of National Agricultural funds which stands transferred to the NABARD. For its short-term operations it draws funds from the RBI.

Function

NABARD has been entrusted with three types of function – viz

(i) Credit function

(ii) Development function

(iii) Regulatory function

(i) Credit function

NABARD provides through the banking system all kinds of productive And investment credit to agriculture, small-scale industries, cottage and village industries, handicaps and other allied economic activities. NABARD provides refinance assistance to Farm Sector and non-farm

Sector.

(i) Farm Sector

Under this, the refinance is provided for various agricultural and allied activities like minor irrigation, plantation and horticulture, land development, farm mechanization, animal husbandry fisheries etc.

(ii) Non-Farm sector

NABARD provides refinance for non-farm sector to banks either on automatic or under pre-sanction procedure to enable them to provide investment credit to rural enterprises.

(ii) Development function

NABARD undertakes various development functions also eg. It formulates credit plans, builds institutions, promotes research and technology brings in innovation's in credit delivery mechanism, skills up gradation of beneficiaries and client banks.

(iii) Regulatory functions

The banking regulation act 1949 empowers NABARD to undertake inspection of regional rural banks and co-operative banks. If any such bank seeks permission of the RBI for opening branches etc., it will have to obtain the recommendation of NABARD.

Asian Development Banks

On 19th December 1966, the Asian Development bank came into existence with reference to the suggestions made in Asian economic co-operation conference, which was held in Manila in 1963.

Resources

Initially, the authorized capital of Asian development bank was 1000 million dollars which was gradually raised to 21.6 billion dollars

Functions

(i) It tries to promote and encourage the savings and investment in Asia.

(ii) It provides technical assistance for various development projects.

(iii) It also utilizes its resources for development of National Projects.

DEREGULATION OF INTEREST RATES

INTEREST RATE RISK IN THE BANKING BOOK (IRRBB):

Qualitative Disclosures:

With the **DEREGULATION OF INTEREST RATES**, liberalization of exchange rate system, development of secondary markets for bonds and deepening and widening of financial system, Banks are exposed to interest rates risk, liquidity risk, exchange rate risk etc., Asset Liability Management outlays a comprehensive and dynamic framework for measuring monitoring and managing various risks. Primary objective of ALM is maximizing the Net Interest Income within the overall risk bearing capacity of the Bank.

Various stress tests are conducted by varying the liquidity and interest rate structure to estimate the resilience and or the impact. It evaluates the Earnings at Risk by means of parallel shift in the interest rates across assets and liabilities as also basis risk. The market value of Equity is determined by means of duration gap analysis and modified duration by varying interest rates and its corresponding correlation to equity.

The stress tests are carried out by assuming stress conditions wherein embedded options are exercised like prepayment of loans and premature closure of deposits much above the revelations of the behavioral studies to test the stress levels. Behavioral studies are also being conducted on various parameters to study the secular and seasonal trends to arrive at a more accurate flows. The ALCO decides on the fixation of interest rates on both assets and liabilities after considering the macro economic outlook both global and domestic, as also the micro aspects like cost-benefit, spin offs, financial inclusion and a host of other factors.

Strategies and processes:

The strategy adopted for mitigating the risk is by conducting stress tests before hand by simulating various scenarios so as to be in preparedness for the plausible event and if possible in mitigating it. The process for mitigating the risk is initiated by altering the mix of asset and liability composition, bringing the duration gap closer to unity, change in interest rates etc The structure and organization of the relevant risk management function: The ALM section reports to the General Manager of RM Wing and ALM reports on various subjects/topics along with the structural liquidity and interest rate sensitivity statement and short term dynamic liquidity statement is presented to the ALCO on fortnightly basis, and to the Risk Management Committee of the Board and the Board of directors on a quarterly basis. The ALCO is chaired by the Chairman & Managing Director of the Bank and has Executive Directors and GMs of functional Wings as its members.

Interest Rate and Currency Swaps

Corporate financial managers can use **swaps** to arrange complex, innovative financings that reduce borrowing costs and increase control over interest rate risk and foreign currency exposure. For example, General Electric points out in its 1999 Annual Report that it and its subsidiary General Electric Capital Services (GECS) use swaps both to reduce funding costs and to hedge risk: Swaps of interest rates and currencies are used by GE and GECS to optimize funding costs for a particular funding strategy. A cancelable interest swap was used by GE to hedge an investment position. Interest rate and currency swaps, along with purchased options and futures, are used by GECS to estab-lish specific hedges of mortgage-related assets and to manage net investment exposures. As a result of the deregulation and integration of national capital markets and extreme interest rate and currency volatility, the relatively new swaps market and experienced explosive growth, with the Bank for International Settlements (BIS) estimating outstanding interest rate and currency swaps at year end 2000 of $52.0 trillion. Few Eurobonds are issued without at least one swap behind them the borrower cheaper or in some way more desirable funds. This section discusses the structure and mechanics of the two basic types of swaps—interest rate swaps and currency swaps-and shows how swaps can be used to achieve diverse goals. Swaps have had a major impact on the treasury function, permitting firms to tap new capital markets and to take further advantage of innovative products without an increase in risk. Through the swap, they can trade a perceived risk in one market or currency for a liability in another. The swap has led to a facilitated corporate involvement in international capital markets.

Interest Rate Swaps

An **interest rate swap** is an agreement between two parties to exchange U.S. dollar interest payments for a specific maturity on an agreed upon notional amount. The term notional refers to the theoretical principal underlying the swap. Thus, the **no- tional principal** is simply a reference amount against which the interest is calculated. No principal ever changes hands. Maturities range from less than a year to more than 15 years; however, most transactions fall within a two-year to 10-year period. The two main types are coupon swaps and basis swaps. In a **coupon swap,** one party pays a fixed rate calculated at the time of trade as a spread to a particular Treasury bond, and the other side pays a floating rate that resets periodically throughout the life of the deal against a designated index. In a **basis swap**, two parties exchange floating interest payments based on different reference rates. Using this relatively straightforward mechanism, interest rate swaps transform debt issues, assets, liabilities, or any cash flow from type to type and — with some variation in the transaction structure — from currency to currency. The most important reference rate in swap and other financial transactions is the **London Interbank Offered Rate (LIBOR).**

Service Charges

The Bank provides various services to customers for which service charges are levied. The charges are reviewed/revised from time to time.

Service charges are levied for collection and remittance of funds, processing of loan proposals, issue of guarantees, safe custody, issue of duplicate instruments/statements, carrying out standing instructions, ledger folio charges etc. Details of service charges will be made available on request.

Time-Norms For Various Banking Transactions

The following time norms, etc. are indicative only.

S.No.	**SERVICES**	MINUTES
a.	Encashment of cheque/ travelers cheque Through teller Through cashier	5 to 7 8 to 12
b.	Issue of cheque book	10 to15
c.	Opening of account	10 to15
d.	Issue of Demand Draft	10 to15
e.	Payment of draft	8 to 12
f.	Receipt of cash (depending upon Denominations)	10 to 20
g.	Issue/ payment of TDRs	10 to 15
h.	Retirement of bills	15 to 20
i.	Outstation cheques/ instruments	7 to 10 days
j.	Collection of bills	14 to 21 days
k.	Issue of duplicate draft	Within 5 days from the date of completion of all formalities

Foreign Exchange Transactions

The Bank is an Authorised Dealer in Foreign Exchange Business. All types of Foreign Exchange Business are available at our 67 'B' Category and 41 'C' Category Branches. For information on any service, please contact any nearest branch of the Bank.

NRI Services.

- NRE SB/CA/Term Deposits
- NRO SB/CA/Term Deposits
- FCNR (B) in four designated currencies viz. USD, GBP, EURO & JAP YEN.

Remittance facility from 4 Exchange Houses in the Gulf is available.

Other Services

- RFC Account.
- EEFC Account.
- Premium Dollar Account.
- Swift remittance facilities through our correspondent banks worldwide.
- Gold Card Scheme for Exporters.

Foreign Currency Loans to exporters/Corporate.

Discussion - CRM IN BANKING

What is Customer Relationship Marketing?

Frances Brassington and Stephen Pettitt (2003) speak about relationship marketing as “A form of marketing that puts particular emphasis on building a longer-term more intimate bond between an organization and its individual customers”. This is mainly due to the never-ending battle of retaining the existing customers and to identify new customers for leveraging revenue and gaining competitive advantage. In today’s highly competitive environment the businesses are increasingly using new technologies and infrastructure to create the long-term relationship identified by Frances Brassington and Stephen Pettitt (2003). This form of relationship marketing is much more refined as Customer Relationship Marketing which is the method of identifying and satisfying the customer needs through efficient use of the resources and the customer information maintained by the company in order to establish a strong relationship with the customer and thereby achieving trust among the customers. From the above definition it is apparent that the concept of Customer Relationship Marketing treats the customer as the primary element for the business and directs all its resources both material and human resource to serve the customer thus gaining competitive advantage in the business. The reason for the increased customer focus in the business is due to the simple fact that a customer is the end user of the product developed by the company and above all the source of revenue for the company, which can be generated only through effective sales and service. This is also intensified further due to the increased competition and the availability of a wide range of products to choose for the customer.

The primary focus of Customer Relationship Marketing is on the customer information that the company holds which is analysed for in the light of the company's goals, vision and mission in order to decide on how efficiently to serve the target customer by the company. This is vital for the reason that the accurate information about the target customer segment is the primary element for the success in the company's venture in the business either new or existing.

Customer Service

Since the concept of Customer Relationship Marketing embraces customer service, a brief overview of customer service is presented in this section. Philip Kotler (1988) says that the customer forms the backbone of any business. Alongside, it is also well known that customer service is not only for selling the product but the after sales service is what that actually counts in the service of the customers. The effective customer service as identified by Philip Kotler (1988) is mainly thorough improving timeliness in sales support and also by keeping the promise that was made to the customer at the time of sales.

Alongside the critical associated with the servicing is costs associated with the services provided by the company to meets its customer needs and requirements. Apparently, a company cannot spend all of its revenue to customer service. Thus the need to maintain the balance between the efficient service and costs associated with the services provided is vital for the company's success.

Frances Brassington and Stephen Pettitt (2003) have identified the following as the three critical factors to be considered while designing the customer service strategy.

Customer needs:

The needs of the customer are the primary element for a company to promote its products to the customer in that target market. The need of the customer is also the primary factor customer to conduct search for the products that meets his/her needs.

Customer situation:

The situation of the customer is another critical factor while designing a product, which is essential to identify the customer's affordability and his/her perception of the production the market. The situation is not only to analyse the customer situation but also to design the effective pricing strategy to meet the customer demands along with the plans to diversify the product range in order to reach more than one target segment of the market based on the quality and price of the products.

Any special requirements for customers

Special requirements for the customer vary with the kind of product being sold and the need of the customer with that product. In the banking sector for example, a customer applying for a personal loan may like the monthly payments to be charged from his account on a specific date of every month. This level of customisation apparently allows the bank to serve the customer more effectively as well as retain the customer by providing him/her with the desired amount of loan in this instance. The potential of information and knowledge about the customers and the requirements is the key for customizing the service.

The three factors mentioned above can be identified only through efficient market research and knowledge of the customer and the target market. This is mainly through treating the information as a vital element for the business. The concept of Customer Relationship Marketing envisages the customer requirements and potential in new target markets through the efficient analysis of the information held by the company about its customer and markets. Alongside, the cost issues associated with the customer service is also drastically reduced with the Customer Relationship Marketing strategy because of the fact that the company initially identifies the right customer for its business and products through the Customer Relationship Marketing concept and thus the customer identified can be served effectively in the first instance itself such that the costs associated with the after sales service that arises mainly due to defects and problems faced by the customer due to purchasing the wrong item from the market is reduced drastically.

Market Information and its role in Business

In today's competitive environment market information is critical for the successful promotion of a company's product. This includes the banking sector as well where the target market is the personal bankers and individuals with a variety of needs. A company in order to maintain effective Customer Relationship Marketing strategy must gain information about its customers, their level of spending and other aspects of their purchase that will benefit the company by customizing the products much more to meet the needs of the customer. The customer information is collected through various methods or research and also through the use of Information Technology to acquire customer information. The customer information can be effectively gained while conducting the sales and receiving payments for the products sold. The use of Electronic Point of Sale (EPOS) in the retail sector for processing payments as well as to communicate the company's new products to the customer is one such are to gain information about the market and the customer spending levels in the target market.

Identifying the right customer is primarily through effective market research and identifying the potential markets for the company's products. A bank for example in order to identify its customers must initially research on where to sell its products and then identify its customers through the information gained in the market research. The fact that Customer Relationship Marketing is mainly to promote the products of an organization to its target customers by identifying the customer need and relating it to its products and services makes Customer Relationship Marketing an essential element for a successful business. The Customer Relationship Marketing in the banking perspective is analysed in detail in the next chapter.

Why Customer Relationship Marketing?

From the above discussions we find that the concept of Customer Relationship Marketing is very beneficial for a company's prosperity and also fact that the business development in new areas is possible through efficient Customer Relationship Marketing in the target markets. But the question why do we need Customer Relationship Marketing is addressed in this section briefly.

Competition

The increase in the competition in the UK business markets in the primary reason for the growth of Customer Relationship Marketing. The competition in the market is nearing the point of saturation due to the increase in number of competitors and the increasing awareness among the consumers about products and services. Apparently, a new means of identifying the potential customer in the market and conducting business is critical in the day-to-day business through customisation and quality or service. The financial services sector in the UK alone has seen a tremendous increase in competition with the expansion of non-financial organizations like retail store chains and other business organizations venturing into banking services through own brand credit cards, personal loans, insurance, etc. The competition in the market can be faced only through the effective employment of the information held by the competitors.

Innovation and Growth in Technology

Through continuous innovation, the competitors in the UK business markets have invaded its customers through new products and services. The innovation level has also reached a level of saturation that the competitors are now depending on technology to leverage more potential in gaining the customer information so as to present their products in a more customised manner. Alongside, the growth in technology and especially information technology and its expansion in numerous areas of business has also created the opportunity for the organizations in the increasingly competitive environment to leverage the potential of information to identify new business markets and hence reach new customers. The result of the strive for the competitors to deploy the information more effectively in order to create a long term relationship with the customers has resulted in the conception of the Customer Relationship Marketing concept.

Internet and the competition from e-business

The growth of Internet and online shopping portals were the first in the business to harness the potential of customer information to reach new markets and expand business. The Internet has broken the traditional barriers of shopping and business itself thus revolutionizing the entire concept of sales and marketing. A statistical Review conducted by Keynote says that the customers purchasing online have increased tremendously since 2001 and the growth is unlimited. The reason for the tremendous growth is that the organizations selling online acquire critical information about the customer's likes and dislikes and send them with regular updates of their products, which suits their needs. The growth of Amazon especially through promoting their products by presenting the customer with a short list of related products and continuous e mail updates is the classical example for the success of the deployment of customer information in the current business market that is highly competitive with target customers having a volatile mindset in deciding to purchase a product or service from a given organizations.

In the banking and financial services sector in the UK, the growth of internet banking and the increase in customers applying online for financial services like insurance, loans, etc., has created a need for the bankers in the UK to practise Customer Relationship Marketing in order to identify the needs of the customer as well as attract new customers. In the next chapter this is dealt with in more detail with respect to the retail banking and the financial services market as a whole.

Product customisation:

The increase in competition in business has forced the competitors in the UK business markets to present more and more customised products to meet their customer needs in order to retain the existing customer as well as identify potential new customers. The customisation of a product will be successful only through the efficient collection and deployment of the customer information and market information captured by the company. Again the cost issues associated with the customisation and the success of the customized product need the vital information about the customer needs and target market.

In banking sector for example a customized loan offer or any other financial service offer is introduced only after extensive research in the market in order to successfully meet the customer needs in the target market.

Retail Banking sector in the UK

The retail banking in the UK has seen tremendous growth in the past few decades. From only a handful of competitors in the 1950s, the banking sector in the UK now consists of many big players like Barclays, HSBC and numerous other banks that are operating at national and international markets. In the next section an overview of the growth in the banking sector especially the increase in the potential and the diversity of products are presented to the reader.

The growth of retail banking

The banking sector in the UK has a century old tradition for serving its customers and stability in the business surviving through the world wars. From the late years of the twentieth century, the banking sector has seen tremendous growth in the UK. The traditional service of lending and deposits have changed into customised services and grown into many new areas of finance especially in the insurance sector as well as expanded the scope of their existing business through continuous customisation and innovation in their products and services offered. This is apparently due to the increased competition and the growing potential of the UK markets for credit cards and personal loans. The tremendous growth of the UK retail-banking sector is evident from its value in the whole European commercial banking market. The UK banking sector alone accounts for 23.9 % of the European commercial banking sector (Data monitor industry analysis on commercial banking sector of UK, 2003), which proves that the UK banking sector is growing tremendously. The report further says that the competition in the banking retail-banking sector is intense and the leading companies in the sector are Barclays Plc and HSBC Holdings Plc. A few examples of the Customer Relationship Marketing strategies and the timely execution of the business strategy by these companies are discussed in later sections.

The keynote (2003) market report on personal banking says, “Personal banking is no longer a market exclusively occupied by banks”. This is obviously because of the entry of new competitors from other segments of the financial markets like the insurance companies venturing into the credit cards and personal loans market. Apart from the competition from other financial organizations there is potential growth in the banking industry with the entry of many retailers entering into the banking sector through insurance and other personalised services. This increase in the market potential and the competition in the market proves the tremendous growth of the banking sector in the UK and the penetration of other business sectors into the banking sector which makes it very clear that the traditional process of banking in the counters is long gone and the current banking industry is invaded by competitors from various segments of business other than the actual banks themselves.

The process of banking itself has changed tremendously from the trivial paper based banking that was common in the 1970s and the 1980s into electronic banking system with the advent of plastic payment options through debit cards and credit cards and the Automated Teller Machines that can vend cash to the account holders like any other trivial vending machine in the high street. These areas along with the tremendous growth of technology has forced the traditional banks to meet the competition through the efficient use of Information Technology and other innovations in communications like the satellite communications, broadband, etc for the enhanced service to its customers in order to retain the existing customers as well as attract new customers to the banks.

The growth in the banking process has primarily concentrated in enhancing the services offered to the customers rather than just treating the customers on the basis of their request on a case-by-case basis, which was the traditional way of banking system in the UK. Alongside, it is worth mentioning, that the innovation has primarily focused on easing the process of banking itself though introducing different channels of payments and also the plastic payment option on the internet and at retail stores which has increased security in transactions as well as prevents the customer from the risk of carrying large amounts of cash with them for shopping which was the case a few decades ago.

From the above arguments, it is clear that the retail-banking sector has seen tremendous growth in the past decade and still growing with the increase in the number of competitors and the diversity of the competing organizations.

In the next section, a brief analysis of the competition in the banking industry is presented to the reader before proceeding to the analysis of information and its critical nature in the banking sector.

Competition and competitors in the retail-banking sector

The retail-banking sector of the UK in the twenty-first century comprises of not only the banks but also competition from other financial organizations and non-financial organizations. The increase in the credit rich market of the UK citizens as well the increased borrowing of the customers has created vast potential for personal finance which is the primary reason for the venture of other organizations in to retail banking.

The examples of such competition in the market include the personal finance and loans introduced by TESCO Plc and Asda Plc (A Wal Mart group of company) who are retail superstore chains by business. Alongside, the venture of insurance firms such as Norwich Union are increasingly competing with the high street bankers in the personal loans, savings and other financial services.

Apart from the competition on the high street, the competition from the Internet bankers is another potential hurdle for the high street bankers. The increase in the Internet users and the potential of online banking systems eliminating the paper-base trivial banking service eventually increasing the speed of the processing as well as providing customised service to the customers is a major competition to the high-street bankers. Apparently, the web presence and online banking facilities provided by the high street bankers may be an answer to the competition but still the potential of the online customers and the ability to retain a customer over the internet banks is very difficult.

The potential of information and the Customer Relationship Marketing strategy

From the arguments in the above sections we see that the banking sector is tremendously growing and the potential of the financial services offered is immense along with competition that is increasing in geometric progression. Apparently, the competitors in the retail-banking sector rely on the potential of information in order to compete in the market.

From the discussions in chapter 2 it is clear that the accurate information about the target market and the customers is essential for a successful venture in the business. The banking sector with the increasing competition relies heavily on the potential of information to customize its products and services to reach new customers as well as retain the existing customers.

The increased use of information to mine the consumer requirements is increasing the banking sector. A classical example is the announcement low rate personal loan offer by HSBC bank Plc, in the UK. The bank offered loans at the lowest possible interest rate of a high street bank during the New Year season, which is when a lot of people spend money on purchasing presents and extensive shopping. The strategy of the bank to keep the low rate offer open only to existing customers enabled the bank to attract new customers who were primarily interested in the low interest rate personal loans.

Another example is that of Barclays Bank Plc which encourages its customers to choose online and telephone banking in order to speed up the processing time as well improve the service to the customers. The bank through encouraging its customers for telephone banking not only leverages a market share in the electronic banking sector but also effectively reduces the costs involved with the customer service since the bank need not employ a lot of people at the high street branches to serve its customers as well as reduce the expenditure on resources like stationeries etc.

It is worth mentioning that both the afore mentioned banks have Internet banking facility and provide services for online bill payments as well as performing several transactions for the customers in a very secured and safe manner. A notable feature of the Barclays telephone banking system with the pass code is that the automated telephone banking system enables the customer to perform the transactions as well pay bills through the phone without even waiting to be served by a representative over the phone. This eventually reduces the costs associated with the service since the personnel employed by the bank is still lesser. Alongside, the rival HSBC has outsourced its call centres to India and has a vast human resource under its command to serve the customers in the UK. The bank serves it customers over the phone quickly and efficiently and the outsourcing of the call centre to India has saved the company a huge part of their costs since the labour costs is less in India when compared to UK.

The above two examples prove that the high street banks in the UK are increasingly using the Customer Relationship Marketing strategy not only to introduce new products but also to improve customer service. The increased use of Internet banking and the electronic services of the banks in the high street is a very good example for this argument.

Apart from the afore mentioned facts the customers are served by the retail banks on other channels like the local branch banking, web transactions and customer service centres that provide efficient customer service.

Diverse Range of products

The concept of customisation and diversity in the products are only successful when they are implemented targeting on the right segment of customers. The banks both on the high street and over the Internet offer numerous customized products for attracting the customers as well as improving the customer service in order to retain the existing customers. The introduction of loans for more personalised reasons like car loans, housing loans, etc on top of the personal loans, mortgage services and other financial services provided by the banks both over the internet and at the high streets justifies the arguments that the banks are increasingly customizing and diversifying their products in order to reach new customers as well as server the existing customers.

This is achieved only through the efficient use of the customer information gathered by the Customer Relationship Marketing strategy and associated support systems by the competing banks (both traditional and new entrants).

Alongside, the banking services provided by the retailers like TESCO, is primarily based on the information they gathered and accumulated over the years of service in the retail industry and identify the potential for the right kind of financial service to the attract its customers to the financial services as well. The fact that the idea of branding and the brand loyalty of the UK customers is the major factor for the venture of these organizations into personal finance. TESCO Plc is ranked number one among the retail superstore chains in the UK thus establishing itself as a retail brand among its customers. This brand image of TESCO supported by the information of its customer and target markets has given the organization the necessary information to venture into the financial services sector thus becoming a potential competitor to the traditional high street banks in the UK.

The above arguments make it clear that the Customer Relationship Marketing strategy is widely deployed by the competitors in the retail-banking sector. Alongside, it is also evident that the increased level of customisation and customer service is achieved though the efficient use of the information gathered and deployed by the Customer Relationship Marketing strategy. In the next chapter, the justification whether of not to have Customer Relationship Marketing strategy as a core strategy in the banks is discussed followed by the conclusion.

NOTES

UNIT - IV

PROMOTION MIX

Promotional Mix = Advertisement + Sales Promotion + Personal Selling + Publicity

PROMOTION MIX - Meaning

WHAT DO YOU MEAN BY PROMOTIONAL MIX OR COMMUNICATION MIX? EXPLAIN ITS OBJECTIVE.

- The endeavours of presenting a set of message to a target market through multiple cues and media, with a intention to create favorable response from the market for the company total product offering and simultaneously providing for marketing feedback for modifying and improving the offering"
- Marketing 'communication mix' is called promotional mix. It is variable concept of marketing. The information communicated between the buyer and seller to change attitudes and behaviour of the consumers.

Explain the Process or elements of communication:

- Source - advertiser, producer where the information originates,
- Encoding - advertisement copy
- Message transmission - media (visual, literal)
- Reception - consumers, governments, wholesaler, retailer, and other members in functional areas…etc.
- Decoding - action – buy or not buy

This is a process of designing the activities to promote the sale of goods. These activities are commonly known promotional activities (or) promotional mix (or) promotional blend.

The following are included in the promotional – mass personal selling (advertising), personal selling (salesmanship) – point of purchase (exhibitions, demonstrations), direct marketing and publicity.

Promotional blend:

Push blend – goods are processed by middle man (wholesaler, retailer).

Pull blend – more amount spend to sales promotion, advertising, etc. There is no middleman. Direct from manufacture to consumer.

Purpose of promotion:

- To communicate
- To convenience

- To complete.

DISCUSS THE MARKETING MIX OF FINANCIAL SERVICES:

- The marketing mix for the financial services aims to market the services and schemes profitably.

PRODUCT MIX (QUALITY STANDARD)

- Deposits
- Time
- Demand

- International
- Banking
- Credit
- Foreign
- Currency

- Consultancy
- Tax
- Merchant banking
- Project counseling
- Investment counseling

- Advances
- Fund oriented
- Term loans
- Clean loans
- Bill discounting
- Advances
- Pre shipment
- Financing
- Post – shipment
- Secured and unsecured credits
- Non –fund guarantees
- LIC

- Miscellaneous
- Self custody
- Credit cards
- TC
- Remittances
- Trusteeship
- Collections
- Standing instructions

Product Development:

a. idea generation

b. concept screening

c. Concept screening

d. Assessing market potentials

e. Analyzing cost

f. Test marketing

g. Full launching

Promotional mix:

a) Advertisings
b) Personal selling
c) Sales promotion
d) Word of mouth promotion
e) Telemarketing

The price mix: The pricing decisions are the decision related to interest and fee or commission charged by banks. The rate of interest is regulated by the RBI and others charges are controlled Indian baking association.

The public sector commercial banks in particular are supposed to play developmental role with social approach. The pricing policy is influenced by a number of factors and in the process; the key role is played by the reserve bank of India. The non banking organisations and foreign banks have been found advertising customers by offering to them a number of incentives.

The potential customers or investors frame their investment plans in the face of pricing decisions made by the banking organisations.

While designing the pricing strategy, the banks have also to take the value satisfying variable into consideration. Keeping in the view the level of satisfaction of a particular segment, the banks have to frame their pricing strategies. The policy makers are required to be sum that the services offered by them are providing satisfaction to the customer concerned.

Product mix- quality standard

Meaning

In 1972, the UNESCO, Tokyo conference had suggested Integration of adult education with the formal education. This helps a person to develop the faculty to strive even in a rough weather. So far adult education is concerned the functional literacy can solve our problem.

Under the informal education the general education regarding the civil sense, nutritional awareness, health consciousness, cultural and ethical values, and the national excellence is given. In addition to the central and state government, a number of social institutions.

Promotional mix

Meaning

The educational agencies must motivate the users (adult illiterate) in such a way that the turn up ratio is increased considerably.

Place mix

TOP TEN SERVICE COMPANIES OF INDIA 1995-96 GROSS PROFIT

1) SBI – 918
2) IDBI – 1394
3) VSNL – 749
4) MTNL – 1674
5) ICICI – 713
6) SCI – 555
7) IFCI – 501
8) BSE – 245
9) Ganapathi exports – 84
10) CESC Ltd – 155

OBJECTIVES OF PROMOTION:

Promotion is a mode of communication, adopt by business community for achieving certain objectives. The types of promotions are:

1. Informative Promotion:

This concept is information oriented one and not a sale oriented. It helps the consumers for intelligent buying by providing more information about the product.

