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**BACHELOR OF BUSINESS ADMINISTRATION (B.B.A.)
THIRD YEAR
PAPER – VIII : MARKETING MANAGEMENT**

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TEXT BOOK

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INTRODUCTION

This Book explains the meaning, objectives, importance, approaches to study of marketing and the role of marketers in details.

With the increase in complexity of modern business situation, the marketers face so many problems, risks not only in creation of a market for their products but also meet many critical problems in selling and satisfying the ultimate customers.

This book is written by **Prof. R. CHANDRASEKARAN** Head Department of BBA, A.A. Government of Arts College, Namakkal, easy to be learnt by the students studying in Management, Banking, Networking and Telecommunication in PRIDE.

UNIT - I

MEANING AND EVOLUTION OF MARKETING

The term '*Market*' has been derived from the Latin word '*Mercatus*' which means "*to trade*". The term carries certain other meanings like merchandise, wares, etc.

A market is essentially a place where goods and services are offered for sale. It is here that buyers and sellers meet get firsthand information about the goods they want to buy.

DEFINITIONS OF MARKETING

1. 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".
2. 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".
3. 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".

The four elements mentioned in Stanton's definition, namely, product planning, pricing, promotion and distribution (physical), together have come to be recognised as 'Marketing Mix'.

NATURE AND SCOPE OF MARKETING

There was a time when marketing activity was concerned only with the flow of goods and services from the producer to the consumer. Hence, those business activities which were involved in the movement of goods and services from the producer to the consumer were included in marketing. In other words marketing was concerned with the distribution of goods and services only. However, this concept of marketing has now been changed. Actually, marketing begins even before the start of production and ends after the satisfaction of the consumer/customer. According to W. J. Stanton, "Just as marketing does not begin at the end of the production line it does not end with the final sale. Satisfaction of the consumer is important." That is why it is often remarked, "Marketing starts and ends with the consumer"

The study of nature and scope of marketing can be done under the following heads:

(1) **Distribution of Goods and Services Approach:** According to this approach, marketing includes all those activities which are involved in the flow of goods and services from producer to consumer in the process of distribution. Businessmen refer to marketing process as distribution process.

(2) **Commodity Approach:** This approach studies marketing on commodity wise basis, such as sugar, tea, wheat etc., automobiles, fabrics etc. The marketing situation of each product is studied as regards the sources and conditions of supply, nature and extent of demand, the distribution channel used and the functions, such as buying, selling, advertising, financing, storage etc., performed by the various agencies. Under this approach, the commodity serves as a focus around which other aspects of marketing are studied. By repeating such studies in case of different commodities one gets the complete picture of the entire field of marketing.

(3) **Functional Approach:** In the functional approach, the focus of marketing study is on different kinds of functions which are recognised for their repetitive occurrences and are necessarily performed to consummate market transactions. Though there is no unanimity about the number and nature of functions that constitute marketing, nevertheless, some functions recognised are buying, selling, storage, transportation, financing, standardisation, grading, risk-taking, marketing research etc.

(4) **Managerial Approach:** In the managerial approach, the focus of marketing is on decision-making process involved in the performance of marketing functions. The basis of this approach is that marketing is purely a management function. The managerial approach entails the study of marketing at the micro level—level of business firm—of the managerial functions, such as planning, organisation, execution, coordination, control etc. It is a wider approach.

(5) **Societal Approach:** In the societal approach, the entire marketing process is regarded not as a means by which business meets the needs of consumers but as a means by which society meets its own consumption needs. In it, the focus of study is the interactions between the various ecological factors, such as, cultural, political, sociological, legal and marketing decisions and their impact on the well-being of the society. It is a wider approach as compared to previous approaches as is the recent origin approach.

(6) **Systems Approach:** Among the recent approaches to the study of marketing, the one that has been engaging considerable attention lately is the systems approach. This approach recognizes the inter-relations and inter-connections among the components of a marketing system in which products,

services, money, equipment, information etc., flow from marketers to consumers. These flows largely determine the survival and growth capacities of a firm. Thus the focus of systems approach is the analysis of the marketing flow and communications from the marketers to consumers.

(7) **Consumer Satisfaction Approach:** In the consumer satisfaction approach, the focus of marketing is on the satisfaction of the consumer. Marketing is related to the needs of the consumers. Only such products are brought forward which can satisfy the demand of the consumers. Marketing activities are directly concerned with the demand-stimulating and demand-fulfilling efforts of the businessmen.

From the above study, it is evident that the scope of marketing is very wide. All those activities relating the conception of the idea production to the satisfaction of the consumers are included in the marketing.

EVOLUTION OF MARKETING CONCEPT

Marketing concept is the basic philosophy of business. It is not a static concept. It has undergone changes over centuries. For example, during the early days of human life, each individual procured what he wanted himself. Such a person must have confined himself to certain eatables for survival. People who lived during such a period must have been illiterates and their lifestyle must have been primitive. Marketing would have been totally absent at such a time.

The gradual growth of civilisation during the later days must have led to the family system. The growth of the family system must have resulted in the formation of villages. In each village, there would have been a few families. Each family made certain products out of the materials available locally. Later, the families must have conceived the idea of exchanging goods with one another. Such a system of exchanging goods for goods came to be called by the name 'Barter'. This stage may be considered as the starting point of evolution of marketing.

With the increase in awareness among people those with the necessary resources took up business ventures. This must have paved the way for the growth of trade and commerce. The following are the changes that have taken place in the concept of marketing with the growth of business activities:

1. **Production Orientation:** During the early days of business activities the emphasis was mainly on production. Then the businessmen thought that they could produce anything and sell. To a certain extent they were successful too. The later phase of this stage witnessed mass production by industrial units. This has come to be called as 'Industrial Revolution'.

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 lifestyle 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 :** In the previous stage the strategy of the marketers was to 'somehow sell' the goods produced. In other words, they were making a desperate attempt to sell. When emphasis shifted from sales to marketing, the sellers realised the need for a systematic approach towards the entire process. They decided to measure the needs of the consumers. All marketing efforts right from production of goods, fixing the price, packing, sales promotion to making sale would be in tune with the needs of the buyers.

4. **Customer Orientation:** It is an extension of the previous stage and not something different altogether. 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 on any one seller. He can select the alternative that best fulfils his needs. Therefore, every marketer now strives hard to satisfy the customers' 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, organising, staffing, co-ordination and control. The present-day marketers are well versed in management and they adopt a systematic approach. The task of customer satisfaction is being achieved by planning, organising, co-ordinating and controlling all marketing activities.

IMPORTANCE OF MARKETING

1. It enables the marketers to know the tastes and preferences of the customers and accordingly make the 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. The buyers get their money's worth.
3. Innovations in marketing have given the buyers superior goods at

4. affordable prices.
5. Marketing, today, has developed to such an extent that the buyers
6. are able to get international brands of goods at their doorstep.
7. In the past, the buyers had to buy what was available. The growth of marketing has now given the buyers very many alternatives. The buyers are now in a position to select the best from among the many alternatives.
8. It has eliminated outdated or obsolete products over the years. It has updated the technology in tune with the needs.
9. It guides the marketers in determining the correct price for their products by taking into account the various price determinants like cost, profit, competition and so on.
10. It helps the marketers in the matter of selection of the right promotional tool.
11. It also guides the manufacturers in selecting the correct channel of distribution for their products.
12. Marketing provides employment opportunities to many. There are brokers, commission agents, truck operators, salesmen, copywriters and others who are engaged in the field of marketing.
13. The lifestyles of the people have certainly improved over the years, thanks to the revolution in marketing. There was a time when not many households had a telephone. Now we are living in an era of cell phones and pagers.
14. Marketing has certainly converted 'yesterday's luxuries into today's necessities'. Goods that were once considered as beyond the reach of the commonman are now common household items.

MARKETING ENVIRONMENT

MEANING:

In simple words, marketing environment consists of all those internal and external forces which affect the marketing strategies. The firm has no control over external environmental forces or factors. According to Philip Kotler, "A marketing environment consists of the factors and forces external to the marketing management function the firm that impinges on the marketing management's ability to develop and maintain successful transactions with its target customers." In this way, the uncontrollable external forces are included in marketing environment. The success of marketing management depends on the study of the marketing environment.

COMPONENTS OF MARKETING ENVIRONMENT (OR) FORCES (OR) FACTORS AFFECTING MARKETING ENVIRONMENT

The components, forces (or) factors affecting marketing environment can be classified under the following two broad heads:

(I) EXTERNAL COMPONENTS (OR) FORCES (OR) FACTORS

External components (or) forces (or) factors are those which exist in the environment but are uncontrollable. External environmental factors are uncontrollable by individual firms and marketing management. These forces affect the marketing strategies considerably and hence the marketing manager should adjust and adapt to these forces while preparing its marketing plans, policies and strategies. If possible, efforts should also be made to take advantage of these external forces. The major external forces are as follows:

(1) **Demographic Factors:** Demographic factors include structure of the population, division according to sex, age group, income group, marital status and profession etc. The study of demographic factors is of vital importance for the marketers. It helps to develop an understanding about prospective consumers and market potential of a product and facilitates market segmentation. It provides clues as regards their age, sex, income and capacity to incur expenditure on the satisfaction of their wants. The demographic study provides all the requisite information about consumers which is essential for market segmentation.

(2) **Economic Environment:** By economic environment we mean the purchasing power along with desire to incur expenditure of the consumers. The effective demand depends on economic environment. It also determines the market potential of a product. Speedy economic development leads to a rapid rise in the level of income and employment and consequently there is increase in the marketing opportunities of different products. In this way, the economic environment affects the marketing environment of a company.

(3) **Social and Cultural Environment:** Our society is everchanging. According to time new demands are created and old demands are extinguished. It is essential for the marketing management that it should prepare the marketing plans according to the changing needs of the society and thereby satisfy new growing needs. There are three main aspects of social environment: (i) changes in life styles and social values; (ii) major social problems, such as anxiety towards growing population, need of safety in different employments, protection to irreplaceable resources, marketing of products in low income groups and in rural sectors etc, (iii) growing consumerism which is the symbol of growing consumer dissatisfaction and their increasing desires. The growing consumerism is the result of two primary factors, i.e., (a) the increasing

educational level of consumers, and (b) scientific and technical progress. The spread of education and progress made in the field of science and technology is responsible for a rapid increase in the expectations of consumers with the result that the consumer now is more aware of his rights and satisfaction.

Social and cultural environment is also responsible for the growing importance of social responsibility of the industry and the consumer-oriented marketing concept. The social and cultural concept of marketing is coextensive with consumer welfare along with public welfare.

(4) Public Policy Environment or Legal and Political Forces:

Public policy environment is also an uncontrollable factor and affects the marketing environment. Political and legal intervention in the field of marketing and business activities has now become a common factor. Monetary and fiscal policies, import and export policies and custom duties etc. affect the marketing system of a country. In case of India, price and supply regulation of products like iron, steel, cement and drugs etc. has often been resorted to by the government. The range of government legislation directed at protecting consumer interest and the organisation of the consumer resistance groups have affected the marketing environment considerably, such as Monopoly and Preventive Trade Practices Act. The marketers should keep the public policy in mind while preparing marketing plans, policies and strategies.

(5) Scientific and Technological Environment: Scientific and technological environment also affects the marketing environment of a country. For example, there is a considerable change in the living style and the pattern of consumption in India on account of development of scientific and technological environment. There is an absolute change in the living standards of developed and developing countries. The scientific and technological developments have given birth to new marketing opportunities, such as, computer industry.

(6) Competition: The existence of competition in the market is essential for building a strong market particularly in case of a democratic society. In the free market economy, it is not possible to take any marketing decision without evaluating the existence of competition. In such an economy, the marketing management has no control over competitor's activities. However, the marketing manager should study the prevailing competitive conditions in the market. For this purpose, he should take into account bases of competition, competitor's viewpoint towards the consumers, quality and characteristics of competitors' products and their marketing strategies preparing marketing plan.

(7) Consumer Demand: Consumer demand is always changing and hence it is not possible to assess it correctly. Thus it is also an uncontrollable

marketing environment. It affects the overall market environment. Under the modern consumer-oriented marketing concept, the consumer is the centre of all marketing activities. According to Peter F. Drucker, "the main object of business is to create customer." Hence, the marketing manager must study the needs, preferences and tastes of the consumers and also analyse their effects on the demand of the product vis a vis consumer's needs and thereby produce and market the products accordingly. Every business, in order to survive and grow, must serve the needs of consumers and citizens.

(8) **Ecology or Nature or Physical Environment:** In the modern economics, ecology or nature or physical environment also occupy important place in the field of distribution and marketing under the concept of intensive marketing. However, it is also an uncontrollable factor of marketing environment. Pollution has now become the topic of the day in the field of high consumption economic system in developed and developing countries. Today the marketer is not only required to satisfy the needs of his customers but also the needs of the society as a whole. Hence, his marketing activities should be directed in such a way that it may not harm the interests of the society. In order to maintain balance in the physical environment, it is essential that all types of pollution should be stopped and efficient utilisation of the limited available resources should be done. Proper attention should be paid to the economic and efficient utilisation of the energy and physical resources.

(II) INTERNAL COMPONENTS (OR) FORCES (OR) FACTORS OF MARKETING ENVIRONMENT

Internal components or forces or factors of marketing environment are those which are under the control of the marketing manager. He is in the position of making changes in these forces. It also affects the marketing environment. Hence marketers must get adequate information about internal environment. Internal forces or factors of the marketing environment can be classified under the following two broad heads:

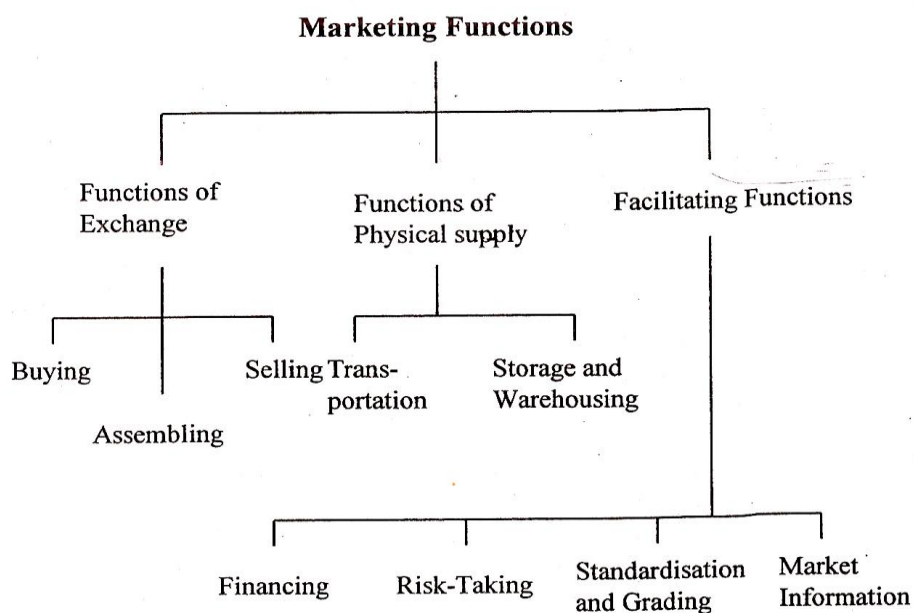
(1) **Corporate Resources:** Corporate resources include man, material, money, management, ideas and information, locating research and development programmes and public image etc. They are the constraints or limitations on the exploitation of marketing opportunities. They affect the marketing environment of a company considerably. Company's marketing opportunities depend on the availability of the corporate resources. There should be happy marriage between the corporate resources and corporate opportunities, so that the company can accomplish the set goals.

(2) **Marketing-mix:** The policies adopted by manufactures to attain success in the market constitute the marketing-mix. Under marketing-mix, we

include mainly product-mix, distribution-mix, communication-mix and service-mix. Marketing-mix is an important part of marketing system of the company and thus it is a controllable factor of marketing environment. These controllable factors are the marketing instruments or variables. A company can achieve its marketing objectives by selecting and balancing marketing-mix. Marketing-mix acts as a stimulus and resulting variables such as consumer satisfaction, market share, return on investment and company image as responses.

MARKETING FUNCTIONS

The function of marketing are classified as shown in the following chart :-



FUNCTIONS OF EXCHANGE

Functions of exchange include all those activities which are performed to transfer possession as well as ownership of goods by the seller to the buyer. These include the following:

1. Buying

Everyone in this world buys goods as a matter of daily routine. A manufacturer, for example, buys raw materials to be used as inputs in production. A trader buys finished goods from the manufacturer to be sold to the consumers. The consumers buy goods from the traders for the sake of consumption. In the absence of the buying function, business as well as household activities will come to a stand still. Right from the morning; newspaper to milk and vegetables, we need different kinds of goods in our daily life.

The factors to be considered in buying include quality, quantity, price, timing and the reputation of the supplier. A businessman will probably consider the following points before taking the buying decision.

- (i) He has to make an estimation of the demand for the goods in the market that he wants to produce and/or sell.
- (ii) Locating the source of supply is the next step. A decision has to be taken on the particular source from which he will buy. It is also possible that he may buy from more than one source.
- (iii) The terms of credit of the supplier are an important determinant of buying. In business, there are usually credit transactions. The terms of credit include the period of credit (whether 1 month, 45 days or 3 months as the case may be), the mode of payment (whether by cheque or cash) and so on.
- (iv) The reputation of the supplier is yet another important factor to be considered before taking the buying decision. The different stages involved in the buying decision of the consumer have been discussed in the chapter 'Buyer Behaviour'

DIFFERENT KINDS OF BUYING

A brief idea of the various kinds of buying, identified by marketing experts is given below:

(i) **Hand-To-Mouth Buying:** It refers to buying in small quantities. Most families buy the vegetables needed for daily use on this basis.