2. Persuasive promotion:

It helps the peoples – persuasion in buying we may create confident.

3. Reminder promotion:

This comes at maturing stage we remind our product, brand name, product features. E.g. Colgate tooth paste, (60% of the market share in the tooth paste industry). It service as a 'memory jogger'.

4. Buyers behaviour modification:

Personal selling method is used.

5. AIDAS

WHAT IS AIDAS CONCEPT?

Attention: The particular promotional method must help to draw the attention of the potential buyers. If it fails to do this task it becomes a meaningless exercise.

Interest: Drawing the buyer's attention alone is not enough. The buyer must also show interest in the marketer's goods or services. The promotional method must make him curious. It must induce him to know more about the product.

Desire: Once the buyer becomes aware of the product qualities and shows interest, the promotional strategy of the marketer must kindle his desire to buy.

Action: Finally it must instigate him to act. At this stage he is fully convinced about the merits help to achieve all the four criteria laid down in A I D A into.

1. Cognitive approach – message received and interpreted.
2. Affective approach – formulation of product image
3. Behavioral approach – motivation and purchase.

S for Satisfaction

WHAT IS THE IMPORTANCE OF PROMOTIONAL ACTIVITIES?

The need for promotional activities has been recognized by the marketer for more than one reason.

1. Potential customer: The physical separation of the consumers and producers and increase in the number of potential customers, have given significance to communication system. The physical gap is closed by good channel management.

2. Physical Distribution: Improvements in physical distribution facilities have expanded the area limits of the markets, with which establishment of communication system becomes a necessity.

3. Wholesalers: A large number of wholesalers and retailing middlemen have developed between the producers and the users, which has necessitated that not only the consumers be informed about the benefit of the product, but also the middlemen in turn, should also communicate with the retailers and consumers. The information gap is closed by promotional programmes.

4. Decline stage:

When sale begins to decline, either due to preference for a new product brought out by the competitor or a total dislike for it, promotion works as a stimulant to restore the demand for the existing product. It is needed to maintain the high material standard of living and the high level of employment. The buying sequence could depend up on the level of buyer's involvement and product differentiation.

- Marketing is mutually beneficial relation ship and the role of promotion is to encourage such an exchange by joining communication and the product adoption processes.
- Motivating consumers to positive respond requires the marketers to understand the complete consumer buying process.

Methods of promotion

What are the various forms of promotion? Or

Explain the various promotional mix.

Forms of Promotion:

Marketing strategy - Marketing Mix – Price, product, and physical distribution – Promotional mix: Sales promotion, Advertising, publicity, personal selling, public relationship.

1. Sales promotion:

Sales promotion makes advertising and personal selling more effective. It, in fact, supplements both sales promotional activities are non-recurrent in nature, i.e., not continuously used.

2. Advertising:

Advertising is any non-personal presentation of goods or services by an identified sponsor. It includes all forms of mass media communication aimed at influencing the ultimate buyers. Advertising moves the buyer towards the product. Sales promotion, on the other hand, moves the product towards the buyer. Advertising is paid for, and therefore it is a commercial transaction.

3. Publicity & Public Relations:

It refers to any form of news, commercially significant, about a product or service or institution that is not paid for. Paid form of publicity is what is called advertising.

The rapport that the business maintains with the members of the public is what is known as public relations. Every time the businessman gets an opportunity to interact with anyone, such an opportunity can be utilized to get that person's support and goodwill in business.

4. Personal selling:

It is oral, face-to-face presentation with the prospective buyers for the purpose of making a sale. While advertising is a non-personal presentation of goods or services by an identified sponsor, in the case of personal selling it is personal presentation.

5. Direct marketing:

Use of mail, telephone, fax, e-mail, and other non-personal tools to communicate directly with or solicit a direct response from a specific customer and prospects. What is meant by marketing communication? Explain the marketing communication process.

Salesman communication process:

Source – salesman, encoding – salesman thoughts, Message transmission – personnel qualities of salesman and visualized, Reception – through consumer physical sense, decoding – through consumers price of response.

Marketing Mix:

'Marketing mix is the combination of 4p's namely,

1) Product planning & policy.
2) Pricing.
3) Physical distribution and
4) Promotion.

1) **Product mix:** The product pf policy of the marketer will provide for such decision as product mix, new product development, product modification, product alteration, and product elimination, product life cycle, branding and packing.
2) **Pricing mix:** The pricing policy of the marketer will help him in taking pricing decision. The marketer should have knowledge of the various kinds of pricing. Pricing policies in vogue and the determine of price.
3) **Physical distribution mix:** It is basically with the flow of goods to the consumers and includes such functions as transportation, storage and warehousing.
4) **Promotional mix:** The promotional policy of the business to the promotional tool to be used. The various promotional tools in use are sales promotion, advertisement, personal selling and publicity.

Factors of affecting promotional mix:

(i) **Nature of the Product:** Different products require different promotional methods. Personal selling will play a very significant part. This mix is best for such goods as are widely distributed and therefore, need not explained or demonstrated and their brands are more in demand than competitive goods.

(ii) **The Nature of the Customer:** Different customers may be best reached through a combination of promotional methods. For ex, where markets are small and local and there number of buyers few. Personal selling would be adequate but in more widely spread markets and large potential buyers, advertising would be preferably used.

(iii) **Life cycle of the Product:** The nature of demand varies according to the stage in the product life cycle. In the pioneering stage, seller usually tries to stimulate primary demand as contrasted to selective demand.

Various stages of PLC i.e., Introduction, Growth, Maturity, Saturation and Decline.

(iv) **Funds Available or Promotion Budget:** The various methods of promotion vary considerably in the cost per message delivered. When the funds available are small, a combination of relatively low-cost promotional inputs is used even though a more costly combination might prove more productive.

(v) **Brand Differentiation:** Individual brands of products have little to differentiate them from those of the competitors brand. Therefore, their promotion emphasizes personal selling to get the product stocked by as may retailers as possible and to secure maximum shelf space display.

(vi) **Purchase Frequency:** Purchase frequency for particular product also influences promotional strategy. When final buyers buy a product frequently, the marketer invest a large amount of money in advertising than when a product is purchased infrequently.

(vii) **Market Penetration:** When a brand is already known ato the final consumer and middleman has substantial market share, a sustaining promotional strategy. But, when the brand is new or has not penetrated the market fully, a developmental promotional strategy is adopted.

PROMOTIONAL MIX OF A BANKER

"The personal selling" and " salesmanship" are often used interchangeably, but there is an important difference. Personal selling is the broader concept. Salesmanship may or may not be an important part of personal selling and it is never all of it. Along with other key marketing elements, such as pricing, advertising, product development and research, marketing channels and physical distribution, the personal selling is a means through which marketing programmes are implemented.

The broad purpose of marketing is to bring a firm's products into contact with markets and to effect profitable exchanges of products for money. The purpose of personal selling is to bring the right products into contact with the right customers, and make ownership transfer. Salesmanship is one of the skills used in personal selling as **defined by stroh, "**it is a direct, face-to- face, seller-to-buyer influence which can communicate the facts necessary for marketing a buying decision".

PERSONAL PROMOTIONAL EFFORTS

Salesmanship:

Definition

According to W.G. Carter

"Salesmanship is an attempt to induce people to buy goods".

According to Knox

"Salesmanship is the power or ability to influence people to buy at a mutual profit, that which we have to sell, but which they may not have through of buying until call their attention to it. Salesmanship is the ability to persuade people to want they already need".

According to prof. Stephenson

"Salesmanship refers to conscious efforts on the part of the seller to induce a prospective buyer to purchase something that he had not really decided to buy, even if he had though of if favorably. It consists of persuading people to buy what you have for sale in making them want it, in helping to make up their mind".

According to sefred Gross

" Salesmanship is the art of increasing satisfaction by persuading those people who should do so to buy specific goods or service".

Modern concept of salesmanship

In olden days, a salesman takes an order. He shows the goods. He waits for an order. Then he receives the payment. He never attempts to guide.

But the modern of salesmanship is entirely different from the old concept of salesmanship. Morden concept is creative in approach. He creates needs and converts them into wants. Customer satisfaction is the main problem of salesman. Mutual profit is essential both for the buyer and the seller. Salesman guides the customer to buy things which satisfy his want salesman motivates the feelings of the customers to act.

What are the essentials of salesmanship?

Essential of Salesmanship

Importance of Salesmanship

In the present day, salesmanship plays an important part. Salesman is the connecting link between sellers and buyers at every step., from the collection of raw materials to the finished products. Of all, customers are the most benefited by salesman. Present era is of large-scale production, which is in anticipation of demand. The market expands along with competition this makes distribution a difficult and a complex factor in the face of still competition.

→ **Important to Producers**: Salesmanship is important to producers and manufacturers. For pushing products into the competitive market, salesmanship is necessary. To capture new markets also salesmanship is very important. Salesmen increase the sales volume. It brings larger profits to the manufacturers. Salesmen work as the " eye and ear" for the manufacturers. They improve their products according to the taste of the consumers. They improves their sales policies by keeping in mind the suggestions, impressions and complaints of the consumers. He is the creator of demand.

→ **Important to Consumers**: Salesman educates and guides the consumers. He gives them more satisfaction. Consumers are right in the marketing. As such he gives more importance to them. Salesman helps the consumers in making the right decision and proper selection of the products which they want to buy.

- Salesmanship is personal selling and is the oldest form of selling
- It is the most important form of promotional mix
- It is the art of selling a product or service. It is all about selling a product by presenting the product to the prospects in a convincing and persuasive manner by which the prospect is induced to buy.
- It involves direct and personal contact with the buyers
- It is a creative art. It creates new wants. A need may be already in existence. But it is the job of a salesman to transform the needs into wants.
- To be very effective, salesmanship also has to be carried on continuously to perpetuate the demand created once.
- Salesmanship basically aims at selling a product. It does not stop at that. Actually it involves selling an idea or one's point of view. For instance salesmanship in the case of a paint manufacturing concern, is not just the sale of paints, but the sale of an idea, colour shade beauty or durability.

Objectives of Salesmanship

- To create demand for a new product
- To maintain and also expand the demand for an existing product
- To guide the buyers in the proper selection of goods
- To build up goodwill or reputation for the seller.

Nature of salesmanship

Salesmanship is not just selling transferring the ownership of goods in exchange for money. It is the process of persuading the prospective customers to buy the goods or services which they really need. In order words, it is not just the act of satisfying the demand for a product that exists already. It is the process of creating a demand by guiding the consumers in the proper selection of goods. Again true salesmanship is not creating demand for a product by high-pressure tactics or by playing on the ignorance or weakness of the customers.

Is Salesmanship is an Art or Science?

An art is the process of producing result by the exercise of skill salesmanship involves inducing the people to buy what they want. It is the process of increasing the sale of goods by the exercise of skill by the salesman. So, salesmanship can be considered an art.

A science is a systematized body of knowledge. It has its own set of principles and they are universally accepted. Salesmanship is a specialized knowledge that has its own rules or principles. A successful salesman is required to know the rules or principles of salesmanship. It involves a systematic or scientific approach to selling.

Salesmanship As A Profession

A job or an occupation can be called a profession only if it satisfies the following requirement:

- It requires an organized body of knowledge.
- It requires a certain degree of skill.
- It needs systematic preparation for a relatively long period before taking up the job.
- It implies a certain amount of specialization of the work.
- It involves a well- organized programme for imparting training to those who intend to take up the profession.
- The persons desirous of taking up a profession are examined by the public body.
- There should be the motto of service before self.

Salesmanship does need an organized body of knowledge. It also required certain degree of skill or talent. There are specialized institutions offering courses in salesmanship.

Explain the various methods followed by selling.

Any one of the following selling methods may be used in personal selling, depending upon characteristics of a product or buyer.

I Tender Selling: The buyer may invite open tender through newspapers and a company is required to submit their offers with price, terms of payment and delivery period. Generally in all Government purchase, sealed tenders are invited and are opened on a particular prefixed date and time and orders may be granted to the lowest bidder.

II Selling through discussions: In large companies, order are finalized following discussions, at the purchase place. The order is generally issued after verifying sellers performance, reliability and after sales service. Generally private sector companies choose this route as this is faster and many problems and clarifications could be thrashed out across the table through informal and formal discussions.

III Door to Door selling: In this method, company's salesman visits prospective buyers to explore the possibilities of selling. This method is generally used for household products and for new product introduction. This method of selling is highly useful in rural, semi urban and even in cities.

IV Over the Counter selling: In this method in all retail outlets, the salesman sell a company's products exclusively and this method is used for all consumer goods. In India and in many Asian countries, this method employs highest number of salespersons. Indian companies like Reliance, Bata, Philips, BPL, Sony, Bombay Dyeing, sell whole lot of products ranging from suiting materials, textiles, ready made garments, shoes, colour television, audio-video electronic products, paints and food products through this method.

Advantages \ Benefits of Salesmanship

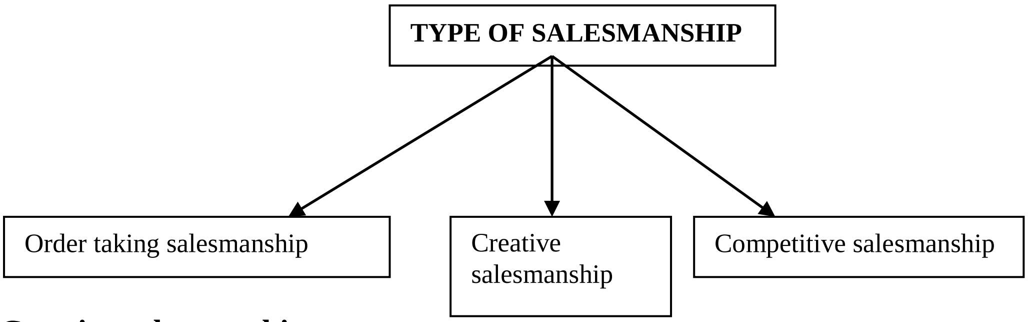
Salesmanship is importance in the modern business world. It is helpful to the producers, distributors, the customers, the community and the salesman himself. Its benefits or advantages to the various sections of the society are discussed below.

What are the different types of salesmanship?

There are three of salesmanship they are:-

Order taking salesmanship:

Order taking salesmanship is just concerned with the execution of the order of the buyer. In other words, it is just concerned with the passing of ownership of the goods to the buyer in exchange for money. Order taking salesmanship does not require any skill or practice on the part of the salesmanship does not require any skill or practice on the part of the salesman.



Creative salesmanship:

- ❖ Creative salesmanship is that type of salesmanship which creates markets for a new product and creates new markets for an existing product.
- ❖ Creative salesmanship is a challenging and difficult task.
- ❖ It requires creative thinking, imagination skill and tact on the part of the salesman. This type of salesmanship is indispensable in the sale of products, such as refrigerators, washing machines, fashion goods, insurance and banking services.
- ❖ Modern salesman is always looking for new ideas. He makes the consumer realize and later on converts the consumer's need into demand.
- ❖ Creative selling requires both persuasive and informative efforts on the part of the salesman. It is much more than merely taking orders. Creative selling often implies educating and influencing the immediate behaviour of the prospect.

Competitive salesmanship:

Competitive salesmanship is that type of salesmanship which is concerned with the surpassing of the sales of the rival through better selling techniques. It seeks to expand the markets for the product by trying to capture the markets of the rivals. This type of salesmanship has become necessary because of keen competition.

In view of stiff competition that exists in market today, creative advertising has paved the way for competitive salesmanship.

For example: Take the case of bathing soap. When bathing soap was introduced for the first time long back, there was a necessity for creative salesmanship to make the people aware of such a product and its various uses. Later on, when several brands of scope appeared in the market it became an ordeal for each manufacturer to sell his product. To overcome this severe competition, it became imperative to find new methods of salesmanship quite different from the traditional ones.

HOW TO MAKE RURAL PROMOTION WORK

Many gaps have been revealed in the communication processes of Indian banks in the preceding section. It is time for banks to re – assess their advertising and ways of communicating more effectively. Table 1.8 supplies a checklist that may guide the advertisements of Indian banks in rural areas.

Bank Marketing

Product planning and Development: Bank services are viewed in terms of the satisfactions they deliver, and not as ‘things’ or creations of any value in and of themselves. For instance, bank account is seen in terms of customer satisfactions, such as safety, convenience of paying dues, keeping records, transferring funds, accuracy, pride in one’s bank, status, economy and so on. Products and services made available by a bank are: bank deposits, bank loans and advances, credit cards, traveler cheques, remittances, discounting of commercial paper, collections, trusteeship, standing instructions, merchant banking, and consultancy services on taxes and investment, foreign exchange, letters of credit, bank guarantees, etc. Under the present market – driven economy and the emergence of global market, Indian banks must adopt sophisticated customer – oriented marketing approach to meet keen competition in bank marketing and marketing of all financial services. Banks in India are now offering totally computerized banking to their clients. Modern bank must have product planning and development just like a manufacturer of a commodity. In fact, banks are regarded as manufacturers and dealers in money and credit.

Promotion: Promotion tools are also essential in the bank’s marketing mix. We need personal selling in customer contact, development, personal service, and so on. Similarly, bank marketing programme needs advertising as mass communication tool. The bank is a sponsor. It sends a message (the ad) to prospective buyers (the audience) by means of a medium (the carrier of the message). An advertisement in bank marketing is a promise – a promise of satisfaction to prospects who buy or use the service offered by the bank or who are willing to partonise the bank. Banks are using all media of advertisement such as newspaper, radio, television, magazines etc., for advertising their services and for getting the business. Bank marketing also uses sales promotion devices such as point – of – purchase materials, advertising specialties (ball pens, calendars, diaries, note pads, etc.) brochures and booklets describing bank services, etc. A bank has also to use public relations as mode of promotion ot build up and maintain its bright image in the community.

Marketing Research and information: Good marketing decisions are not made in a vacuum. Hence, even in bank marketing, we need marketing research and information to enable bank executive to make sound decisions. The increase in the use of marketing research in bank marketing is due to two forces: (1) Competition pressures to be right, and (2) customer – orientation in marketing planning and programmes. Banks are now establishing a separate marketing organization, conducting marketing research, setting up sale try. Programmes and adopting sales to attract customers. We have special bank advertisements through radio, TV and Newspapers.

Direct Marketing

Direct marketing is the use of consumer – direct (CD) channels to reach and deliver goods and services to customers without using marketing middlemen. These channels include direct mail, catalogs, telemarketing, interactive TV, kiosks, Web sites, and mobile devices.

Direct marketers seek a measurable response, typically a customer order. This is sometimes called direct – order marketing. Today, many direct marketers use direct marketing to build a long – term relationship with the customer[2]. They send birthday cards, information materials, or small premiums to certain customers. Airlines, hotels, and other businesses build strong customer relationships through frequency award programs and club programs.

Direct marketing is one of the fastest – growing avenues for serving customers. More and more business marketers have turned to direct mail and telemarketing in response to the high and increasing costs of reaching business markets through a sales force. In total, sales from direct marketing generate almost 9 percent of the U.S. economy[3].

In addition to trying to increase sales force productivity, companies are seeking to substitute mail – and phone – based selling units to reduce field dales expenses. Salem's produced through traditional direct – marketing channels (catalogs, direct mail, and telemarketing) have been growing rapidly. Whereas U.S. retail sales grow around 3 percent annually, catalog and direct – man sales grow at about double that rate. Direct sales include sales to the consumer market (53 percent). B2B (27 percent), and fund – raising by charitable institutions (20 percent). Total media expenditures for direct marketing in 2000 (including direct mail, telephone, broadcast, internet, newspaper, magazine, etc.,) has been estimated at $236.3 billion[4]. Figure 19.1 provides a breakdown of the various types of direct marketing.

The Benefits of Direct Marketing.

The extraordinary growth of direct marketing is the result of many factors. Market demos fication has resulted in an ever – increasing number of market niches. Higher costs of driving traffic congestion, parking headaches, lack of time, a shortage of retail sales help, and lines at checkout counters all encourage at – home shopping. Consumers appreciate toll – in phone numbers and Web sites available 24 hours a day, 7 days a week, and direct marketers commitment to customer service. The growth of next – day delivery via FedEx, Airborne, and UPS has made ordering fast and easy. In addition, many chain stores have dropped shown moving specialty items, creating an opportunity for direct marketers to promote these items to interested buyers. The growth of the Internet, e – mail, mobile phones, and fax machine has made product selection and ordering much simpler.

Direct marketing benefits customers in many ways. Home shopping can be fun, convenient and hassle – free. It saves times and introduces consumers to a larger selection of merchandise. They can do comparative shopping by browsing through mail catalogs and online shopping services. They can order goods for themselves or others. Business customers also benefit by learning about available products and services without tying up time in meeting salespeople.

Sellers benefit as well. Direct marketers can buy a mailing list containing the names of almost any group: left – handed people, overweight people, and millionaires. They can customize and personalize messages. Direct marketers can build a continuous relationship with each customer. The parents of a newborn baby will receive periodic mailings describing new clothes, toys, and other goods as the child grows.

Direct marketing can be timed to reach prospects at the right moment and receive higher readership because it is sent to more interested prospects. Direct marketing permits the testing of alternative media and messages in search of the most cost – effective approach. Direct marketing also makes the direct marketer’s offer and strategy less visible to competitors. Finally, direct marketers can measure responses to their campaigns to decide which have been the most profitable. (However, see “Marketing Memo: Public and Ethical Issues in Direct Marketing.”)

Direct marketers can use a number of channels to reach individual prospects and customers: direct mail, catalog marketing, telemarketing, TV and other direct – response media, kiosk marketing, and e – marketing.

Third Building Block – Delivery Formats Of Rural communication

Having identified the tools and the media, banks need to deliver the message in the best possible manner. This is the key element of the rural marketing, advertising and promotional strategy. The following three delivery formats may come in quite handy in this regard.

Combine traditional folk media with modern media Examples of integrating folk media with modern media are the rural theatre forms. The ingenuity of the advertiser has to work at its best to incorporate the message in the format of these media. For instance, combination of traditional with modern media led to the filming of the Union bank puppet show, which demonstrated the story of how the bak assisted a family out of its financial trouble.

Advertising, they view it as something different from the total marketing mix. Advertising is however a marketing tool; it cannot be split from the other variables of product, price, distribution etc. of the marketing function.

LANDS' END

A direct merchant of traditionally styled, upscale clothing for the family, soft luggage, and products for the home, Lands' End sells its offerings through catalogs, on the internet, and in stores, after being acquired by Sears for $1.86 billion in 2002. The catalogs came out four times a year starting in 1964 and included detailed write – ups of products. Lands' End was an early adopted of the internet, launching its Web site in 1995. The U.S. site offers every Lands' End product and is the world's largest apparel Web site in sales volume. A leader in developing new ways to enhance shopping experiences, customers can create a 3 – D Virtual Model of themselves by providing critical measurements or a "personal wardrobe consultant" by answering questions about their clothing preferences. Weekly e – mails with quirky tales and discounts also drive sales. A story of how a customer wore his Lands' End mesh shirt to a preserve for orphaned chimpanzees in the Republic of Ghana led to an increase of 40 percent in sales of the shirt that week.[5]

Direct Mail

Direct – mail marketing involves sending an offer, announcement, reminder, or other item to person. Using highly selective mailing lists, direct marketers sent out millions of mail pieces each year – letters, flyers, foldouts, and other "salespeople with wings." Some direct marketers mail audiotapes, videotapes, CDs, and computer diskettes to prospects and customer.

Direct mail is a popular medium because it permits target market selectivity, can be per – sonalized, is flexible, and allows early testing and response measurement. Although the cost per thousand people reached is higher than with mass media, the people reached are much better prospects. Direct mail may be paper – based and handled by the U.S. Postal Service, telegraphic services, or for – profit mail carriers such as FedEx, DHL, or

Airborne Express. Alternatively, marketers may employ fax mail, e – mail, or voice mail to sell direct.

Direct – mail marketing has passed through a number of stages.

- **"Carpet bombing."** Direct mailers gather or buy as many names as possible and send out a mass mailing. Usually the response rate is very low.
- **Database marketing.** Direct marketers mine the database to identify prospects who whould have the most interest in an offer.
- **Interactive Marketing.** Direct marketers include a telephone number and Wed address, and offer to print coupons from the Web site. Recipients can contact the company with questions. The company uses the interaction as an opportunity to up – sell, cross – sell, and deepen the relationship.
- **Real – time personalized marketing.** Direct marketers know enough each customer to customize and personalize the offer and message.
- **Lifetime value marketing.** Direct marketers develop a plan for lifetime marketing to each valuable customer, based on knowledge of life events and transitions.

One company long recognized for its strong, beneficial focus on customers is Maine's L.L. Bean, Inc., which sells outdoor / casual clothing and equipment through mail order, online catalogs, and retail stores and factory outlets. The maximize customer satisfaction, the company has an unequivocal, 100 percent guarantee for all purchases. Founder L.L. Bean placed a notice on the wall of the Freeport store in 1916, which proclaimed, "I do not consider a sale complete until goods are worn out and customer still satisfied." Bean even once refunded the money on a pair of two – year – old shoes because the customer said the pair did not wear as well as expected![6]

In constructing an effective direct – mail campaign, direct marketers must decide on their objectives, target markets, and prospects: offer elements, means of testing the campaign, and measures of campaign success.

ANZ BANK

Australia's ANZ Bank's change Your Home to Suit Your Life" campaign was chosen winner of the 2003 Direct marketing Association award as top international direct and interactive marketing campaign. Direct – response agency M&C Saatchi used sophisticated data analysis to identify and tailor a campaign to raise interest in home loans. Database profiling was used to select customers from 16 distinct groups of targets. Direct mail then offered information specific to each target audience, reflecting the recipient's situation and specific needs. As a result of the campaign, ANZ received a record number of calls to its home buyers' line – an 83 percent year – on – year increase – a 3 percent rise in home loan applications, and a 47 percent increase in campaign recognition. The direct – mail campaign specifically resulted in 4,922 new accounts or mortgages with a conversion rate of 6 percent?

OBJECTIVES Most direct marketers aim to receive an order from prospects. A campaign's success is judged by the response rate. An order – response rate of 2 percent is normallyconsidered good, although this number varies with product category and price. Direct mail can achieve other communication objectives as well, such as producing prospect leads, strengthening customer relationships, informing and educating customers, reminding customers of offers, and reinforcing recent customer purchase decisions.

TARGET MARKETS AND PROSPECTS

Direct marketers need to identify the characteristics of prospects and customers who are most able, willing, and ready to buy. Most direct marketers apply the R – F – M formula (regency, frequency, monetary amount) for rating and selecting customers. For any proposed offering, the company selects customers according to how much time has passed since their last purchase, how many times has passed since their last purchase, how many times they have purchased, and how much they have spent since becoming a customer. Suppose the company is offering a leather jacket. It might make this offer to customers who made their last purchase between 30 and 60 days age, who make three to six purchases a year, and who have spent at least $ 100 since becoming customers. Points are established for varying R – F – M levels, and each customer is scored. The higher the score, the more attractive the customer. The mailing is sent only to the most attractive customers.[8]

Prospects can also be identified on the basis of such variables as age, sex, income, education, and previous mail – order purchases. Occasions provide a good departure point for segmentation. Now parents will be in the market for baby clothes and baby toys; college freshmen will buy computers and small television sets; newlyweds will be looking for housing, furniture, appliances, and bank loans. Another useful segmentation variable is consumer lifestyle of "passion" groups, such as computer buffs, cooking buffs, and outdoor buffs. For business markets, Dun & Bradstreet operates an information service that provides a wealth of data.

In B2B direct marketing, the prospect is often not an individual but a group of people of a committee that includes both decision makers and multiple decision influencers. See "Marketing Memo: When Your Committee" for tips on crafting a direct – mail campaign aimed at business buyers.

Once the target market is defined, the direct marketer needs to obtain specific names. The company's best prospects are customers who have bought its products in the past. Additional names can be obtained by advertising some free offer. The direct marketer can also buy lists of names from list brokers, but these lists often have problems, including name duplication, incomplete data, and obsolete addresses. The better lists include overlays of demographic and psychographic information. Direct marketers typically buy and test a sample before buying more names from the same list.

Nash sees the offer strategy as consisting of five elements – the product, the offer, the medium, the distribution method, and the creative strategy.[9] fortunately; all of these elements can be tested.

In addition to these elements, the direct – mail marketer has to decide on five components of the mailing itself: the outside envelope, sales letter, circular, replay form, and reply envelope. Here are some findings:

1. The outside envelope will be more effective if it contains an illustration, preferably in color, or a catchy reason to open the envelope, such as the announcement of a contest, premium, or benefit. Envelopes are more effective when they contain a colorful commemorative stamp, when the address is hand – typed or handwritten, and when the envelope differs in size or shape from standard envelopes.[10]

2. The sale letter should use a personal salutation and start with a headline in bold type. The letter should be printed on good – quality paper and be brief. A computer – typed letter usually outperforms a printed letter, and the presence of a pithy P.s. increases the response rate, as does the signature of someone whose title is important.

3. In most cases, a colorful circular accompanying the letter will increase the response rate by more than its cost.

4. Direct mailers should feature a toll –free number and also send recipients to their Web site. Coupons should be printed out at the Web site.

5. The inclusion of a postage free reply envelope will dramatically increase the response rate.

Direct mail should be followed up by an e – mail, which is less expensive and less intrusive than a telemarketing call.

One of the great advantages of direct marketing is the ability to test, under real marketplace conditions, different elements of an offer strategy, such as products, product features, copy plat for, mailer type, envelope, prices, or mailing lists.

Direct marketers must remember that response rates typically understate a campaign's long – term impact. Suppose only 2 percent of the recipients who receive a direct – mail piece advertising Samesonite luggage place an order. A much larger percentage became aware of the product (direct mail has high readership), and some percentage may have formed an intention to buy at a later date (either by mail or at a retail outlet). Furthermore, some of them may mention Samsonite luggage to others as a result of the direct – mail piece. To derive a more comprehensive estimate of the promotion's impact, some companies are measuring the impact of direct marketing on awareness, intention to buy, and word of mouth.

By adding up the planned campaign costs, the direct marketer can figure out in advance the needed break – even response rate. This rate must be net of returned merchandise and bad debts. Returned merchandise can kill an otherwise effective campaign. The direct marketer needs to analyze the main causes of returned merchandise (late shipment, defective merchandise, damage in transit, not as advertised, incorrect order fulfillment).

By carefully analyzing past campaigns, direct marketers can steadily improve performance. Even when a specific campaign fails to break even in the short run, it can still be profitable in the long run if customer lifetime is factored in (see chapter 5). A customer's ultimate value is not revealed by a purchase response to a particular mailing. Rather, it is the expected profit made on all future purchases net of customer acquisition and maintenance costs. For an average customer, one would calculate the average customer longevity, average customer annual exp0endituere, and average gross margin, minus the average cost of customer acquisition and maintenance (properly discounted for the opportunity cost of money).[11]

Public Relations.

As with public relations, measurement of events is difficult. There are two basis approaches to measuring the effects of sponsorship activities. The supply side method focuses on potential exposure to the brand by assessing the extent of media coverage: and the demand side method focuses on reported exposure from consumers. We examine each in turn.

Supply side methods attempt to approximate the amount of time or space devoted to media coverage of an event. For example, the number of seconds that the brand is clearly visible on a television screen or column inches of press clippings covering an event that mention the brand can be estimated. This measure of potential "impressions" is then translated into an equivalent "value" in advertising dollars according to the fees associated in actually advertising in the particular media vehicle. Some industry consultants have estimated that 30 seconds of TV logo exposure during a televised event can be worth 6 to 10 or as much as 25 percent of a 30 – second TV ad spot.

Although supply – sid exposure methods provide quantifiable measures, their validity can be questioned. The difficulty lies in the fact that equating media coverage with advertising exposure ignores the content of the respective communications consumers receive. The advertiser uses media space and time to communicate a strategically designed message. Media coverage and telecasts only expose the brand and don't necessarily embellish its meaning in any direct way. Although some public relations professionals maintain that positive editorial coverage can be worth five to ten times the advertising equivalency value, it is rare that sponsorship provides such favorable treatment.[78]

The "demand – side" method attempts to identify the effects sponsorship has on consumers' brand knowledge. Tracking or customized surveys can explore the ability of the event sponsorship to affect awareness, attitudes, or even sales. Event spectators can be identified and surveyed to measure sponsor recall of the event as well as resulting attitudes and intentions toward the sponsor.

Public Relations:

Not only must the company relate constructively to customers, suppliers, and dealers, it must also relate to a large number of interested publics. A public is any group that has an actual or potential interest in or impact on a company's ability to achieve its objectives. Public relations (PR) involve a variety of programs designed to promote or protect a company's image or its individual products.

The wise company takes concrete steps to manage successful relations with its key publics. Most companies have a public relations department that monitors the attitudes of the organizations' publics and distributes information and communications to build good – will. The best PR departments spend time counseling top management to adopt positing programs and to eliminate questionable practices so that negative publicity does not arise in the first place. They perform the following five functions.

1) **Press relations** – presenting news and information about the organization in the most positive light.
2) **Product Publicity** – Sponsoring efforts to publicize specific products.
3) **Corporate communications** – promoting understanding of the organization through internal and external communications.

4) **Lobbying** – Dealing with legislators and government official to promote or defeat legislation and regulation.
5) **Counseling** – Advising management about public issues and company positions and image during good times and bad.

Marketing Public Relations

Many companies are turning to marketing public relations (MPR) to support corporate or product promotion and image making. MPR, like financial PR and community PR, serves a special constituency, the marketing department. [79].

The old name for MPR was publicity. Which was seen as the task of securing editorial space – as opposed to paid space – in print and broadcast media to promote or "hype" a product, service, idea, place, person, or organization. MPR goes beyond simple publicity and plays an important role in the following tasks:

- **Assisting in the launch of new products.** The amazing commercial success of toys such as Teenage Mutant Ninja Turles, Mighty Morphin' Power Rangers. Beanie Babies, and Pokémon owes a great deal to clever publicity.
- **Assisting in repositioning a mature Product.** New yeark Cityhad extremely bad press in the 1970s until the "I Love New YorK" campaign.
- **Building interest in a Product category**. Companies and trade associations have used MPR to rebuild interest in declining commodities such as eggs, milk. Beef, and potatoes, and to expand consumption of such products at tea, pork, and orange juice.
- **Influencing specific target groups**. McDonald's sponsors special neighborhood events in Latino and African American communities to build goodwill.
- **Defending products that have encountered public Problems**. PR professional must be adept at managing crises. Such as the coca 0 cola incident in Belgium over allegedly contaminated soda, and Firestone's cisis with regard to the tire tread separation problem.
- **Building the corporate image in a way that reflects favorably on its products.** Bill Gates's speeches and books have helped to create an innovative image for Microsoft Corporation.

As the power of mass advertising weakens, marketing managers are turning to MPR to build awareness and brand knowledge for both new and established products. MPR is also effective in blanketing local communities and reaching specific groups. In several cases, MPR proved more cost –

effective than advertising. Nevertheless, it must be planned jointly with advertising.80 in addition, marketing managers need to acquire more skill in using MPR resources. Gillette is a trendsetter here: Each brand manager is required to have a budget line for MPR and to justify not using it. Done right, the impact can be substantial.

MEOW MIX CO.

Meow Mix is showing what it calls "Cattitude" by adding public relations to its media mix. After the company reprised its famous singing cats commercials from the 1970s, consumer research revealed that cat owners often leave the TV on for their pets. The company's advertising and PR agencies, working together, took off on the idea of creating a TV show for cats and their owners. Meow TV, featuring Cat Yoga and other fare for felines and owners, airs on the Oxygen Cable Network. The PR value of the show has been tremendous. Media interest in the TV show's production and the related talent search for cat lovers in major markets generated over 153 million impressions in local print and TV outlets – and all on a relatively modest budget of $400,00.[81].

Clearly, creative public relations can affect public awareness at a fraction of the cost of advertising. The company does not pay for the space of time obtained in the media. It pays only for a staff to develop and circulate the stories and manage certain events. If the company develops an interesting story, it could be picked up by the media and be worth millions of dollars in equivalent advertising. Some experts say that consumers are five times more likely to be influenced byeditiorial copy than by advertising. Here's an example of a powerful PR campaign.

CONAGRA

In its PR Week campaign of the Year in 2001. conAgra found a way to unite 80,000 employees and 80 independent operating companies through a PR – fueled cause campaign, "Feeding Children Better." Research suggested that 12 million children went to bed hungry on a regular basis. A three – pronged strategy was developed: getting food to needy children through 100 kids cafes; repairing breakdowns in food distribution; and raising national awareness about child hunger through a three – year public service campaign with the Ad Council (and encouraging the company's brands to develop their own hunger promotions).[82]

Major Decisions in Marketing PR

In considering when and how to use MPR, management must establish the marketing objectives, choose the PR messages and vehicles, implement the plan carefully, and evaluate the results. The main tools of MPR are described in Table 18.8. [83]

MPR can build awareness by placing stories in the media to bring attention to a product, service, person, organization, or idea. It can build credibility by communicating the message in an editorial context. It can help boost sales force and dealer enthusiasm with stories about a new product before it is launched. It can hold down promotion cost because MPR costs less then direct mail and media advertising.

Whereas PR practitioners reach their target publics though the mass media. MPR is increasingly borrowing the techniques and technology of direct – response marketing to reach target audience members one – on – one.

The MPR manager must identify or develop interesting stories about the product. Suppose a relatively unknown college wants more visibility. The MPR practitioner will search for stories. Do any faculty members have unusual backgrounds, or are any working on unusual projects? Are any new and unusual courses being taught? Are any interesting events taking place on campus? If there are no interesting stories, the MPR practitioner should propose newsworthy events the college could sponsor. Here the challenge is to create news. PR ideas include hosting major academic conventions, inviting expert or celebrity speakers, and developing news conferences. Each event is an opportunity to develop a multitude of stories directed at different audiences.

The best MPR practitioners are able to find or create stories even for mundane or out – of – fashion products. Here in a recent success story.

MPR's contribution to the bottom line is difficult to measure, because it is used along with other promotional tools. The three most commonly used measures of MPR effectiveness are number of exposures; awareness, comprehension, or attitude change; and contribution to sales and profits.

The easiest measure of MPR effectiveness is the number of exposures carried by the media. Publicists supply the client with a clippings book showing all the media that carried news about the product and a summary statement such as the following.

Media coverage included 3,500 column inches of news and photographs in 350 publications with a combined circulation of 79.4 million; 2,500 minutes of air time of 290 radio stations and an estimated audience of 65 million; and 660 minutes of air time on 160 television station with an estimated audience of 91 million. If this time and space had been purchased at advertising rates, it would have amounted to $ 1,047,000.85.

This measure is not very satisfying because it contains no indication of how many people actually read, heard, or recalled the message and what they thought afterward; nor does it contain information on the net audience reached, because publications overlap in readership. Because publicity's goal is reach, not frequency, it would be more useful to know the number of unduplicated exposures.

A better measure is the change in product awareness, comprehension, or attitude resulting from the MPR campaign (after allowing for the effect of other promotional tools). For example, how many people recall hearing the news item? How many told others about it (a measure of wood of mouth?) How many changed their minds after hearing it?.

Sales – and – profit impact is the most satisfactory measure. For example, 9 – Lives cat food sales increased 43 percent by the end of the Morris the Cat PR campaign. However, advertising and sales promotion had also been stepped up. Suppose total sales have increased by $1.5 million, and management estimates that MPR contributed 15 percent of the total increase. Then the return on MPR investment is calculated as follows.

Total sales increase	...	$1,500,000
Estimated sales increase due to PR (15 Percent)	…	225.000
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The – fast – food hamburger industry offers tasty but unhealthy food. The hamburgers have a high fat content, and the restaurants promote fries and pies, two products high in starch and fat. The products are wrapped in convenient packaging. Which leads to much waste. In satisfying consumer wants, these restaurants may be hurting consumer health and causing environmental problems.

Recognizing these criticisms. Companies like McDonald's have added healthier items to their menus (e.g. salads) and introduced environmental initiatives (e.g. replacing polystyrene foam sandwich clamshells with paper wraps and lightweight recycled boxes). Recently, McDonald's announced it largest environmental initiative to date. McDonald's Corp. which buys 2.5 billion pounds of poultry. Beet, and pork a year for its 30,000 restaurants worldwide, ordered its suppliers to eliminate the use of antibiotics that are also given to humans, specifically when those drugs are used to make chickens, pigs and. Less often, cattle, grow faster, 'We saw lots of evidence that showed the declining rate of effectiveness of antibiotics in human medicine. "said Bob Langert. McDonald's senior director of social responsibility. "We started to look at what we could do." 31

Situations like this one call for a new term that enlarges the marketing concept. Among those suggested are "humanistic marketing" and "ecological marketing." We propose calling it the "societal marketing concept." **The societal marketing concept holds that the** organization's task is to determine the needs, wants and interests of target markets and to deliver the desired satisfactions more effectively and efficiently than competitors in a way that preserves or enhances the consumer's and the society's well – being.

The societal marketing concept calls upon marketers to build social and ethical considerations into their marketing practices. They must balance and juggle the often conflicting criteria of company profits, consumer want satisfaction, and public interest. Table 1.2 displays some different type of corporate social initiatives, as illustrated with McDonald's.

Yet a number of companies – including the Body Shop. Ben & Jerry's, and Patagonia – have achieved notable sales and profit gains by adopting and practicing a form of the societal

Direct Mail

Direct – mail marketing involves sending an offer, announcement, reminder, or other item to person. Using highly selective mailing lists, direct marketers sent out millions of mail pieces each year – letters, flyers, foldouts, and other "salespeople with wings." Some direct marketers mail audiotapes, videotapes, CDs, and computer diskettes to prospects and customer.

Direct mail is a popular medium because it permits target market selectivity, can be per – sonalized, is flexible, and allows early testing and response measurement. Although the cost per thousand people reached is higher than with mass media, the people reached are much better prospects. Direct mail may be paper – based and handled by the U.S. Postal Service, telegraphic services, or for – profit mail carriers such as FedEx, DHL, or Airborne Express. Alternatively, marketers may employ fax mail, e – mail, or voice mail to sell direct.

Direct – mail marketing has passed through a number of stages.

- **"Carpet bombing."** Direct mailers gather or buy as many names as possible and send out a mass mailing. Usually the response rate is very low.
- **Database marketing.** Direct marketers mine the database to identify prospects who whould have the most interest in an offer.

- **Interactive Marketing.** Direct marketers include a telephone number and Wed address, and offer to print coupons from the Web site. Recipients can contact the company with questions. The company uses the interaction as an opportunity to up – sell, cross – sell, and deepen the relationship.
- **Real – time personalized marketing.** Direct marketers know enough each customer to customize and personalize the offer and message.
- **Lifetime value marketing.** Direct marketers develop a plan for lifetime marketing to each valuable customer, based on knowledge of life events and transitions.

One company long recognized for its strong, beneficial focus on customers is Maine's L.L. Bean, Inc., which sells outdoor / casual clothing and equipment through mail order, online catalogs, and retail stores and factory outlets. The maximize customer satisfaction, the company has an unequivocal, 100 percent guarantee for all purchases. Founder L.L. Bean placed a notice on the wall of the Freeport store in 1916, which proclaimed, "I do not consider a sale complete until goods are worn out and customer still satisfied." Bean even once refunded the money on a pair of two – year – old shoes because the customer said the pair did not wear as well as expected![6]

In constructing an effective direct – mail campaign, direct marketers must decide on their objectives, target markets, and prospects: offer elements, means of testing the campaign, and measures of campaign success.

ANZ BANK

Australia's ANZ Bank's change Your Home to Suit Your Life" campaign was chosen winner of the 2003 Direct marketing Association award as top international direct and interactive marketing campaign. Direct – response agency M&C Saatchi used sophisticated data analysis to identify and tailor a campaign to raise interest in home loans. Database profiling was used to select customers from 16 distinct groups of targets. Direct mail then offered information specific to each target audience, reflecting the recipient's situation and specific needs. As a result of the campaign, ANZ received a record number of calls to its home buyers' line – an 83 percent year – on – year increase – a 3 percent rise in home loan applications, and a 47 percent increase in campaign recognition. The direct – mail campaign specifically resulted in 4,922 new accounts or mortgages with a conversion rate of 6 percent?

OBJECTIVES Most direct marketers aim to receive an order from prospects. A campaign's success is judged by the response rate. An order – response rate of 2 percent is normallyconsidered good, although this number varies with product category and price. Direct mail can achieve other communication objectives as well, such as producing prospect leads, strengthening customer relationships, informing and educating customers, reminding customers of offers, and reinforcing recent customer purchase decisions.

TARGET MARKETS AND PROSPECTS

Direct marketers need to identify the characteristics of prospects and customers who are most able, willing, and ready to buy. Most direct marketers apply the R – F – M formula (regency, frequency, monetary amount) for rating and selecting customers. For any proposed offering, the company selects customers according to how much time has passed since their last purchase, how many times has passed since their last purchase, how many times they have purchased, and how much they have spent since becoming a customer. Suppose the company is offering a leather jacket. It might make this offer to customers who made their last purchase between 30 and 60 days age, who make three to six purchases a year, and who have spent at least $ 100 since becoming customers. Points are established for varying R – F – M levels, and each customer is scored. The higher the score, the more attractive the customer. The mailing is sent only to the most attractive customers.[8]

Prospects can also be identified on the basis of such variables as age, sex, income, education, and previous mail – order purchases. Occasions provide a good departure point for segmentation. Now parents will be in the market for baby clothes and baby toys; college freshmen will buy computers and small television sets; newlyweds will be looking for housing, furniture, appliances, and bank loans. Another useful segmentation variable is consumer lifestyle of "passion" groups, such as computer buffs, cooking buffs, and outdoor buffs. For business markets, Dun & Bradstreet operates an information service that provides a wealth of data.

In B2B direct marketing, the prospect is often not an individual but a group of people of a committee that includes both decision makers and multiple decision influencers. See "Marketing Memo: When Your Committee" for tips on crafting a direct – mail campaign aimed at business buyers.

Once the target market is defined, the direct marketer needs to obtain specific names. The company's best prospects are customers who have bought its products in the past. Additional names can be obtained by advertising some free offer. The direct marketer can also buy lists of names from list brokers, but these lists often have problems, including name duplication, incomplete data, and obsolete addresses. The better lists include overlays of demographic and psychographic information. Direct marketers typically buy and test a sample before buying more names from the same list.

Nash sees the offer strategy as consisting of five elements – the product, the offer, the medium, the distribution method, and the creative strategy.[9] fortunately; all of these elements can be tested.

In addition to these elements, the direct – mail marketer has to decide on five components of the mailing itself: the outside envelope, sales letter, circular, replay form, and reply envelope. Here are some findings:

1. The outside envelope will be more effective if it contains an illustration, preferably in color, or a catchy reason to open the envelope, such as the announcement of a contest, premium, or benefit. Envelopes are more effective when they contain a colorful commemorative stamp, when the address is hand – typed or handwritten, and when the envelope differs in size or shape from standard envelopes.[10]
2. The sale letter should use a personal salutation and start with a headline in bold type. The letter should be printed on good – quality paper and be brief. A computer – typed letter usually outperforms a printed letter, and the presence of a pithy P.s. increases the response rate, as does the signature of someone whose title is important.
3. In most cases, a colorful circular accompanying the letter will increase the response rate by more than its cost.
4. Direct mailers should feature a toll –free number and also send recipients to their Web site. Coupons should be printed out at the Web site.
5. The inclusion of a postage free reply envelope will dramatically increase the response rate.

Direct mail should be followed up by an e – mail, which is less expensive and less intrusive than a telemarketing call.

One of the great advantages of direct marketing is the ability to test, under real marketplace conditions, different elements of an offer strategy, such as products, product features, copy plat for, mailer type, envelope, prices, or mailing lists.

Direct marketers must remember that response rates typically understate a campaign's long – term impact. Suppose only 2 percent of the recipients who receive a direct – mail piece advertising Samesonite luggage place an order. A much larger percentage became aware of the product (direct mail has high readership), and some percentage may have formed an intention to buy at a later date (either by mail or at a retail outlet). Furthermore, some of them may mention Samsonite luggage to others as a result of the direct – mail piece. To derive a more comprehensive estimate of the promotion's impact, some companies are measuring the impact of direct marketing on awareness, intention to buy, and word of mouth.

By adding up the planned campaign costs, the direct marketer can figure out in advance the needed break – even response rate. This rate must be net of returned merchandise and bad debts. Returned merchandise can kill an otherwise effective campaign. The direct marketer needs to analyze the main causes of returned merchandise (late shipment, defective merchandise, damage in transit, not as advertised, incorrect order fulfillment).

By carefully analyzing past campaigns, direct marketers can steadily improve performance. Even when a specific campaign fails to break even in the short run, it can still be profitable in the long run if customer lifetime is factored in (see chapter 5). A customer's ultimate value is not revealed by a purchase response to a particular mailing. Rather, it is the expected profit made on all future purchases net of customer acquisition and maintenance costs. For an average customer, one would calculate the average customer longevity, average customer annual exp0endituere, and average gross margin, minus the average cost of customer acquisition and maintenance (properly discounted for the opportunity cost of money).[11]

Public Relations.

As with public relations, measurement of events is difficult. There are two basis approaches to measuring the effects of sponsorship activities. The supply side method focuses on potential exposure to the brand by assessing the extent of media coverage: and the demand side method focuses on reported exposure from consumers. We examine each in turn.

Supply side methods attempt to approximate the amount of time or space devoted to media coverage of an event. For example, the number of seconds that the brand is clearly visible on a television screen or column inches of press clippings covering an event that mention the brand can be estimated. This measure of potential "impressions" is then translated into an equivalent "value" in advertising dollars according to the fees associated in actually advertising in the particular media vehicle. Some industry consultants have estimated that 30 seconds of TV logo exposure during a televised event can be worth 6 to 10 or as much as 25 percent of a 30 – second TV ad spot.

Although supply – sid exposure methods provide quantifiable measures, their validity can be questioned. The difficulty lies in the fact that equating media coverage with advertising exposure ignores the content of the respective communications consumers receive. The advertiser uses media space and time to communicate a strategically designed message. Media coverage and telecasts only expose the brand and don't necessarily embellish its meaning in any direct way. Although some public relations professionals maintain that positive editorial coverage can be worth five to ten times the advertising equivalency value, it is rare that sponsorship provides such favorable treatment.[78]

The “demand – side” method attempts to identify the effects sponsorship has on consumers’ brand knowledge. Tracking or customized surveys can explore the ability of the event sponsorship to affect awareness, attitudes, or even sales. Event spectators can be identified and surveyed to measure sponsor recall of the event as well as resulting attitudes and intentions toward the sponsor.

Public Relations:

Not only must the company relate constructively to customers, suppliers, and dealers, it must also relate to a large number of interested publics. A public is any group that has an actual or potential interest in or impact on a company’s ability to achieve its objectives. Public relations (PR) involve a variety of programs designed to promote or protect a company’s image or its individual products.

The wise company takes concrete steps to manage successful relations with its key publics. Most companies have a public relations department that monitors the attitudes of the organizations’ publics and distributes information and communications to build good – will. The best PR departments spend time counseling top management to adopt positing programs and to eliminate questionable practices so that negative publicity does not arise in the first place. They perform the following five functions.

a. **Press relations** – presenting news and information about the organization in the most positive light.
b. **Product Publicity** – Sponsoring efforts to publicize specific products.
c. **Corporate communications** – promoting understanding of the organization through internal and external communications.
d. **Lobbying** – Dealing with legislators and government official to promote or defeat legislation and regulation.
e. **Counseling** – Advising management about public issues and company positions and image during good times and bad.

Marketing Public Relations

Many companies are turning to marketing public relations (MPR) to support corporate or product promotion and image making. MPR, like financial PR and community PR, serves a special constituency, the marketing department. [79].

The old name for MPR was publicity. Which was seen as the task of securing editorial space – as opposed to paid space – in print and broadcast media to promote or "hype" a product, service, idea, place, person, or organization. MPR goes beyond simple publicity and plays an important role in the following tasks:

- **Assisting in the launch of new products.** The amazing commercial success of toys such as Teenage Mutant Ninja Turles, Mighty Morphin' Power Rangers. Beanie Babies, and Pokémon owes a great deal to clever publicity.
- **Assisting in repositioning a mature Product.** New yeark Cityhad extremely bad press in the 1970s until the "I Love New YorK" campaign.
- **Building interest in a Product category**. Companies and trade associations have used MPR to rebuild interest in declining commodities such as eggs, milk. Beef, and potatoes, and to expand consumption of such products at tea, pork, and orange juice.
- **Influencing specific target groups**. McDonald's sponsors special neighborhood events in Latino and African American communities to build goodwill.
- **Defending products that have encountered public Problems**. PR professional must be adept at managing crises. Such as the coca 0 cola incident in Belgium over allegedly contaminated soda, and Firestone's cisis with regard to the tire tread separation problem.
- **Building the corporate image in a way that reflects favorably on its products.** Bill Gates's speeches and books have helped to create an innovative image for Microsoft Corporation.

As the power of mass advertising weakens, marketing managers are turning to MPR to build awareness and brand knowledge for both new and established products. MPR is also effective in blanketing local communities and reaching specific groups. In several cases, MPR proved more cost – effective than advertising. Nevertheless, it must be planned jointly with advertising.80 in addition, marketing managers need to acquire more skill in using MPR resources. Gillette is a trendsetter here: Each brand manager is required to have a budget line for MPR and to justify not using it. Done right, the impact can be substantial.

MEOW MIX CO.

Meow Mix is showing what it calls "Cattitude" by adding public relations to its media mix. After the company reprised its famous singing cats commercials from the 1970s, consumer research revealed that cat owners often leave the TV on for their pets. The company's advertising and PR agencies, working together, took off on the idea of creating a TV show for cats and their owners. Meow TV, featuring Cat Yoga and other fare for felines and owners, airs on the Oxygen Cable Network. The PR value of the show has been tremendous. Media interest in the TV show's production and the related talent search for cat lovers in major markets generated over 153 million impressions in local print and TV outlets – and all on a relatively modest budget of $400,00.[81].

Clearly, creative public relations can affect public awareness at a fraction of the cost of advertising. The company does not pay for the space of time obtained in the media. It pays only for a staff to develop and circulate the stories and manage certain events. If the company develops an interesting story, it could be picked up by the media and be worth millions of dollars in equivalent advertising. Some experts say that consumers are five times more likely to be influenced byeditiorial copy than by advertising. Here's an example of a powerful PR campaign.

CONAGRA

In its PR Week campaign of the Year in 2001. conAgra found a way to unite 80,000 employees and 80 independent operating companies through a PR – fueled cause campaign, "Feeding Children Better." Research suggested that 12 million children went to bed hungry on a regular basis. A three – pronged strategy was developed: getting food to needy children through 100 kids cafes; repairing breakdowns in food distribution; and raising national awareness about child hunger through a three – year public service campaign with the Ad Council (and encouraging the company's brands to develop their own hunger promotions).[82]

Major Decisions in Marketing PR

In considering when and how to use MPR, management must establish the marketing objectives, choose the PR messages and vehicles, implement the plan carefully, and evaluate the results. The main tools of MPR are described in Table 18.8. [83]

MPR can build awareness by placing stories in the media to bring attention to a product, service, person, organization, or idea. It can build credibility by communicating the message in an editorial context. It can help boost sales force and dealer enthusiasm with stories about a new product before it is launched. It can hold down promotion cost because MPR costs less then direct mail and media advertising.

Whereas PR practitioners reach their target publics though the mass media. MPR is increasingly borrowing the techniques and technology of direct – response marketing to reach target audience members one – on – one.