(ii) **Speculative Buying:** Businessmen, who anticipate a rise in the price of certain goods, accumulate stock of such goods in the hope of selling at a higher price. Such a kind of buying, known as *speculative* or *forward buying* is quite common in a share market. 'Shares' are goods as per the 'Sale of Goods Act'

(iii) **Buying By Inspection:** As buyers, we have the right to examine the goods we buy. But in some cases, the buyer may not be in a position to exercise such a right either because the seller is in a different place (when goods are imported) or the seller may not permit such an examination (when certain secondhand goods are auctioned).

(iv) **Buying By Samples:** It is not unusual for a buyer to ask for samples of certain items before buying. For example, when we buy sweets or savouries we do ask for samples. In some cases, the conformity of the sample to the bulk needs to be checked.

(v) **Buying By Description:** Manufacturers of furniture items usually make available catalogues showing different models to enable their customers

to choose. They also make furniture as per the description and specification given by their clients.

(vi) Contract Buying: Manufacturers who require regular supply of raw materials often enter into long-term contracts with the suppliers. The suppliers provide certain quantity of such materials at a certain price for a fairly longer period of time.

(vii) Scheduled Buying: This kind of buying is done by two business units where the output of one is the input of another. For example, there may be an agreement between a manufacturer of paper and a manufacturer of notebooks by which the former will supply the latter certain quantity of paper at regular intervals. By this practice, they help each other.

(viii) Period Buying: This refers to the practice of buying at regular intervals. For example, most of us buy the provisions needed for our kitchen in the beginning of each month. We usually buy from a particular provision store and the order is placed either in person or over telephone. 'Subhiksha', a popular departmental store has also introduced 'Internet Shopping'

(ix) Buying By Requirement/Need: Certain goods are demanded mainly during a particular season. These are called seasonal goods. Examples: Crackers are demanded during Deepavali. The demand for sugarcane is more during Pongal. Books and notebooks are in demand in the beginning of the academic year. The demand for umbrellas and raincoats is more during rainy season.

(x) Open Market Buying: It refers to the practice of buying certain goods not out of necessity but mainly because their prices have been slashed. This is done in the case of jewellery.

(xi) Reciprocal Buying: When two business units agree mutually to buy from each other it is known as reciprocal buying. For example, there may be an understanding between a paper mill and a stationery shop by which the former will supply the paper required by the latter and the latter will provide the stationery items needed by the former.

(xii) Concentrated Buying: It refers to a situation where goods need to be purchased from a particular source only. It happens because the source of supply is confined to a particular region. For example, most of the publishers of college books are Delhi based.

(xiii) Scattered Buying: It is just the opposite of concentrated buying. In this case, buying is done from any source that is profitable and convenient. Taking the example cited for concentrated buying, it may be said here that now

there are Chennai based publishers, like the publishers of this book, M/s *Margham Publications*, who cater to the needs of their city college students.

2. Assembling

Assembling of goods is done only after they have been bought. Assembling refers to the process of keeping the goods, purchased from different places, at a particular place. Certain amount of assembling is done by the consumers also. For example, we may buy the goods needed for household use from various sources and keep stock. A manufacturer may buy different kinds of raw materials from different sources and keep these in his stores. A trader also buys goods from different manufacturers and keeps these in his shop to be sold to consumers.

Advantages of Assembling :

- (i) For a manufacturer it ensures availability of rawmaterials and avoids shortage of stock.
- (ii) A trader, who buys from different manufacturers, is able to offer choice to his customers.
- (iii) It results in savings in transportation costs and handling charges for a manufacturer as the frequency of buying is reduced.
- (iv) It also guards a manufacturer against scarcity of rawmaterials that may hamper production.
- (v) As consumers, we tend to buy and keep stock of certain goods that may not be required immediately. But these may be required in future.
- (vi) The production of certain goods is seasonal but their Consumption is perennial. *Example:* Agricultural goods. On the other hand, the consumption of certain goods is seasonal but their production is perennial. *Example:* Crackers. In either case assembling is required.

PROBLEMS IN ASSEMBLING

- (i) Assembling depends much on the availability of storage facilities. Absence of proper storage may not allow the performance of assembling function.
- (ii) The perishable nature of certain goods (fruits and vegetables) may provide scope for assembling.
- (iii) Certain goods have a tendency to become outdated quickly. Keeping stock of such goods may only result in loss. *Example:* Electronic goods.
- (iv) Excessive stock only results in blockage of capital.
- (v) The quality of certain goods deteriorates with the efflux of time they may have to be discarded once their expiry date lapses. *Example:* Medicines.

3. Selling

The process of transferring ownership of goods from the seller to the buyer is what is known as selling. Selling starts after production. The philosophy of selling is 'profit maximization'. The steps involved in selling may be briefly stated as follows.

- (i) Finding a buyer.
- (ii) There shall be an agreement between the seller and the buyer quantity, quality, price, place of delivery and time of delivery of goods and also the mode of payment.
- (iii) The contract of sale provides for certain conditions and warranties by the seller, the buyer may initiate legal action.

The contract of sale does not end with the seller giving delivery of goods to the buyer and the later making payment for the same. In the case of durable goods the seller shall also provide certain post-sale service to the buyer like arranging for repairs and maintenance during the period of warranty.

Kinds of Selling

- (i) **Sale by inspection:** The seller gives an opportunity to the buyer to examine the goods.
- (ii) **Sale by sample:** The seller offers samples in certain cases.
- (iii) **Sale by description:** The seller agrees to make certain goods as per the buyer's description and specification,
- (iv) **Under cover method:** This method is followed in commodity exchanges and also in certain unorganised markets. In such places, many brokers and commission agents participate in buying and selling. The price is fixed by manipulating fingers covered with cloth.
- (v) **Auction:** In an auction sale goods are assembled at a particular place. The buyers offer their prices individually. The goods are sold to the buyer who has offered the highest price.
- (vi) **Tender system:** Under the tender system, the buyers are expected to quote their prices in a sealed cover and forward it to the seller. The covers are then opened on the stipulated date in the presence of all the buyers. The sale is then effected in favour of the highest bidder,
- (vii) **Sale at a flat rate:** Such a method is adopted by some sellers who sell a variety of goods at a flat rate. Sometime back *Tele Shopping Network* (TSN) organised such a sale in Chennai where different types of goods of daily use like clocks, crockery items, kitchenware, etc., were sold at a flat rate of Rs.99/- each,

- (viii) **Gentlemen's agreement:** In the context of sale *it* is purely based on oral understanding, between the seller and the buyer of the various terms of sale.

FUNCTIONS OF PHYSICAL SUPPLY

The following are the functions of physical supply:

1. Transportation: The goods produced in a particular place are not consumed there itself. From the place of production, the goods need to be taken to the various consumption centres which are scattered throughout the country or even throughout the world. Transportation is concerned only with this task. It creates what is called 'place utility'.

FUNCTIONS OF TRANSPORT

- (i) It helps the business to carry the goods to the various consumption centres.
- (ii) It makes available goods at the doorstep of the consumers.
- (iii) It widens the market for the goods by catering to buyers in different regions.
- (iv) It helps those business units whose goods are easily perishable in nature by carrying these to the market at the right time. *Example:* Milk, fish, vegetables, etc.
- (v) It creates place utility by bridging the gap between the production and consumption centres.
- (vi) It is only the development of the transportation brands of goods, Thus transportation has indirectly influenced the lifestyle of the buyer.
- (vii) It also offers employment opportunities to many throughout the world there are lakhs of people who are employed in the transport sector in different capacities.

CLASSIFICATION OF TRANSPORT

Basically the modes of transport have been classified into three categories, namely land transport, sea transport and air transport

LAND TRANSPORT

It is further divided into road transport and rail transport.

A. Road Transport

Bullock-carts, lorries, trucks, buses, etc., are the means of road transport. The merits of road transport are given below:

Merits of Road Transport :

- (i) It is economical.

- (ii) It is safe. Damage to goods is generally much less in road transport because handling is minimum.
- (iii) It is flexible. It can reach the actual place of loading and unloading.
- (iv) It gives access even to the common man.
- (v) It is the only option, if goods are to be delivered within a particular locality, *e.g.*, if door delivery is to be given by a dealer.
- (v) It offers wider coverage. Any domestic or national market can be reached by the mode of road transport.
- (vi) Loading and unloading of goods can be done more quickly.
- (viii) When compared to all other modes of transport, packing expenses are the lowest in the case of road transport.
- (ix) The overhead expenses are also less in the case of road transport. Rail transport, for example, requires the construction of railway stations, erection of signals and so on.
- (x) Road transport is the only suitable mode of transport for marketing goods in rural places.

Demerits of Road Transport

The demerits of road transport are given below:

- (i) The carrying capacity is less.
- (ii) Its efficiency is very much determined by the conditions of roads. Bad roads may cause such problems as breakdown and result in delay in the consignment reaching the market place.
- (iii) It is slow. The competitive nature of our markets makes it undependable.
- (iv) The rates are not standardised.
- (v) It is not suitable for carrying goods to very long distances, *i.e.*, for foreign destinations.
- (vi) Goods sent by trucks get lesser protection against rain, storm and so on.
- (vii) Accidents occur often in highways. This makes road transport highly unsafe.
- (viii) This mode of transport is highly irregular. The truck operators, generally, do not adhere to time schedule. Breakdowns and accidents further add to the problem.
- (ix) During rainy season, the roads become unsafe and unfit for transportation.

- (x) As the truck operators are all private parties, their activities go unchecked. They charge a higher tariff and, as mentioned earlier, are not time conscious either.

B. Rail Transport

Railways play a crucial role in the promotion of trade and industry in India. They carry consignments of different nature - ranging from fruits and fish to coal and steel to different parts of the country.

Merits of Rail Transport

The merits of rail transport are given below:

- (i) Suitable for carrying goods to distant places.
- (ii) Suitable for transporting bulky and heavy goods,
- (iii) More dependable than road transport (bad road conditions make road transport undependable).
- (iv) Bad weather does not affect rail transport as much as it affects road transport.
- (v) It is as economical as road transport and in some cases even more economical
- (vi) As Railways are being managed by the Government in India, the tariff charged for transporting goods is determined only by the Railway Ministry. The rates, therefore, are standardised,
- (vii) Railway accidents are much less when compared to accidents in highways. This ensures safe transportation of goods to different destinations,
- (viii) Railways will have to strictly adhere to the time schedule. This avoids delay.

Demerits Of Rail Transport

The demerits of rail transport are:

- (i) Not all places are connected by trains.
- (ii) Trains cannot carry goods to the doorstep. From the destination point, one has to arrange to collect and carry the goods to the intended place,
- (iii) Rail transport is generally not suitable for short distances. It is preferred mostly when the consignment is to be taken to distant places,
- (iv) Railways have fixed routes. This mode of transport, therefore, lacks flexibility.
- (v) Railways have monopoly in India. This gives the administration an upperhand in the matter of fixation of charges.

SEA TRANSPORT

Ships carry consignments to different parts of the country and to different parts of the world.

Merits of Sea Transport

- (i) Of the various modes of transport, it is only the sea transport, that offers the highest carrying capacity. A ship can even carry several aeroplanes.
- (ii) Sea transport plays a crucial role in the international trade of any country.
- (iii) Waterways are the gifts of nature and therefore no investment is required for their maintenance,
- (iv) The operating cost, in case of sea transport, is also less when compared with the other modes of transport,
- (v) There is no problem of traffic congestion in the mid-sea. This avoids delay.
- (vi) Accident during the voyage is a rare occurrence. Loss of goods due to accident, therefore, is also avoided.

Demerits Of Sea Transport

- (i) It is the slowest mode of transport. Perishable goods cannot be sent by sea route,
- (ii) It is very much affected by weather and climatic conditions,
- (iii) Lack of stable political conditions in many countries also come as a barrier in sea transport,
- (iv) Sea transport doesn't offer any scope for extension. All other modes of transport can be extended to newer areas,
- (v) There are many formalities to be complied with in sending shipments.

AIR TRANSPORT

The contribution made by air transport to the growth of trade and industry throughout the world is significant. Consignments of different nature are being sent in aircrafts daily to different parts of the country and the world. Merits of Air transport

- (i) It is the fastest mode of transport.
- (ii) There are generally no physical barriers to air transport. The path is always free.
- (iii) For transporting easily perishable commodities like fruits and flowers air transport is the best mode,

- (iv) Like sea transport, air transport also plays a crucial role in promoting international trade,
- (v) As there is always strict adherence to the time schedule, delay is avoided,
- (vi) It offers maximum safety. There is generally no loss due to accident or theft.

Demerits Of Air Transport

- (i) The air freight rates are very high. Therefore, air transport can be used only for such goods for which payment of a higher freight is justified,
- (ii) The carrying capacity of planes, when compared with ships, is much less.
- (iii) Like sea transport, air transport is also affected by bad weather conditions,
- (iv) The formalities to be complied with are many, which sometimes frustrate the marketers.
- (v) Transporting low value goods by this mode will not be economical. The cost of transportation in such a case will exceed the value of the cargo,
- (vi) Air-transport cannot connect all market places.

STORAGE AND WAREHOUSING

A manufacturer needs to keep adequate stock of raw materials to ensure smooth production. A trader has to maintain adequate stock of the products he sells to meet the demand. Maintenance of stocks of raw materials and finished products calls for storage. Storage helps to preserve goods at a particular place until these are required elsewhere.

Functions Of Storage

- (i) To preserve goods that are produced only during a particular season but are demanded throughout the year (agricultural goods),
- (ii) To preserve goods that are produced throughout the year but demanded during a particular season (crackers, umbrellas, etc.).
- (iii) To preserve the quality of certain goods, which in the absence of proper storage will deteriorate,
- (iv) To enable businessmen to make speculative gain, *i.e.*, to wait and sell at a higher price,
- (v) To protect goods from pests and insects,
- (vi) To ensure smooth production and distribution.

WAREHOUSING

The meaning of the word 'ware' is 'article'. A warehouse is a place where goods are stored. It is otherwise known as a 'godown'. It is usually

(found away from the place of business of a merchant. The advantages of warehouse are:

Advantages Of Warehouse

- i. It protects the goods until they are moved to the factory (to be used in production) or to the market (for sale),
- ii. It provides place for goods that are received in bulk,
- iii. It facilitates easy sale of goods when it is located near the market.
- iv. It facilitates uninterrupted sale. 'Out of stock' situation is avoided,
- v. The 'warehouse receipt' issued to a merchant, who has stored his goods in a public warehouse, also enables him to get financial assistance. A warehouse receipt is a document of title.
- vi. It helps to equalise price by matching the demand and supply position.
- vii. It provides employment opportunities to many.
- viii. Cold storage provides longer life to certain easily perishable items like fish, dairy products, etc.
- ix. It facilitates large-scale production of goods. The producer need not bother about storage.
- x. It is necessary to perform certain marketing activities like grading, packing, etc.

Different Kinds of Warehouses

There are different kinds of warehouses. A 'private warehouse' is one, which is maintained by a merchant for his own use. A 'public warehouse' provides storage facility to any individual or business unit. 'Bonded Warehouses' are located near ports. It enables an importer to take delivery of his goods after paying the customs duties.

Public Warehouse

Its activities are regulated and controlled by the Government. Any member of the public can utilise the services of the public warehouse. The rent payable is determined by the Government and it will always be a very nominal amount. These warehouses have been built on scientific lines and therefore, they offer complete protection to the goods that are stored against spoilage, theft or damage. These warehouses are fully equipped with such devices as the crane that makes loading and unloading easier. Private warehouses cannot afford to have such facilities. Skilled labourers work in these warehouses who can give expert advice to the customers. The receipt issued by these warehouses can be provided as a collateral security for a loan.

Bonded Warehouse

It is located near ports. It is owned by the Dock Authorities. An importer who is unable to pay his duties immediately can have his goods placed in the bonded warehouse. For this, he has to enter into a bond along with sureties assuring payment of the duty. He can collect the goods after paying his dues.

Delivery of a part of the goods can be effected by remitting the proportionate duty. The importers are allowed to do further processing on the goods kept in the bonded warehouse like mixing, packing, etc. They can take the buyers to such a warehouse to enable the latter to inspect the goods. This enables the importer to sell the imported goods while they are lying in the warehouse. It also enables the importer to export the imported goods without paying any duties.

Central Warehousing Corporation (CWC)

It was established in India in the year 1957 to provide warehouses at suitable places in the country. It provides storage facilities to individuals, co-operative societies and others. It also provides facilities for porting agricultural goods from the place of production to the place of warehouse. The CWC acts as the agent of the Government for the purchase, sale, storage and distribution of agricultural goods, seeds, manures, etc. It also subscribes to the share capital of the State Warehousing Corporations.

The State Warehousing Corporations (SWC)

Every State in India can establish its own Warehousing Corporation by getting the approval of the Central Warehousing Corporation. The respective State Government will contribute 50% of the capital and the CWC will contribute 50%. The SWC will provide warehouses in places other than those reserved for the CWC. It can also act as the agent of the central Or the State Government or the CWC.

Indian Standards Institution (ISI)

The ISI was established in the year 1947. It has been renamed as the "Bureau of Indian Standards". Its main objective is to lay down quality standard for consumer and industrial goods. A producer who wants to adopt a standard for his product has to obtain a licence from the ISI under its marketing scheme. He has to adopt certain procedures for quality control as prescribed by the licence. The inspectors of the ISI will constantly watch whether the producer maintains the specified quality or not. They may collect samples for the purpose of investigation at any time even from the open market. These

samples will then be tested in the laboratories of the ISI. If any customer has complaints against the quality of **ISI** marked products, he can inform the ISI officials regarding the same. The ISI will take prompt action on any such specific complaint.

If any producer is found to be using the ISI mark fraudulently, he will be liable for punishment. For the purpose of testing products, the ISI has set up laboratories in different parts of India. In addition to these activities, the ISI also furthers India's interest in the field of international standardization by working closely with the International Standards Organisation (ISO).

Function Of ISI

The functions of ISI may be stated as follows :

1. To prepare standards for commodities, materials and processes,
2. To help in the production of quality goods.
3. To certify industrial goods. To circulate information relating to standardisation
4. To promote general standards both at the national and international levels.
5. To protect the consumers by assuring them good quality and product performance.
6. To eliminate unnecessary varieties.
7. To cut down the cost of production.