The MPR manager must identify or develop interesting stories about the product. Suppose a relatively unknown college wants more visibility. The MPR practitioner will search for stories. Do any faculty members have unusual backgrounds, or are any working on unusual projects? Are any new and unusual courses being taught? Are any interesting events taking place on campus? If there are no interesting stories, the MPR practitioner should propose newsworthy events the college could sponsor. Here the challenge is to create news. PR ideas include hosting major academic conventions, inviting expert or celebrity speakers, and developing news conferences. Each event is an opportunity to develop a multitude of stories directed at different audiences.

The best MPR practitioners are able to find or create stories even for mundane or out – of – fashion products. Here in a recent success story.

MPR's contribution to the bottom line is difficult to measure, because it is used along with other promotional tools. The three most commonly used measures of MPR effectiveness are number of exposures; awareness, comprehension, or attitude change; and contribution to sales and profits.

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Yet a number of companies – including the Body Shop. Ben & Jerry's, and Patagonia – have achieved notable sales and profit gains by adopting and practicing a form of the societal marketing concept called cause – related marketing. Pringle and Thompson define this as.

Societal Banking – An Approach:

This approach has been originated recently. The marketing process is regarded as a means by which society meets its own consumption needs. This system gives no importance as to how the business meets the consumer's needs.

1) Societal and marketing concept – Organization task is to determining needs , wants and interest of the target markets and to deliver the desired satisfaction more efficiently then competitors in a way that preserves or enhances the consumers and the societies well being.

   societal forces that affect all of the factors in the company's micro environment.

   - The Demographic
   - Economic
   - Physical
   - Technological
   - Political
   - Legal and
   - Socio-cultural force.

Societal and marketing concept – Organization task is to determining needs, wants and interest of the target markets and to deliver the desired satisfaction more efficiently then competitors in a way that preserves or enhances the consumers and the societies well being.

Societal Marketing Concept: Focus on other stakeholders, as well as the business and its customers. Need to balance 3 items

- Company profits
- Customer wants
- Society's interests

The difference between short term consumer wants and long term consumer welfare. An example of a company adopting the Societal concept: Starkist...Dolphin Safe Tuna Actually more expensive than regular tuna, but is more appealing due to society's concerns.

<u>Handout...Hooters Tries to Do Good Work..</u>

An example of the societal marketing concept...although the ethics of accepting monies from Hooters may be questioned (i.e. exploitation of women??)
For another example of Societal Marketing Concept...Visit the Body Shop and pick up some of their leaflets.

According to Turban et al. (2002), “Customer service is a series of activities designed to enhance the level of customer satisfaction – that is, the feeling that a product or service has met the customer expectations

Its importance varies by product, industry and customer. In many cases, customer service is more important if the purchase relates to a ‘service’ as opposed to a ‘product’. Customer service is normally an integral part of a company’s customer value proposition.

CUSTOMERS, MEETS AND CUSTOMER SERVICE

CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

- ✶ No matter what its orientation, marketing management’s crucial task is to create profitable relationships with customers. Until recently, *customer relationship management (CRM)* has been defined narrowly as a customer database management activity. By this definition, it involves managing detailed information about individual customers and carefully managing customer “touchpoints” in order to maximize customer loyalty. We will discuss this narrower CRM activity in a later chapter dealing with marketing information.
- ✶ More recently, however, customer relationship management has taken on a broader meaning. In this broader sense, <u>customer relationship management</u> is the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction. Thus, today’s companies are going beyond designing strategies to *attract* new customers and create *transactions* with them. They are using customer relationship management to *retain* current customers and build profitable, long-term *relationships* with them. The

new view is that marketing is the science and art of finding, retaining, *and* growing profitable customers.

- ✶ Why the new emphasis on retaining and growing customers? In the past, many companies took their customers for granted. Facing an expanding economy and rapidly growing markets, companies could practice a “leaky bucket” approach to marketing. Growing markets meant a plentiful supply of new customers. Companies could keep filling the marketing bucket with new customers without worrying about losing old customers through holes in the bottom of the bucket.
- ✶ However, companies today face some new marketing realities. Changing demographics, more-sophisticated competitors, and overcapacity in many industries—all of these factors mean that there are fewer customers to go around. Many companies are now fighting for shares of flat or fading markets. Thus, the costs of attracting new consumers are rising. In fact, on average, it costs 5 to 10 times as much to attract a new customer as it does to keep a current customer satisfied. Sears found that it costs 12 times more to attract a customer than to keep an existing one.

ATTRACTING, RETAINING, AND GROWING CUSTOMERS

- The key to building lasting customer relationships is to create superior customer value and satisfaction. Satisfied customers are more likely to be loyal customers, and loyal customers are more likely to give the company a larger share of their business. We now look more closely at the concepts of customer value and satisfaction, loyalty and retention, and share of customer.

Relationship Building Blocks: Customer Value and Satisfaction

- Attracting and retaining customers can be a difficult task. Customers often face a bewildering array of products and services from which to choose. To attract and keep customers, a company must constantly seek ways to deliver superior customer value and satisfaction.

CUSTOMER VALUE. A customer buys from the firm that offers the highest customer perceived value—the customer’s evaluation of the difference between all the benefits and all the costs of a marketing offer relative to those of competing offers. For example, FedEx customers gain a number of benefits. The most obvious is fast and reliable package delivery. However, by using FedEx, customers also may receive some status and image values. Using FedEx usually makes both the package sender and the receiver feel more important. When deciding whether to send a package via FedEx, customers will weigh these and other perceived values against the money, effort, and psychic costs of using the service. Moreover, they will compare the value of using FedEx against the value of using other shippers—UPS, Airborne, the U.S. Postal Service. They will select the service that gives them the greatest perceived value.

- Customers often do not judge product values and costs accurately or objectively. They act on *perceived* value. For example, does FedEx really provide faster, more reliable delivery? If so, is this better service worth the higher prices FedEx charges? The U.S. Postal Service argues that its express service is comparable, and its prices are much lower. However, judging by market share, most consumers perceive otherwise. Each day, they entrust FedEx with 50 percent more next-day air packages than they give to nearest competitor UPS. The Postal Service's challenge is to change these customer value perceptions.[16]

CUSTOMER SATISFACTION. Customer satisfaction depends on the product's perceived performance relative to a buyer's expectations. If the product's performance falls short of expectations, the customer is dissatisfied. If performance matches expectations, the customer is satisfied. If performance exceeds expectations, the customer is highly satisfied or delighted. Outstanding marketing companies go out of their way to keep their customers satisfied. Satisfied customers make repeat purchases and tell others about their good experiences with the product. The key is to match customer expectations with company performance. Smart companies aim to *delight* customers by promising only what they can deliver, then delivering *more* than they promise.[17] The American Customer Satisfaction Index, which tracks customer satisfaction in more than two dozen U.S. manufacturing and service industries, shows that overall customer satisfaction has been declining slightly in recent years.[18] It is unclear whether this has resulted from a decrease in product and service quality or from an increase in customer expectations. In either case, it presents an opportunity for companies that can consistently deliver superior customer value and satisfaction.

- However, although the customer-centered firm seeks to deliver high customer satisfaction relative to competitors, it does not attempt to *maximize* customer satisfaction. A company can always increase customer satisfaction by lowering its price or increasing its services. But this may result in lower profits. Thus, the purpose of marketing is to generate customer value profitably. This requires a very delicate balance: The marketer must continue to generate more customer value and satisfaction but not "give away the house."

Customer Loyalty and Retention

- Highly satisfied customers produce several benefits for the company. Satisfied customers are less price sensitive. They talk favorably to others about the company and its products and remain loyal for a longer period. However, the relationship between customer satisfaction and loyalty varies greatly across industries and competitive situations.

- Figure 1.5 shows the relationship between customer satisfaction and loyalty in five different markets.[19] In all cases, as satisfaction increases, so does loyalty. Highly competitive markets, such as those for automobiles and personal computers, show surprisingly little difference between the loyalty of less satisfied customers and those who are somewhat satisfied. However, they show a tremendous difference between the loyalty of satisfied customers and *completely* satisfied customers.

- Even a slight drop from complete satisfaction can create an enormous drop in loyalty. For example, one study showed that completely satisfied customers are nearly 42 percent more likely to be loyal than merely satisfied customers. Another study, by AT&T, showed that 70 percent of customers who say they are satisfied with a product or service are still willing to switch to a competitor; customers who are *highly* satisfied are much more loyal. Xerox found that its totally satisfied customers are six times more likely to repurchase Xerox products than are its satisfied customers.[20]

- This means that companies must aim high if they want to hold on to their customers. Customer *delight* creates an emotional relationship with a product or service, not just a rational preference. This, in turn, creates high customer loyalty. Hanging on to customers is “so basic, it’s scary,” claims one marketing executive. “We find out what our customers’ needs and wants are, and then we overdeliver.”[21]

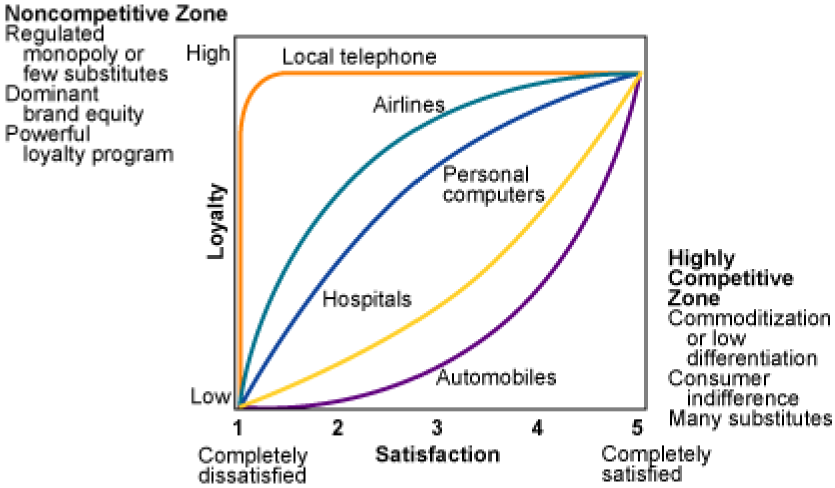


FIGURE 1.5 The relationship between customer satisfaction and customer loyalty

Growing "Share of Customer"

Beyond simply retaining good customers, marketers want to constantly increase their *share of customer*—the share they get of the customer's purchasing in their product categories. They may do this by becoming the sole supplier of products the customer is currently buying. Or they may persuade the customer to purchase additional company products. Thus, banks want a greater "share of wallet." Supermarkets want to increase their "share of stomach." Car companies want a greater "share of garage" and airlines want a greater "share of travel."

One of the best ways to increase share of customer is through cross-selling. Cross-selling means getting more business from current customers of one product by selling them additional offerings. For example, the merger between Citibank and Travelers helped both units of the Citibank Group to cross-sell the company's services.[22] A new Travelers Financial Edge program let independent Travelers agents introduce Citibank products to their insurance clients, such as credit cards and student loans. Similarly, a new Citibank Partners program let Citibank representatives offer more financial services to their customers, such as insurance from Travelers and mutual funds from Salomon Smith Barney (another Citibank Group unit). To support cross-selling of a broader range of services, Citibank's personal bankers became "client financial analysts." Its branches were renamed

"Citibank Financial Centers." As a result, Citibank Group obtained a larger share of each customer's financial services dollars.

BUILDING CUSTOMER RELATIONSHIPS AND CUSTOMER EQUITY

- We can now see the importance of not just finding customers, but of keeping and growing them as well. Customer relationship management is oriented toward the long term. Today's smart companies not only want to create customers, they want to "own" them for life, capture their customer lifetime value, and build overall customer equity.

Customer Equity

- The aim of customer relationship management is to produce high customer equity.[23] Customer equity is the total combined customer lifetime values of all of the company's customers. Clearly, the more loyal the firm's customers, the higher the firm's customer equity. Customer equity may be a better measure of a firm's performance than current sales or market share. Whereas sales and market share reflect the past, customer equity suggests the future. Consider Cadillac:

- In the 1970s and 1980s, Cadillac had some of the most loyal customers in the industry. To an entire generation of car buyers, the name "Cadillac" defined American luxury. Cadillac's share of the luxury car market reached a whopping 51 percent in 1976. Based on market share and sales, the brand's future looked rosy. However, measures of customer equity would have painted a bleaker picture. Cadillac customers were getting older (average age 60) and average customer lifetime value was falling. Many Cadillac buyers were on their last car. Thus, although Cadillac's market share was good, its customer equity was not. Compare this with BMW. Its more youthful and vigorous image didn't win BMW the early market share war. However, it did win BMW younger customers with higher customer lifetime values. The result: Cadillac now captures only about a 15 percent market share, lower than BMW's. And BMW's customer equity remains much higher—it has more customers with a higher average customer lifetime value. Thus, market share is not the answer. We should care not just about current sales but also about future sales. Customer lifetime value and customer equity are the name of the game.[24]

Customer Relationship Levels and Tools

- Companies can build customer relationships at many levels, depending on the nature of the target market. At one extreme, a company with many low-margin customers may seek to develop *basic relationships* with them. For example, Procter & Gamble does not phone all of its Tide customers to get to know them personally. Instead, P&G creates relationships through brand-building advertising, sales promotions, a 1-800 customer response number, and its Tide FabricCare Network Web site (www.Tide.com).

At the other extreme, in markets with few customers and high margins, sellers want to create *full partnerships* with key customers. For example, P&G customer teams work closely with Wal-Mart, Safeway, and other large retailers. And Boeing partners with American Airlines, Delta, and other airlines in designing its airplanes that fully satisfy their requirements. In between these two extreme situations, other levels of customer relationships are appropriate.

Today, most leading companies are developing customer loyalty and retention programs. Beyond offering consistently high value and satisfaction, marketers can use specific marketing tools to develop stronger bonds with consumers.[25] First, a company might build value and satisfaction by adding *financial benefits* to the customer relationship. For example, many companies now offer *frequency marketing programs* that reward customers who buy frequently or in large amounts. Airlines offer frequent-flier programs, hotels give room upgrades to their frequent guests, and supermarkets give patronage discounts.

A second approach is to add *social benefits* as well as financial benefits. For example, many companies sponsor *club marketing programs* that offer members special discounts and create member communities. For example:[26]

Swiss watchmaker, Swatch, uses its club to cater to collectors, who on average buy nine of the company's quirky watches every year. "Swatch: The Club" members get additional chances to buy limited-edition Swatch specials. They also receive the *Swatch World Journal,* a magazine filled with Swatch-centric news from the four corners of the globe. And the club's Web site is the ultimate meeting place for Swatch enthusiasts. Swatch counts on enthusiastic word of mouth from club members as a boost to business. "Our members are like walking billboards," says the manager of Swatch's club, Trish O'Callaghan. "They love, live, and breathe our product. They are ambassadors for Swatch."

Harley-Davidson sponsors the Harley Owners Group (H.O.G.), which gives Harley riders "an organized way to share their passion and show their pride." H.O.G. membership benefits include two magazines (*Hog Tales* and *Enthusiast*), a *H.O.G. Touring Handbook*, a roadside assistance program, a specially designed insurance program, theft reward service, a travel center, and a "Fly & Ride" program enabling members to rent Harleys while on vacation. The company also maintains an extensive H.O.G. Web site, which offers information on H.O.G. chapters, rallies, events, and benefits. The worldwide club now numbers more than 1,300 local chapters and 700,000 members.

- A third approach to building customer relationships is to add *structural ties* as well as financial and social benefits. For example, a business marketer might supply customers with special equipment or computer linkages that help them manage their orders, payroll, or inventory. McKesson Corporation, a leading pharmaceutical wholesaler, has invested millions of dollars to set up direct computer links with drug manufacturers and an online system to help small pharmacies manage their inventories, their order entry, and their shelf space. FedEx offers Web links to its customers to keep them from defecting to competitors such as UPS. Customers can use the Web site to arrange shipments and track the status of their FedEx packages anywhere in the world.
- Customer relationship management means that marketers must focus on managing their customers as well as their products. At the same time, they don't want relationships with every customers. In fact, there are undesirable customers for every company. Ultimately, marketing involves attracting, keeping, and growing *profitable* customers.

Customer Service

Rules for good customer service

Good customer service

Building customer loyalty

Increasing sales

Beating competition

Good customer service is the lifeblood of any business. You can offer promotions and slash prices to bring in as many new customers as you want, but unless you can get some of those customers to come back, your business won't be profitable for long

All you have to do is ensure that your business consistently does these things:

1. Answer your phone

Get call forwarding or an answering service. Hire staff if you need to. But make sure that someone is picking up the phone when someone calls your business.

2. Don’t make promises unless you will keep them

Not plan to keep them. Will keep them. Reliability is one of the keys to any good relationship, and good customer service is no exception.

3. Listen to your customers

Is there anything more than telling someone that what you want or what your problem is and then discovering that person hasn’t been paying attention and needs to have it explained again?

4. Deal with complaints

No one like hearing complaints, and many of us have developed a reflex shrug, saying, ‘you can’t please all the people all the time’.

5. Train your staff to be always helpful, courteous and knowledgeable

Do it yourself or hire someone to train them. Talk to them about good customer service and what it is regularly.

6. Take a extra step

For instance, if some one walks into your store and asks you to help them find something, don’t just say “its in Aisle 3”, lead the customer to the item.

- Repeat customers spend 33 % more than new customers
- Referrals among repeat customers are 107% greater than new customers
- It costs 6 % more to sell something to a prospect than to sell that same thing to a customer

ADVERTISING

Introduction:

The objective of all business is to make profits and a merchandising concern can do that by increasing its sales at remunerative prices. This is possible, if the product is widely publicized to the audience—the final consumers, channel members and industrial users—and through convincing arguments it is persuaded to buy it. Publicity makes a thing or an idea known to people.

It is a general term indicating efforts at mass appeal. As we have seen in an earlier chapter, publicity has been defined as: “the non-personal stimulation of demand for a product, service or business unit by planting commercially significant news about it in a published medium or obtaining favourable presentation of it upon radio, television, or stage that is not paid for by the sponsor.”

Define advertising and give short note on Basic elements of Advertising.

Meaning: What is advertising?

The word advertising is derived from the Latin word, viz., “advertero” “ad” meaning towards and “verto” meaning “I turn.” Literally it means “to turn people’s attention to a specific thing.”

Simply stated “advertising is the art” says Green, “Advertising is a general term for any and all forms of publicity, from the cry of the street boy selling newspapers to the most elaborate attention attracting device. The object always is to bring to public notice some article or service; to create a demand to stimulate buying; and in general to bring together the man with something to sell and the man who has means or desire to buy.

Definition:

American Marketing Association has defined advertising as: “any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor. The medium used are print, broadcast, and direct.

Advertising is “any paid form of non-personal presentation of ideas, goods or services by an identified sponsor.”

Advertising is a “non-personal paid message of commercial significance about a product, service or company made to a market by an identified sponsor.”

Elements of advertising / Basic Features of Advertising

On the basis of various definitions, referred to above, it may be stated that advertising possesses certain basic features, such as:

(1) It is a mass **non-personal communication**, reaching large groups of buyers. It is not delivered by an actual person, nor is it addressed to a specified person. The communication is speedy, permitting an advertiser to speak to the millions of buyers in a very short time.

(2) It is a **matter of record**. Giving information for the benefit of buyers. It guides them to a more satisfactory expenditure of their hard earned money. The contents of an advertisement are what the advertiser wants.

(3) It persuades **buyers to purchase the goods advertised**, which means that advertising devoid of persuasion is ineffective. To persuade the buyers the advertiser makes his products buyer-satisfying.

(4) It is a **mass paid communication**, the ultimate purpose of which is to impart information, develop attitudes and induce action beneficial to the advertiser (i.e. the sale of a product or service).

(5) **The communication media is diverse** such as print (newspapers and magazines), broadcast (radio and television), and direct (mail, bill boards, motion pictures).

(6) It is also called **printed salesmanship**, because information is spread by means of the written and printed words and pictures so that people may be induced to act upon it.

Q. Briefly give Difference between Advertisement and Salesmanship.

Difference between Advertisement and Salesmanship:

Advertising is different from salesmanship.

(i) Advertising is a much more effective, widespread and less costly way of establishing contact than salesmanship

(ii) It attempts to persuade people to purchase goods through impersonal media.

(iii) It can spread broadcast as a dragnet whereas salesmanship has to be reserved for specially remunerative territory.

(iv) An advertisement can be suddenly varied, if necessary, but this is not possible with salesmanship.

Advertising is mass selling and in the words of an authority "is in reality the machine or bulk method of selling". The advertising message is addressed to a large portion of the public while in personal selling contact is made with an individual prospect.

Personal selling is 'personal' and has the characteristics of being adaptable to meet the needs existing at the time sales promotion is most desired. It enables the seller to speak the language of his potential customer and to answer questions or meet objections if there are any advanced by the prospective buyer.

Advertising is impersonal and must, of necessity, speak only to the average and not the individual customer.

Write short note on types of Advertising.

Types of Advertising:

Broadly speaking, advertising may be classified into two categories, viz., product and institutional advertising.

1. Product Advertising:

The main purpose of such advertising is to inform and stimulate the market about the advertiser's products or services, and to sell these. This type of advertising usually promotes specific, branded products in such a manner as to make the brands seem more desirable.

It is used by businesses, government organisations, and private non-business organisations to promote the uses, features, images and benefits of their services and products. Product advertising is subdivided into direct action and indirect action advertising.

Direct action product advertising urges the buyer to take action at once i.e., he seeks a quick response to the advertisement, which may be to order the product by mail, or mailing a coupon; or he may promptly purchase in a retail store in store in response to price reduction during clearance sale. Much direct action advertising is aimed at current needs of which buyers are aware.

Indirect-action advertising hopes to stimulate demand over a long period of time, increasing the buyers' respect for the manufacturers' brand. Brand acceptance and approval are built up against a future purchase. Such types of advertising are a form or long-range promotion, often designed to help create wants in the buyers' mind.

Most advertising is in direct action. The idea is to create a favourable attitude toward the manufacturer's product so that when the consumer ultimately is in the market for that product he would presumably purchase the advertiser's product.

2. Institutional Advertising:

It is designed to create a proper attitude toward the seller and to build company's image or goodwill, rather than to sell specific product or service. Its purpose is to crate a frame of mind and to implant feeling favourable to the advertiser's company. Its assignment is to make friends for the institution or organisation.

It is sub-divided into three categories:

i) In a patronage, public relations and public service institutional advertising the manufacturer tells his prospects and customers about himself, his policies and his personnel. He appeals to the patronage motivation of buyers.

If successful; he convinces buyers that this operation entitles him to the money spent by them.

(ii) Public relations institutional advertising is used to create a favourable image of the firm among employees, stockholders or the general public.

(iii) Public service institutional advertising urges public support.

3. Other Types: Advertising may also be classed as national general or local. When it is sponsored by manufacturers it is known as national, and when it is placed by retailers it is local.

Advertising may be consumer advertising, when it is aimed at ultimate consumers who purchase for personal use; or industrial advertising, where an industrial user is urged.

Q. Briefly explain advantages and disadvantages of Advertising.

Advantages / Benefits of Advertising:

The functions of advertisement, and for that purpose its ethics, may be discussed below:

(1) It leads to cheaper prices. "No advertiser could live in the highly competitive arena of modern business if his methods of selling were more costly than those of his rivals".

(2) It acquaints the public with the features of the goods and advantages which buyers will enjoy.

(3) It increases demand for commodities and this results in increased production.

(4) Advertising (a) creates and stimulates demand, opens and expands the markets;

(b) creates goodwill, which leads to an increase in sales volume;

(c) Reduces marketing costs, particularly product selling costs,

(d) Satisfies consumer demands by placing in the market what he needs.

The purposes of advertising may include "conveyance of information (accurate, garbled or false) and persuasion of logic, or cajolery, or by touching such emotional triggers as pride, envy, affection, or shame. This persuasion may seek either to change existing tastes and habits in ways advantageous to the advertiser or to create new tastes and habits for his benefit.

(5) It reduces distribution expenses in as much as it plays the part of thousands of salesmen at a time. Information on a mass scale relieves the necessity of expenditure on sales promotion staff and quicker wider distribution leads to diminishing of the distribution costs.

(6) It ensures the consumers better quality of goods. A good name is the breath of life to an advertiser. Since he relies to a very great extent on repeat orders for his success…., it is of vital importance to him to maintain his reputation and that of the goods sold in his name by every possible means.

(7) By paving the way for large-scale production and increased industrialization, advertising contributes its quota to the profit of the companies, the prosperity of the shareholders, the uplifts of the wage-earners and the solution of the unemployment problem.

(8) It raises the standard of living of the general public by impelling it to use the articles of modern types which may add to his material well-being.

(9) It establishes the goodwill of the concern for the best articles produced by it and in course of time they sell like hot cakes. Consumers search for satisfaction of their needs when they purchase goods.

Disadvantages of Advertising

Disadvantages / Criticism Advertising:

(1) **Exaggeration of the facts.** The product is often placed before the public with a considerable degree of superlatives, e.g., 'the greatest this,' the greatest that or the 'finest this' and the finest that.

Exaggeration runs riot mostly in medical, health and cosmetic preparations. Such exaggerated advertising tantamount to "swindling". This type of pseudo scientific advertisement is often used by unscrupulous individuals through:

(i) Misrepresentation of facts,

(ii) Undue emphasis,

(iii) Misleading names and brands, and

(iv) Testimonials of persons like cinema stars or sportsmen or social workers whose words are quoted on the advertisements, even though such persons may not have opportunity of even using the thing advertised.

(2) Advertising results in creating, within each industry, a number of reputation or brand monopolies which prevent free competition in price and quality.

(3) It is regarded as a waste in the sense that with changes in fashions and styles half used or old articles are often discarded.

(4) It causes people to want things they cannot afford or do not need or should not have i.e., the advertisers are hidden persuaders who sneak into the consumer's mind and secretly manipulate him to do advertiser's will.

(5) Advertising contains outraging sentiments, exciting emotions, nude's poses of fair sex and all these are given undue value. Some of them are full of sex appeal and cupidity; others are vulgar, silly and stupid in that they appeal to shame, fear and envy, and some are offensive to public decency.

(6) Advertising works to produce a society composed of greedy self-centered individuals who worship materialism.

(7) Advertising stresses insignificant product details, minor product differences and unimportant product changes.

(8) Too much advertising by far promotes ordinary products, inferior products, and even worthless products.

(9) Advertising is an economic waste, and it contributes little or nothing to economic growth.

ADVERTISEMENT COPY

THE COPY

Q. What is Advertisement copy?

"Copy" is a very wide term which "**refers to the reading matter that forms the text of the advertisement, whether the text consists of only one word or of many thousand words.**" In other words, it may be defined as all the written or spoken material in it, including the main body, headlines, subheads, and all other printed elements such as **pictures, captions, slogans, brand names, trade marks, prices, logotypes, advertisers' name or signature."** Thus a copy is the reading matter, the words, sentences, paragraphs, subheads and headlines and figures in an advertisement.

A copy is the core of the advertisement. Its main purpose is to influence the attitude and actions of buyers so that it results in more purchases by them and in grater sales volumes for the advertiser.

Majority of the retail advertisements are intended to cause direct reaction like that of making enquiries about the product advertised, examining the product in the shops/stores, or asking for the quotations, price or samples, premiums and contents, entry blanks, filling coupons or placing orders through mail.

Other advertisements may have indirect actions i.e., they try to cause a psychological response by establishing favourable attitudes and associations in the minds of buyers who are neutral, hostile, ignorant or misinformed.

Elements of Advertisement Copy:

The principal elements which a good copy of advertisement for the press should bear are:

1. **Attention value:**

The first and foremost merit of a copy is its attention value because if it fails to attract attention, it is useless even though it may possess all other virtues. The copy must be so well prepared that it may attract the notice of even involuntary readers. Window dressing with colored light is commonly practiced.