A number of technical committees advise the ISI in the entire process of standardisation. Standardisation will ensure economy and the best utilisation of the material resources.

FACILITATING FUNCTIONS

These are the ancillary functions of marketing. But their importance cannot be ignored. These include:

1. **Financing:** Needless to say finance is the life-blood of any business. A business needs finance for various purposes. One such purpose is marketing. Both 'fixed capital' and 'working capital' are required for marketing. Fixed capital is required for the provision of show rooms, warehouses, service centres and so on. Working capital is required for such purposes as holding stock of goods, payment of wages, rent, advertisement, salary, commission, etc.

Sources of Finance: There are external as well as internal sources of raising funds. The external source comprises of the following:

- (i) Selling Shares and Debentures.
- (ii) Accepting fixed deposits from the public.

- (iii) Approaching financial institutions (ICICI, IDBI, NABARD etc.) that provide term loans,
- (iv) Approaching commercial banks for short-term credit.

The internal source comprises of the following:

- (i) **Trade Credit** - It refers to the credit given to the debtors on credit sales and credit received from creditors on credit purchases. The period of credit is usually 30 to 90 days.
- (ii) **Mercantile credit** - It refers to the credit allowed by manufacturer or wholesalers to retailers.
- (iii) **Retail credit** - It refers to the credit given by retailers to the customers
- (iv) **Hire-purchase system:** This system is very popular now. Many dealers of consumer durables offer the hire-purchase system. Under this system, the buyer (called hirer) makes a down payment of a certain amount and takes delivery of a durable item (TV, Fridge, etc.). He pays the balance amount in installments together with interest. He becomes the owner of the product only on payment of the last installment.

2. Risk Taking: A marketer has to encounter different types of risks while performing his activities. Marketing risks can be grouped under the following categories:

- (i) **Risks due to natural calamities:** These include loss due to draught, floods, cyclone, etc. such risks have greater relevance in the production and marketing of agricultural commodities.
- (ii) **Physical risks:** Loss due to theft, fire accident, deterioration in quality, spoilage, etc will come under this category.
- (iii) **Economic risks:** Such risks are usually caused by certain economic factors like fall in demand, fall in price level, competitive pressures, changes in purchasing power, etc.
- (iv) **Risks due to changes in buyer preference:** The tastes and preferences of the buyers are not static. Such changes are unpredictable.
- (v) **Risks due to technological development:** The marketer has to adapt to technological changes. He has to update his technology. Compact discs, Photo copying in colour, contact lens, etc., are the outcome of technological development.
- (vi) **Political risks:** Such risks are caused by the decisions of the Government. The recent decision of the Tamilnadu Government to ban sale of tobacco products and lottery tickets can be cited as an example,

HANDLING RISKS

Basically there are three different ways of dealing with risks. These are:

(a) Avoiding risks.

The following are some of the measures that can be taken to avoid risks:

- (i) Loss due to fire accident can be avoided by using fireproof materials in constructing godowns.
- (ii) Risks due to fall in demand, change in preference etc., can be overcome by adopting a policy of 'production to order'.
- (iii) Loss due to price fluctuations can be overcome by the marketers by entering into long term contracts with their clients.
- (iv) Competitive pressures can be overcome by a consensus among competing business units.

(b) Minimising risks

Some of the measures that can be adopted to minimise risk and loss if marketing are:

- (i) Making a 'stock clearance sale' of outdated goods.
- (ii) A study of the market trends can be periodically undertaken to know changes in preferences.
- (iii) Product modification may provide remedy in some cases.
- (iv) The marketer can spread risk by catering to different market areas so that loss in any one segment can be offset by profit in other segments.

(c) Shifting risks

Certain risks can be shifted to others.

Examples are

- (i) Loss due to flood, earthquake, cyclone, fire accident, theft, etc., can be shifted to insurance companies. The insurers assume such risks in consideration for a payment called 'premium'.
- (ii) The task of getting subscription for a public issue of shares can be entrusted to people called 'Underwriters'. They do this work for a commission.
- (iii) There are people called '*del credere* agents' who bear the risk of bad debts in consideration for a payment called '*del credere* commission'.

3. Standardisation and Grading

A 'standard', in the context of marketing, provides the basis that enables the consumers to make a comparison between goods. It helps them mainly to know whether a product conforms to the expected quality and the price paid is

justified. 'Standardisation' is the process by which a predetermined standard is attained.

Examples: The quality of gold is measured as 22 carat, 24 carat and so on.

The quality of steel used to make cupboards is expressed as 19 gauge, 20 gauge, etc

Standardisation is relevant for consumer and industrial goods. Once a standard is determined, the producer can work to attain it. For example, it is possible to make a 22 carat gold necklace, a steel bureau using 19 gauge steel and so on. In the case of consumer and industrial goods not only are processes also standardized.

Grading

In the case of agricultural goods, there will be variations between products of the same variety. The size, shape, colour and taste of two or more pieces of tomato or beetroot will not be the same. This happens because nature plays a crucial role in agricultural production. The production process is controlled by nature. Therefore, agricultural goods cannot be standardized. Such goods can only be segregated and divided according to their size, shape, colour and so on. This process is what is known as 'Grading'.

Benefits Of Standardisation And Grading

- (i) The marketer is able to determine the right price according to the standard or grade.
- (ii) It facilitates sale by description as well as by sample.
- (iii) It helps to satisfy different classes of buyers,
- (iv) The buyer pays the price the product deserves. In the absence of standardisation and grading he may pay more for a low grade,
- (v) The efforts required to market a graded product are less.

4. Market Information

The marketer requires a lot of information about the market. Such information helps him in taking certain important decisions. Information is nearly required in respect of the following:

- (i) Substitutes available.
- (ii) Demand.
- (iii) Tastes and preferences of the consumers.
- (iv) Positive and negative aspects of the product.
- (vi) Views of the retailers and so on.

The required information must be gathered systematically. It must then be analysed. Based on the analysis inferences must be drawn. The entire process of collection of information, analysis and making inferences is what is termed as 'Marketing Research'.

MARKETING OF SERVICES

In marketing, any reference to product normally applies to service also. While defining the term 'marketing' William J. Stanton has said, 'it 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'. It is clear from this definition that all marketing activities focus not only on want-satisfying products but on services as well.

A product is tangible (visible). It has physical existence. By acquiring a product a person may acquire an asset, e.g., a television set. A product may be capable of being reused for a certain time. *Examples* are soap, toothbrush, etc. On the other hand, a person while availing a certain service. *Example* - Transport, medical, legal, etc., incur expenditure. Service is intangible in nature.

Definition of Service

The American Marketing Association defines services as 'activities, benefits or satisfactions which are offered for sale or are provided in connection with the sale of goods'. From the definition it is clear that provision of service may be in connection with the sale of products, e.g., after-sale or repair service or it may not be in connection with the sale of goods, e.g., banking, insurance, legal, catering and other services. The provision of medical service may involve sale of certain goods by a doctor to his client, e.g., false teeth, contact lens, artificial limbs, etc

Distinction between a Product and Service

<i>Product</i>	<i>Service</i>
1. It is tangible	1. It is intangible
2. Quality standards can be attained.	2. It is very difficult to attain quality standard
3. It may be an asset sometimes, e.g., fridge, television set, etc	3. It involves expenditure without any tangible return benefit.
4. Physical possession is possible.	4. Physical possession is not possible.
5. It can be stored.	5. It cannot be stored.
6. It can be transported.	6. It cannot be transported.

7. The producer and the seller may be different persons.	7. The producer of service is the seller too, e.g., medical and legal services.
8. Assembling is very important.	8. Assembling has no relevance at all.
9. Skill of the seller alone cannot determine sale.	9. Skill of the service provider is the deciding factor in most cases, e.g., legal, catering and medical services.
10. Production and distribution need not take place simultaneously.	10. Production and distribution of service will have to be done simultaneously, e.g., provision of electricity.
11. Packing plays a crucial role in the marketing of any product.	11. It has no relevance in the marketing of service.
12. Both Brand name and Trade name are important in the marketing of any product.	12. Brand mark and Trade name are important in the marketing of services.
13. Labelling is an integral part of marketing. It is required as per law.	13. It has no relevance

Similarities between product and service marketing

1. Satisfaction of the needs of the consumers is an important objective of both product and service marketing.
2. Profit maximisation is the ultimate goal of the marketer of any product or service. There was a time when certain services like medical, education, etc., were provided without any profit motive. But most of the service-oriented organisations have become profit-oriented now.
3. Marketers of both goods and services face intense competition.
4. Advertising plays a crucial role in promoting sales in both the cases, Even hospitals, educational institutions etc., advertise these days Marketing of agricultural products needs no advertising. Likewise, marketing of certain services like provision of electricity (in view of monopoly) and legal help need no advertising.
5. Personal selling also is important in marketing goods and services.
6. Knowledge of the behaviour of the buyers is vital for both the categories of marketers.
7. Market segmentation is relevant in both product and service marketing.

Characteristics of Services

1. Intangible nature: As mentioned earlier, services are intangible or invisible. One cannot see, feel, taste or smell it. A business marketing service is actually selling an idea and not a product. In promoting sales the business will face the following problems:

- (i) Demonstration or display cannot be done,
- (ii) No samples can be given,
- (iii) No containers can be shown to the buyers.

The intangible nature of service brings the following *advantages* also for the marketers:

- (i) There is no need for a warehouse as there is nothing to store,
- (ii) Transportation costs are totally avoided,
- (iii) There is no problem of unsold stock.
- (iv) There is no loss on account of pilferage, deterioration in quality, evaporation and so on.

2. Simultaneous production and distribution: In the case of marketing of goods, production and distribution need not be done at the same time. But in the marketing of most services, both production and distribution will have to be done simultaneously. Provision of electricity offers a good example. In the case of banking, insurance, educational and legal services too, there is nothing that can be physically stored now and delivered later. As a result, there is no need for a long chain of middlemen comprising the wholesalers, retailers and so on in the marketing of services. In certain cases, agents are employed to procure clients for the business, e.g., Insurance.

3. Loss due to lack of sales cannot be recovered: A product that is not **sold** today can be sold tomorrow. This is not possible in the case of service marketing. For example, if 25 seats are empty in cinema hall for a show, the resulting loss of revenue is a loss for ever. Loss on account of empty seats in a bus, train or plane cannot be made good. Similarly, electricity once produced has to be distributed at once. If not, it becomes a waste.

4. Fluctuating demand: The demand for services, in most cases, is of fluctuating nature. For example, telephone service is active during day time compared to night hours. The number of people using the telephone during night hours is much less. It is for this reason that the telephone department is coming out with certain concessions for using the STD or ISD facilities during night hours. Likewise, although we have 24-hours hospital service, 24-hours banking and so on, the number of clients is not much during night time.

People visiting hill stations prefer summer season to any other season. As a result, most of the lodges and travel organisations doing business in hilly regions will have to go without many clients, during off-season.

5. Lack of uniform performance standards: The quality of service varies not only between business units in the same industry but also between one transaction to another. The basic reason for the variation in quality is the involvement of the human factor. For example, it may take 10 minutes for a client to get things done in a bank. It may take half an hour or so for another customer for a similar transaction.

6. Irrelevance of certain marketing functions/activities: Some of the marketing functions/activities, which are very much relevant in the marketing of tangible goods, are irrelevant in service marketing. These include transportation, grading, standardisation, storage, inventory control, branding, packing, labeling and so on

7. Direct distribution: The marketers of most services resort to distribution. The wholesalers, retailers and dealers, who are normally seen in product marketing, are absent in service marketing. In certain cases, the service marketer may rely on agents, e.g., Insurance business.

8. Heterogeneous nature of service: Two or more units of a product are similar and give the same satisfaction to the buyer. But it is not so in the case of service. For example, a client may be praising a doctor while another person may be cursing him. A surgery might have been successfully done today. An identical surgery to be done a few days later may prove to be a failure. The heterogeneous nature of service brings certain advantages also for the marketer. It provides greater flexibility *for* the marketer in performing his task. For example, the marketer can ascertain the individual needs of the client and try to offer the service in a manner suitable to his tastes and preferences.

9. Personal relationship between the service provider and the client: There is no personal relationship between a seller of goods and the buyer. It is not so in most of the cases of service marketing. For example, a patient has to take the doctor into confidence and abide by the advice of the latter. It is true in the case of a lawyer-client relationship also.

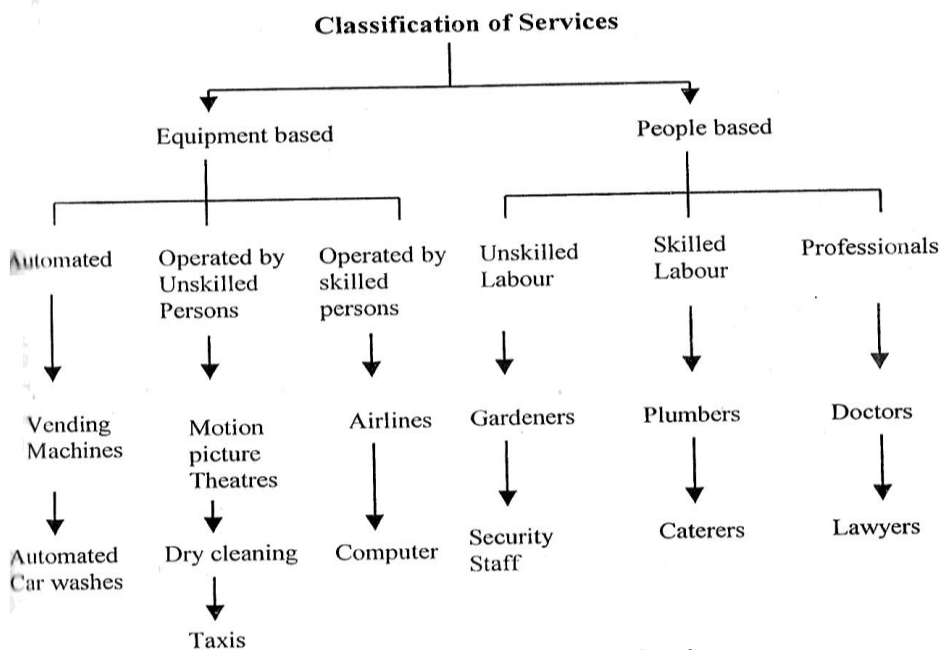
10. Skill orientation: A product is bought more for its utility value than for the skill of the marketer to sell. In the case of service marketing, it is the skill of the service provider which determines the fate of the business. The efficiency of the individuals plays a crucial role in service marketing. The quality of the product is the main deciding factor in product marketing.

Types of Services

Services may be classified into the following types:

1. **Personal services:** These include the services of housemaid watchmen, car drivers and others who work for specific individuals
2. **Professional service:** These include the services of doctor lawyers, chartered accountants and other professionals.
3. **Public (Customer) services :** These include the services of transport companies, banks, hotels, cinema theatres, dry cleaners, beauty parlours, etc.

Another classification of services is given in the following chart :



Source: Principles of Marketing by Philip Kotler (Adapted)

Relevance of Marketing Mix for Services

1. Service Mix: There are many service providing organisations that offer a variety of services for their customers. For example, apart from accepting deposits and making loans and advances, commercial banks provide certain other services for their customers as mentioned below:

- (i) Payment of telephone bills, electricity bills etc, of their customers.
- (ii) Collection of dividend, rent and other incomes for and on behalf of their customers,
- (iii) Provision of safety lockers,
- (iv) Provision of credit cards,
- (v) Provision of foreign exchange and so on.

The Postal Department is another service provider that offers a variety of services apart from postal services. Small savings (Public Provident Fund, National Savings Scheme and National saving Certificate) are being offered to the public through post offices. Money can be remitted by a person to another by means of money order through post offices. The telephone bills can also be paid through the offices.

Most of the hotels provide, in addition to food and accommodation package of services for their clients as indicated below:

- (i) Organising tours
- (ii) Provision of lockers
- (iii) Reservation of train/air tickets and so on.

Modification: Many services have been modified or altered from time to time in tune with the technological advancement and needs of the consumers. Direct air service to any destination, round the clock television programmes, Internet booking of railway and movie tickets, etc., may be cited as examples.

Elimination: There were many services provided in the past which have come to be eliminated now. Tram services have been stopped in many places. Manual processing of photo films has been abandoned now. Block in the Sewage tank used to be cleared manually once. It is being cleared using machines now.

Concept of Life Cycle: The concept of 'life cycle' applies to service also. Like products, services too pass through the introduction, growth maturity and decline stages.

Branding: Brand name plays a crucial role in the marketing of products. In the case of service marketing, brand mark and trade name are important. For example, the 'Maharaja' symbol of Air-India has given it the recognition it has now. In most of the cases of service marketing, it is the trade name which has given the business loyal customers. BSNL, VSNL, IOC, SBI, IDBI, HDFC, LIC, etc., are the names popular with the members of the public.

2. Pricing: The Government organisations like the Railways have regard for the common man in fixing up the fares. Although they have monopoly status, in a welfare state, they have to keep the price at a reasonable level so that the poor consumer does not suffer. As far as the private service providers are concerned, they adopt a policy of a high price during peak season and a low price during off-season. As mentioned earlier," the hotels located in hilly regions follow such an approach. The tariff charged during summer is more than double the tariff charged during winter. Another important aspect of

pricing in service marketing is that the service provider, in certain cases, collects advance payment from the consumer. For example, a person who has to travel by bus or train or by any mode of transport has to get his ticket ahead of his travel. Of course, there are also exceptions to this practice. The telephone and electricity charges are paid by us once in two months only after having availed these services.

The concept of 'stock clearance sale' has no relevance in service marketing. In fact, there is nothing like unsold stock as what is not sold once cannot be sold later. For example, the loss due to empty seats in a train or bus on a trip is a loss for ever.