2. **Suggestive value:**

The copy should suggest to the reader the usefulness of the article advertised. Every word of the advertisement must be telling. The advertiser acts as a hypnotist forcing his will on the readers. Sometimes he even commands his readers to do a particular thing. Use of slogans, pictures memorized.

3. **Memorizing value:**

the prospecting buyers are to be convinced about the accuracy and truth of the statements made in the advertisements. They should believe that the article advertised is the right than flowery language.

4. **Conviction value:**

Sentiments play a very important role in advertising. Particularly in the case of food articles. Some persons have certain prejudices of the duty of the advertiser to respect the susceptibilities and prejudices of his customers. The advertiser should show regard for local habits and customer, like and dislikes.

5. **Value from the point of view of an appeal to sentiment:**

Pyle says "Advertising on the highest plane is not a mere badgering of consumers and a stirring of nascent desires. It takes on the nature of enlightenment concerning value and use. The advertisement must possess educative value.

6. **Value from the standpoint of answering the demands of and creating habits:**

the advertisement should create a lasting impression upon the reader's mind. Use of slogans may have a good memorizing value. To refresh the memory of readers, advertisements are constantly repeated either in the same or different medial at frequent intervals.

7. **Value from the standpoint of an appeal to human instinct:**

Human actions are guided by instincts and inclinations. A successful advertiser must appeal to the right instinct at proper occasions. Probably the self preservation instinct is one of the strongest instincts in the animal kingdom, including the human race. The advertiser appeals to this instinct very forcibly/

Meaning and its qualities different kinds of Media:

What is Media?

Advertising medium is a means through which advertisers communicate their message to likely customers to influence them with a view to know and decide about the product or service advertised.

According to Brennan. “The term media embraces each and every; method that the advertiser has at his command to carry his message to the public.” Advertising media may be defined as “the physical means whereby a manufacturer of goods or utilities or a purveyor of services tells the consumer about his product or services.”

Classification of Media

All media may; be classified into two categories, viz**., direct publicity and indirect publicity**. Direct publicity aims at reaching directly the know, indirect advertising is also known as controlled advertising for it controls persons to whom the message is to be send and it also controls the manner in which it is to be sent. This is generally done through direct mail advertising.

On the other hand, when advertising is brought to notice of trade or public at large, through a well chosen media, it is indirect publicity. Posters, films, radio etc. may be used for it. In such publicity the advertiser is not sure as top that reads or hears his message and when.

PRINCIPAL ADVERTISING MEDIA AND ADVANTAGES AND DISADVANTAGES

1. Press or Print Media:

Newspapers (morning or evening edition) Sunday newspapers: magazines—consumer magazines (Reader’s Digest, Life. Imprint, Link); Women’s magazines (Femina, Screen, Women’s Era, Star and Styles Film fare); Business magazines (Industry, Productivity); Trade and Industrial magazines (Textile World, Steel News); Professional magazines (Science and Culture, Industrial India, Commerce, Agricultural Situation in India); and Annuals.

2. Direct Mail:

Mail order selling consists of mailing cards, letters, circulars and leaflets, folders, booklets, catalogues, house organs, broadsides, gifts, samples and dealer aids.

3. Outdoor Media:

Posters, painted displays, electrical signs, bill boards, car cards, bus posters, station posters, sandwich men or boards, sky advertising, field signs.

4. Other Media:

Screen slides, films, radio, television, exhibitions, demonstrations.

PUBLICITY AND ITS CHARACTERISTICS

Publicity and its characteristics:

For many firms advertising is the dominant element at the promotional mix-particulary for those manufactures who produce convenience goods such as detergents, non-prescription durgs; cosmetics soft drinks and grocery products, advertising is also used extensively by makers of automobiles, home appliance etc., to introduce new product and new features and new product features its uses and attributes it availability etc.,

Publicity can also help to convince potential buyers that a firm product or service is superior to competitor's product in make in quality in price etc., it can create brand image and reduce he likelihood of brand switching even when competitors lower their prices or offer some attractive incentives.

Characteristics:

1. When consumers awareness of products or services is at a minimum.
2. When sales are increasing for all terms in an industry.
3. When a product is new and incorporates technological advance not immediately apparent.
4. When the need for product differentiation is strong.
5. When primary buying motives exists.

The publicity of the devising the following points should be considered.

(i) look,

(ii) like,

(iii) learn, and

(iv) buy.

AIDA:

The product or service advertised. Therefore a scientifically drafted copy should:

(i) Attract primary initial attention;

(ii) Hold attention is an interesting way, awake and stimulate interest;

(iii) Bring about an association of impression which will have permanency or memory value;

(iv) Convince, persuade or induce the reader; and

(v) Suggest and lead to specific response to encourage the decision to act and determination to buy. A well-known formula that may be remembered for this is **"A.I.D.A." –i.e., Attention, Interest, Desire, and Action.**

Good Promotional Mix - Objectives

Promotional Mix = Advertisement + Sales Promotion + Personal Selling + Publicity

- According to Adriyan Payne, the marketing mix concept is a well established tool used as a structure by marketers. It consists of the various elements of a marketing programme which need to be considered in order to successfully implement the marketing strategy and positioning in the company's markets.
- Traditionally, most marketer have considered four basic components or elements of a market mix
  - Product
  - Price
  - Promotion and
  - Place

TRADITIONAL MIX

However, within services marketing, of explained many authors, it is useful to explained this list to include other key ingredients. A consideration of each element of the marketing mix and how they fit together forms the basis of marketing programme.

There has been number of opinions regarding what should be included within the frame work the marketing mix for services. A number of authors have added to the list of the four basic components of the 4P's product, price, promotion and physical distribution. For expanding the traditional marketing mix of the four elements, there is an expired mix of seven elements in including product, price, promotion, place, people, processes and customer services. Some authors have included physical evidences as an additional 'P'.

The activities services marketing mix are different and often do not fall in the conventional marketing mix classification, given the services characteristics and activities in services firms, a seven P's frame work for services has been proposed the additional prescribed Ps in the frame work refer to activities that are essential to meet the challenges provider customer interaction and customer involvement in service consumption and product. The market mix as follows.

A) Product: Service core,
Levels,
Additional services,
Branding

B) Price: Price,

Discounts
Terms of payment

C) Place: Location
Channels of distribution
Leverage

D) Promotion: advertising
Promotions,
Publicity

E) People: Customer Provider Relationship
Training
Culture
Skills
Attitudes

F) Physical evidence: Ambience
Appearance
Equipment,
Machines
Buildings
Physical facilities

G) Process: Activity Sequence,
Quality Management,
Customer Participation,
Delivery Process.

PRICE MIX - THE POTENTIAL PRODUCT:

Pricing the services or pricing mix;

Price also gives a perception of quality pricing decisions are generally taken by adding a percentage mark up on cost. Service firms, at least within deregulated markets, need to use pricing more strategically to help gain competitive adult age.

Pricing decisions will affect the channel members including suppliers, sales people, distributors, and customers. Pricing affects buyers perceptions of service, after insurance, a hotel chain servicing the tourist package holiday market will after cheap prices and its customers will have a to lower expectation of service quality than for a premium price hotel.

Pricing for services will communicate to customers the quality of service that they are likely to receive. For example a restaurant that places in menu in its window for prospective customers to view is giving customers information about what they can expect in terms of quality of foods and services levels as well as cost.

Product	**Price**	**Promotion**	**Place**
▪ Physical goods features ▪ Quality level ▪ Accessories ▪ Packaging ▪ Warranties ▪ Product lines ▪ Branding	▪ Flexibility ▪ Price levels ▪ Terms ▪ Differentiation ▪ Discounts ▪ Allowances	▪ Promotion blend ▪ **Sales people** o Number o Selection o Training o Incentives ▪ **Advertising** o Target o Media types o Types of ads o Copy thrust ▪ Sales promotion ▪ Publicity	▪ Channel type ▪ Exposure ▪ Intermediaries ▪ Outlet locations ▪ Transportations ▪ Storage ▪ Managing channels

Expanded Mix for Services

People	**Physical Evidence**	**Process**
Employees ➢ Recruiting ➢ Training ➢ Motivation ➢ Rewards ➢ Teamwork **Customers** ➢ Education ➢ Training	Facility Design Equipment Signage Employee dress **Other tangibles** • Business cards • Stationary • Billing statements • Reports • Employee dress • Uniforms • Brochures • Internet and web pages	**Flow of activities** ➢ Standardized ➢ Customized **Number of Steps** ➢ Simple ➢ Complex **Customer Involvement**

NEED FOR EXPANDED MARKETING MIX

PROCESS OF SERVICES MIXES:

This process created and delivered to the customer is a major factor within the services marketing mix. The customer perceives the service delivery system as part of the product itself. The to changing of operations management are of great importance to the success of the marketing of the services. There is a continues co-ordination between marketing and operations.

Any activities process:

Process involve the procedures, tasks, schedules, mechanisms, activities and routines by which a product or service is delivered to the customer. They also involve policy decisions about customer involvement and employee description. The process management is a pre requisite of service quality important. Banks provide a good service through the introduction of automatic teller machines (ATM's). They make free the staff to handle more complex customer need by diversify cash only customer to the ATM.

Customer Service Mix:

A major influencing factor for services companies is the quality of customer service. Customers vary in requirements and are increasingly demanding higher standards of service. To day most of the services companies have improved customer service in order to compete the competitive service environment these includes the following.

A) The customer's expectations are always changing

B) The importance of customer's service is growing

C) The relationship strategy has to be improved

Product Mix:

According to Harsh V. Verma, the term product generally censures up the vision of a car, a pen, a racquet (Noise or Fraud) or any thing that is tangible. It is very rarely that one thinks of 'product in a service firm, for service business is an inward looking, activity based classification.

"A product is any thing that can be offered to a market for alteration, acquisition, use or consumption that might satisfy on wants objectives, services, persons, places, organizational and ideas". Product has and determined has an implicit reference to a market (customer) and a need. An automobile for example, for a manufacture is a product that he offers to the forget market to meet the need to transportation. The physical character of goods is useful in convincing the market to meet the need to transportation. The physical character of goods is useful in convincing the market that the said product is capable of satisfying a need (which also can be demonstrated) and is superior to competition.

A service product, refers to an activity or activities that a marketer offers to perform, which results in satisfaction of a need or want of predetermined target of a firm in the firm in the form of activities that satisfy needs such as surgery performed by a surgeon or hair styling done by a barber.

A product generally, has four levels viz.

- Genetic
- Expected
- Augmented and
- Potential
- **Genetic Product:** it refers to the rudimentary substantive thing. It is the product at its basic level.
- **Expected:** it refers to the customer's minimum set of expectations from a product or a service
- **Augmented Product:** it refers to offering (product benefit or services) in addition to what the customer expects.
- **Potential:** it refers to doing every thing potential feasible to hold and attract the customer.

The above concepts of different product levels are illustrated with reference to a restaurant and a bank

Generally, many organizations stagnate around the generic product level. For example public sector banks, airlines, restaurants, retailers and hotels. At this level of product delivery, the customer is not satisfied enough to be a hard core loyalist. However, when competitor who products to operate at a higher product level will be able to into the service company market share. While average companies however around generic level, successful ones enhance the customers satisfaction by adding pleasant surprises into their service packages. When a product exceeds the expected benefits it comes as a pleasant surprise to customer leading to his loyalty.

Product mix/ product / service outcome

- The product component of the marketing is the outcome of service. It consists of two components **– technical & functional.**
- Technical outcome: is the end result of the service or "what of service". E.g. for Airlines, it is the arrival at the destination for which the ticket was purchased.

- <u>Functional outcome</u>: it is the process of receiving the service or "how of the service". It is the way the customer or client was treated by the firm's staff. E.g. it is the way the ticket agent, the flight attendant and other airline personnel communicated with the passenger.

Potential product:

- ❖ Beyond the usual pleasant surprise
- ❖ Restaurant: welcome follower's manager's word of thanks readiness to go out of the way to service.
- ❖ Bank
- ❖ Occasional greetings at home, the how are you Mr. X - culture, surprise gifts, readiness to go out of the way to satisfy the individual customer.

Product level	Essence of product	Restaurant	Bank
Generic product	The basic benefit	Serving place food kitchen staff	Banking space, loan able funds
Expected product	The expected benefit	Cleanliness timely service, polite and courteous behaviour, menu availability music.	Correct transaction recording, timely service, designated banking, hours, and minimum courtesy.
Augmented product	In addition to the expected benefit.	Sparkling foods, ambience, courtesy, welcome note, music of choice.	Congenial (Friendly) waiting, room, friendly, may I help you attitudes relationship orientation, quicker service, than the norms admissions of faults in the event of mistake.

PRICING:

Pricing the services or pricing mix;

Price also gives a perception of quality pricing decisions are generally taken by adding a percentage mark up on cost. Service firms, at least within deregulated markets, need to use pricing more strategically to help gain competitive adult age.

Pricing decisions will affect the channel members including suppliers, sales people, distributors, and customers. Pricing affects buyers perceptions of service, after insurance, a hotel chain servicing the tourist package holiday market will after cheap prices and its customers will have a to lower expectation of service quality than for a premium price hotel.

Pricing for services will communicate to customers the quality of service that they are likely to receive. For example a restaurant that places in menu in its window for prospective customers to view is giving customers information about what they can expect in terms of quality of foods and services levels as well as cost.

Sometimes, special (prices) pricing taken to services for immediately of delivery and the importance of availability. Hence, the price for services may involve premium pricing at maximum demand times and discounted customers when demand is low. This approach has been a adopted by services within the package holiday market, railways and airlines, entertainment and leisure services, media advertising and many utilities.

Branding allows a premium servicing strategy to be adopted. SBI credit card has successfully segmented the credit card market and has created new service forms for these segments. SBI cards are offered to professionals like doctors, auditors, and business people. The pricing decision must always be based on the over all marketing strategy. The discretionary pricing i.e., charging of different prices in the different markets may also need to be considered. The pricing decisions to be considered. The pricing decisions depends on the types of customer to whom the service is sold value is to determined by price but by the offer relative to its total acquisition, and the price of alternative services which are competing with it.

PRICING OBJECTIVES:

- Survival objectives
- Profit maximization objective
- Sales maximization objective
- Prestige objective

- Return on investment (ROI) objective. The service pricing decisions also involve the considerations of the following factors.
- Service
- Company's goals
- The extent of competition
- Life cycle of the services
- Elasticity of demand
- Cost structures
- Shared resources
- The economic conditions
- Service capacity

Pricing methods:

- Cost plus pricing
- Rate of return pricing
- Competitive parity pricing
- Loss leading pricing
- Value- base pricing
- Relationship pricing

PLACE MIX SERVICE CHANNELS OR DISTRIBUTION OF SERVICES

The location and channels decisions involve considering how delivering to service to the customer and where this should take place. Generally services cannot be stored and will be produced and consumed at the some point. Place also has importance delivered and how it is delivered are part of the perceived value and the benefits of the service.

Location:

Location refers to a place, a firm makes about where its operations and staff are situated. The importance of location for a service depends upon the interactions.

a) The customer goes to the service provider.
b) The service provider goes to the customer
c) The service & provider and customer transact business at arm's length.
d) In case, the customer has to go to the service provider site location becomes very important. For example, a restaurant, location may be one of the main reasons for patronage. In the type of interaction, service

provides seeking growth can consider offering their services at more than one location.

Channel options for services companies:

1) Direct sales, eg. Accounting and management consulting services.
2) Agent or broker, eg. Insurance broker, estate agent and travel agent.
3) Sellers and buyers agents or brokers eg: stock brokers and affinity groups.
4) Franchises and contracted services and dry cleaning.

PROMOTIONAL MIX AND DISTRIBUTIONAL SERVICES:

The promotion mix helps to communicate the positioning of the service to customers. Promotion adds tangibility and helps the customer make a better evaluation of the service offer. The promotions mix includes the following elements.

1. advertising
2. personal selling
3. sales promotion
4. public relations
5. word of month
6. direct mix

The promotion mix for services includes decisions on such issues as whether to advertise, use personal selling or generate publicity through greater public awareness. A promotion and communication mix has the following tasks.

A) Identifying the target audience
B) Deciding the promotion objectives
C) Developing the message
D) Selecting the communications mix;

Advertising:

It is impersonal communication used by services firms, to build awareness of the service, to add to the customer's knowledge of the service, to help persuade the customer to buy, and to differentiate the service from other service offerings. Advertising helps to deliver the desired positioning for the service. Since the core product is intangible it is difficult to promote. Therefore, service marketers frequently choose tangible elements within the product. Surround for promotion thus airlines promote the quality of their cuisine, the width and pitch of their seats and the quality of their in-flight service.

The media selection involves the following four main factors:

A) characteristics of the medium

B) atmosher of tea medium

C) coverage of the medium

D) comparative cost

The advertising is a most important requirement for effective advertising some the more communication advertising goals are as follows.

A) exposure

B) awareness and attitudes

C) resultant desired behaviour

Personal selling – Service mix:

Personal ling is undertaken in a member of service business which involving the following.

A) Personal relationship (interaction) between the service provider and the customer.

B) The service being provided by a person (the human approach) most a machine.

C) People becoming customer is our boss of the service product.

Personal selling provides many advantages over other communication mix elements are as follows;

A) it establishes personal contact

B) it enhances the relationship between the seller and or service provider and the customer

C) it provides opportunity for cross selling.

SALES PROMOTION – SERVICE MIX:

A company can offer incentives to encourages sales patronage awards schemes such as green stamps and British airways, air miles and latitudes (autonomy) programmes sometimes, the company provides broachers, in formation sheets and other materials to customers.

Sales promotion tools meet the audience:

A) Customers – free offers, coupons, samples, cash refunds, demonstrations, prizes, contests and warrantees.

B) Dealers – free goods, discounts, advertising allowances, co-operative advertising, distribution contests, and awards.

C) Sales force – bonus, awards, contests and prizes for best performer.

Sales promotion is very popular in the fast moving consumer goods market. To day, many service firms, including financial services, as sales promotion. In retail banking and bankers offers tailor – made incentives to virtually all of their target markets courtesy of their sales promotion agencies students opening accounts receive free banking and personal organizers, while younger / teenagers receive similar give always plus magazine offering added interest and prizes.

For a successful promotion programme, the following points are to be kept in mind.

A) The firm has to determine the objectives of sales promotion and how they will support other communications and marketing elements.

B) The firm has to decide the balance of promotions activity between customers, inter me-diaries and sales force.

C) The firm has to decide the sales promotion tools to be used.

D) The firm has to determine the following;

   a. the amount of the incentive
   b. the conditions for involvement
   c. the length of the promotion
   d. the distribution method of promotion
   e. the promotion time table
   f. the sales promotion time table and budget
   g. the pre testing of sales promotion programme
   h. the launching of sales promotion programme
   i. the valuation of sales promotion of programme

PEOPLE IN SERVICES OR MANAGEMENT OF PEOPLE:

The successful marketing of a service depends upon the selection and training, motivation and management of people some companies faired as consequences of the ineffective or effective management of people. For British Airways during 1980's met with declining profits due to greater customer complaints, employees dissatisfaction and increased competition. To rectify the situation, the British airways launched a series programs to refocus or the people within the organization. It have involved the around through the developing of increased awareness of the critical importance of the customer employees were trained to develop new attitudes to wards customer.

The success of this new direction for the airline bought increased profits matched by greater customer and satisfaction. The profits gained by British airways during 1990's in the midst of a major recession, highlights the effectiveness of their strategy.

There fore, the firm has to recognize the importance of attracting, motivating, training and retraining quality employees by developing jobs to satisfy individual needs. Internal marketing aims to encourage effective behaviour by staff which will attract customer to the firm.

PEOPLE IN SERVICE VARIOUS ROLES PLAYED BY PEOPLE:

1. Involved with conventional marketing mix
2. Not directly involved with marketing mix
3. Frequently or periodic customer content
4. Infrequent or no customer contact

PROCESS AND PHYSICAL EVIDENCES OF SERVICES MIXES:

MEANING AND CONCEPT:

This process created and delivered to the customer is a major factor within the services marketing mix. The customer perceives the service delivery system as part of the product itself. The to changing of operations management are of great importance to the success of the marketing of the services. There is a continuous co-ordination between marketing and operations.

Any activities process:

Process involve the procedures, tasks, schedules, mechanisms, activities and routines by which a product or service is delivered to the customer. They also involve policy decisions about customer involvement and employee description. The process management is a pre requisite of service quality important. Banks provide a good service through the introduction of automatic teller machines (ATM's). They make free the staff to handle more complex customer need by diversify cash only customer to the ATM.

PHYSICAL EVIDENCES:

It means the service firms physical environment where the service is created and where the service provider and customer meet together. In this place, the tangible elements are used to communicate or support the role of the service. In services marketing's the marketer has compensate for the intangibility dimension by providing physical clues to support the positioning and image and enhance the product.

PHYSICAL EVIDENCES OF SERVICES:

There are two types of physical environment namely:

1) Essential and
2) Peripheral

A) Essential physical evidence:

It denotes the main decision made by the service provider about the design and layout of a building, the airline, the ambience of a reception room at a doctor's surgery. These can be used to add significantly to the product surround.

B) Peripheral physical evidence:

For example, a railway ticket has no independent value in itself, but represents a right to experience the service. Peripheral evidence means the tangibility to the value of the service-provided to the customer segment to which it is directed. For example, the British airways has improved its services like, fast clearance of customs and immigration for malities, fresh beverages food, choice of a vegetarian meal sleep over neck cushion for each seat, speedier car option to be provided at every destination at a subsidized price. These services were based on market research on what customers expected from an airlines business class.

SERVICES MARKETING APPLICATION

MEANING AND CONCEPT:

"The Concept " Services refer to social effort which include even govt. to fight give go giant evils eg, want, Disease, ignorance, squalor and illness in the society".

A service is an intangible product involving a deed, performance, or an effort that cannot be physically possessed. Dominant component is intangible.

"Services can also be defined as human effort which provides succor to the needy. It may be food to a hungry person, water to a thirsty person, medical services to a ailing thirsty person and education to a student, loan to a former, transport to a consumer, communication aid to two persons who want to share thought, pleasure or pain".

"Services can also be defined an action (s) of organization (s) that maintains and improves the well-being and functioning of people".

CHARACTERISTICS OF FINANCIAL SERVICES:

There are main four important characteristics which distinguish services from physical products and impact on marketing programmes namely

2. Intangibility
3. Inseparability
4. Heterogeneity or variability and
5. Perishability

6. High Involvement And Long Time Purchases
7. Brand Loyalty

1. Intangibility:

The goods of tangible nature can be displayed; the prospects or buyers can have a view that can even test and make a trail before making buying decisions. The selling processes are thus found easier. We are aware of the fact that services are of intangible nature and it is intangibility complicates the task of decision makers while motivating the find it difficult to find perform and display and the positive or negative opinions regarding the services come up only after the completion of the suing process. The customer can't touch the services, they albeit can't small them.

Intangibility –

- A Current A/c
- Savings A/c
- Mortgage A/c
- Pass book
- regular bank statements gold credits cards and insurance policies eg: Gold cards

The examples intangible in terms of bank and financial institutions, which can be felt not seen.

2. Perishability:

When a cheque needs to be cleared by a certain date and the system causes a delay, and then the benefits to he consumer are lost so the service could be perishable. Generally, money and financial services are enduring in nature

The goods if not sold today can be stored preserved for further selling. Thus the risk element is here in a different form. But in the context of services, if we fail to sell the services, it is lost only not for today but even for the future. If a labours to work if a seat in the aircraft remains unsold, if a bedroom in a hotel remains un booked, if a chair in.

3. Inseparability;

Inseparability: eg: ATM's

The banking services are inseparable and all facilities are common for all the customers like ATMs, customers from Rs.100 to infinite amount can access all the facilities in ATM center like card, infra A/c banking statements.

This focuses on the fact that the services are not of separable nature. Generally the services are created and supplied simultaneously. Like dancers, musicians, dentists and other professionals create and offer services at the same time. In the other words, the service providers are the same. Donald cowell says goods are produced, sold and then consumed where as the services and sold and then produced and consumed.

4. Heterogeneity:

Heterogeneity and variability:

The quality and complexity of the service transaction can differ to large extent institutions and even within one institution. The computerization provides greater degrees of standardization.

The quality of services cannot be standardized. The price charged may be too high or too low. In the case of entertainment and sports, we find the same thing. The dame of services cannot be sold to the entire customer even if any pay the same price.

5. Ownership:

The goods sold are transferred from one place to another place the ownership is also transferred and this provides to and resells. In case of services, we don't find the same thing. The users have just an access to the service. As for example a consumer can use personal cave services or Medicare services or can use a hotel room or swimming pool, however the ownership rests with the provides.

6. Simultaneity:

Services can't be delivered to customers or users. Services don't move through the channel of distribution. For availing the services, it is essential that the users are brought to the providers or the providers go to the users. If is right to say that the services have limited geographical areas.

7. Quality measurement:

we can't measure it in terms of serve level. It is very difficult to rate or quantity the total purchase. As for example, we can quantity the food served in a hotel but the way a waiter or a carrier services it or overall environment or behavior of the others staff can't be ignored while rating the total process.

8. Nature of Demand:

Generally the services are found or fluctuating nature. Particularly the services are found or fluctuating nature. Particularly during the peak season, we find an abnormal increase in the demand. As of example the mobility of passenger is found increased, especially during the marriage season on during the important festival the tourists prefer to go to the tourist spots or resorts especially during summer when we find the weather condition suitable.

NOTES

UNIT – V

BANK MARKETING PERSONNEL

REASONS FOR MARKETING PERSONNEL (HUMAN RESOURCE) PLANNING

All banks perform human resource planning, either formally or informally. The major reasons for employment planning are:

- More effective and efficient use of human resources:

Human resources planning should precedes all other HRM activities. Careful analysis of all HRM activities shows that their effectiveness and efficiency, which result in increased productivity, depend on human resource planning.

- More satisfied and better developed employees:

Employees who work for organizations that use good human resource planning systems have a better chance to participate in planning their own careers and to share in training and development experiences. Thus they are likely to feel their talents are important to the employer, and they have a better chance to utilize those talents;

- More effective equal employment opportunity planning:

The govt. has increased its demands for equal employment opportunities.In sum, effective human resource planning ensures that HRM activities and programme will be built on a foundation of good planning. Proper planning should cut down on the number of surprises that occur involving human resource availability, placement and orientation.

The HR Planning Process

HR Planning involves four distinct phases or stages:

- Situation analysis or environmental scanning;
- Forecasting human resource records;
- Human resource supply analysis;
- Action plan development.

Situation analysis and Environmental scanning:

The first stage in HR Planning is where the HRM function and strategic planning initially interact. The strategic plan must adapt to environmental circumstances, and the HRM function is one of the primary mechanisms that an organization can use during the adaptation process. For e.g. rapid changes in the technological environment can force an organization to quickly identify and hire employees with new skills that previously weren't needed by the organization.

Without an effective HR plan to support the recruitment and selection functions in the organization, it will be impossible to move fast enough to stay competitive. Thus, organizations are becoming more dependent on an ability to gather relevant information about their environment and to react to this information.

Forecasting future demand for employees:

The next phase of an effective HR Planning process is estimating not only how many but what kinds of employees will be needed in the future. Forecasting yields these advanced estimates or calculations of the organization's staffing requirement. Although there are many quantitative tools to help with forecasting, it is a process that involves a great deal of human judgment. In addition, many successful HR planners also rely heavily on their "gut instincts" about future conditions. For e.g., planners at Unilever attribute much of their global successes to such instincts.

Analysis of the supply of current Employees:

The third phase of HR Planning id designed to answer the question "How many and what kind of employees do I currently have in terms of the skills and training necessary for the future?" It should be obvious that this phase of HR Planning involves much more that simply counting the number of current employees in the organisation.

The major tool used to assess the current supply of employees is the Skill Inventory. It is a list of names, certain characteristics and skills of the people working for the organisation. It provides a way to acquire these data and makes them available where needed in an efficient manner.

Action decisions in Human Resource Planning:

After the HR Planning system has analyzed both the supply of and demands for future workers, these two forecasts are compared to determine what, if any, action should be taken. Whenever there is a discrepancy between these two estimates, the organization needs to choose a course of action for elimination the gap.

No matter how good the HR Planning system is, an exact match between supply and demand forecasts is rare. Even when overall estimates are similar, there are frequently important gaps in certain subgroups. These data become inputs to facilitate decisions about training, promotion, demotion and similar decisions.

Action decisions with a shortage of employees:

When employment specialists comparing demand to supply find the supply of workers is less than the demand, several possibilities are open to the organization. If the shortage is small and employees are willing to work overtime, it can be filled with present employees. If there is shortage of highly skilled employees, training and promotions of present employees, together with the recruitment of lower skilled workers, are possibilities.

Action decisions in surplus conditions:

When comparison of employee demand and supply indicates a surplus, the alternative solutions include attrition, early retirements, demotions, layoffs, and terminations. Employee decisions in surplus conditions are some of the most difficult decisions managers must make, because the employees who are considered surplus are seldom responsible for the conditions leading to the surplus. A shortage of raw material such as fuel, or a poorly designed or marketed product can cause an organization to have a surplus of employees.

Fig. 1: Human Resource Planning Process

In short, Human Resource Planning is a process by which the management of an organization ensures that it has the right number and kind of people at the right places and at the right times to successfully achieve its overall objectives. Human Resource planning differs from Manpower Planning in the sense that the former is primarily concerned with the human aspects of people, the latter mainly concentrates on the power of the people.

Job Analysis

Job Analysis is a written record of actual requirements of the job activities.

Definitions:

"Job Analysis is the process of determining and reporting pertinent information relating to the nature of a specific job."

Bayers and Rue

It is the determination of tasks, which comprise the job of the skills, knowledge, abilities, and responsibilities required of the holder for the successful job performance. Putting it in other words it is the process of getting information about the job incumbent's skills, education and training to carry out the job effectively and terms on time for completion, performance standard.

It is procedure by which pertinent information is obtained about a job, i.e. it is detailed and systematic study of information relating to the operations and responsibilities of a specific job.

A job analysis results in two important documents:

- Job Description;
- Job Specification.

Job Description:

Job description is written record of the duties, responsibilities and requirements of particular jobs. It is concerned with the job itself and not with the work. It is a statement describing the job in such terms as its title, location, duties, working conditions and hazards. In other words, it tells us "What to be done, and how it is to be done and why." It is a standard of function, in that it defines the appropriate and authorized contents of a job.

Job Specification:

Job specification is a standard of personnel and designates the qualities required for an acceptable performance. It is a written record of the requirements sought in an individual worker for a given job. In other words, it refers to a summary of the personnel characteristics required for a job. It is a statement of the minimum acceptable human qualities necessary for the proper performance of a job.

Purpose and Uses of Job Analysis

Job Analysis is not useful but an essential part of organizational strategies to serve the following purposes:

- **Organization and Manpower Planning**: It is helpful in organization planning, for it defines labour needs in concrete terms and coordinates the activities of the work force, and clearly divides duties and responsibilities;
- **Recruitment and Selection**: By indicating the specific job requirements of each job (i.e. the skills and knowledge), it provides a realistic basis for the hiring, training, placement, transfer and promotion of personnel. "Basically, the goal is to match the job requirements with a worker's aptitude, abilities and interests". It also helps in charting the channels of promotion and in showing lateral lines of transfer;
- **Wage and Salary Administration**: By indicating the qualification required for doing a specified job and the risks and hazards involved in its performance, it helps in salary and wage administration. Job analysis is used as a foundation for job evaluation;
- **Job Re-Engineering**: Job Analysis provides information, which enables us to change jobs in order to permit their being managed by personnel with specific characteristics and qualification.
- **Employee Training and Management Development**: Job Analysis provides the necessary information to the management of training and development programmes. It helps to determine the content and subject matter of in training courses. It also helps in checking application information, interviewing, weighing test results, and in checking references.

- **Performance Appraisal**: It helps in establishing clear cut standards which may be compared with the actual contribution of each individual;
- **Health and Safety**: It provides an opportunity for identifying hazardous conditions and unhealthy environmental factors so that corrective measures may b taken to minimize and avoid the possibility of accidents.
- **Employee Orientation**: Effective job orientation cannot be accomplished without a clear understanding of the job requirements. The duties and responsibilities of a job must be clearly defined before a new employee can be taught how to perform the job.
- **Utilizing Personnel**: Job Analysis information can help both employees and managers, pinpoint the root of a problem if employee functions are not adequate.

In sum, it may be noted that job analysis is a systematic procedure for securing and reporting the information, which defines a specific job.

Recruitment

" Recruitment a process to discover the sources of manpower to meet the requirements of the staffing schedule and to employ effective measures for attracting that manpower in adequate numbers to facilitate effective selection of an efficient working force"

Yoder & others

"It is a process of searching for prospective employees and stimulating and encouraging them to apply for jobs in an Organisation. It is often termed positive in that it stimulates people to apply for jobs to increase the "hiring" ratio i.e. the no. Of applicants for a job."

Flippo

Objectives of recruitment:

- To attract people with multi dimensional skills and experience that suit the present and future organizational strategies;
- To induct outsiders with a new perspective to lead the company;
- To infuse fresh blood at all levels of the Organisation;
- To develop an organizational culture that attracts competent people to the company;
- To search or head hunt/ head pouch people whose skills fit the company's values;
- To devise methodologies for assessing psychological traits;
- To seek out non-conventional development grounds of talent;

- To search for talent globally and not just with in the company;
- To design entry pay that competes on quality but not on quantum;
- To anticipate and find people for positions that does not exist yet.

Factors affecting Recruitment

There are a number of factors that affect recruitment. These are broadly classified in to two categories:

1. Internal Factors;
2. External Factors.

External Factors: The external factors include supply of and demand for human resources, employment opportunities and /or unemployment rate, labour market conditions, political and legal requirement and govt. Policies, social factors, information systems etc.

External factors:

- Socio economic factors;
- Supply and demand factors;
- Employment rate;
- Labour market conditions;
- Political, legal and governmental factors;
- Information systems.

Internal Factors: The internal factors include the company's pay package including salary, fringe benefits and incentives, quality of work life, organizational culture, career planning, growth opportunities, size of the company, company's product and services, company's growth rate, role of trade unions and cost of recruitment.

Internal factors:

- Company's pay package;
- Quality of worklife;
- Organizational culture;
- Career planning and growth;
- Company's size;
- Company's products and services;
- Geographical spread of the company's operations;
- Company's growth rate;
- Role of trade unions;
- Cost of recruitment;

- ❖ Company’s name and fame.

Recruitment is more likely to achieve its objectives if recruiting sources reflect the type of position to be filled. Sources are those where prospective employees are available like employment exchanges while techniques are those, which stimulate the prospective employees to apply for jobs like nomination by employees, advertising, promotion etc. Certain recruiting sources are more effective than others for filling certain types of jobs are.

The sources of recruitment are broadly classified in to **internal sources** and **external sources**.

Internal Sources: are the sources within organizational pursuits. It includes (a) Present permanent employees; (b) present temporary/ casual employees; (c) retrenched or retired employees; (d) dependents or deceased, disabled, retired and present employees; (e) Promotions; (f) Transfers.

- **Present Permanent Employees**: Organizations consider the candidates from this source for higher-level jobs due to: (1) availability of most suitable candidates for jobs relatively or equally to the external source, (2) to meet the trade unions demands; (3) to the policy of the Organisation to motivate the present employees.
- **Present temporary or Casual employees: O**rganizations find this source to fill the vacancies relatively at lower levels owing to the availability of suitable candidates or trade and pressures or in order to motivate them on the present job.
- **Retrenched or Retired employees: G**enerally a particular Organisation retrenches the employees due to lay-off. The Organisation takes of the candidates for employment from the retrenched employees due to obligation, trade union pressure and the like. Sometimes the organizations prefer to re employ their retired employees as a token of their loyalty to the Organisation or to postpone some inter personal conflicts for promotion etc.
- **Dependents of Deceased, Disabled, Retired and Present Employees: S**ome organizations with a view to developing the commitment and loyalty of build up image provide employment to the dependent(s) of deceased, disabled and present employees. Such organizations find this source as an effective source of recruitment.
- **Promotions: M**ost of the internal candidates would be stimulated to take up higher responsibilities and express their willingness to be engaged in the higher level jobs if management gives them the assurance that they will be promoted to the next higher level.

- **Transfers:** Employees will be stimulated to work in the new sections or places if management wishes to transfer them to the places of their choice.

Sources of Recruitment

External Sources: External Sources are those sources, which are outside the organizational pursuits. These sources include: (1) Campus Recruitment; (2) Private Employment Agencies/ Consultants; (3) Public Employment Exchanges; (4) Professional Associations; (5) Data Banks; (6) Casual Applications; (5) Similar Organizations; (6) Trade Unions; (7) Advertisements; (8) Employee Referrals.

- **Campus Recruitment:** different types of organizations like industries, business firms, service organizations, social or religious organizations can get inexperienced candidates of different types from various educational institutions like colleges and universities imparting education in science, commerce, arts, engineering and technology, agriculture. Medicines from the training institutes. Most of the universities and institutes imparting technical education in various disciplines provide facilities for campus recruitment and selection.
- **Employment Agencies**: These agencies or consultants perform the recruitment function on the behalf of a client company by charging fee. Line mangers are relieved from recruitment functions so they can concentrate on their operational activities and recruitment functions are entrusted to a private agency or consultants. These agencies are also called **Executive Search Companies**.
- **Public Employment Agencies**: The govt. set up Public Employment exchanges in the country to provide information about vacancies to the candidates and to help the organizations in finding out suitable candidates. Public sector and private sector industries have to depend on public employment exchanges for the specified vacancies.
- **Professional Organizations:** Professional organizations maintain complete data of their members and provide the same to various organizations on requisition. They also act as an exchange between their members and recruiting firms in exchanging information, clarifying doubts etc.
- **Data Banks:** The management can collect the bio data of the candidate from different sources like employment exchanges, educational Training Institutes, candidates etc. and feed them in the computer. It will become another source and the company can get the particulars as and when they need.

- **Casual Applicant**: Depending upon the image of the Organisation, its prompt response, participation of the Organisation in the local activities, level of unemployment, candidates apply casually for the jobs through mail or hand over the applications in Personnel Department. This would be a suitable source for temporary and lower level jobs.
- **Trade Unions:** Generally, unemployed or underemployed persons or employees seeking change in employment put a word to the trade union leader with a view to getting suitable employment due to latter's intimacy with management.
- **Similar Organizations:** Generally, experienced candidates are available in organizations producing similar products or are engaged in similar business. The management can get most suitable candidates from this source. This would be the most effective source for executive positions and for newly established organizations or diversifies or expanded organizations.
- **Advertising:** Advertising is widely accepted technique of recruitment, though it mostly provides one-way communication. It provides the candidates in different sources, the information about the job and company and stimulates them to apply for jobs. It includes advertising through different media like newspapers, magazines of all kinds, radios, television etc.
- **Employee referrals:** Friends and relatives of present employees are also a good source from which employees may be drawn. When the labour market is very tight, large employers frequently offer their employee's bonuses or prizes for any referrals that are hired and stay with the company for a specific length of time.

Modern sources or techniques of Recruitment:

- **WALK IN:** The busy organizations and the rapid changing companies do not find time to perform various functions of recruitment. Therefore, they advise the potential candidates to attend for an interview directly and without a prior application on a specified place. The suitable candidates among the interviewees will be selected for appointment after screening the candidates through tests and interviews.
- **Consult In:** The busy organizations encourage the potential job seekers to approach them personally and consult them regarding the jobs. The companies select the suitable candidates from among such candidates through the selection process.
- **Head Hunting:** The companies request the professional organizations to search for the best candidates particularly for the senior executive positions.

The professional organizations search for the most suitable candidates and advise the company regarding the filling up of the positions. headhunters are also called search consultants.

- **Body shopping:** Professional organizations and the hi tech training institutes develop the pool of human resources for the possible employment. The prospective employers contact these organizations to recruit the candidates. Otherwise, the organizations themselves approach the prospective employees to place their human resources. These institutions are called body shoppers and these activities are known as body shopping.
- **Business Alliances:** Business alliances like acquisitions, mergers, and takeovers help in getting human resources. In addition, the companies do also have alliances in sharing their human resources on ad-hoc basis.
- **Tele Recruitment:** The technological revolution in the Tele communication helped the organizations to use Internet as a source of recruitment. Organizations advertise the vacancies through the World Wide Web (www) Internet. The job seekers send their applications through e-mail or Internet.

BANK MARKETING PERSONNEL SELECTION

Selection procedure is concerned with securing relevant information about an applicant. The objective of the selection decision is to choose the individual who can most successfully perform the job from the pool of qualified candidates.

The selection procedure is the system of functions and devices adopted in a given company to ascertain whether the candidate's specifications are matched with the job specifications and requirements or not.

The selection procedure cannot be effective until and unless:

1. Recruitment's of the job to be filled, have been clearly specified (Job analysis, etc.
2. Employee specifications (physical, mental, social, behavioral, etc.) have been clearly specified;
3. Candidates for screening have been attracted.

SELECTION PROCEDURE

- There is no standard selection process that can be followed by all companies in all the areas. Companies may follow different selection techniques or methods depending upon the size of the company, nature of the business, kind and no. Of persons to be employed, govt. regulations to be followed etc.

- **Application Form**: Also known as application blank. This technique is widely accepted for securing information from the prospective candidates. It can also be used as a device to screen the candidates at the preliminary stage. Information is generally required on the following items in the application forms:
    a) Personal background information;
    b) Educational attainments;
    c) Work experiences;
    d) Salary;
    e) Personal details;
    f) References.
- **Written Examination**: The organizations have to conduct examination for the qualified candidates after they are screened on the basis of the application blanks so as to measures the candidate's ability in arithmetical calculations, to know the candidates attitude towards the job, to measure the candidate's aptitude, reasoning, knowledge in various disciplines, general knowledge and English language.
- **Preliminary Interview**: The Preliminary interview is to solicit necessary in formation from the prospective applicants and to assess the applicant's suitability to the job. This step is useful as a process of eliminating the undesirable and unsuitable candidates.
- **Group Discussions:** The technique of group discussion is used in order to secure further information regarding the suitability of the candidates for the job. Group discussion is a method where groups of the successful applicants are brought around a conference table and are asked to discuss either a case study or a subject matter.
- **Tests: The** next stage in the selection process is conducting different tests. The objective of tests is to solicit further information to assess the employee suitability to the job. The important tests are:

◆

- **Aptitude Test:**
  - a) **Intelligence test**
  - b) **Mechanical Test**
  - c) **Psychomotor Test**
  - d) **Clerical Test**
- **Achievement Test:**
  - a) **Job Knowledge Test;**
  - b) **Work Sample Test.**
- **Situational Test:**
  - a) **Group Discussion;**
  - b) **In Basket.**
- **Interest Test:**
- **Personality Test:**
  - a) **Objective Test;**
  - b) **Projective Test.**

- **Aptitude Tests:** These tests measure whether an individual has the capacity or latent ability to learn a given job if given adequate training. Aptitudes can be divided in to general and mental ability or intelligence or specific aptitudes such as mechanical, clerical, manipulative capacity etc. These are:

1. **Intelligence Tests: T**hese tests in general measure intelligence quotient of a candidate. In detail these tests measures capacity for comprehension, reasoning, word fluency, verbal comprehension, numbers, memory and space.
2. **Mechanical Tests:** These tests measure the capacities of spatial visualization, perceptual speed and knowledge of mechanical matter.
3. **Psycho meter Tests:** These tests measure abilities like manual dexterity, motor ability and eye hand coordination of candidates.
4. **Clerical Aptitude:** Measure specific capacities involved in office work, items of this test include spelling, computation, comprehension, copying, word measuring etc.

- **Achievement Tests:** These tests are conducted when applicants claim to know something as these tests are concerned with what one has accomplished. These tests are more useful to measure the value of specific achievement when an Organisation wishes to employ experienced candidates. These are:

1. **Job Knowledge Test:** Under this test a candidate is tested in the knowledge of a particular job.
2. **Work Sample Test:** Under this test a portion of the actual work is given to the candidate as a test and the candidate asked to do it.

- **Situational Test:** This test evaluates a candidate in a similar real life situation. In this test the candidate is asked either to cope with the situation or solve critical situation of the job.

1. **Group Discussion:** This test is administered through group discussion approach to solve a problem under which candidates are observed in the areas initiating, leading, proposing valuable ideas, conciliating skills, oral communicating skills, co-ordination and concluding skills.
2. **In Basket Test:** The candidate in this test is supplied with actual letters, telephone and telegraphic message, reports and requirements by various officers of the Organisation, adequate information about the job and Organisation. The candidate is asked to take decisions on various items based on the in basket information regarding requirements in the memoranda.

- **Interest Tests:** These tests are inventories of the likes and dislikes of candidates in relation to work, job, occupations, hobbies and recreational activities.
- **Personality Tests:** These tests prove deeply to discover clues to an individual's value system, his emotional reactions, and maturity and characteristic mood.

1. **Objective Test:** most personality tests are objective tests as they are suitable for group testing and can be scored objectively.
2. **Projective tests:** Candidates are asked to project their own interpretation of certain standard situations basing on ambiguous pictures, figures etc., under these tests

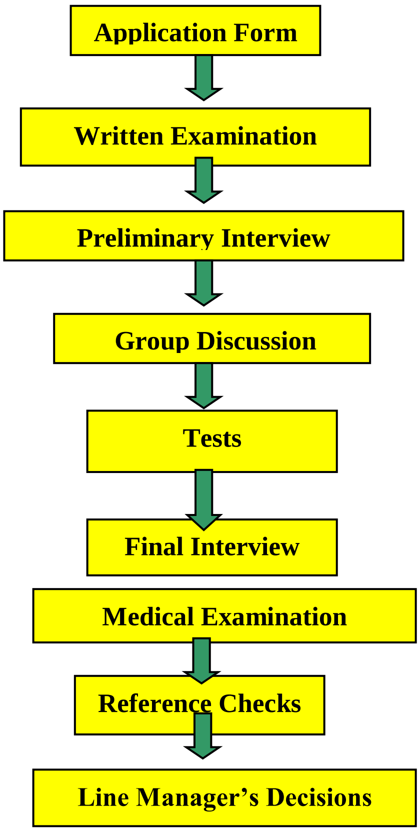
Final Interview: Final Interview is usually followed by testing. This is the most essential step in the process of selection. In this step the interviewer matches the information abstained about the candidate through various means to the job requirements and to the information obtained through his own observation during interview.

Types Of Interview:

Type	**Type of questions**	Usual applications
Structured	A predetermined checklist if questions, usually asked of all applicants.	Useful for valid results, especially when dealing with large number of applicants.
Unstructured	Few, if any, planned questions. Questions are made up during the interview.	Useful when the interviewer tries to probe personal details of the candidate to analyze why they are not right for the job.
Mixed	A combination of structured and unstructured questions, which resembles what, is usually done in practice.	A realistic approach that yields comparable answers plus in depth insights.
Behavioral	Questions limited to hypothetical situations. Evaluation is based on the solution and approach of the applicant.	Useful to understand applicant's reasoning and analytical abilities under modest stress.
Stress	A series of harsh, rapid-fire questions intended to upset the applicant.	Useful for stressful jobs, such as handling complaints.

- **Medical Examination: C**ertain jobs require certain physical qualities like clear vision, perfect hearing, unusual stamina, tolerance of hard working conditions, clear tone etc. Medical examination reveals whether or not a candidate possesses these qualities.
- **Reference Checks:** After completion of the final interview and medical examination, the personnel department will engage in checking references. Candidates are required to give the names of reference in their application forms. In case the reference check is from the previous employer, information for the following areas may be obtained. They are: job title, job description, period of employment, pay and allowances, gross emoluments, benefits provided, rate of absence, willingness of the previous employer to employ the candidate again etc.
- **Final decision by the line manager concerned:** The line manager concerned has to make the final decision whether to select or reject the candidate after soliciting the required information through different techniques. A true understanding between the line managers and personnel mangers should be established to take proper decisions.
- **Employment:** Thus, after taking the final decision the Organisation has to intimate the decision to the successful as well as unsuccessful candidates.

The Organisation sends the appointment orders to the successful candidates either immediately or after sometime depending upon the time schedule.



<u>Placement</u>

When once the candidate reports for duty, the Organisation has to place him initially in that job for which he is selected. Immediately the candidate will be trained in various related jobs during the period of probation of training or trial. The Organisation, generally, decides the final placement after the initial training is over on the basis of candidate’s aptitude and performance during the training/probation period. Probation period generally ranges between six months and two years. If the performance is not satisfactory, the Organisation may extend the probation or ask the candidate to quit the job .If the employee performance during the probation period is satisfactory, his services will be regularized and he will be placed permanently on a job.

Employee Placement Process

↓

Collect data about the employee

↓

Construct the employee's profile

↓

Match between sub group profile and individual's profile

↓

Compare sub-group profile to job family profile

↓

Match between job family profiles and sub-group profiles

↓

Assign the individuals to job family

↓

Assign the individual to specific job after further counseling and assessment

Placement is "the determination of the job to which an accepted candidate is to be assigned and his assignment to that job. It is a matching of what the supervisor has reason to think he can do with the job demands (job requirements), it is a matching of what he imposes (in strain, working conditions) and what he offers in the form of pay roll, companionship with others, promotional possibilities etc. It is not easy to match all factors to the new employee who is still unknown to many. So the new employee is placed as a probationer until the trial period is over.

INDUCTION

Introducing the new employee who is designated as a probationer to the job, job location, surroundings, Organisation, organizational surroundings, various employees is the final step of employment process. This process is important because of the high turnover rate among the new employees compared to that among senior employees. This is mainly because of the problem of adjustment and adaptability to the new surroundings and environment. further absence of information, lack of knowledge about new Organisation, cultural gap, and behavioral variations, different levels of technology, variations in the requirements of the job and the Organisation also disturb the new employee.

Induction is necessary as the newcomer feel insecure, shy, nervousness and disturbing. This situation leads to instability and turnover.

"Induction is the process of receiving and welcoming an employee when he first joins a company and giving him the basic information he needs to settle down quickly and happily and start work".

Lecture, handbook, film, group seminar are used to impart the information to new employees about the environment of the job and the Organisation in order make new employee acquaint himself with the following heads:

1. About the company;
2. About the department;
3. About the superiors, subordinates;

Objectives of Induction:

I. Putting the new employee at his ease;
II. Creating interest in his job and the company;
III. Providing basic information about working arrangements;
IV. Indicating the standards of performance and behavior expected of him. Making the employee feel that his job, however small, is, meaningful, that he is not a cog in the vast wheel;
V. Informing him about training facilities;
VI. Creating the feeling of social security;
VII. Minimizing the reality shock which would be caused due to incompatibility caused between the employee expectations and actually what the company provides/offers regarding pay, benefits, status, working conditions, responsibility, opportunity for growth, innovations, creative ideas etc.

Advantages of Induction

I. First impression matters a good deal and results in less turnover;
II. Newcomer adjusts himself to the work quickly, and it saves the time of the supervisor;
III. Reduces employee dissatisfaction and grievances;
IV. Develop a sense of belongings and commitment.

In general, productivity forms a measure of the output of goods and services to the input of labour, material and machinery. The more productive a sector, the better its competitive position will be, as its unit cost will be lower. With the increase in productivity, earnings will improve, raising the standard of living. Improving productivity does not mean working harder. Rather it means working effectively. It means getting more out of what is put in. It is doing better with what one has.

Dismissal

Dismissal is a termination of service of an employee as a punitive measure. This may occur either on account of unsatisfactory performance of misconduct. Persistent failure on the part of employee to perform up to the expectations or specified standard is considered as unsatisfactory performance. Willful violation of rules & regulation by the employee is treated as misconduct.

Dismissal is a drastic step seriously impairing the earnings and image of an employee. Therefore, dismissal as a measure should be resorted to with great care and caution. It must be justifies and duly supported by the just and sufficient cause. Before an employee is dismissed, he must be served advance notice to explain his position. the reasons for dismissal must be clearly made known to the employee.

Motivation

What is motivation?

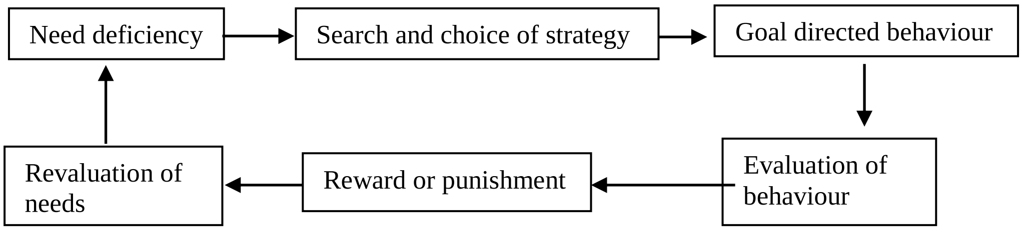
Motivation is derived from motive, which means an idea, need or emotion, which prompts or initiate a man to an action. Motivation is a process of getting the needs of the people realized to induce them to work for the accomplishment of organisational objective.

Define motivation.

Motive can be defined as "Inner state of our mind that activate or direct our behavior". According to Scott "Motivation means a process of stimulating people to action to accomplish the desired goal"

Explain the process of motivation?

Motivation is a six-phased process beginning from the inner state or need deficiency and ending with need fulfillment. The following figure illustrates the motivation model.



The model can be explained with an example. Let us assume that an employee desires to have a promotion. This desire for promotion represents need deficiency (stage l) also called inner state of disequilibrium, tension or urge, which is the starting point in the motivation model. The employee is expected to search for strategies to get promotion and make a choice among them (stage-2).

Let us say, there are two way of getting promotion – putting better performance and pleasing boss.

Then he puts in regular attendance, completes allotted work on schedule and work hard. The fourth stage is assessment of employee performance by his boss. In the last stage evaluation of performance, the employee is either promoted (Reward) or promotion is denied to him (punishment). If he promoted, he feels encouraged to repeat better performance. If promotion is denied to the employee, the employee feels discouraged and he may not repeat better performance. And he may give up the idea of striving for promotion.

Explains the Nature or characteristics of motivation.

a. Motivation produces goal directed behaviour:

Motivation has got profound influences on human behaviour; it harnesses human energy to organizational requirement

b. Motivation means bargaining:

Behaviour means what people do. Motivation is "why" they do it. Barnard explained motivation in the form of inducements–contribution theory. It focused on workers and organization endeavoring to find what inducements to worker in exchange for what degree of contribution from worker will be satisfactory to both parties.

c. Motivational is personal and individual feeling:

Motivation is a psychological concept. It is an inducement of inner feeling of an individual.

d. Motivation is total:

A motivation device, which promises fulfillment of some needs of workers and not other will fall short of its objectives of producing total commitment of workers.

e. Motivation determined by human needs:

A worker will perform the desired activities only so long as he sees his action as a means of continued fulfillment of his strongly felt needs.

f. Motivation can be either positive or negative:

Positive motivation or carrot approach offer something precious to the person in the form of additional pay, incentives, recognition Etc. Negative motivation or stick approach emphasizes penalties while controlling performance.

g. Motivation may be financial or non financial:

Financial motivation seeks to satisfy physiological and security needs and it is by way of wages, allowances, bonus etc. Non-financial motivation seeks to satisfy the social recognition and esteem needs and it is by way of appreciation, higher status, participation etc,

h. Motivation is a constant process:

Human needs are infinite as soon as a person has satisfied one need, he seek to satisfy another. It is not bound process.

i. Motivation changes:

Motivation of each individual changes from time to time. Example: A temporary worker may produce more in the beginning to become permanent; he may continue to produce more, this time to gain promotion and so on.

Explain about the advantages of motivation (OR) Positive outcome of motivation (OR)

Why motivation emphasized in the organization?

The increasing attention paid towards motivation is justified because of several reasons.