3. Physical Distribution: In the marketing of products, a number of middlemen like the wholesalers, retailers and dealers are involved. This is not so in service marketing in view of the following factors:

- (i) Production and distribution shall take place simultaneously.
- (ii) There is no need for warehouses as there is nothing to store.
- (iii) The problem of transportation does not arise.
- (iv) Packing too is irrelevant in service marketing.

In view of the above, it is quite possible for the marketer to resort to direct supply. In certain cases, however, the marketer may find it necessary to employ certain agents, e.g., insurance agents, travel agents, etc.

Factors determining channel decisions in service marketing

- (i) If the area to be covered by the marketer is limited, he can do away with agents. But if a vast area has to be covered, the marketer would require the services of the agents. For example, the Indian Oil Corporation, in view of the vast area to be covered, has employed many agents throughout the country for the distribution of the LPG cylinders.
- (ii) The nature of certain service industries is such that the question of employment of agents or middlemen does not arise at all. For example, electricity and telephone services can only be provided directly to the consumers.
- (iii) Most of the services are of an indispensable nature. The marketer, therefore, need not go behind the clients. The clients, in fact, will go behind the service providers, e.g., medical and legal services.
- (iv) Lack of competition, in some cases, gives the marketer an upperhand. He knows very well that the consumer will certainly come to him, e.g., Railways
- (v) Services, unlike products, do not become obsolete easily. This is mainly because of their intangible nature. As a result, it is possible for the

marketer to be slow in his approach to marketing.

4. Promotion: The relevance of promotion in service marketing may be explained as follows:

- (i) Advertising has relevance for those providing hotel, banking insurance and such other services. The marketers of these services do rely on radio, television, press advertising and outdoor publicity
- (ii) Those providing professional services like lawyers, doctors chartered accountants, etc. do not rely on media advertising.
- (iii) Certain sales promotional activities have no relevance in service marketing. Displays, demonstrations, free samples, etc., have nothing to do with service marketing.
- (iv) Personal selling is used for marketing insurance, credit cards, etc.
- (v) Certain service providers do not rely on any promotional tool in view of their monopoly power.

Examples are railways, and electricity companies.

Marketing of Certain Services

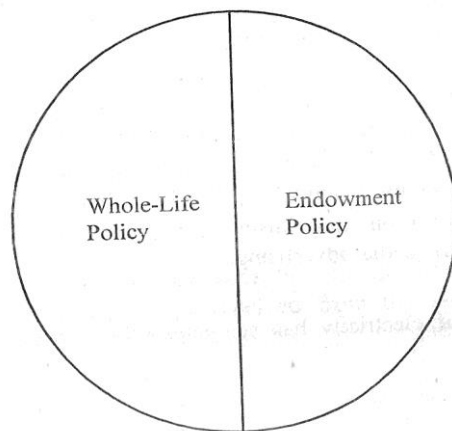
1. Insurance

Insurance business is basically divided into life insurance and general insurance. The subject matter of a contract of life insurance is human life. General insurance business is further divided into fire insurance and marine insurance. In fire insurance, any property belonging to a person can be insured against fire accident. In the case of marine insurance, the ship or the cargo on the ship itself can be insured against marine losses. The consideration in a contract of insurance is the premium amount that is paid by the insured (the policyholder).

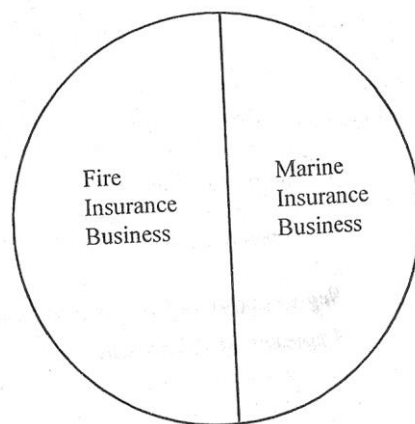
For the amount received as premium, the insurer agrees to make *GOOD* the loss caused to the policyholder. In the case of life insurance, the policy amount itself is payable on the death of the policyholder. But in all other insurance contracts, the insurer will only pay for the actual losses caused to the policyholder irrespective of the policy amount.

The life insurance policies basically fall under two types, namely whole-life policy and endowment policy. A whole-life policy is taken for the entire life of the policyholder. It will mature only on the death of the policyholder. An endowment policy is taken for a certain number of years as per the desire of the policyholder. The policy, in such a case mature either on the death of the policyholder or on the expiry of the period of the policy, whichever takes place earlier.

The market for life insurance business is segmented as shown in the following diagram



The market for general insurance business is segmented as shown in the following diagram



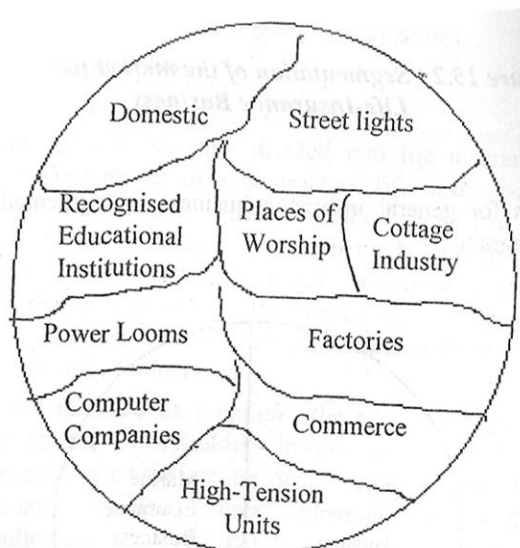
The premium payable by the policyholders is paid in monthly, quarterly, half-yearly or annual instalments. In the case of the life insurance premium amount is determined by the insurance companies after taking into account the amount of the policy, the age of the policyholder and the period of insurance. In the case of general insurance, the premium amount is determined by the value of the property insured.

The insurance companies have branches in different parts of India through which they collect the premium amount. Insurance companies employ agents to procure business for them. These agents work for commission which is usually paid as a percentage of the premium, paid the policyholders, on the business procured by them (the agents).

For the sake of promoting business, the insurance companies rely on personal selling and media advertising.

2. ELECTRICITY

The provider of electricity has segmented the market as shown in the following diagram :



Provision of Electricity is the subject of the State Government in India. The power tariff is being determined and revised by the Tamilnadu Electricity Regulatory Authority in the State of Tamilnadu.

Domestic consumers of electricity pay the tariff once in two months as of now. The tariff is payable at the respective office of the Tamilnadu State electricity Board.

As electricity has to be directly provided to the consumer, no middlemen, are involved in its distribution. Electricity is highly essential in our daily routine. Therefore, we are at the mercy of the service provider. No sales promotional efforts are necessary for the supply of electricity. Moreover, production and distribution are simultaneous in the marketing of electricity.

3. Banking Service.

Banking has been defined as accepting for the purpose of lending or investment of deposits of money received from the public, repayable on demand or otherwise and withdrawable by cheque, draft, order or otherwise.

Accepting deposits and making loans and advances are the primary functions of commercial banks. Deposits are of different types, namely, savings bank, current, recurring and fixed deposits

A savings bank account can be opened with a bank by any person who has attained the age of majority by making an initial deposit. The bank will immediately provide him with a pass book and a cheque book in case he is in need of cheque facility. He can deposit money as and when he finds cash. He

can also draw money when he is in need of cash. The amount can be drawn by means of cheque or withdrawal slip. The bank pays interest on the deposit once in six months.

Current accounts are meant for the businessmen. The minimum balance to be maintained for a current account is higher than that for a savings bank account. In the case of savings bank account, there are restrictions on the number of times money can be withdrawn in a year. No such restrictions apply in the case of current accounts. The customer can draw any number of times. The banker, however, does not pay any interest on current accounts. Current accounts are meant for businessmen who may avail overdraft facility to tide over their working capital problems.

In the case of recurring deposits, the customer has to deposit a fixed amount every month for a certain number of years as decided by him. Interest will be paid along with the principal amount as a lump sum only at the time of maturity of the deposit. The customer cannot draw any amount before the maturity date. In the case of a fixed deposit account, a lump sum is deposited by the customer with the bank for a certain number of Years as per his desire. The bank gives him a fixed deposit receipt. Interest on the deposit will be credited periodically, *i.e.*, half-yearly or annually as per the customer's preference, in the customer's savings bank account. The interest will also be paid in cash if the customer so prefers. The deposit amount cannot be drawn before the maturity date.

Since banks have to pay interest on the deposits collected from the public, they have to make a fruitful investment of the deposits. Banks utilise the deposits to make loans and advances to those who need them. Banks earn interest on the loans and advances made, which amount should naturally be higher than the interest payable on deposits. The interest to be charged on loans and advances would be so determined that it would cover the interest payable on deposits, enable the banks to pay salary, rent, electricity and other expenses and also leave a good margin of profit.

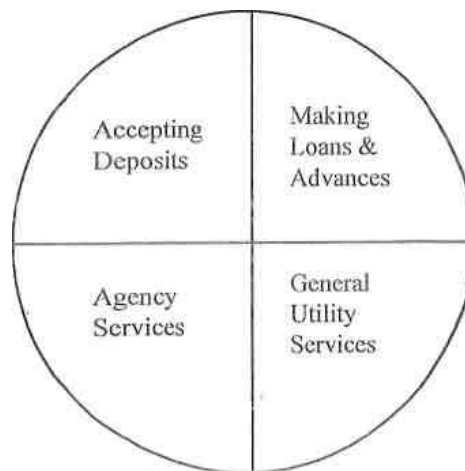
Overdraft is a facility by which the banker allows the customer to draw over and above his credit balance upto a fixed amount depending upon his creditworthiness. As and when the customer finds cash, he can deposit it in his current account so that the negative balance becomes positive.

Cash credit is yet another type of facility given to the current account holders to tide over their working capital problems. In this case, the banker gives a credit of a certain amount to the customer which he can draw it any time in a year. Interest is charged on the amount actually used and for the period of use only.

The loans provided by banks to their customers may fall under two categories, namely, clean loan and secured loan. Clean loan is given by the bank without any security. Secured loan is given against security furnished by the customer. Secured loan includes pledge, mortgage and hypothecation. In the case of pledge, the customer may get a loan against jewels and other valuables. In the case of mortgage, loan is granted against immovable properties like land and building. By hypothecation, we mean that the bank may provide loan to a customer to buy a vehicle or some other asset and the document pertaining to the same will indicate the same. On repayment of the loan, the hypothecation will be cancelled.

In addition to accepting deposits and making loans and advances, the banker performs a number of agency and general utility services for the benefit of his customers. The banker may, as the agent of his customer, pay the latter's electricity bill, telephone bill, road tax, water tax and so on. The general utility services of the bank comprise of provision of safety lockers for its customers to enable them to deposit their valuables, letter of credit to enable importers to import goods and so on.

The manner in which the bank has segmented its market, in the light of points discussed above, may be shown as a diagram as given below:



Such of those investors who are particular about the safety and liquidity of their investments invariably prefer bank deposits. Nationalised banks provide the services mentioned above directly to their customers. They do not depend on middlemen. For the purpose of business promotion, they do rely on media advertising.

UNIT - II

MARKET SEGMENTATION

Meaning of Market Segmentation

The concept of market segmentation is based on the assumption that markets are not homogeneous but are heterogeneous. For instance, two customers of a product are never common but they differ in their nature, qualities, habits, hobbies, income and purchasing techniques. They also differ in their and buying visions. Now on the basis of these characteristics, customers having similar qualities and characteristics are grouped in segments. The characteristics of customers of one segment differ with those of other segments. In this way market segmentation refers to the various segments of the market based on common characteristics of the customers. In short, market segmentation is the division and subdivision of a market on the basis of common characteristics, such as nature, taste, qualities, perception, habits, income, age, sex, behaviour etc. of the customers. This grouping of customers or segmenting of the market is called market segmentation. Market segmentation is a customer-oriented philosophy.

Definition of Market Segmentation

Market segmentation has been defined by different writers in different ways. The main definitions are as follows:

- (1) According to *Philip Kotler*, "Market segmentation is the subdividing of a market into homogeneous sub-sets of customers, where any sub-set may conceivably be selected as a market target to be achieved with distinct marketing mix."
- (2) According to *William J. Stanton*, "Market segmentation consists of taking the total heterogeneous market for a product and dividing it into several submarkets or segments, each of which tends to be homogeneous in all significant aspects."

Objectives Of Market Segmentation

The objectives of market segmentation may be summarised as under:

- (1) Grouping of customers on the basis of their homogeneous characteristics, such as nature, tastes, habits, income behaviour, qualities and needs etc.
- (2) To locate or identify the tastes, buying motives, needs, priorities and preferences of the customers.
- (3) To determine marketing strategies, targets and goals.
- (4) To make the activities of the firm customer-oriented. Customer orientation makes marketing segment an important pillar of the marketing concept.

- (5) To identify the areas or sectors where the customers may be created and the sphere of the market is expanded.

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 marketer can adopt the right strategy at the right time. A marketer of shoes, for example, can focus attention on shoes for school going children in the beginning of the academic year.
6. The resources of the business can be utilised more effectively.
7. It also helps the marketer to select the most appropriate promotional tool for each segment.
8. It is also possible to compare the performance of two or more segments.
9. A segment requiring greater attention can be given more weightage.
10. The market segmentation concept enables the marketer to conquer the market more effectively than the total market approach does.

Criteria For Segmentation

1. **Size of the Segment:** The 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.

Example: A publisher of college textbooks cannot bring out a book for a particular degree course wherein there are hardly 1000 students in a particular University area.

2. **Measurement of behavioral patterns:** The segment should indicate the changes in the behavioral 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. It is made available in two versions, namely, the disc brake and the drum brake versions. It is also made available in different colours.

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: Products brought out exclusively for women may be advertised in magazines intended for women, e.g., 'Women's Era'. Products meant for children may be advertised in Network' Channel.

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. It also sells its own brand of ice cream, sweets and savourities. every segment has its own identity. The Hindu news paper also brings out the Business Line, the Frontline the Spotstar etc., Each has a distinctive identity.

5. **Demand:** The need for creating a segment will arise only segment exhibits demand by itself. For example, 'The Hindu' brings out the spotstar 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 litre pack to 5-litre container to satisfy different classes of buyers. A half a litre pack will satisfy small income buyers whereas a 5-litre container will be preferred by the higher income group. To cite an example from the automobile industry, 'Maruti Udayog' Ltd bring out the 'Zen', 'Wagon R', 'Esteem', 'Baleno'. 'Versa' models mainly to satisfy the elite class which may not show preference for the '800' or 'Omni' models.

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 the has enough funds.

2. **Nature of the product:** The nature of the product must be such that it offers scope for segmentation. Products like biscuits, chocolates, soaps "etc., are heterogeneous in nature. That is, product different is possible in the case of these products. Certain products like salt, sugar, kerosene etc., are homogeneous in nature, i.e., there 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

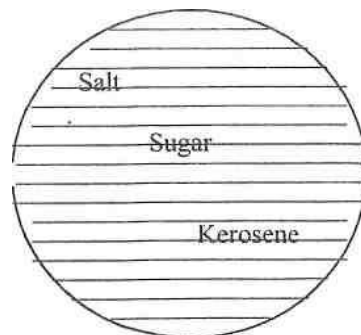
resorted to a strategy of market differentiation. That is why, one finds the market for soaps, biscuits and chocolates, durables like television, fridge etc., properly segmented by all the manufacturers concerned. One marketer alone cannot take a different stand.

4. 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.

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 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, etc., where product differentiation is difficult



Undifferentiated Market

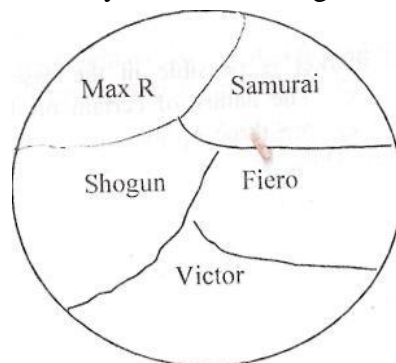
2. Differentiated Market: When it is possible to bring out variations in the product, the marketer may go in for segmentation. The products that offer scope for differentiation are:

- (i) Soap
- (ii) Toothpaste & Brush
- (iii) Face powder
- (iv) Face Cream
- (v) Detergent soap and

(vi) Shampoo, etc.

The following durable goods also offer scope for differentiation:

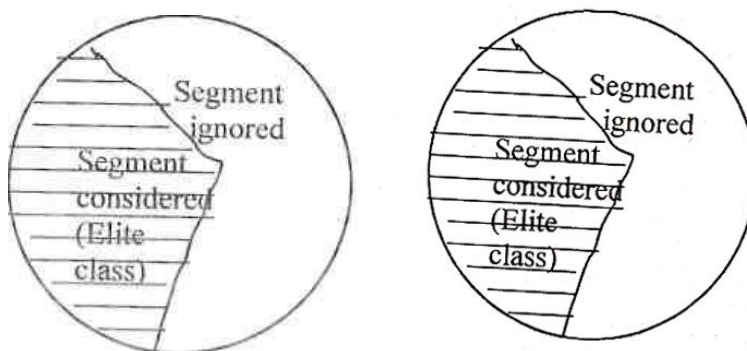
- (i) TV
- (ii) Fridge
- (iii) Music system
- (iv) Washing Machine, etc. Product differentiation is also possible in the case of cycles, motorcycles, scooters and cars. Differentiated market has been explained below by means of a diagram



Differentiated Market - TVS Suzuki Motorcycles*

(No percentage share is indicated in the diagram)

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. This has been explained below by means of a diagram



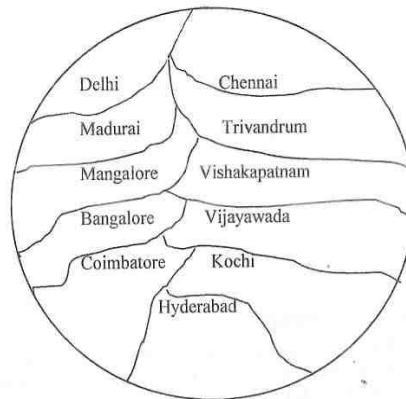
Concentrated Market - Ford Ikon cars*

(*No percentage share is indicated in the diagram)

Methods of Segmenting Markets

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.