- Motivated employees come out with new ways of doing job.
- Motivated employees are quality oriented.
- Motivated employees are more productive.
- Every organization requires human resources in addition to the need for financial and physical resources for it to function. For an organization to be effective, it must come to grips with the motivational problems of stimulating both the decision to participate and the decision to produce at work.
- A comprehensive understanding of the way in which organization function require that increasing attention is directed towards the question of why people behave as they do on their jobs.
- Any technology needs motivated employees to adopt it successfully. Example: The secret behind the success of ISRO has been its employees who are both capable of using and willing to use the advanced technology to reach the goal.

Critically examine the need hierarchy theory of motivation. (Or)

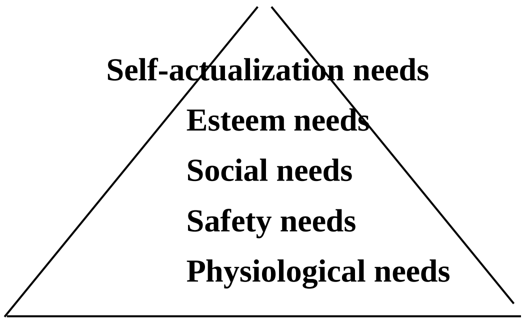
Describe Maslow theory of motivation.

The behaviour of an individual at a particular moment is usually determined by his strongest need. Psychologist claims that needs have certain priority. As the more basic needs are satisfied and individual seek to satisfy the higher order needs. Maslow's theory is one of the most popular theories of motivation in the management and organizational behaviour literature.

Feature:

1. The urge to fulfill the needs is the prime factor in motivation of people at work.
2. Human needs form a particular hierarchy. Physiological needs are at the base while self-actualization is at the top.
3. As soon as one need is satisfied another need emerges.
4. A satisfied need is not a motivator; only unsatisfied needs regulate an individual.

General examples	**Organizational example**	
Achievement	Self-actualization needs	Challenging job
Status	Self-esteem needs	Job title
Love	Belongingness needs	Friends in work groups
Stability	Safety needs	Pension plan
Existence	Physiological needs	Base salary



1. Physiological needs or basic needs:

The basic needs are required to preserve human life such as food, shelter and clothing ect, They exert a tremendous influence on behaviour as point out by Maslow "Man live by bread alone, where there is no bread".

Basic needs are satisfied to a certain degree.

2. Safety or security needs:

Once basic needs are satisfied, safety or security needs emerge and become dominant. These needs concerned with the physical and financial security. These include.

a. Protection from physiological damage.
b. Economic security
c. Fringe benefit, insurance programmes ect,

d. Desire for orderly predictable environment.

3. Social needs (or) Love needs:

Man is social animal and wants to belong, to associates, to gain acceptance to give and receive friendship and affection.

4. **Esteem needs:**

Esteem needs include both self-esteem and public esteem. People want a high self esteem as well as the respect and admiration of others. These needs take two different forms. First we have need for competency, confidence and independence. We also want the prestige, status, recognition and appreciation that other bestow on us. Satisfying the esteem needs produce feeling of self worth.

5. Self actualization needs:

Self-actualization is the desire to become what is capable of becoming, "what a man can be he must be". Self fulfilling people are rare individual one who comes close to living up to these full potential for being realistic, accomplishing things enjoying life and generally exemplifying classic human virtue.

Criticism:

a. Little empirical support is available.
b. Only a theoretical statement rather than an abstraction from field theory.
c. The same need would not lead to the same response in all individual.

How hygiene factor and motivational factor motivate a person? Or

Critically analyze Herzberg's two-factor theory?

In the late 50's Fredric Herzberg and his associate conducted interview of 200 engineers and accountants in the Pits berg area in US. The persons were asked to relate elements of their jobs, which made them happy or unhappy.

Herzberg named the factors that are related to job satisfaction as motivational factors that are intrinsic in nature and the factors related to their dissatisfaction towards job as hygiene factors.

Hygiene factors:

Like physical hygiene these factors do not lead to growth but only prevent deterioration. They are environment related factors. Hygiene when absent they increases dissatisfaction with job. When present, they help in preventing dissatisfaction but do not increase satisfaction or motivation.

Motivational factors:

Motivations are associate with positive feelings of employees about the job. They make people satisfied with their job. When absent, they prevent both satisfaction and motivation. When present they lead to satisfaction and motivation.

Absent Hygiene factors present Absent
Motivators present

Job dissatisfaction No job dissatisfaction No job satisfaction
job satisfaction

HYGIENE FACTORS	MOTIVATIONAL FACTORS
1. Company policy and administration	1.Achievement.
2. Supervision.	2. Recognition.
1. Security.	3. Advancement.
2. Salary	4. Growth
3. Status	5. Responsibility
4. Relationship with supervisor.	6. Work itself.
5. Relationship with peers.	
6. Relationship with subordinate.	
7. Working condition.	
8. Personal life.	

Criticisms:

a. This theory provides an explanation of job satisfaction. It is not a theory of motivation.

b. Tremendous emphasis on motivational factors and importance of hygiene factors has been ignored.

Compare and contrast Maslow 's need hierarchy theory with two-factor theory of motivation.

1. Herzberg theory is an extension of Maslow need priority model.
2. Maslow formulated the theory in terms of needs and herzberg in terms of goal and reward.
3. Hygiene factors are roughly equivalent to Maslow's lower order needs and motivational factors are somewhat equivalent to higher order needs.
4. Both models assume that specific needs energize behaviour.

DIFFERENCES:

ISSUE	MASLOW'S MODEL	HERZBERG MODEL
Order of needs	Sequential arrangement of needs	No such arrangements
Emphasis	Descriptive	Prescriptive
Essence of theory	Unsatisfied needs influence performance.	Satisfied needs cause performance.
Motivator	Any unsatisfied needs is motivators.	Only higher order needs serve as a motivator.
Applicability	Take a general view of the motivational Problems of all workers.	Take a micro view and deals with motivational Problems of professional workers.
Workers level	Relevant for all workers	Relevant for white-collar workers.

Critically examine the achievement motivational theory.

What you mean by N Ach (Need for achievement)

What do you mean by N Pow (Need for power)

What do you mean by N Aft (Need for affiliation)

David McClellent and his associates have advocated achievement motivation theory. They identified three needs that motivate human behaviour.

1. Need for achievement.
2. Need for affiliation.
3. Need for power

Need for achievement (N ach)

Employee with high need for achievement derive satisfaction from achieving goals. Succeeding a task is important to the high achiever. Some of the main characteristic of achievement seekers is

1. There are not motivated by money. They use money as score of their achievement.
2. They prefer immediate feedback in their performance.
3. They prefer tasks of moderate difficulties rather than those that are either very easy or very difficult.

4. They prefer to work independently. McClellant believes that the need for achievement can be learned.

Need for power (N Pow)

Employee with high need for power derive satisfaction from ability to control others. Satisfaction derived from being in position of influence and control. It is ability to control the activities of other to find ones own objective. Actual achievement of goal is less important than means by which the goal are achieved.

Need for affiliation (N Aff):

Individuals with high need for affiliation derive satisfaction from social and interpersonal activities. They derive pleasure from being loved; tend to avoid the pain of being rejected. They are concerned with maintaining pleasant social relationship.

Developing achievement motivation:

McClellant has conducted achievement courses in the state of Andhra parades. His achievement development courses contained with following points.

1. Individual should strive to attain concrete and frequent feedback.
2. They should seed model of achievement.
3. The individuals would imagine him as one who needs success and set realistic goals.
4. He has to think and talk to himself in positive terms.

Evaluation of the theory:

The critics question whether motives can be taught to adults. Considerable psychological literature suggests that the acquisition of motives normally occurs in childhood and very difficult to change once it has been established. McClellent is the only theorist who argue that the needs can be socially changed through education or training. Opponent contented that the changes may be only temporary similar to the one which occurs at a political rally.

Describe about Vroom's expectancy theory of motivation.

Vroom's expectancy theory is based on motivation process and argues that the strength of a tendency to act in a certain way depends on the strength of expectation that the act will be followed by a given outcome and on the attractiveness of given outcome to the individual. Vroom's expectancy theory says that motivation is a product of valance and expectancy.

Motivation= valance x expectancy

Valance: It means the strength of an individual's preferences to a particular outcome. It can be positive, zero or negative.

Positive valance: When the out come of the selected alternative is a preferred outcome, then the individual experience positive valance.

Negative valance: when the outcome of the selected alternative is not a preferred outcome, the individual experience negative valance.

Zero valances: When the individual is indifferent to the preferred alternative, he experiences zero valances.

Expectancy: It is the probability that a particular action will lead to particular outcome. According to this theory. There are three kinds of relationships.

1. **Effort performance relationship:**

This is the probability that exerting a given amount of effort will lead to performance

2. **Performance reward relationship:**

This means the expectation that performing at a particular level will lead to attainment of desired outcome.

3. **Reward personal goal relationship:** This means the attractiveness of the potential rewards and degree of satisfaction on attaining it.

Implication of the expectancy theory

A Manager's job is design the job environment for performance. This theory argues that a manager must try to understand individual thought process and then intervene in the work situation to influence them.

The theory has only limited use because it valid only in situation where the effort-performance and the performance reward linkage are clearly perceived by employees. Since many individuals in organizations are rewarded on the basis of seniority, education, job requirements rather than their action performance. The theory seems to be idealistic.

Explain about the Theory X and y.

McGregor's theory X and Y:

McGregor developed two theories on motivation that explain the positive and negative qualities of individuals. He gave the theories names X theory and Y theory. These theories have been described below.

X THEORY:

Theory X is negative or pessimistic in approach. It is based on the following assumption.

1. People, in general, dislike work. They avoid their duties and basically lazy.
2. Most people are unambitious. They do not voluntarily accept any responsibility.
3. Most people lack creativity. They show no preference for learning anything new.
4. Satisfaction of physiological and safety needs alone is important for most people. Workers in general are only bothered about their salary, job security and such other extrinsic factors.
5. While at work, an employee needs to be closely supervised and watched.

Theory x does not want managers to involve workers in the decision making process. It expects the workers to work as per the directions of the manager.

Theory Y:

Theory Y is positive or optimistic in its approach. It is based on the following assumption.

1. People are not averse to work. Given the proper working conditions the workers would do their work with the kind enthusiasm.
2. Workers are ambitious and they do come formed to accept responsibility.
3. Workers do have the potentials to be creative.
4. There are workers with tremendous potentials who want to work to their maximum capabilities.\
5. Workers need not be directed and closely supervised. They are good in what is called self- directed.

Evaluation of the theory:

The two theories X and Y bring out two extreme qualities of a person. Theory X talks about the negative qualities alone and theory Y talks about the positive aspects. Practically specking, no person has his or her own strong and weak points. By providing the right kind of environment and with proper motivation any individual can be made to perform well.

What you meant by motivation technique. Discuss various incentive schemes. State the significance of financial and non-financial incentives.

The objects, which are perceived to satisfy employee's needs, are called incentive. We have many of needs; some of them can be satisfied by money while others cannot be satisfied by money alone on the basis of this, various incentives may classify into two parts.

a) Financial incentives and

b) Non financial incentives

a) Financial incentives

Incentives that are given in the forms of money are called financial incentives. This can be classified into two parts.

(i) Individual financial incentives:

This group of incentives includes all such plans, which induce an individual to achieve higher output. Example Taylor piece rate system, Halsay efficiency plan and Rowan plan. The basic assumptions behind these are that an individual will be motivated for higher output to earn money, which satisfy his needs

(ii) Collective financial incentives:

This group of incentives tries to motivate individual collectively. The basic idea of these incentives is the same as the individual incentives, however the employees are given these collectively Ex. Bonus, Profit sharing, pension plan.

b) Non-financial incentives:

The emphasis of non-financial incentives is to provide psychological & emotional satisfaction rather than financial satisfaction. Ex: If an individual gets promotion in the organization, it satisfy him psychologically more, i.e., he gets better status, more challenging job, authority etc., then financially.

Non-financial incentives can be grouped under

(i) Individual non-financial incentives

(ii) Collective non financial incentives

(iii) Industrial non financial incentives

Individual Non-financial incentives:

These incentives motivate people in individual tasks. The various terms of individual non-financial incentives are follows:

(i) Status:

It means ranking of position, rights and duties in the formal organization structure. It is an instrument of motivation because it is extremely important for most of people

(ii) Promotion:

It is a movement to a position in which responsibilities and prestige are increased.

(iii) **Responsibility**:

Most of the people prefer challenging & responsible job rather than monotonous & routine type of job. If the job is responsible it satisfies people's nature & inherent characteristics & they put more efforts for completing the job.

(iv) **Making a job pleasant & interesting:**

The work can be made enjoyable and pleasant if it is so designed that if allows the employees to satisfy their instincts, this creates interest in the work.

(v) Recognition of work:

Recognition means acknowledgement with a show of appreciation is given to work performed by the employer. They feel motivated to perform work at similar or higher level.

(b) Collective incentives: People may be motivated in groups also. They perform their duties in groups are affected by the group. Some of the collective non-financial incentives are follows.

1. **Social importance of work:**

People generally prefer a work, which is socially acceptable if the society gives importance & praise to work people

2. **Team spirit:** The management should encourage team spirit ie., to work in cooperation & coordination.

TRAINING AND DEVELOPMENT

Training is the act of increasing the knowledge and skill of an individual for doing a particular job. In the present scenario training is increasingly viewed as a means of fostering the growth of the individual employee but as an integrated part of organizational growth.

Training is a process of learning a sequence of programmed behaviour. It is application of knowledge. It gives people an awareness of the rules and procedures to guide their behavior. It attempts to improve their performance on the current job or prepare them for an intended job. Development is a related process. It covers not only those activities, which improve job performance, but also those, which bring about growth of the personality; help individual in the progress towards maturity and actualization of their potential capacities so that they become not only good employees but better man and women.

Definition Of Training:

"Training is the act of increasing the knowledge and skills of an employee for doing a particular job."

Edwin. B.Flippo

"Training is the organized procedure by which people learn knowledge and \or skill for definite purpose".

Dale S.Beach

It is the training that bridges the gap between Job requirements and employees present specifications. Training is a process by which attitudes, skills and abilities of employees to perform specific jobs are increased.

Thus, it can be concluded that training is a process that tries to improve skills or add to the existing level of knowledge so that the employee is better equipped to do his present job, or to mould him to be fit for a higher job involving higher responsibilities. In other words, training is a learning experience that seeks a relatively permanent change in an individual that will improve his/her ability to perform his job.

Distinction between training and development

Training is a short-term process utilizing a systematic and organized procedure by which non-managerial personnel learn technical knowledge and skills for a definite purpose. Development is a long-term educational process utilizing a systematic and organised procedure by which managerial personnel learn conceptual and theoritical knowledge for general purpose.

Training refers only to instruction in technical and mechanical operations, while development refers to philosophical and theoretical educational concepts. Training is designed for non-mangers while development is designed for managerial personnel.

Training and development differs in four ways:

- "What" is learned;
- "Who" is learning;
- "Why" such learning takes place;
- "When" learning occurs.

Learning Dimensions	**Training**	**Development**
Who?	Non Managerial Personnel	Managerial Personnel
What?	Technical and	Theoretical and

	Managerial operations	Conceptual ideas
Why?	Specific job related	General knowledge
When?	Short Term	Long Term

Objectives Of Training

- The primary purpose of training is to establish a sound relationship between the worker and his job –the optimum man task relationship.
- To upgrade skills and prevent obsolescence.
- To develop healthy and constructive attitude
- To prepare employees for future assignments

<u>The Focus Of Training Is On Three Broad Objectives</u>:

- To bring about attitudinal change.
- To bring about quality to be the very top of agenda.
- To savagely cut waste.

<u>Importance And Benefits Of Training</u>

Training is important to develop the employees and make them suitable for the job. Training constitutes significant part of management control. Benefits of training to following are:

Organization Level: -

- It leads to improve profitability
- It improves the job knowledge, skills and morale of the work force
- It helps in organizational development and preparation of guidelines for work
- It enhances quality of work and appropriate climate for growth
- It supports in improving organizational communication

Individual Level**: -**

- **It help in encouraging and achieving self development**
- It provides a sense of growth in learning
- It increases job satisfaction and recognition
- It helps the individual in effective problem solving

<u>A Model Training Program Should Encompass The Following Points:</u>

- Management overall responsibility right from planning stage to successful implementation.

- The companies approach to the training function, which would include guidance for design and execution as well as dissemination of relevant information to all employees.
- Provision for annual or periodic surveys in order to ensure that training are need based and development oriented.
- Identification of priority area since resources are always scarce and programs must be prioritized according to felt needs.

Identification Of Training Needs

- **Organizational Analysis**: - It involves a study of entire organization in terms of analysis of objectives, utilization of resource, environmental scanning and organizational climate analysis.
- **Task/Role Analysis**: - It involves a careful study of jobs within in an organization in a further effort to define specific content of training. It requires systematic collection of data about the job, role or position and what type of behavior, skill, and knowledge the jobholder must have to perform certain specified tasks.
- **Manpower Analysis**: - It is conducted through appropriate observation, supervisory evaluation. This analysis is undertaken to know about the specific areas in which training is needed

DESIGNING TRAINING METHODS

Training methods are means of attaining desired objectives set for a training programme. In practice, a variety of training methods are employed for achieving these objectives. But an organization cannot use all types of training methods for the reason like cost involved and also their relevance to organizational need hence, organization needs to select a method or mix of methods to meet its training needs the choice of training method would depend on a Varity of factors, such as purpose of training, nature of contents, relevance to the participants, level of trainees, competence of trainers/instructors, cost, etc.

Depending on the training result and the process employed to attain these, the various training methods can broadly categorized into four groups as under:

1. On- the job oriented methods
2. Off the job training methods

On the job oriented training methods. As the name itself denotes, methods include in this cluster are those whose main objectives are centered around the job, i.e., learning on the job itself by a variety of methods. The main methods, which fall into this category, are discussed here under:

- **On the job training (OJT).** On the job training is probably the most

Common approach to training, which can range from relatively unsophisticated "observe and copy" method to highly, structured courses. In this method, the new employee is placed on a job and taught the skills necessary to perform it a trainer or superior teaches the employee. Since trainee learns by observing and handling the job this is also termed as 'observing, and copying' or 'learning by doing.'

- **Job instruction training (JIT).** In this method, a trainer or supervisor gives instruction to an employee how to perform his job. This method of training is appropriate for acquisition or improvement of motor skills and routine and repetitive operations.
- **Coaching:** this is similar to the JIT .in this method, the superior teaches or guides the new employee about the knowledge and skills of a specifically defined job. The superior points out the mistakes committed by the new employee and then also gives suggestions to improve upon.
- **Job rotation**: in this method, a trainee moves from one job to another and from one department to another. This type of training method is more appropriate for developing multiskilling, operational flexibility, providing satisfaction from routine jobs and broadening the overall perspective of the trainee.
- **Vestibule training:** this is a system in which employees learn their jobs on the equipment they will be using, but the training is conducted away from the actual work floor. This type of training is commonly used for training personnel of clerical and semi-skilled grades.

OF THE JOB TRAINING METHOD: -

- **Role-play**: this is just like acting out a given role as in stage play. In this method of training, the trainees are required to enact defined roles on the basis of oral or written description of particular situation.
- **Case method**: the case is an actual event or situation on organizational problems, which is a written description for discussion purpose. Trainees are asked to analyses the event or circumstances with an objective to identifies problems, trace out the causes for it and find out the solution to solve the problems.
- **Management games**: the game is devised on the model of business situation. Then, trainees are divide into groups who represent the management of competing companies. They make decisions just like these are made in real life situations. Decisions made by the groups are evaluated and the likely implications of the decisions are fed back to the groups.

- **In basket exercise**: this is also called 'in tray' method of training. This is built around the 'incoming mail' of manager. The trainees is presented with a pack of papers and files in tray containing administrative problems and are asked to take decision on these within a specified time limit. The decision taken by the trainees are compared with another. The trainees are provided feedback on their decisions.
- **Lectures:** lecture is by far the most commonly used direct method of training. In this method the trainer provides knowledge to the trainees usually from prepared notes. Notes are also given to the trainees. This method is found more appropriate in simulations where some information is required to be shared to a large number of audience and which does not require more participation from audience. It is a low cost method. The major limitation of this method is that it dose not provide for active involvement of the trainees.
- **Conferences/seminars**: in this method, the trainer delivers a lecture on the particular subject, which is followed by queries and discussions. The conference leader must have the necessary skills to lead the discussion in a meaningful way without losing sight of the topic or theme. This method is used to help employees develop problem-solving skills.
- **Programmed instructions**: this is the recently developed technique based on the principle of positive reinforcement developed by B.F.Skinner. This technique is used to teach nonmotor and behavioral skills. The subject matter to be learned is prepared and condensed into logical sequence from more complex. The trainer monitors trainee's independent progress through the programme. The trainee gets instant feedback on his learning however; this method is expensive and time consuming also.
- **Sensitive training:** sensitive training is also known by a Varity of names such as t-groups, laboratory training and encounter groups. (The "T" is for training.)The objective of sensitive training is to increase participants' insights into their behavior and the behavior of others by encouraging an open expression of feelings in the trainer guide T-group.

This approach is useful for understanding people's behavior particularly when they are involved in inter personal relationships. Development of positive thinking, improvement in inter-personal relationships, proper motivation of people and organizational development are some of the important benefits of transactional analysis as a technique of training.

Conclusion:

To conclude, each method of training has some strengths and weaknesses. Given the purpose of a training programme, the level of participants the competence of trainers, etc., the appropriate method has to be chosen to impart training.

MANAGEMENT DEVELOPMENT

While drawing a distinction between training and development in previous chapter, we introduced in brief, the concept of development/ based on that concept, we elaborate it in more detail.

The term "development" implies overall development in a person. Accordingly, Management development means not only improvement in job performance, but also improvement in knowledge, personality, attitude, behaviorism of an executive, etc. It means that executive/management development focuses more on the executive's personal growth.

Management Development is a systematic process of growth and development by which managers develop their abilities to manage. Management Development is concerned with improving the performance of the managers by giving them opportunities for growth and development.

Definition:

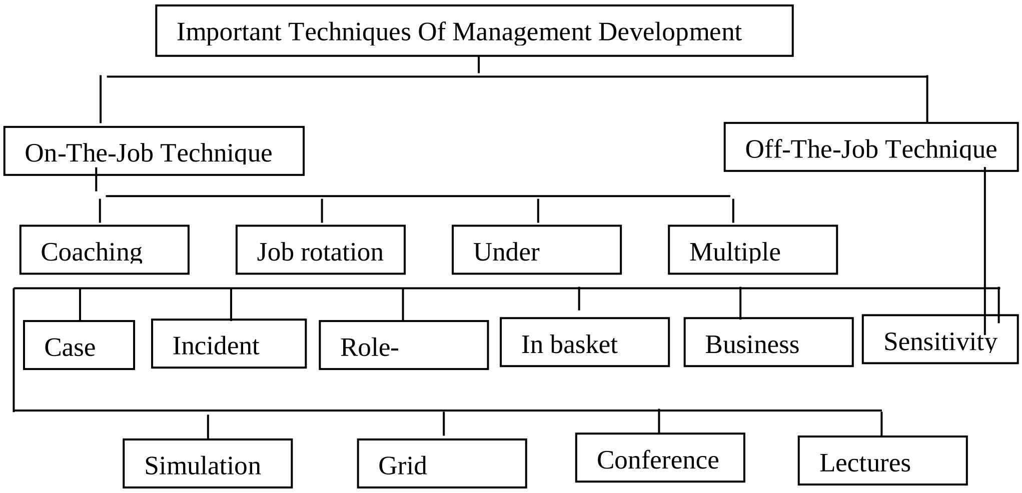
"Executive /Management Development includes the process by which managers and executives acquire not only skills and competency in their present job but also capabilities for future managerial tasks on increasing difficulty and scope. **"** **Flippo.**

"Any activity designed to improve the performance of existing managers and to provide for a planned growth of managers to meet future organizational requirements is called management development."

S.B.Bhudiraja

Techniques Of Management Development

There are mainly two techniques of management development, one is the formal training and the other is through the on the job experience.



On The Job Techniques

1 **Coaching**: In coaching the trainee is place under a particular supervisor who acts as an instructor and teaches job knowledge and skills to the trainee.

2. **Job Rotation**: The transferring of executive s from job to job and from department to department in a systematic manner is called job rotation.

3. **Under Study**: An under study is as person who is in training to assure at a future time, the full responsibility of the position currently held by his superior.

4 **Multiple Management**: Multiple management is a system in which permanent advisory committees of managers study problems of the company and make recommendations to higher management.

Off-The Job Technique

1. **The Case Study**: Cases are prepared on the basis of actual business situations that happened in various organizations.
2. **Incident Method**: This method was developed by Paul Pigors. It aims to develop the trainee in the area of intellectual ability, practical judgment and social awareness.
3. **Role Playing**: A problem situation is simulated by asking the participants to assume the role of particular person in the situation.
4. **In Basket Method**: The trainees are first given background information about a simulated company, its products, key personnel, various memoranda and all data pertaining to the firm. The trainee has to understand all of this and make notes of it.

5. **Sensitivity Training**: The main objective of sensitivity training is the "Development of awareness of and sensitivity of behavioral patterns of oneself and others".
6. **Simulation**: Under this technique the situation is duplicated in such a way that it carries a closer resemblance to the actual job situation.
7. **Managerial grid**: It is a six-phase programme lasting from three to five years. It stats with upgrading managerial skills, continues to group improvement, improves inter group relations, goes into corporate planning, develops implementation method and ends with an evaluation phase.
8. **Conference:** A conference is a meeting of several people to discuss thee subject of common interest.
9. **Lectures**: It is the simplest technique. The lacquerer organizes the material and gives it to a group of trainees in the form of talks.

Objectives of Executive/Management Development

1. Improve the performance of mangers at all levels;
2. Identify the persons in the organization with the required potential and prepare them for higher position in future;
3. Ensure availability of required number of executives mangers succession who can take over in case of contingencies as and when these arise in future;
4. Prevent obsolescence of executives by exposing them to the latest concepts and techniques in their respective areas of specialization;
5. Replace elderly executives who have risen from the ranks by highly competent and academically qualified professionals;
6. Improve the thought process and analytical abilities;
7. Provide opportunities to executives to fulfill their career aspirations;
8. Understand the problem of human relations and improve human relations skills.

CAREER MANAGEMENT

Introduction

Career Management: A career is all the jobs that are held during ones working life. Edwin B. Flippo defines career as a sequence of separate but related work activities that provides continuity and, order and meaning in a person's life.

Career management focuses on career goals and it is the process of designing and implementing goals, plans and strategies to enable the organization to satisfy employee needs while allowing individuals to achieve their career goals.

Following are the **key ingredients** for career management, which focuses on the process of implementing organizational career planning.

- Top management support.
- Coordination of other human resource activities.
- Involvement of superiors.
- Use of human resource managers as consultants.
- Periodic skill assessment.
- Realistic feedback about career progress.
- Equal access and open enrollment.
- Focus on psychological success rather than advancement.
- Flexibility for individual needs.
- Climate setting for career development.
- Small Pilot Programmes.
- Periodic programme assessment.

Career management involves both organizational actions and individuals' initiatives to ensure that when the career plans developed by the organizational requirements and individuals aspirations undergo unanticipated changes, they are managed appropriately on a continuing basis.

Categories for Career Management

There are three major categories to undertake career management.

To select a field of employment and employer: - One cannot manage his career unless one has a long-range objective and the first point is to think in terms of where you ultimately want to be. Other important point is to view your potential employer and position in terms of long-range career goals.

To know where you are: - To be aware of the opportunities available to you in the current position and to carefully and honestly posses current performance.

Plan your exit: - To leave the current organization on good terms and not under questionable circumstances.

Career management is complementary to management development and it is concerned with planning and shaping the path, which people take in their career progression within the organization. The underlying assumption of career management is that, in the context of management succession, the organization should be alert to provide able people with training, guidance and encouragement to enabler them to fulfill their potential.