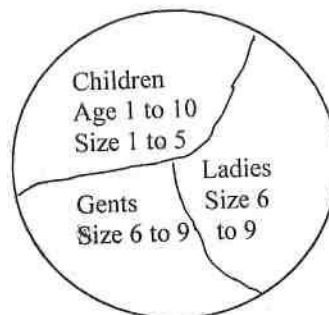
Newspapers also adopt such a method. The same edition cannot be released in all the regions. Separate editions are necessary. 'The Hindu', for example, is in circulation in different parts of India. Separate editions of the newspaper are being brought out for Chennai, Hyderabad, Delhi, Kochi and so on.



Geographic Segmentation - 'The Hindu' Newspaper*

(*No percentage share is indicated in the diagram)

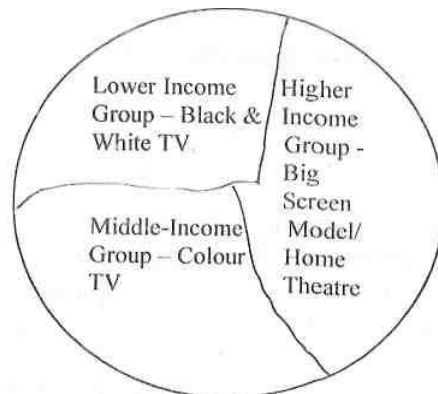
2. Demographic Segmentation: In this case, the population characteristics such as age and sex get focus. For segmenting the market for certain goods like footwear, ready-made garments etc., the age and the sex of the buyer become the key factors. The market for slippers, segmented on the basis of the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



Demographic Segmentation - Market for 'Slippers'

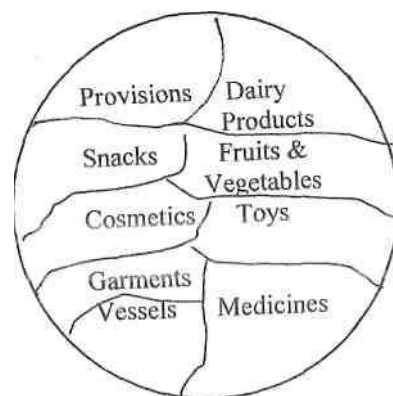
(Segmented based on age and sex of the buyers)

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.



Socio-Economic Segmentation Market for Television Sets

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 diagram

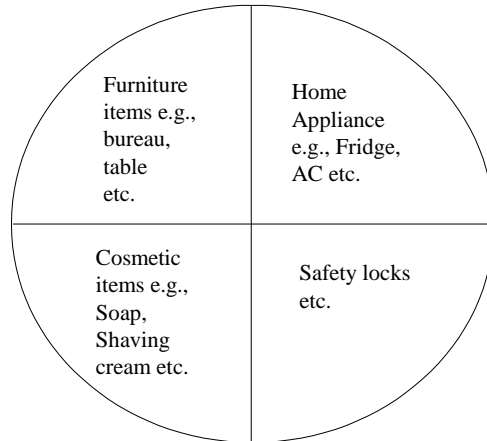


Product Segmentation

The segments in a Departmental Store

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 diagram



Product Segmentation - Godrej Co. Ltd.

4. **Benefit Segmentation:** Segmentation of the market can also be done based on the benefits sought by the buyers out of a particular product. All the buyers do not look for the same benefit in a product. The benefits sought by the buyers buying a motorcycle, for example, may be explained by means of a diagram



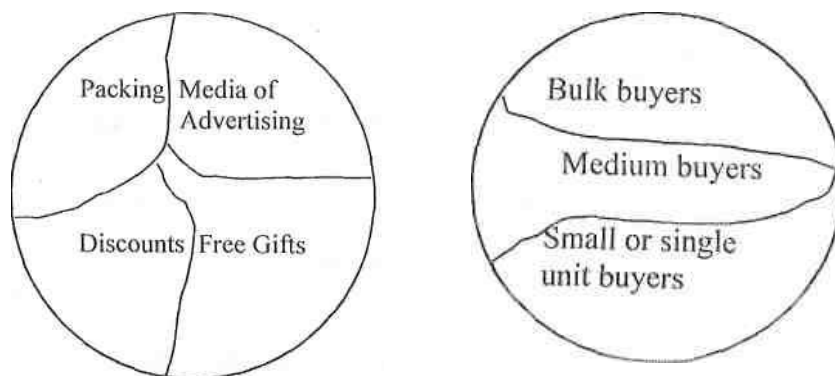
Benefit Segmentation - Benefits seen in a Motorcycle

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)

5. **Marketing Factor Segmentation:** The behavioral 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 diagram given below



Marketing Factor Segmentation

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

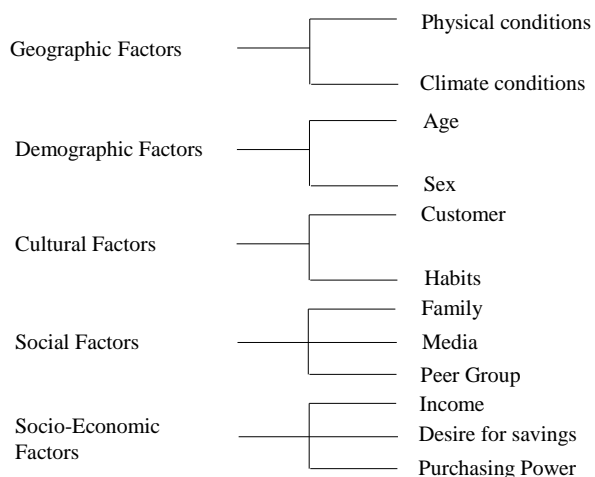
CONSUMER BEHAVIOUR

Meaning and Definition:

The whole behaviour of a person while making purchases may be termed as consumer behaviour. It is the attempt and prediction of human actions in the buying role. According to *Walter* and *Paul*, "Consumer behaviour is the process whereby individuals decide whether, what, when, where, how and from whom to purchase goods and services." Thus, in consumer behaviour we consider not only 'why', 'how', and 'what' people buy but other factors also, such as 'where', 'how' and 'under what circumstances the purchases are made'. In this process, the consumer deliberates within himself before he finally makes any purchases.

Factors determining consumer behaviour

The various factors that determine consumer behaviour have been explained the following diagram



Factors influencing consumer behaviour

1. GEOGRAPHIC FACTORS

(i) Physical Conditions: Every place has its own physical conditions which determine the consumer behaviour of the people. For example, bullock carts are used as a mode of transport by the people in villages due to lack of proper roads. In cities, such carts are used mainly for transporting goods. Thus, a person, aspiring to be a two-wheeler or four-wheeler dealer, would like to have his show room in a city rather than in a village

(ii). Climatic Conditions: People living in hill stations always experience a cold climate. Such a climatic condition forces them to use sweaters, waistcoats, caps, etc. These goods are not so popular with the city dwellers who always experience a hot climate. A person marketing air-conditioners cannot have his showroom in a hill station.

2. DEMOGRAPHIC FACTORS

(i) Age: The age of the buyer determines his buying behaviour. Children desire to have toys, chocolates, etc. Those in then-adulthood need certain products like shaving cream, cosmetic items etc. Generally, people who are in their old-age need certain items like spectacles, walking stick, medicines, etc. In our markets, there are shops that exclusively cater to children. It may be remembered that the Indian Railways offer tickets at concessional rates and also provide special quota to the senior citizens.

(ii) Sex: Certain products are desired by men and certain others by women. Leather belts, shoes, shaving kit etc., are the products used by men. Bangles, studs, lipstick etc., are the products used fry women: In our markets, we do

have certain shops that cater only to men and certain others that cater only to women.

3. CULTURAL FACTORS

(i) Customs: The buying behaviour of the people will be very much influenced by their customs and practices. For example, people in the North eat chapattis whereas in the South rice is the major food item. Again, in the South men prefer Dhooties whereas men in the North prefer Pyjamas. A cloth merchant in Chennai, therefore, may not stock large quantities of pyjamas, **(ii) Habits:** Customs and practices are inherited. Habits are acquired and not inherited. For example, Noodles and Pizzas are not our type of food. But we have acquired a taste for such items. As a result, these are being sold in every nook and corner of our cities and towns.

4. SOCIAL FACTORS

(i) Family Influence: A person's buying behaviour is very much influenced by his family. The father or the mother may decide what they should buy for their children. Likewise, if there are two sisters, probably the elder sister will suggest to her younger sister what is good for her.

(ii) Media Influence: The influence of media, cinema in particular, on a person's buying behaviour cannot be ignored. Most of the youngsters emulate their favourite film heroes in hairstyles, dress and so on.

(iii) Peer Group Influence: Peer group consists of members who all possess identical characteristics. They all have similar tastes, preferences and so on. Needless to say, every member of such a group will faithfully accept the suggestions of the other members.

5. SOCIO-ECONOMIC FACTORS

(i) Income: Needless to say, an increase in a person's income motivates him to go in for new items. He may buy something himself or for his wife or children.

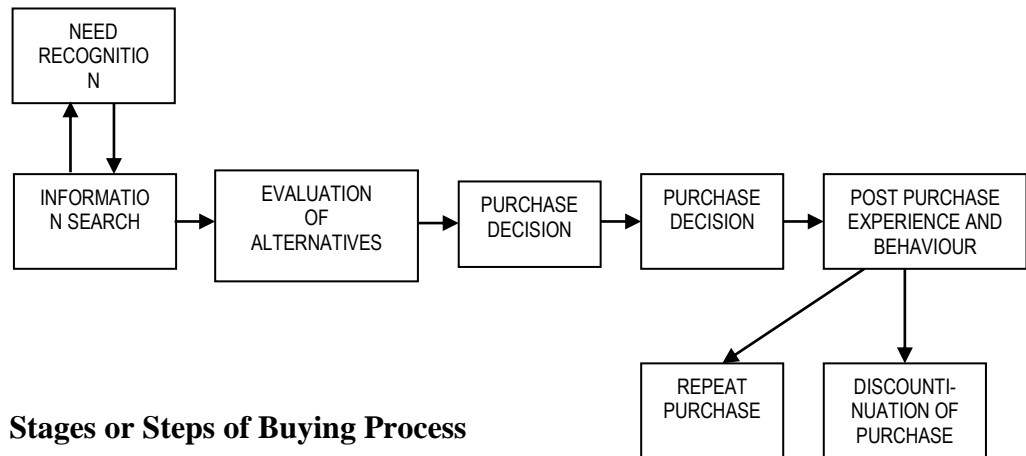
(ii) Desire for Savings; Sometimes, when there is an increase in an individual's income, he may desire to save a portion of it so that it may be invested. He may invest in gold, Shares, land and so on.

(iii) Purchasing Power: The purchasing power of an individual is determined by his real income. There is a difference between money income and real income. Money income refers to the actual amount received as income by a person. On the other hand, real income refers to the capacity of a person's money income to buy goods and services. An increase in money income need not result in an increase in real income/purchasing power.

BUYING DECISION PROCESS

Meaning of Buying Process:

For marketing management, the important behaviour on the part of a prospective buyer or consumer is the process of deciding whether to buy or not to buy. Buying process is the decision-making process leading to purchases. Buying process represents a problem-solving approach. In this connection during the last two decades, numerous models of consumer behaviour depicting the buying process have been developed. All these models treat the buyer/consumer as a decision maker who comes to the market place to solve his buying problems and achieve the satisfaction of his needs. Among all these models the one given by *Howard and Shetch* is the most comprehensive and largely approved model. However, it is somewhat a complicated and difficult model. Hence we are presenting a simple buying process model, which includes the stages of buying process in sequence as given ahead.



Stages or Steps of Buying Process

1. Need Recognition ;
2. Information Search ;
3. Evaluation of Alternatives ;
4. Purchase Decision ;
5. Postpurchase Experience and Behaviour.

(1) **Need Recognition:** Need recognition means awareness of a want, a desire or consumption problem without whose satisfaction the consumer normally builds up tension. In this way the buying process starts when a person begins to feel that a certain want or desire or consumption problem has arisen and it has to be satisfied. A need can be activated through internal or external stimuli. The intensity of need will indicate the speed with which a person will move to satisfy it. In this connection other less pressing needs may have to be postponed as the buyer cannot have unlimited purchasing power in his band. Marketers should offer appropriate and attractive cues or selling points in the

buying process.

(2) **Information Search:** The next stage in the buying process is the information search. Recognised needs can be satisfied promptly when the desired product is not only known but also is easily available, eg., water to satisfy thirst. But when it is not clear as to what type or brand of the product can offer the desired satisfaction and from where and how can it be secured, the person will have to search for relevant information about the brand, location and the manner of obtaining the desired product. In this connection, the consumer/buyer can tap many sources of information, namely, family, neighbours, friends, opinion of leaders, acquaintances etc. Marketers also provide relevant information through salesmen, advertising, sales promotion, dealers, window display, packaging etc. Mass media like newspapers, radio, television etc. can also provide relevant information.

(3) **Evaluation of Alternatives:** It is the most critical stage in the buying process, particularly in case of costly goods. After collecting the requisite information a consumer/buyer enters the subsequent stage of evaluation of alternatives. The evaluation stage represents the stage of mental trial of the product. He has to judge the product from different angles. Various considerations form the part of judgement, such as, product attributes; information cues or about a set of characteristics of the product or brand such as price quality, availability, distinctiveness etc., brand images and concepts ; weightage and other satisfaction giving potential.

(4) **Purchase Decision:** After evaluation of alternatives the buyer/consumer enters the next stage which is called purchase decision. Normally, a buyer/consumer buys the article he/she likes most. However, while making purchase decision he/she should also take into account the following factors : (i) Social factors, e.g., attitude of wife, relatives, friends and other reference group members on whom he/she relies for final selection; (ii) Situational factors, e.g., dealer terms, availability, price etc ; (iii) Perceived risk. Higher-priced products involve higher degree of risk.

(5) **Postpurchase Experience and Behaviour:** The last but not the least important stage of buying process is the postpurchase experience and behaviour. It refers to the behaviour of a buyer/consumer buying the product. It is indicated in terms of satisfaction. This behaviour is reflected in repeating purchases or discontinuation of purchases. If product's utility experience indicates satisfaction, repeat purchases otherwise in case of dissatisfaction discontinue purchases.

UNIT - III

MARKETING-MIX

Meaning:

By marketing-mix we mean all kinds of marketing decision which provide incentive to selling. According to *Prof. R. S. Davar*, "The policies adopted by manufacturers to attain success in the market constitute the marketing-mix." The idea of marketing-mix was conceived by *Prof. Neil H. Bordon* of the Harvard Business School. According to him, "The marketing-mix refers to the apportionment of effort, the combination, the designing and the integration of the elements of marketing into a programme or mix which on the basis of an appraisal of the market force will best achieve the objectives of an enterprise at a given time." Marketing-mix occupies key position in every sector of the business whether it may be the price sector, promotion sector, distribution sector or even production sector.

Elements of Marketing-Mix

The marketing-mix denotes the combination of four major elements which constitute a firm's marketing system. These elements are: (i) Product, (ii) Place, (iii) Promotion, and (iv) Price. The first element Product includes aspects of packaging and branding. By the second element Place we mean the system of marketing channels through which products and services are distributed to the ultimate consumers or final buyers. The basic object of the Manufacturer in selecting and developing distribution channels in conjunction with other elements of marketing-mix is to maximize the degree of attainment of company goals including profit, stability and long-term growth. The third element of marketing-mix is the promotion which includes personal selling and advertising, the fourth element of the marketing-mix is Pricing. In setting the prices manufacturers must work backward from the final or retail prices to the factory price with the allowance for customary or required profit margins at each stage of the channel. These four elements can be referred as the 'Four Ps' in marketing.

(1) General Planning: It includes the following:

- (i) Establishing an acceptable and possible rate of growth.
- (ii) Determining the size and extent of market which business may function profitably.
- (iii) Determining the costs and expenses needed for the business operation.
- (iv) Estimating the total financial needs of the enterprise.

(2) Product Planning: It includes the following:

- (a) Determining the product of service offered.

- (b) The possible improvement and innovation in the product.
- (c) The brand and packaging policies.
- (d) The importance of servicing including after-sales service.

(3) Channels of Distribution: It includes the following:

- (i) Selling through wholesalers.
- (ii) Selling through retailers,
- (iii) Selling direct through own sales force.
- (iv) Appointing sole-selling agencies.

(4) Pricing: It includes the following:

- (a) The level and psychological aspects of prices.
- (b) The appropriate margin at different levels.
- (c) Resale price maintenance.
- (d) Government control, if any.

(5) Sales Force: It includes: (i) extent of personal selling, extent of approach to wholesalers and retailers, and (iii) extent of approach to final consumers or users.

(6) Advertising and Sales Promotion: It includes : (i) the advertising programme, (ii) extent of sales promotion aimed at consumers, and (iii) extent of sales promotion aimed at dealers

(7) Physical Handling: It includes: (a) transportation, (b) ware-housing, (c) inventory policies, and (d) possible reduction in costs.

(8) Marketing Research: It is also an important element of marketing mix and includes: (i) Sales Analysis, (ii) Field Surveys, and (iii) Use of outside agencies in research work.

Factors Affecting Marketing-Mix

In fact, there are several factors that affect or influence marketing-mix. They may be classified under the following two broad heads ;

- (I) Uncontrollable Factors.
- (II) Controllable Factors.

(I) Uncontrollable Factors

Uncontrollable factors affecting the marketing-mix are those on which the company has no control but they affect the marketing activities of the company. The main uncontrollable factors are as follows :

(1) Consumer Behaviour: The overall behaviour of the consumer while making purchases may be termed as 'consumer behaviour'. Consumer behaviour affects the demand of a product. Though it is a uncontrollable factor

but it affects the marketing-mix. The marketing manager should study the needs, desires and preferences of the customers and also analyse their effects on the demand of the product. The needs, desires and preferences of the consumers are also affected by the change in income, fashion, style, attitude and social status etc., and hence the marketing manager should study these factors also.

(2) Competition: The existence of competition in the market also affects the marketing-mix. It is an uncontrollable factor but affects the marketing. The marketing manager should take into account the intensity of the competition while preparing its marketing-mix.

(3) Government Policy: Government policy is an uncontrollable factor but affects the marketing-mix. In India, Government intervention as regards the price, quality, distribution system and packing of the products has not been uncommon. The marketing manager should take into account the government policy while preparing the marketing-mix.

(4) Distribution System: Distribution system is also an uncontrollable factor and affects the marketing-mix a lot. Hence the marketing manager should consider the forms of distribution system while preparing the marketing-mix.

(II) Controllable Factors

Controllable factors are those which are under the control of the marketing manager and affect the marketing-mix. These factors includes the following:

(i) Brand Policy, (ii) Packaging Policy ; (iii) Advertising Policy ; (iv) Sales Promotion Policy ; (v) Channels of Distribution ; (vi) Marketing Research, (vii) Physical Distribution etc. Hence, the marketing manager should consider these controllable factors while preparing the marketing-mix.

PRODUCT MIX

Most of the manufacturers, these days, come out with not just one product but with a number of products. Consider the following examples.

MANUFACTURER	PRODUCT
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1. Philips	Audio systems, Colour TVs, CD players, etc.
2. Crompton Greaves	Bulbs, Tubelights, ceiling fans, etc.
3. Colgate	Toothpaste, toothbrush, shaving cream, etc. Moped, scooter and motorcycle
4. TVS	Fridge, furniture items, soaps (different brands), shaving cream, etc
5. Godrej	

'Product Mix' is the complete list of all products offered business unit. The American Marketing Association has defined product mix as "the composite of products offered for sale by a firm or business. The product mix has three dimensions, which are:

- (i) Breadth,
- (ii) Depth and
- (iii) Consistency.

The 'breadth' of the product mix refers to the variety of products, of a different nature, offered by a particular manufacturer.

Example: 'Godrej' offers a wide range of consumer products like locks, bureaus, refrigerators, soaps, shaving cream, hair-dye etc.

The 'depth' of the product mix refers to the assortment of models, colours and sizes offered within each product line.

Example: 'Bata Shoe Company' offers shoes and chappals in different models, colours and sizes.

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

Example- All the products of 'Philips' - music system, TV, CD players bulbs, Tubelights etc., can be brought under the category 'Electronic and Electrical Goods'. Expansion and Contraction of Product Mix

Product mix is said to be expanded when new products are added by a business unit to the existing list of products. On the other hand product mix is said to be contracted when certain products are dropped from the list

EXPANSION

Expansion of product mix is done usually under the following circumstances:

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

Example: In the case of Maruti Udayog Limited, it is only the success in marketing the 'Standard 800' model, the 'Omni' version and the 'Gypsy' in the 80's that has induced the company to come out with more superior models like 'Esteem', 'Zen', 'Wagon R', 'Baleno', and 'Versa'.

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

3. To face the challenge posed by competitors, a marketer may add new products to his existing list.

Example: The intense competition between the manufacturers of motorcycles in India has forced them to add certain new models of motorcycles to their existing models. Hero Honda added 'Passion', 'Dawn' and 'Ambition' models to its existing 'CD100', 'CDSS', 'Splendor' and 'CBZ' models. Kawasaki Bajaj added 'Eliminator' and 'Pulsar' models to its existing 'CT', 'AT' and 'Caliber' versions. Similarly, TVS added 'Fiero' and 'Victor' models to its existing 'Max R', 'Samurai', and 'Shogun' versions. -A.

4. 'Trading Up' Strategy: It refers to the decision of a business, which a low priced product, to add a high priced product to its list.

Example: 'T Series' (Super Cassettes Ind Ltd.), a Delhi based company, was initially selling audio cassettes. It undertook the production "TVS", music systems and CD players.

5. 'Trading Down' Strategy: It 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 cater to the needs of different classes of buyers

Example: 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, iodised unit, tea and coffee powder.

6. Availability of surplus funds may also induce the marketers to expand their product mix.

7. Sometimes even surplus production capacity may force marketers to bring out something new.

Contraction

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' and 'Fury'. These models have been abandoned by the company 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.

4. The law of the State may also force marketers to give up certain products. For example, sale of pan masala, gutka etc., is not allowed in Tamilnadu.

5. Shortage of funds, unavailability of raw materials and labour are some of the other reasons why contraction of product mix takes place

NEW PRODUCT DEVELOPMENT

The following are the various stages involved in the development of a new product:

1. **Exploration or Idea Generation:** The idea for making a new product shall first of all be conceived by the marketer. Such an idea would have either struck the marketer himself or would have been secured from external sources like buyers, fellow businessmen, distributors, inventors and so on.

2. **Screening:** The idea conceived shall then be reviewed to check whether it will materialise. Steps must be taken to ensure that there are no legal hurdles in implementing the proposal. Availability of men, machinery, materials and money to carry out the proposal must be ensured. At this stage, it will become clear whether to go ahead with the proposal or to drop it.

3. **Business Analysis:** In this phase, the businessman will carry out such further analysis that will help him to know the cost of making the product, the cost of distribution and the profits likely to accrue. The commercial viability of the product will become clear.

4. **Concept Testing:** The marketer may be interested in knowing the reactions of the buyers to the idea of the product. The idea of the product is made known to the buyers with as many details as possible usually through printed forms with provision for comments. The response from the buyers will confirm the workability of the proposal.

5. **Product Development:** At this stage, the businessman will do all that is necessary to start production. He will acquire the necessary inputs, tools and equipment. Normally 'prototype' (trial model) products are made to start with.

6. **Product Testing:** The Prototype products are made available in selected markets. Product test will reveal whether the product performs as

expected and is liked by the buyers.

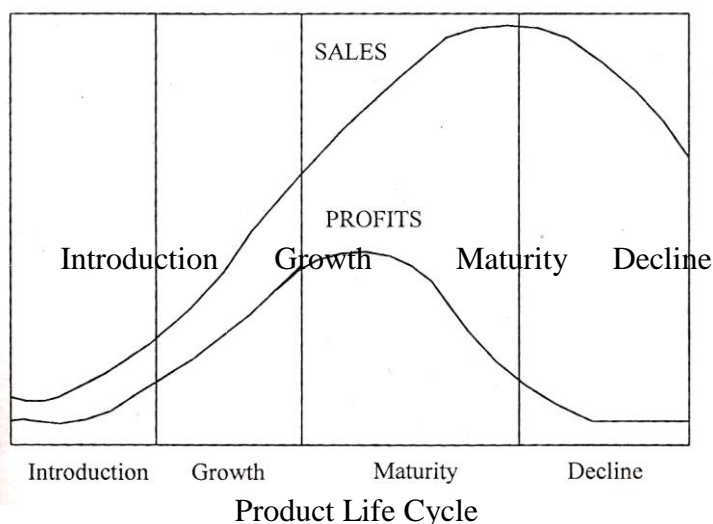
7. **Test Marketing:** By test marketing, we mean that the complete marketing plan for the product consisting of pricing, sales promotion, advertisement and channels of distribution needs evaluation. The total marketing mix of the business is tested in test marketing.

8. **Commercialisation:** It is only at this stage that the large-scale production and distribution of the product is undertaken. The life cycle of the product starts from here.

PRODUCT LIFE CYCLE

Products, like living beings, have a definite life span. The life cycle of human beings is characterised by certain stages like childhood, adolescence, adulthood and old age. The life cycle of a product consists of the following stages:

1. Introduction
2. Growth,
3. Maturity and
4. Decline.



1. Introduction Stage: When a product is just introduced into the market it will take some time for the buyers to come to know of it. Sales will gradually start. Profits will be low. Selling costs will be very high at this stage. Efforts must be taken by the marketer to popularise the brand

2. Growth Stage: In this stage, both sales and profits will begin to rise. Competitors may enter the market seeing business prospects. The marketer shall, at this stage, strive to highlight the positive aspects of his product. This may be done by an effective advertisement campaign.

3. Maturity Stage: Both sales and profits will reach the maximum level at this stage. Towards the end of this stage, the marketer may also witness 'the

supply exceeding the demand' situation. He may adopt certain promotional measures like 'free gift on purchase', 'exchange offer' and so on. Such measures may help to extend the span of this stage and may not offer a permanent solution.

4. Decline Stage: At this level, profits touch the lowest point. Competition becomes intense and the customers show preference for better products. Product alteration or modification may provide solution in some cases. If that is not possible, the marketer may have to abandon the product.

The concept of product life cycle guides the marketers in selecting the appropriate strategy for every stage. However, it is not necessary that every product should pass through all the different stages. Some products may die in the introduction stage itself. The time span in every stage will also vary from product to product.

PRICING POLICIES AND STRATEGIES

Meaning of Price (or) Pricing Policy

Policies are guidelines for achieving the objectives. So different policies are framed and adopted for achieving different objectives. Thus price policy is framed and adopted for achieving the pricing objectives. Pricing policies provide the framework and consistency needed by the company to make reasonable, practicable and effective pricing decisions. Any good pricing policy must be aimed at offering a reasonable price to the consumer, ensuring a fair return on investment to the manufacturer, producer or the dealer and providing reasonable price stability. The correctness of any pricing policy depends on such variables as managerial philosophy, competitive conditions, and the company's marketing and pricing objectives. Price policy is a long term policy which ensures a suitable exchange value for the company's products.

Basic Price Policies

The following are the three basic pricing policies:

(1) Cost Oriented Pricing Policy: It is also called 'cost plus pricing'. This pricing method assures that no product is sold at a loss, since the price covers full cost incurred. Definitely, cost furnishes a good point from which the computation of price could begin. This method of pricing is based on simple arithmetic, adding a fixed percentage to the unit cost. The retail price of a particular product might be the manufacturer's cost plus his gross margin plus the gross wholesaler's margin plus the retailer's gross margin. This method is also known as 'sum of margin method', This method is invariably used by the manufacturers and the retailers. Another common method used under cost oriented pricing policy is known as 'target pricing'. This method is used mostly

by manufacturers who fix a target return on its total cost or capital investment or total sales.

(2) Competition Oriented Pricing Policy: It is setting up of price on the basis of what competitors charge for similar products in the similar markets. Deliberate pricing policies may be formulated to above, below or generally in line with competition. One important feature of this pricing policy is that it may not have any relationship to its cost and demand for the product. Its own cost and demand may change, but the company will maintain the price. On the contrary, the company will change the price along with the change in the competitor's price, although there is no change in its own cost or demand. Going rate pricing is a form of competition-oriented pricing. Competition-oriented pricing policy attracts the customers through sales promotion policies and advertising.

(3) Demand-Oriented Pricing Policy: Under this method, price of a product is based upon its demand in the market. For instance, a high price may be charged when and where the demand is high, and a low price is charged when and where the demand is low. This policy is more suited to small business and mostly in case of non-standardised products.

Besides the above basic pricing policies, the following pricing policies are also formulated and adopted by the manufacturers, producers, wholesalers and retailers.

(4) Single Price Policy: As the name suggests, under this method of pricing, there is one price for all types of customers irrespective of volume or conditions of purchase. There is no discrimination in price between one buyer and the other. The company lays emphasis on product's quality and service.

(5) Psychological Pricing Policy: Psychological pricing policy is one which is based on the psychology of the customers. In this method, the prices of commodities are so fixed as to appeal to the customers psychologically and they are motivated to buy them. Prestige pricing, price or low pricing policies are some of them. Under this method the price of a commodity is fixed at a full number. For instance, it is stated that there are certain critical prices such as 1, 5 and 10. The company believes that the customer's psychology will be influenced by odd prices.

(6) Unit Pricing Policy: Under this method, each package of a product bears a label indicating the price of the package and the quality in the package so as to make consumers to compare the prices similar products. This method of pricing is usually adopted by chain stores, departmental stores and supermarkets. There is no scope of any bargaining under this method

(7) Prestige Pricing Policy: Many customers judge the quality of a product by its price. If the price is high, they assume that the quality is good. On the contrary, low price means low quality. Generally prestige pricing policy method is applied mostly in luxury goods where the salesman is successful in creating a prestige of his goods in the customer's mind. In this case, prices so fixed are generally higher than the prevailing market price of the goods. However, the quality of the product under this method generally is genuine and high.

(8) Customary Pricing Policy: Customary pricing policy is one which is based on the custom prevailing in the market. Under this method, price of a commodity is fixed by custom. For instance, the prices of sweets and soft drinks are based on customary pricing policy. In this case, price is charged on the basis of customer's expectation.

(9) Geographical Pricing Policy: Under this method, different prices are fixed for different marketing areas. This method is generally used by the manufacturer or the producer who covers a vast geographical area, such as Tata Steel Co. The difference in the price is on account of the transport cost of the product. Transport costs vary according to the distance between producing areas and the consuming areas and the pricing policies are formulated keeping these in mind. For example, petrol, diesel and cooking gas is priced in this way depending on the distance from the storage area to the retail outlet.

(10) Negotiated Pricing Policy: Under this method, the price to each customer is determined by individual bargaining or negotiation. In this case the prices differ from customer as per their bargaining capacity. For instance, customers making heavy purchases are in a position to press the salesman to sell the product at a lower price by claiming necessary concessions etc.

(11) Leader Pricing Policy: Under this method, low price is fixed for a popular or leader product so as to attract the customers. This is also known as 'loss leader pricing policy'. For instance, if you happen to visit a retail store you will see that he will charge low price for certain popular items such as salt, sugar, match-box etc. which are consumed by all types of customers. He will get the same compensated by charging high prices of the remaining items which are not commonly consumed. In this way, the overall sales are increased considerably along with rapid increase in overall profits of the firm.

(12) Administered Pricing Policy: Under this method, the price of a product is fixed not by the seller but by the government. Prices fixed by the government of goods sold through fair price shops are administered prices. Change in the price is possible only by the government. That is why the administered prices usually remain unchanged for substantial period of time. In

this case the margin of profit is usually quite low. Administered prices are intended mainly for the welfare of low income groups.

(13) Price-Lining Policy: Price-lining is a psychological-oriented policy. Under this method, the pricing decisions are made only initially and such fixed prices remain constant over long periods of time. Eventually, it becomes difficult to change the price even when the cost of the product had increased. This may lead to reduction in profits. To avoid this, the manufacturer or the producer is compelled either to reduce the cost structure of the product to reduce the shape or the quantity of the product. Price-lining simplifies consumer decision in buying.

(14) Monopoly Pricing Policy: Monopoly pricing policy is adopted when the manufacturer or the producer acquires monopoly of a particular product. The company has complete single-handed control over the entire supply of a unique product; there are large number of buyers but only one seller. Product is unique with no close substitutes. The competition is totally absent and the seller has a free hand in fixing the price of that particular product. Monopoly pricing policy is adopted mainly in new products, Monopoly price will maximize profits.

(15) Skimming or Cream Pricing Policy: Under this method, very high price of a product is fixed at the initial stage by the seller. Such prices continue to be high so long the competitors do not enter the market. As soon as the competitors start entering the market, the seller starts reducing the price accordingly. According to **Joal Deal**, "Launching a new product with high price is an efficient device for breaking up the market into segments that differ in price elasticity of demand". The initial high price serves to skim the cream of the market. This is a policy of recovering the product's development cost in a very short time. For instance take the case of sale of computer technology in India. At the initial stage the price of a computer was very high. However, the price began to fall as soon as the competitors began to enter the market. Today, the price of a computer has fallen considerably. Skimming price policy is adopted particularly in case of a new product.

(16) Penetration Pricing Policy: This method is just opposite to that of skimming pricing method. Under this method, low price is fixed of a new product in the initial stage or till such time the product is accepted by the consumers. As soon as the product becomes popular, the price starts increasing. It aims at capturing the market or eliminating the competitors from the market. This method is desirable under the following circumstances:

- (i) When there exists a wide market for the sale of the product.
- (ii) When the product is highly price-elastic.

- (iii) When the product faces a threat from competitors.
- (iv) When the stability of price is required ; or
- (v) When the manufacturer intends to snatch a portion of the market from the competitors.

(17) Break-even Price Policy: The level at which the total revenue will be equal to the total cost is known as the break-even point. Sales over the break-even point will yield profit on each unit. Output at any stage below the re-break-even point will result in loss. Hence the manufacturer or the producer sets the price of a product through break-even analysis and the price so determined is a break-even price.

(18) Promotion Pricing Policy: The price policy based on sales promotion methods is called promotion pricing policy. For instance, take the case of 'grand reduction sale' which is intended to revive the memory of the customers who might have stopped buying the goods they used to buy in the past. In this case the seller tries to get rid of old and outdated stock. Similarly, discounts, rebates, economy sized packets etc, are also offered to customers.

(19) Discriminating or Dual Price Policy: In this case, the manufacturer or the producer charges different prices from different types of consumers, such as manufacturers, wholesalers, retailers and consumers in the same market. For instance, electricity is charged at different rates from different types of users, i.e. agricultural users, industrial users and domestic users. This method is generally used by the public utility concerns.

(20) Expected Pricing Policy: In this method, the price which is generally acceptable by the consumers is calculated and same is charged from the consumers. Later on, the response of customers to the price offered is analysed and the final price is fixed accordingly.

UNIT - IV

CHANNELS OF DISTRIBUTION

Meaning:

The word 'channel' has its origin to the French word used for 'canal.' Thus channel is a route through which goods pass from one end to another. In other words, the route through which goods move from the place of production to the place of consumption is called 'channel of distribution.' Channels of distribution are the means employed by manufacturers and sellers to get the products to reach the market and thereby into the hands of consumers. In this way, channel of distribution is the pathway or route through which goods are transferred from the hands of the producer to the consumer or from the seller to the buyer. Thus, channel of distribution refers to various agencies through which the goods flow from the producer to the consumer. The channel of distribution is also known as the 'Trade Channel'.