HR APPROACHES TO IMPROVING COMPETENCIES

Following are the approaches, which help in improving competencies among the employee of the organization.

1. **Incentives.** The term in incentives means an inducement, which rouses of, stimulates one to action in a desired action. An incentive has a motivational power, and may be broadly grouped into
    (a) **Financial incentives: -** Common use of money as incentive are in form of wages and salaries, bonus, retirement benefits, medical reimbursement, etc. money plays a significant role in satisfying physiological and security/ social needs.
    (b) Non-Financial Incentive: - the following non – financial incentives could be effectively used-
        i. Appreciation of work Done
        ii. Competition
        iii. Knowledge of result
        iv. Worker's participation In Management:
        v. Opportunity for Growth
        vi. Suggestion System
        vii. Job Enrichment
2. **Management By Objectives (MBO): -** Management by Objective can simply be defined as a programme that encompasses specific goals, anticipatively set for an explicit time period, with feed back on goal progress.
3. **Training: -** Training is a process of learning a sequence of programmed behavior. It is application of knowledge. It gives people an awareness of the rules and procedures to guide their behavior. It is used to teach the employee the most efficient and effective ways of performing their job. Also used for better quality of their working.
4. **Off the job techniques: -** Many Techniques could be very effectively used for the purpose and these are: -
    a) The Case Study
    b) Role Play
    c) In-Basket Method
    d) Sensitivity Training

SUCCESSION PLANING

Meaning:

Organizations run on eternal basis. The survival and thrive of any organization on continuous basis requires a succession of person to fill key position. This is done through " succession planning."

EMPLOYEES BENEFITS & SERVICES

Management is concerned with attracting & keeping employees, whose performance meets at least minimum levels of acceptability ,& at keeping absenteeism & turnover to tolerable levels .The provision of benefits & services are important in maintaining the employees & reducing the turnover & absenteeism low .

The financial incentives are paid to specific employees whose performance whose work is above standard. On the other hand the employees benefits & services are provided to all the employees based on their membership in the organization.

According to the Employee Federation of India has defined Fringe Benefits

"Fringe Benefits includes payments for non working time ,profits & bonus ,legally sanctioned payments on social security schemes ,worker's compensation ,welfare & contribution made by the workers under such voluntary schemes for the post retirement ,medical ,educational ,cultural & recreational needs of the workmen**.**"

According to the Cockman " Those benefits which are provided by the employer to or for the benefit of the employees & which are not in the form of wages ,salaries & time related payements."

Features of Fringe Benefits

1) Wages are directly related to the work done & paid regularly usually weekly monthly & benefits which a worker enjoys in addition to the wages or salary he receives.
2) Benefits are not given to workers for any specific jobs they have performed but are offered to them to stimulate their interest in their work & to make their job more attractive & productive for them.
3) Fringe represents a labour cost for the employer , it is basically an expenditure incurred
4) Fringe is never a direct reward geared to the output, effort for merit of an employees not on the basis of hard work or long hours of work but on the basis of length of services ,his sickness ,sex the hazard of life .

5) The fringe benefit is enjoyed by all .
6) Fringe benefit must constitute a positive cost to the employer & should be incurred to finance an employee benefit.

OBJECTIVES OF FRINGE BENEFITS

- To create & improve sound industrial relations.
- To Boost up employee morale
- To motivate the employees by identifying & satisfying their unsatisfied needs.
- To provide qualitative work environment
- To protect health & safety of the employees
- To promote employees welfare by providing welfare measures like recreation facilities.

COVERAGE/SCOPE OF BENEFITS

1) **Employee Security Payments:**
   (a) Employers Contribution stipulated in legal enactment: old age, survivor, disability health
   (b) Payments under the workmen's compensation Act.
   (c) Supplemental unemployment benefits
   (d) Accident insurance
   (e) Pensions
   (f) Contribution to the saving plans & health & welfare benefits.
2) **Payment for the time not worked:**
   (a) Rest Period: Among the office jobs the breaks popularly known as rest break or coffee break are allowed during the day to the workers
   (b) Holidays: Holidays which includes Christmas ,New Years, Holi ,Diwali on which the employees have to be paid & they do not have to work.
   (c) Vacation : Paid vacations vary from 15 days to 1month in a year .
   (d) Sick Leave : This is provided to the employees when is out **on illness**
   (e) **Severance Pay :** This provides one time payment to an employee when he is terminated
   (f) **Leave of Absence:** These are generally educational leave provided to managers or management trainees during training period .
   (g) **Pension Programmes**

(h) **Insurance**

(C) Bonus & Awards : These consist of financial amenities & advantages as holidays ,over time & shift premium ,attendance bonus, Diwali bonus etc.

EMPLOYEES SERVICES

In addition to the above fringe benefits, organization provides a wealth of service that employees find desirable .These services are usually provided by the organization at no cost to the employees .These services are provided at the discretion of the management & are generally are concern to trade union.

These services mainly include:

1) Services related to the type of work performed, including subsidies for the purchase & upkeep clothing, uniforms
2) Eating facilities cafeteria, lunch rooms, canteens, lunch rooms
3) Transportation facilities including parking & bus services
4) Childcare facilities, comprising nurseries, day care centers for children.
5) Housing services including company owned housing projects.
6) Financial & legal services including sponsoring of loan funds.
7) Recreational social & cultural programmes including athletics, beauty, social clubs , parties ,picnics .
8) Educational services
9) Medical services
10) Flexitime

Departmental / plant screening committees are set up to evaluate employee suggestions.

motivation in practice - shares and share options

- Offering employees shares in a business is an increasingly popular part of pay packages – particularly for businesses whose shares are traded on a stock exchange.
- Offering shares is a more complicated kind of reward than paying employees cash. However, it can be much more effective in linking the **objectives** of the business (e.g. profit maximisation) and the objectives of employees (e.g. make a large gain on the value of shares held).
- This payment method also encourages employees to commit to the business in the longer-term.
- There are various schemes available which companies can use to offer shares as part of the remuneration package:

Employee Share Ownership Plans ("ESOP's")

- ESOP's involve setting up a trust into which a company offers shares in the business. In the UK, a company using an ESOP can give employees shares worth up to £3,000 each year. The gains made on these shares are free of tax (capital gains tax) as long as they are held in trust for more than five years.

Share Option Schemes

- These are popular ways of incentivising senior management and key employees. Under a share option scheme, selected employees are given the right to buy shares at their current price, at a later date. If the shares increase in value in the meantime, employees will make an immediate profit when the "**exercise**" their options.
- In the UK, employees may hold options on shares worth up to £30,000. The option can be exercised after three years but not later than ten years. Again, there is no tax paid on any gains made by exercising these options.

Sharesave Schemes

- Sharesave schemes are made available to all employees – who must be able to participate in the scheme on equal terms. All scheme members get the right – but not the obligation – to buy a number of shares (normally at a lower price than their current price) after three, five or seven years.
- In the meantime, employee members save a regular amount to pay for the shares. If the shares rise in value, employees have a profit when they buy the shares. No income tax is paid on any gains made on these shares.

DISCUSSIONS IN MOTIVATION

Motivation in practice - introduction to financial incentives

- Although some theorists like Herzberg believe that money is not a positive motivator (although lack of it can de-motivate), pay systems are designed to motivate employees.
- The scientific / Theory X approach, in particular, argues that workers respond to financial rewards.
- Getting employee pay right (often referred to as the "remuneration package") is a crucial task for a business.

Why is pay important?

- It is an important cost for a business (in some "labour-intensive" businesses, payroll costs are over 50% of total costs)
- People feel strongly about it. Pay helps to satisfy many needs (e.g. security, esteem needs, resources to pursue self-actualisation)

- Pay is the subject of much important business legislation (e.g. national minimum wage; equal opportunities legislation)
- It helps attract reliable employees with the skills the business needs for success
- Pay also helps retain employees – rather than them leave and perhaps join a competitor
- For most employees, the remuneration package is the most important part of a job – and certainly the most visible part of any job offer.

There are many methods of financial reward (these are covered in separate revision notes)

• Time-rate pay
• Piece-rate pay
• Commission
• Performance-related pay
• Bonuses
• Shares and options
• Benefits in kind ("fringe benefits")
• Pensions

Because pay is a complex issue, there are several ways in which businesses determine how much to pay, and which methods to use:

• **Job evaluation / content;** this is usually the most important factor. What is involved in the job being paid? How does it compare with similar jobs?

• **Fairness** – pay needs to be perceived and be seen to match the level of work

• **Negotiated pay rates** – the rate of pay may have been determined elsewhere and the business needs to ensure that it complies with these rates.

• **Market rates** – another important influence – particularly where there is a standard pattern of supply and demand in the relevant labour market. If a business tries to pay below the "market rate" then it will probably have difficulty in recruiting and retaining suitable staff

• **Individual performance** – increasingly, businesses include an element of "performance-related" reward in their pay structures.

However, it is important to remember that pay is only one element of motivation and will work best where management also give attention to:

• Developing good management and supervision;
• Designing jobs and organising work groups to make them as satisfying as possible;
• Providing feedback to staff about their performance and training and

development;
• Making effective arrangements for communications and consultation.

Motivation in practice - time rate pay

- Time rates are used when employees are paid for the amount of time they spend at work. This is the most common method of payment in the UK.
- The usual form of time rate is the weekly wage or monthly salary. Usually the time rate is fixed in relation to a standard working week (e.g. 35 hours per week).
- The employment contract for a time-rate employee will also stipulate the amount of paid leave that the employee can take each year (e.g. 5 weeks paid holiday).
- Time worked over this standard is known as **overtime**. Overtime is generally paid at a higher rate than the standard time-rate – reflecting the element of sacrifice by an employee. However, many employees who are paid a monthly salary do not get paid overtime. This is usually the case for managerial positions where it is generally accepted that the hours worked need to be sufficient to fulfil the role required.

The main advantages of time-rate pay are:

• Time rates are simple for a business to calculate and administer

• They are suitable for businesses that wish to employ staff to provide general roles (e.g. financial management, administration, maintenance) where employee productivity is not easy to measure

• It is easy to understand from an employee's perspective

• The employee can budget personal finance with some certainty

• Makes it easier for the employer to plan and budget for employee costs (e.g. payroll costs will be a function of overall headcount rather than estimated output)

The main disadvantages of time-rate pay are:

• Does little to encourage greater productivity – there is no incentive to achieve greater output

• Time-rate payroll costs have a tendency to creep upwards (e.g. due to inflation-related pay rises and employee promotion.

Motivation in practice - commission

- Commission is a payment made to employees based on the value of sales achieved. It can form all or part of a pay package. Commission is, therefore, a form of **"incentive pay"** (see also performance-related pay, bonuses).

- Commission, like piece-rates, is a reward for the quantity or value of work achieved. In most cases, the employee is paid a flat percentage of the value of the good or service that is sold.
- The rate of commission depends on the selling price and the amount of effort required in making the sale.
- For example, commission rates could range from 5% where the product sells easily (e.g. household goods sold door-to-door) to 30% where the effort is substantial.

Advantages of Commission

- The main advantage of commission from an employee's point-of-view is that it enables high performing sales people to earn huge amounts.
- The main advantage to the employer is that the payroll cost is related to the value of business achieved rather than just the amount produced. After all, businesses exist to sell goods and services for profit – not just to make things (piece rates simply reward amounts produced, not sold).

Disadvantages of Commission

There are several drawbacks with using commission payments:

- Sales people may cut corners to make sales (e.g. not explain the product or service in enough detail to potential customers). This was a major problem in the recent pensions mis-selling scandal in the UK
- High commission earnings enjoyed by some of the sales team may be resented elsewhere in the business – particularly if the sales actually depend on a team effort
- It is difficult to change what proves to be an over-generous commission structure without upsetting and demoralising the sales team
- Once commission payments have been made, the sales force may lose some motivation until they begin to focus on the next payment (which might be up to 12 months away)
- As a result of the above disadvantages, most businesses that use commission as an incentive payment method offer a basic pay plus a moderate commission level. In this way, if sales and profits justify the change, the commission rate can always be increased slightly.
- Recent research suggests that the use of commission is reducing in comparison with the growth of other incentive payment methods.

motivation in practice - national minimum wage

- Many businesses in the UK, including large numbers of small businesses, are affected by the national minimum wage. It is worth understanding how this works since it may be relevant in a business studies case study exam.

Who the Minimum Wage Applies To

- The national minimum wage in the UK is currently £4.20 for workers aged over 21 and £3.60 for 18 to 21 year olds.
- These rates will rise to £4.50 and £3.80 respectively from October 2003; with a further proposed rise to £4.85 and £4.10 from October 2004. There is also a **minimum training wage** for new employees over 21 of £3.60 an hour, but this wage applies only to workers doing accredited training and for a maximum of 6 months. A worker's hourly rate of pay may include such payments as bonuses and performance-related pay.
- There is no national minimum wage for workers aged under 18. Other exemptions from the minimum wage are the self-employed, volunteers, apprentices, members of the armed services, and people working as part of a family.

What Employers Have to Do

- Employers have to keep records that show that they are paying the national minimum wage, although it is up to an employer what form these records take.
- Employees have a right to see their pay records and legal rights to the national minimum wage.
- The Inland Revenue enforces the legislation, and employers can be taken to an employment tribunal or to court if they fail to pay the minimum wage. There are financial penalties for failure to comply with national minimum wage legislation.

Employers found not to be paying at least the minimum wage may be served an enforcement notice ordering them to make minimum wage payments and refund any underpayment. If this notice is ignored employers may face a penalty notice and a fine of £7.40 per worker for each day they do not comply.

motivation in practice - job rotation

What is Job Rotation?

- Job rotation involves the movement of employees through a range of jobs in order to increase interest and motivation.
- Job rotation can improve “multi-skilling” but also involves the need for greater training.

- In a sense, job rotation is similar to job enlargement. This approach widens the activities of a worker by switching him or her around a range of work.
- For example, an administrative employee might spend part of the week looking after the reception area of a business, dealing with customers and enquiries. Some time might then be spent manning the company telephone switchboard and then inputting data onto a database.
- Job rotation may offer the advantage of making it easier to cover for absent colleagues, but it may also reduce' productivity as workers are initially unfamiliar with a new task.

Why is Job Rotation Important?

Job rotation is seen as a possible solution to two significant challenges faced by business:

(1) Skills shortages and skills gaps, and

(2) Employee motivation

- Skills shortages occur when there is a lack of skilled individuals in the workforce.
- Skills gaps occur when there is a lack of skills in a company's existing workforce which may still be found in the labour force as a whole.
- According to the Treasury and DfES, both skills shortages and gaps are major problems acting as major barriers to economic growth and the reduction in long-term unemployment in the UK.

motivation in practice - structuring the pay package

- With so many methods of pay available, how should a business decide to structure the pay package it offers to employees, and what rate of pay should it use?

Start with the "Market Rate"

- The starting point is usually to find out what the "market rate" is. Paying the market rate involves careful job evaluation (it helps to know what is being compared to what!).

Factors that help determine the market rate for a job include:

• Whether the skills that are required are widely available
• The overall level of unemployment in the employment "catchment area"
• Whether the job requires specialised (or even highly specialised) skills

There are several ways in which a business can obtain data on market rates:

• Local employment agencies
• Job centres

• Job adverts in national newspapers of specialist publications (e.g. professional journals)
• Commission (or contribute towards) a specific salary survey in the industry

More or Less?

- The next question is – should the business pay MORE or LESS than the market rate? Factors to consider here include:
- Does the business need above-average employees (e.g. salesmen with an industry reputation for being strong performers) Does the business need trained employees or is it prepared to invest in training beginners?
- Are the skills wanted by the business needed urgently (in which case – the business would probably want to pay more)
- Do factors affecting the mobility of labour need to be addressed – e.g. are there transport problems that need to be solved (e.g. pay for a rail season ticket) or relocation allowances to be offered to encourage new employees to move home?

Structure

The third important question is how to structure the remuneration package.

- Should employees be paid on the basis of time spent working (e.g. time-rates) or the amount they produce (e.g. piece rates) or some other measure of performance?
- Should the remuneration package be a combination of approaches (e.g. some basic pay per month + a commission-related incentive)?
- What kind of remuneration package is used by competitors - this may provide a useful guide as to how to structure the package (and it may also influence what employees expect)
- In deciding the answers to these questions, a business should try to construct a pay structure that is simple (to help employees understand it), logical and fair

motivation in practice - piece rate pay

- Piece-rate pay gives a payment for each item produced – it is therefore the easiest way for a business to ensure that employees are paid for the amount of work they do. Piece-rate pay is also sometimes referred to as a “payment by results system”.
- Piece-rate pay encourages effort, but, it is argued, often at the expense of quality. From the employee’s perspective, there are some problems. What happens if production machinery breaks down? What happens if there is a problem with the delivery of raw materials that slows production? These

factors are outside of the employee’s control – but could potentially affect their pay.

The answer to these problems is that piece-rate pay systems tend, in reality, to have two elements:

• A basic pay element – this is fixed (time-based)

• An output-related element (piece-rate). Often the piece-rate element is only triggered by the business exceeding a target output in a defined period of time

Case study: Piece-rate pay in practice in the UK – Home-based workers

- In the UK many thousands of people engage in what is known as “home-based work”. This refers to work:
- In the home, or near the home in premises that are not those of an employer For a cash income (i.e. not unpaid household work)
- Whilst there are many successful business people and well-paid professionals working from home, the use of **piece-rate pay** is focused is on those at the other end of the scale – home-based workers, mainly women, who earn only a subsistence level income.

Subsistence level home-based workers fall into two broad categories:

- Those who work for an employer, intermediary or subcontractor for a **piece-rate**, who are not responsible for designing or marketing the product, but simply contribute their labour. These workers are often called subcontracted or dependent home-workers
- Workers who design and market their own products, but who cannot be considered to be running small businesses - known as own-account workers.
- The majority of home-based workers are women who do home based work in order to combine earning cash with other responsibilities, such as child-care and household management. Many earn well below the local minimum wage or average earnings. Most dependent workers work informally, without a proper employment contract. They are rarely organised or supported by formal trade unions.

Home-based work is found in most sectors of the economy, both modern and traditional industries. Good examples include:

• Production of garments and shoes
• Assembly of electronic, plastic and metal components
• Many kinds of packing work
• Weaving and dyeing of textiles in the traditional sectors
• Handicraft work
• Sewing and knitting garments

• Assembling toys
• Data-processing

- It used to be thought that home-based work was an old-fashioned form of employment that would die out with the rise of modern industry. However, over the last 20 years much large-scale industry has reorganised its production, subcontracting work to smaller companies, often in other countries. At the end of the chain there are often informal workshops and home-based workers.

Subcontracted homework is a form of production which allows companies to reduce their costs by:

- Outsourcing production to lower-paid workers, usually without formal contracts, employment and social protection or even a regular supply of work
- Passing on some of the costs of heating, lighting and storage to the workers themselves
- Avoiding responsibility for health and safety for these workers
- Using home-based workers as a source of flexible labour

Some of the problems faced by home-based workers include:

• Irregular work – and therefore irregular income
• Earnings well below average
• No economic or social security for sickness, maternity or old age
• Long working hours
• Potential health problems caused by repetitive processes and inadequate health and safety

motivation in practice - performance related pay

Performance-related pay is a financial reward to employees whose work is:

• Considered to have reached a required standard, and/or

• Is above average

- Performance related pay is generally used where employee performance cannot be appropriately measured in terms of output produced or sales achieved. Like piece-rates and commission, performance related pay is a form of incentive pay.
- Whilst the detail of performance-related schemes varies from business to business, there are several common features:

• Individual performance is reviewed regularly (usually once per year) against agreed objectives or performance standards. This is the **performance appraisal**.

- At the end of the appraisal, employees are categorised into performance groups – which determine what the reward will be (if any)
- The method of reward will vary, but traditionally it involves a **cash bonus** and/or increase in wage rate or salary.
- Performance-related pay has grown widely in recent years – particularly in the public sector. This is part of a movement towards rewarding individual performance which reflects individual circumstances.

According the Equal Opportunities Commission, a well-designed performance-related pay scheme would have the following elements:

• Objective setting
• Communication and understanding of objectives
• Consideration of performance against objectives
• Translation of evaluation into performance rating
• A link between ratings and the determination of pay
• A separate appeals procedure

Disadvantages of Performance Related Pay

There are several problems with performance-related pay:

- There may be disputes about how performance is measured and whether an employee has done enough to be rewarded
- Rewarding employees individually does very little to encourage teamwork
- It may encourage unhealthy rivalry between managers
- There is much doubt about whether performance-related pay actually does anything to motivate employees. This may be because the performance element is usually only a small percentage of total pay

motivation in practice - pay - the legal requirements

- The law affects many aspects of pay. Employers need to be aware of these requirements. Unfortunately, they change often.
- You do not need to have a detailed understanding of each piece of legislation. However, it is helpful to have a working knowledge of the main legal areas, which are as follows:
- Employers must:
- Pay employees in accordance with their **contract of employment**. The contract will cover areas such as time to be worked, amount of paid holidays, arrangements for pay reviews etc. The employment contract is the crucial legal document between an employer and employee

- Pay men and women equally for doing like work or work of equal value - in other words, not discriminate between men and women
- Ensure they meet the requirements of the Minimum Wage Act 1998 and pay at least the National Minimum Wage to eligible employees
- Not make deductions from wages without prior written agreement unless required or authorised by the employees' contracts or by law (e.g. Income tax and National Insurance contributions)
- Give employees itemised pay statements showing: the gross amount of wages or salary; the amount and purpose of any variable or fixed deductions; net wages or salary payable; and, where the net amount is paid in different ways, the amount and method of each part payment
- Pay as appropriate, various statutory pay entitlements e.g. statutory sick pay; statutory maternity pay; redundancy pay. Various laws set out minimum payments for these entitlements

Discussions

Bank Marketing Fails to Reassure Wary and Befuddled Customers

Top Slashed Spending as Crisis Set In, Though Some See Opportunity

YORK, Pa. (AdAge.com) -- Some customers are asking whether Citibank is a safe place for their savings. So what is Citibank doing? Running ads in The Wall Street Journal about its microfinance capabilities in Texas and India.

Of course, it's not just Citi that's having a tough time, and at least it's maintaining a marketing presence, which in itself could be seen as reassuring. But that example seems to epitomize what some experts feel is a somewhat tone-deaf -- and in some cases desperately underfunded -- marketing reaction to the current financial crisis.

The situation is rattling depositors like never before, as Uncle Sam props up the beleaguered bank business with $700 billion and once-hallowed Citigroup mulls turning over 40% of its shares to the government. That uncertainty about the future of these institutions has sparked a crisis of trust in banks.

"I know smart people who understand banking, but they're still moving their money around or taking it out," said Mary Beth Sullivan, managing partner at Capital Performance Group.

The latest round of government bank funding is only partly to blame for increasing mistrust of banks, of course. Renewed media coverage of banking party junkets, such as Northern Trust's last week, and continuing overall poor economic indicators also create panic and insecurity.

Lingering worries

But for consumers, the underlying problem is widespread confusion about just what this means for banks -- and which are the most endangered. While the Federal Deposit Insurance Corp. is to guarantee deposits up to $250,000, there's still worry about when and how consumers can recoup their money in the event of a bank failure.

"There's a general lack of clarity from the government side, from the banking side and from the consumer side. No one seems to be on the same page," said Douglas Berlon, Gallup global practice leader for financial services.

For example, Gallup did a split poll this week that twice asked the same question -- "Do you favor or oppose the government temporarily taking over major U.S. banks in danger of failing in an attempt to stabilize them?" -- but with slightly different wording: The second query replaced "taking over" with "nationalizing." More than 54% said they favored a temporary takeover, while only 37% favored temporary nationalization.

Moreover, the fear is spreading wider among higher earners. Gallup's optimism index (a survey of people with at least $100,000 in investable assets) has plunged from +50% in December 2007 to -64% this month. "There's an overall sense that if the rich people ... are saying, 'I'm not sure what's going on,' then that has a trickle-down effect," Mr. Berlon said.

But where are the marketing sheriffs' voices of calm and reason -- or even opportunism?

Cutting spending

The answer, in part, is that their voices are a lot quieter than they were before the financial crisis set in. The top 10 banks and credit-card companies cut measured spending (excluding internet, outdoor and national spot radio) 11.0% in 2008, 25.2% in the fourth quarter and 38.7% in December compared with those same periods in 2007, according to an Ad Age DataCenter analysis of TNS Media Intelligence data.

A handful, however, do see an opportunity. "It's not just opportunity. We almost see it as our responsibility to adjust to the voice of the consumer," said Ben Stuart, senior VP-brand marketing at Charles Schwab. Schwab just completed some ethnographic research that showed that while the shock of people losing their savings is over, people are still deeply unsettled, and people close to retirement are experiencing a great deal of angst. "It's our responsibility to acknowledge the angst," Mr. Stuart said.

Schwab is doing a number of smart things to acknowledge the angst, including a major outdoor campaign, using messages such as "I've got a lot less cash and a lot more questions. Talk to Chuck." It's planning to launch a CNN/Charles Schwab help desk in a multiplatform deal with the media owner. "It won't just be 'Come to Schwab,'" Mr. Stuart said. "It'll be a place where we aggregate a lot of relevant content and try to answer people's questions."

Nor is Schwab the only one trying to be proactive. The day after President Barack Obama's address to a joint session of Congress, The Wall Street Journal was littered with ads from major banks with the following message: We are a safe haven. Fiduciary Trust International: "Some wealth managers are going back to basics. We never left." PNC Bank: "Now more than ever, responsible lending is everything." Sterling National Bank: "A bank that lends money. What a concept."

PNC pointed out in ads that its consumer lending was up 19% in the fourth quarter. "This environment calls for us to articulate what it is we're doing, and that is that we've never stopped lending," a spokesman said.

PNC, which recently acquired National City banks and is merging the two, has begun a creative- and media-agency review of its estimated $100 million account. Its current agency, Doner, has been invited to participate, said the spokesman, but he declined to name any other agencies involved.

'Wachovia all over again'

But PNC, which accepted TARP money as part of its FDIC-brokered deal to rescue the failing National City bank, might have a tough time finding a new shop, which underscores the state the industry is in. "We've got a number of things on our prospecting list, and banking isn't one of them, even though we're wide open in the category," said one agency new-business executive. "We weren't interested; it felt toxic to us," said an industry executive. "It sounded like Wachovia all over again."

Bank of America is continuing print, TV, radio and online advertising, with the message of strength and stability it adopted last May. "We're also focused on communicating the types of financial solutions and products and services that are relevant to what people need right now ... like savings and CDs," a spokesman said.

The big winner appears to be JPMorgan Chase, widely seen as the healthiest of today's financial institutions -- at least for now. Chase is taking advantage of its pole position, pursuing a direct-marketing approach to lure existing or lapsed customers to take advantage of its services, touting its relative strength. The bank also will begin to rebrand the Washington Mutual banks it acquired in California next month with a campaign that says, "Chase is here." A spokesman said the bank will continue that effort as it switches over

WaMu banks to the Chase brand in other states, and will keep up its national marketing campaign under the theme "The Way Forward" that began in November.

The conundrum, though, even for banks that are not lining up for handouts, is that their marketing could be seen as wasteful in an environment where many consumers mistakenly tar them with the TARP brush.

"Bankers are just so generally conservative, so inward looking and so worried about taking hits for spending money on advertising," said Gallup's Mr. Berlon. "But there is an absolute opportunity here."

Ms. Sullivan said the view at places such as PNC is that "you can't over-communicate in this environment."

Of course, the question is whether the message will stand out amid the panic and how it all will bode for long-term brand equity. "Everyone's [marketing message] today is 'strong' or 'stable,' so they're playing on that" said Jack Foley, principal with Ovus Ater. "In essence [banks are] competing on the idea that 'We won't close tomorrow.' If you're choosing a bank on the fact that they won't close tomorrow, is that really a point of differentiation?"

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