According to *William J. Stanton*, "A channel of distribution for a product is the route taken by the title to the goods as they move from the producer to the ultimate customers or industrial users." According to *American Management Association*, "Channel of distribution is the structure of intra company organisation units and extra company agents and dealers, wholesale and retail, through which a commodity, product or service is marketed,"

Characteristics or Elements of Channel of Distribution

From the above definition, the main characteristics or elements of channel of distribution may be summarised as under:

- (1) Route or Pathway:** Channel of distribution is a route or pathway through which goods and services flow from the manufacturers to consumers.
- (2) Flow:** The flow of goods and services is smooth and sequential and usually unidirectional.
- (3) Composition:** It is composed of intermediaries, such as wholesalers, retailers, agents, and distributors etc., also called middlemen who participate in the flow voluntarily.
- (4) Functions:** The intermediaries perform such functions which facilitate transfer of ownership, title and possession of goods and services from manufacturers to consumers.
- (5) Remuneration:** The intermediaries are paid in the form of commission for the services rendered by them. The same is compensated by the manufacturer in the form of commission allowed by the manufacturer or added in the price of the goods sold.

Factors to be Considered in selecting channels

- 1. Nature of the product:** If the products are perishable in nature, as in the case of vegetables and fruits, the producer must move the goods to the market as quickly as possible. As the unit value of such goods is less, there are a number of middlemen for such goods like commission agents, wholesalers and retailers. Examples are tomato, potato, onion, banana, etc. If the goods are bulky in nature, but not perishable, as in the case of bricks, iron and steel etc., the number of middlemen is less to facilitate minimum handling. Goods, that are very much affected by rapid technological changes such as TV, Fridge, etc., are sold by manufacturers through retailers alone. Products of high value, e.g., industrial machinery, will be directly marketed by the manufacturers.
- 2. Nature of the market:** If the market has only a few buyers for the product, e.g., industrial machines, direct marketing is undertaken. If there are a large number of buyers for the goods, e.g., most consumer goods, marketing is done through middlemen.
- 3. Buying habits of consumers:** The goods needed for the kitchen are purchased mainly in small quantities (hand-to-mouth-buying). Such goods are sold through many intermediaries. Certain goods are desired only during a particular season, e.g., crackers during Deepavali. Such goods are marketed by manufacturers through a number of middlemen like wholesalers, commission agents, retailers, co-operative stores and so on.
- 4. Competition:** It is prudent to follow the channel of distribution that is being followed by the competitors. If a totally different channel is adopted, the marketer may encounter problems.
- 5. Financial strength:** If the marketer is financially very sound, he can undertake direct marketing. For this, he must have his own transport, godown and so on. In such a case, all the profits that accrue will become available to the marketer himself. On the other hand, if the marketer is starved of funds, he has to entrust the task of marketing only to the middlemen.
- 6. Cost of the channel:** If the cost of distribution is going to be very high, it will result in a very high price for the product. Thus, the marketer has to select his channel that the cost of distribution is kept within a reasonable limit.

Major Channels of Distribution

- 1. Manufacturer - Consumer:** In this case, the producer does not allow any middleman to come in between him and the ultimate consumer. He sells the goods directly to the consumers. Industrial goods, involving Very high price and having very few customers, are generally sold in this manner. Certain marketers of consumer goods, who cannot afford to have middlemen owing to

cost and other considerations, also resort to direct selling. Example: Home-made biscuits and chocolates are being marketed directly by the producers themselves.

2. Manufacturer - Retailer - Consumer: Most manufacturers of consumer durables like TV, refrigerator, washing machine, etc., sell through retailers or dealers. These goods are not as expensive as the industrial goods. The buyers of such goods are also scattered. Therefore, direct selling is not possible. The retailers have their places of business located closely to the dwelling places of the buyers. It is, therefore, possible for them to cater to the needs of buyers.

3. Manufacturer - Wholesaler - Retailer - consumer: There are certain consumer goods as well as perishables which are marketed by the producer through a network of wholesalers and retailers. There are wholesalers for several consumer products like edible oils, cosmetic items, and stationery items and so on. Similarly, there are also wholesalers for perishables like potato, tomato, onion, etc. These wholesalers buy in bulk from the producers and keep stock. They, then sell in small quantities to retailers and consumers. The retailers, who buy in small quantities from the wholesalers, sell the goods to the consumers at the maximum retail price (M.R.P).

4. Manufacturer - Agent - Retailer - Consumer: In certain cases the agents perform the task in place of the wholesalers. There are bulk agents for lottery tickets. These are also sold by individual merchants (sale of lottery tickets is now banned in Tamilnadu)

PROMOTION AND SALES PROMOTION

The basic idea of promotion is to inform the buyers about the availability of certain goods and services. It is the process of communicating the product information to the potential buyers. Promotion involves the performance of several activities that facilitate selling. These activities include sales promotion, advertising, personal selling, publicity and public relations. The manner and proportion in which these various promotional activities will be utilised is what is known as "**Promotional Mix**".

Sales Promotion

Sales promotion refers to all promotional activities undertaken by the marketer, other than advertising and personal selling. Window display of goods, participating in trade fairs and exhibitions, arranging product demonstrations (usually done for products like vacuum cleaner, aqua guard etc.), free gift offers, exchange offers etc., are examples of sales promotional activities.

Definition of Sales Promotion

The American Marketing Association has defined Sales Promotion as follows:

"Sales promotion, in a specific sense, refers to those sales activities that supplement both personal selling and advertising and coordinate them and help to make them effective, such as displays, shows and expositions, demonstrations and other non-recurrent selling efforts not in the ordinary routine".

The following points emerge from the above definition:

- 1) Sales promotion aims at increasing sales.
- 2) It supplements both advertising and personal selling and is not a substitute.
- 3) It makes even advertising and personal selling more effective.
- 4) It is a non-recurrent activity, i.e., not in continuous use.

Sales Promotion at Various Levels

Sales promotional activities are undertaken at three different levels – dealer's level, consumer's level and salesmen's level. Each of these is discussed in detail hereunder:

SALES PROMOTION AT DEALER'S LEVEL

1. Demonstration: The manufacturer's staff may conduct special demonstrations for the company's product in the premises of the trader. such an approach is usually adopted to introduce a new consumer durable, eg., microwave oven, aqua guard, vacuum cleaner, washing machine etc. this provides an opportunity for the customers visiting the shop to get product can be information about such a product. The salient features of the product can be highlighted by the staff and they can also clear the doubts of the customers

2. Display Materials: The manufacturers may also supply display materials, on their products, consisting of banners, boards, posters etc., to the traders to enable them to display the same in their business premises.

3. Trade Fairs and Exhibitions: Traders engaged in different trades participate in such fairs. It provides an opportunity for them to meet the buyers at a particular place. Such fairs and exhibitions are mutually beneficial for both the traders and the buyers. Sometimes, traders belonging to a particular trade alone participate in a fair. For example, traders of consumer durables or leather goods alone participate in certain fairs. Trade fairs are indeed useful to promote sales.

4. **Dealer competition:** To encourage healthy competition among dealers, manufacturers evaluate their performance over a period of time. Such of those dealers who have excelled in sales, window displays and so on are identified and suitably rewarded.

5. **Gifts:** To satisfy those dealers, who regularly place a bulk order with the manufacturer, the latter may offer certain gifts.

SALES PROMOTION AT CONSUMER'S LEVEL

1. **Free Samples:** Free distribution of samples is the most popular method of sales promotion. This may be done by the manufacturers by putting up special booths in busy- places. Free samples may also be distributed to the buyers through the dealers. Sometimes, free samples are stuck to newspapers - manufacturers of detergent powder, soup mix, mosquito net etc., follow such a technique.

2. **Price Off :** Sometimes, the manufacturer may offer a reduction in the maximum retail price. A price cut of Rs. 2 or Rs. 5 is often announced

3. **Money Refund Offer:** Some manufacturers do make the offer that money will be refunded to the consumer, if he is not fully satisfied with the product.

4. **Gifts:** Gifts are offered along with the product by certain marketers. Buyers of 'Cinthol' soap were offered free earstuds by the company recently. Comb, soap tray etc., are the items usually given as free gifts. Milk chocolate bar was given free along with 'Sunrise' instant coffee powder recently.

5. **Off season discounts:** Such discounts are offered by the market of certain goods that have only seasonal demand, e.g., umbrellas, raincoats, etc. To promote sales during 'off season', such discounts become necessary

6. **Festival discounts:** Discounts are also offered by marketers to maximise sales during festival season, e.g., Deepavali, Pongal and so on.

7. **Coupons:** Coupons are kept inside the package. The buyer gets discount, as indicated in the coupon, when he buys the same product next time. Coupons also enable the buyers to win exciting prizes. Manufacturers of 'Fa' brand of face powder came out with such an offer recently.

8. **Extra Quantity:** More quantity of the product is offered for the same price to induce the buyers to buy. 'Nestle Sunrise' instant Coffee powder and 'Colgate' toothpaste are sold with 'extra quantity' offer often.

9. **Exchange offer:** Dealers of most durable goods come out with the exchange offer. The buyer may, for example, exchange his old TV, fridge music system or air-conditioner for a new one by paying the difference in amount in cash. The old items are assessed by a person who will tell the customer the

'exchange price'. Most jewellers give new gold jewels in exchange for the old ones.

10. **Free door delivery and installation:** Some traders offer free home delivery of goods. Some of them also offer free installation eg computer, furniture etc.

11. **Lucky draw:** Sometimes, the customers may be asked to drop their visiting cards or the counterfoil of bills in a box. A lucky draw may be conducted on a particular date and the winners may be given prizes.

12. **Slogan contest:** A small questionnaire may be given to the customer. The questionnaire contains certain questions about the merits of particular product. The customer may, at the most, be asked to state yes or no. There may also be space in the questionnaire to enable the customer to write a slogan on a particular theme, may be, in about 50 words. The best entries may get prizes.

PROMOTION AT THE SALESMEN'S LEVEL

1. **Meetings:** Meetings of salesmen organised at regular intervals enable salesman to assess his own performance. He also gets an pity to know how the other salesmen are doing.

2. **Pamphlets :** Salesmen are provided with pamphlets that give complete details the product. Such pamphlets can be distributed to the customers.

3. **provision of audio-visual aids:** Salesmen are sometimes provided with audio-visual aids to perform their work effectively. This becomes particularly necessary when their company is participating in a fair or Exhibition. Through the audio-visual aids, they will be able to highlight the product features much better

4. **Cell phones and pagers:** The present-day salesmen are provided with cell phones and pagers to act swiftly. This enables them to contact and to be contacted by anyone even when they are on the move.

5. **Product demonstration:** Salesmen selling certain products like vacuum cleaner carry the instrument wherever they go. This enables them to arrange demonstrations when required. As a result, they are able to create better impact on the customers. This advantage will not be available if they explain only orally the product features.

6. **Sales appraisal:** The business appraises the performance of all its salesmen over a period of time. All those salesmen who have excelled are given awards and mementos.

Sales journals: The company may also bring out its sales journals periodically. This will certainly give authentic information to the salesmen about the progress of their work.

Merits of Sales Promotion

1. When compared with advertising and personal selling, sales promotional activities are less expensive.
2. It enables both the dealers and the consumers to enjoy certain tangible benefits, e.g., free samples, gifts, price reductions, etc.
3. Certain sales promotional activities also enable the consumers to gain knowledge. For example, displays and demonstrations help them to understand the product mechanism. The customers can also raise their queries and get clarification immediately. Pamphlets distributed to the consumers also provide useful information.
4. Advertising approaches the buyer indirectly and personal selling approaches the buyer directly. Whereas sales promotional activities involve both direct and indirect approaches.
5. Sales promotion helps to supplement and support both advertising and personal selling. No business can totally rely on advertising and personal selling alone.
6. Most of the sales promotional activities can be undertaken by the manufacturers themselves. Distribution of free samples and gifts, money refund and coupon offers, demonstrations, exchange of old for new and so on can be made by the manufacturers themselves. They may, at the most, need the help of the dealers only. Whereas, in the case of advertisement, media are required, e.g., Radio, TV and newspapers. Personal selling requires efficient and committed salesmen.
7. The salesmen of a business cannot perform their work effectively Without the use of sales promotional tools like pamphlets, audiovisual aids, cell phones and pagers
8. When compared with advertising, sales promotional activities can create better and quicker impact. Free sample, gifts, demonstrations etc., can induce the consumers to act fast. One can, therefore, say that sales promotion satisfies the 'A I D A formula' to a greater extent.
9. The business can have better control over its sales promotional activities The financial aspects, in particular, pertaining to sales promotion can be effectively managed. This may not be possible in the case of advertisement and personal selling.

10. Measuring the effectiveness of sales promotion can be easy when compared to measuring the effectiveness of advertising and personal selling.

Drawbacks Of Sales Promotion

1. The number of sales promotional activities to be performed are too many, distribution of free samples and gifts, making such offers as price off and money refund, holding contests, participating in trade fairs and exhibitions, display and demonstration of goods and so on.
2. Sales promotion, by itself, cannot produce results. It can only supplement advertising and personal selling which are vital for a business.
3. Sales promotion is non-recurrent in nature. It cannot, therefore, be used continuously. The marketer has to select the most appropriate tool of sales promotion and the same shall be introduced at the right time.
4. It involves additional expenditure on the part of the business. Apart from the heavy expenditure to be incurred on advertisement and personal selling the business may have to spend further on sales promotion. This leads to an overall increase in promotional costs.
5. The marketer cannot use any sales promotional tool at any tope. Certain tools are to be used only in the introduction sage of a product, while others will be used in the growth and maturity stages. Indiscriminate use will not produce the expected results.
6. Another drawback of sales promotion is that there is a tendency on the part of all the competitors to use the same method of sales promotion at the same time. Such an approach may not benefit all. For example, if all the manufacturers of air-conditioners offer off season discount (during winter), the consumer may only decide based on brand popularity.
7. Sales promotion is generally required to promote sales of those brands which are not so very popular. Popular brands move fast in the market without much effort. Brand popularity can be secured mainly by means of advertisement and personal selling.
8. Sales promotion offers such as price cut, discount, free gift etc., may sometimes create an impression that these are being done to sell a poor quality product.
9. As far as the various types of discounts (cash discount, off-season discount and festival discount etc.) are concerned, there is always a feeling that these are not real and the price would have already been hiked.

10. As the sales promotional activities are short-lived, the results of such activities will also be short-lived. The moment the various inducements offered by the marketer are withdrawn, the demand is bound to fall.

ADVERTISING

Advertisement is the process of spreading product information among the potential buyers through a public medium in order to maximise sales. Such a public medium includes, among others, newspapers, magazines, television and radio.

Definition of Advertising

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

The American Marketing Association defines advertising as 'any paid form of non-personal presentation and promotion of goods, services or ideas by an identified sponsor'.

The following points emerge from the above definitions of advertising :

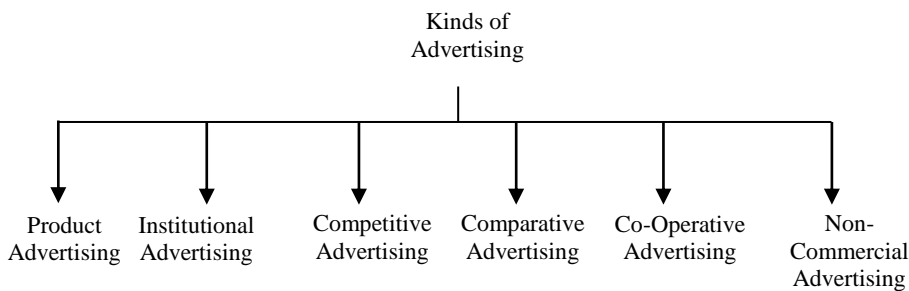
1. Advertising is a paid form of demand creation.
2. It is a non-personal presentation of goods or services.
3. It is done through a medium.
4. Such a medium may be a visual medium like newspapers magazines or an oral medium like the radio or a visual cum medium like the television
5. The non-personal presentation of goods or services or ideas through a medium should be done by an identified sponsor. Such a sponsor may be the producer himself or a dealer or some other person or organisation.

Advertising, unlike personal selling, is not directed at any particular individual. It is directed at a mass audience. Advertising is often used synonymously with publicity. Like advertising, publicity is also a non-personal presentation but it is not paid for like advertising. Advertising is, thus, a commercial transaction whereas publicity is not so Objectives of Advertising
The various objectives of advertising may be stated as follows:

1. To announce the introduction of a new product.
2. To motivate the buyers to buy.
3. To create demand for the product.
4. To achieve an immediate sale.
5. To announce certain concessions to buyers like discount, price cut gift etc.

6. To popularise the brand name and to secure brand loyalty.
7. To support the activities and efforts of the salesmen.
8. To build up image for the business.
9. To achieve a higher market share.
10. To inform product modifications and alterations to the buyers.
11. To explain how the product works.
12. To counter the competitors' strategies.
13. To promote sales during off-season.
14. To maximise sale during festival season.
15. To remind the buyers about the company and its product

Different kinds of Advertising



1. Product advertising: Most business houses try to sell their products and services through advertising. The need for product advertising arises mainly because the business has to create demand for its products. This is being done through a public medium like newspapers, television or radio by means of an advertisement. The advertisement may appear in a visual form with the picture of the product together with its features explained (in the case of newspapers and magazines). It may also appear in the form of oral presentation of the product idea (in the case of radio advertisement) or in both visual and oral forms (as in the case of television advertisement). Such advertisements speak not only about the product but also stress the brand. Examples are Gopuram turmeric powder, Cock brand crackers, Double-Deer Basmati rice, etc.

2. Institutional advertising: Here, the focus is on the company and its services. Such an advertisement is not intended for the consumers alone. It may also be meant for various other groups like the shareholders, creditors, suppliers and so on. The goal of such an advertisement is mainly to boost the image of the concern. It may also be used to make an offer or an announcement

Example: There may be **an** offer to the suppliers of materials to submit price-quotations.

The advertisement may also announce the date and time of the Annual General Meeting of the company.

3. Competitive advertising: In this case, the goal of advertisement is to show the superiority of one product over the competing products. Such an approach is resorted to when there is cut-throat competition in the market. The advertisement stresses on brand name, product quality, price and the company image

4. Comparative Advertising : Here, the marketer highlights the comparative features of the competing products. Such advertisements are quite common these days and also have become a matter of controversy. Car, motorcycle and television manufacturers adopt such an approach.

Example: The comparative features of Maruti Zen, Hyundai Santro and Tata Indica are often advertised by the manufacturers. In the same way, in the market for two-wheelers, the comparative advantage of Hero Honda, Yamaha and TVS motorcycles is advertised. The advertiser invariably claims that his product alone is superior.

5. Collective or Co-operative advertising : **Certain** products are jointly advertised by the manufacturers and dealers together. Such an advertising is what is known as collective or co-operative advertising. The manufacturers of car, motorcycle and TV also use such an approach.

6. Non-commercial advertising: Such advertisements are brought out by charitable organisations mainly to secure financial help from philanthropists. Organisations like the Sivanandha Gurukulam in Chennai solicit financial help from generous people, particularly during festival times, for the benefit of the inmates.

Factors Determining Advertising

1. Product differentiation: The product that is being marketed now must be capable of being differentiated from similar products that are already available in the market. The difference may be found in its size, shape, colour, flavour, taste and so on. Such a special feature may be highlighted in the advertisement. If the product is just the same as the existing products in the market, it offers less scope for advertising.

2. Want-satisfying capacity : It is important that the product must be Capable of satisfying certain unfulfilled needs of the buyers. For example, if a new detergent powder is marketed and if it is very effective in removing the stains, such a quality may be highlighted in the advertisement. Gimmick alone

cannot work. The utility of the product must support the advertisement campaign.

3. **Emotional buying motive:** If the desire to buy a product is influenced by such emotions like pride, ego, status, prestige etc., it can offer greater scope for advertisement. In fact, most of the advertisements that we see stress mainly these emotional aspects of buying.

4. **Availability of Funds :** Needless to say, availability of finance plays an important role in determining the use of advertisement as a promotional tool. If a firm is starved of funds, it cannot go in for media advertisement, such a business has to only settle for point of purchase advertisement. On the other hand, if finance is not a constraint, the business may rely on any media for advertising its products.

5 **Number of buyers:** Advertisement is necessary only if a large number of buyers in different parts of the country use a product. If the product users are few in number and are also found in a certain place only, as in the case of industrial goods, advertisement will not serve the purpose. Personal selling is more suitable in such a case.

6 **Nature of the product :** If the products are homogeneous in nature, quickly perishable and are of a low value, there may not be any scope for advertisement. Agricultural products, for example, are not advertised in view of these characteristics.

ADVANTAGES OF ADVERTISING

Advantages to The Manufacturers

1. It helps to introduce a product into the market.
2. It helps to create primary demand for a product.
3. It induces buyers to buy and thereby increases the sales volume.
4. It helps to sustain the market for a product.
5. It further helps to promote sales during off-season.
6. It is vital to maximise sales during festival times.
7. It is required to inform the buyers about product modifications and alterations.
8. It is only through advertisement, the various incentives to I In buyers like discounts, free gifts, etc. are announced.
9. It is essential to tackle the competitors' strategies effectively.
10. It helps to create brand loyalty.
11. It boosts the image of the business.
12. Finally: advertisement is needed to retain the customers.

Advantages To The Dealers

1. It facilitates selling.
2. It helps to achieve a higher turnover of inventory.
3. It supplements the selling efforts of dealers.
4. It helps them to get product information from the manufactures and pass it on to the consumers.
5. It helps to enhance the prestige of the dealers.

Advantage to The Consumers

1. It gives product information to the buyers.
2. It indirectly assures quality of goods.
3. It tells them where, when and from whom they can buy the goods and at what price
4. It helps them to compare the relative merits of the substitutes available in the market.
5. It enables the buyers to satisfy themselves about the claims made by the manufacturers.

ADVANTAGES TO THE SALESMEN

1. It prepares the necessary ground for the salesmen to start their work.
2. It reduces selling efforts as advertisement has already made the product very popular.
3. It enables the salesmen to face the buyers with confidence as the latter have prior knowledge of the product.
4. The salesman himself can weigh the effectiveness of advertising when he contacts the buyers.
5. Advertisement together with selling efforts will enable the salesmen to get more orders for the business they represent. More orders for the business should mean more remuneration for the salesmen.

ADVANTAGES TO THE SOCIETY AT LARGE:

1. It helps to create awareness among the people.
2. It induces people to buy goods which are the outcome of innovation. This raises their standard of living.
3. It provides employment to many talented persons. Preparation of advertisement for the media requires the participation of copywriters, artists, music composers, singers and so on.
4. It gives more income to the press. This facilitates sale of newspapers at

cheaper rates.

5. It also brings income for all the other media like radio and television. This enables them to meet the cost of production of programmes.

IS ADVERTISEMENT NECESSARY?

(Objections to Advertising)

In spite of the various advantages derived out of advertising, there are who are people who hold the view that advertising is unnecessary. The various objection to advertising may be classified as follows:

1. ECONOMIC OBJECTIONS

(i). Advertising force people to buy goods which are not within their ach. Such an objection cannot really be valid, because, every individual knows his buying power and, therefore, can act prudently. It is not correct to criticise advertising for his actions

(ii). Advertising is unproductive. Such an objection is made on the ground that advertising does not produce anything in a tangible form. The main aim of advertising is to inform buyers about certain products and services and also induce them to buy the same. It, thus, provides useful service to the manufacturers,

(iii) It does not allow people to remain contented. By multiplying the needs of the people, advertising lures people to acquire more and more goods. This objection, again, cannot be true. The advancement of science and technology has given us access to so many useful products. Today, calculator, still camera, television etc. are common household items. Personal computers and compact disc players are also becoming important household items. It is only advertising which has helped to create awareness among the people and thereby raised their living standards,

(iv) It leads to higher cost of goods. The cost of advertisement will come to be included while computing the cost of the product. This leads to a rise in the final price of the product which burden only falls on the buyer. This, of course, is inevitable. But one should think of the benefits derived from advertising.

(v) It necessitates quick disposal of durable goods. Most durable consumer goods, particularly, television, refrigerator, music system, washing machine, etc., tend to become outdated quickly. The manufacturer announces through advertisement the new and improved versions of the goods brought out by him frequently. Al result, the consumer may have to discard the existing one and go in for the improved version. This objection against advertising also is not really valid. It is only the advancement in

science an technology that brings out improved versions of goods frequently. Advertisement is only used as a medium to inform the same to the buyers. Moreover, in the case of durables, exchange offers are also made by the manufacturers and dealers, which are also informed through advertising. The consumer, therefore, only stands to benefit.

(vi) It promotes brand monopoly. Advertising lays emphasis mainly brand. As a result, the consumer becomes addicted to one particular brand due to repeated advertising. This objection is considered invalid on the ground that all the producers advertise and therefore, the consumer need not show preference for any one brand due to its advertisement. If at all he shows preference for a brand it is because he finds the quality quite good or the price quite reasonable.

(vii) It often targets the competitors' goods. Most of the present-day marketers use advertising only to highlight the drawbacks of the competitors' goods. Thus, advertising paves way only for unhealthy competition in the market. This objection also cannot be true because advertising is only a tool and it is only the attitude of the marketer that needs to be criticized.

2. SOCIAL OBJECTIONS

(i) In a society where there are inequalities of income and wealth, advertising can only help people with purchasing power to buy. A majority of the people, although have the desire to buy, but have no buying power. As a result, such people will have to go disappointed. Thus, a feeling of discontent and disappointment among many creeps in because of advertising.

(ii) Advertisements, often, are a mere exaggeration of the basic product Characteristics. Prudent buyers know very well that advertisement, in most cases, is only a gimmick to get their attention.

(iii) Advertisers and the media are very much dependent on each other.

Advertisements are a major source of revenue to the various media like newspapers, radio and television. The media, often, do not bother to check the genuineness of the matter of advertisement. Innocent consumers, often, become victims to deceptive advertisements. A vast number of people, who invested their money in certain private finance companies in the recent past, acted on the faith of the advertisements and lost all their earnings.

iv) A number of advertisements are shown in the midst of interesting TV programmes. This irritates the viewers more than creating a positive impact on them. In the same way, more than fifty percent of the space in

newspapers is only occupied by advertisements. As a result, the readers lose the pleasure of reading.

1. ETHICAL OBJECTIONS

1. Women are made to participate in most advertisements to promote those products, which are totally unconnected to them, e.g. shaving cream, cigarette, etc.
2. Advertisements in public media for such products as cigarette, liquor, etc. will not be cherished by those who believe in moral value.
3. There is also a feeling among many that many television advertisements, particularly those intended for marketing liquor, condom etc. are not made for the drawing room audience.

In spite of the above said objections against advertising, it continues to be the powerful tool of promotion

CAUSES OF FAILURE OF ADVERTISEMENT

Not all advertisements pay rich dividends for the marketers. Certain advertisements fail to bring profits for the marketers in view of any of the following causes:

1. **Tall claims:** If the claim made by the marketer in his advertisement is found to be untrue or exaggerated, such an advertisement will certainly be a failure.

2. **Inherent product defects:** If there are certain inherent defects in the product advertised, what advertisement can do in its marketing is nothing. It is not correct to rely totally on advertisement.

3. **Irregular advertising:** When a new product is marketed, it is important that it is advertised continuously in all popular media. If the marketer uses advertisement only for a shorter period or uses it off and on it may not bring rewards for him.

4. **Weakness in distribution:** Sometimes, the positive impact created by advertisements may be nullified by a faulty distribution system. The business must be able to execute the orders promptly to satisfy the customers and remain in their good books. If it fails to do this, the advantages derived out of advertising will be lost.

5. **Unimpressive appeals:** The advertisement will be a failure, if the advertisement copy is not properly prepared. The subject matter of advertisement has to be carefully written by the copywriter. Otherwise, it will not create a good impact on the buyer.

6. **Lack of follow-up:** The advertiser has to make efforts to ascertain the effectiveness of his advertisement. His salesmen can be sent to the market where they can contact the buyers. Firsthand information can be obtained from them on the company's advertisement.

7. **Lack of change in format:** People may be fed up seeing the same advertisement often. The format of advertisement needs to be changed periodically to create a better impact. The subject matter of advertisement also needs to be changed periodically. This may be necessary as changes might have been done in the product itself. Whenever a product is modified or altered an alteration in its advertisement is also necessary.

8. **Wrong selection of Media:** The advertiser has to carefully select the medium of advertisement. Certain products may be advertised in newspapers and magazines. For certain product, radio or television advertisement may be more suitable. If this decision is taken advertisement may not bring the expected results.

ADVERTISEMENT COPY

The reading matter or the theme of advertisement is what is known as advertisement copy. Here, are some of the examples of advertisement copy in slogan form:

- (i) Neighbours enemy, owners pride - ONIDA TV
- (ii) Fill it, shut it, forget it - HERO HONDA MOTORCYCLE
- (iii) The complete planned food - COMPLAN
- (iv) Boost is the secret of my energy - BOOST

The person preparing the advertisement copy is known as the 'copy writer'.

QUALITIES OF A GOOD ADVERTISEMENT COPY

1. Attention Value

As there are many advertisements that appear in the media, people may not be inclined to go through each one. As a result, many advertisements go unnoticed. The aim of every advertiser is that he wants his advertisement to be seen and acted upon by the people. To achieve this goal, he has to prepare the advertisement copy in a manner that it attracts the attention of the people. The following methods are usually followed to make the advertisement copy distinctive:

- 1. By using slogans, e.g. 'No bacteria, only Aarokya' - by the marketers of Aarokya milk,
- 2. By involving celebrities like cine artists and sports personalities. 'Lux'

soap is being advertised by involving popular film actresses. 'Boost', the health drink, is being advertised by involving the famous cricketers Kapil Dev and Sachin Tendulkar.

3. By using pictures, colours, borders, shades and so on. Marketers of paints use such a method,
4. By introducing contests. Marketers of most consumer goods adopt such an approach.

2. SUGGESTIVE VALUE

It is important that the advertisement suggests the utility and significance of the product.

Example: The marketers of 'Parryware' bathroom fittings say in their advertisement, 'No bathrooms, only glamour rooms', to highlight the significance of their product.

United India Insurance Company's advertisement shows how a person changes his decision from 'I don't need insurance' to 'I need Insurance'

3. MEMORY VALUE

It is also important that people remember the advertisement matter for long. To achieve this objective, the advertiser may use catchy slogans - A marketer of Cement advertised sometime back - 'There is a concrete solution to your construction problems'. A finance company advertised - 'We offer certain most interesting deposits'. Such an objective can also be achieved by repeating the advertisement over and over again. The advertisement of the makers of 'Gopal' toothpowder is several decades old and everybody remembers it.

4. CONVICTION VALUE

It means that the people should be convinced of the subject matter of advertisement. This can be achieved only if the advertisement does not contain any false statement and can be believed. Example: 'Duracell batteries last much longer than other batteries' is just a statement of fact and can be believed. The marketers of 'Sprite' - soft drink also adopt a very practical approach to advertising their product by stressing just the 'taste' factor.

5. SENTIMENTAL VALUE

It is important that the advertisement respects the sentiments of the people. The 'father-daughter' sentiments, for example, have been used by many advertisers. The recent television advertisement by 'Reliance India Mobile' reflects such a sentiment. Those marketing silk sarees, jewels, etc, also bring out such sentiments through their advertisements. The advertisement for 'Complan', the health drink, highlights the 'mother-son' bond. The little boy in that advertisement carries his mother in his bicycle.

The advertisers of certain edible oils show concern for the health of the people. The 'cholesterol free' aspect is stressed in the.' advertisements.

6. EDUCATIONAL VALUE

It means that the advertisement shall enlighten the people on the positive and sometimes even on the negative aspects of the product. The marketers of different brands of cigarettes caution the smokers with the message 'Cigarette smoking is injurious to health'. The marketers of 'Crocin' tablets come out with the message 'no side effects'. The marketers of 'Aarokya' milk educate the people through the advertisement saying that their product is bacteria free.

7. INSTINCT VALUE

The instincts of a person are determined by his inner feelings. If individual feels that he spends lavishly and must get rid. of such a habit it means that he has realised the need for saving. Similarly, if a person feels that he has put on weight and must shed weight and look trim, it means that he has become conscious of his body structure. One who thinks that he/she should look good becomes conscious of his/her complexion, hairstyle, etc. Health, beauty, pride, etc., are the various instincts of a person. The advertisers, therefore, should give weightage for all such instincts of the people so that they can move the people towards their products. Advertisers of cosmetic goods, health drinks, etc., adopt such an approach.

8. ACTION VALUE

The advertiser doesn't want the buyer to just appreciate his advertisement. He wants the latter to act upon it. Only then it can be said that the advertisement is productive. This can be achieved by stressing the company image, brand name, the reputation of the dealer and so on. Certain special offers like discounts, free accessories, free installation, gifts etc., on purchase made before a particular date shall be part of the advertisement matter.

ADVERTISEMENT MEDIA

The advertisement media are devices that carry the advertisement messages. Once the advertisement copy has been prepared, the next step is to bring out the same through a proper medium. The various media of advertisement are:

- i. Press - Newspapers and magazines,
- ii. Radio.
- iii. Television.
- iv. Advertisement films and Slides,
- v. Outdoor advertising,

- vi. Point of purchase advertising,
- vii. Direct Mail.

FACTORS TO BE CONSIDERED IN THE SELECTION OF MEDIA

(i) Cost: The amount payable to the medium for bringing out the advertisement is an important consideration. Newspaper, radio and television advertising require more funds. If only the marketer can afford to spend more, he may go in for such a medium.

(ii) Geographical coverage of the medium: The area covered by the medium is another important consideration. Certain newspapers and magazines are restricted to a Particular City or State. Certain others are in circulation throughout the country. Still, there are some which are available in different parts of the world. The same is true with the coverage of radio and television. Thus, a marketer has to select the particular medium depending upon his requirements.

(iii) Nature of goods: Media like newspapers, radio and television are more suitable for advertising consumer products. In the case of industrial goods, press advertising and/or direct mail can help.

(iv) Demographic characteristics: The literacy level of the people, their income, purchasing power, etc., are also to be considered. Newspaper advertisement, for example, is suitable only if the product user is a literate. On the other hand, radio and television advertisement can help even if the buyer is an illiterate.

(v) Form of advertisement: Another important point to be considered is the particular form in which the advertisement matter is to be brought out. If the advertiser wants it in a written form together with pictures, he will choose newspapers or magazines. If he wants it to be orally conveyed to the public, he will select radio. In case he wants it in audio cum video form, he will choose television

EVALUATION OF THE VARIOUS ADVERTISING MEDIA

1. Press Advertising: It refers to advertising in

(a) Newspapers and

(b) Magazines.

NEWS PAPER ADVERTISING

There are various forms of advertising in newspapers. The advertisement can be given in the "Classifieds" column. It can also be given in any page and in any size as per the desire of the advertiser. The advertisement may also be brought out in 'news form'. At the end the word 'ADVT' is added to indicate that it is only an advertisement. Sometimes, a series of advertisements is brought out in the same page and in the same place for a few days without any specific mention about the product or service. This creates an interest in the reader to look for the final message, which may be brought out after a few days. Such a form of advertisement is known as "Teaser Advertisement". 'Hutch', the cell phone company adopted such an approach while launching their service. Merits of Newspaper Advertising :

- i. It allows the advertisement matter to be brought out either in English or in any regional language,
- ii. The newspaper reaches every nook and corner and therefore its coverage is high,
- iii. As newspaper is published daily, the advertisement can be brought out quickly,
- iv. The newspaper also offers greater flexibility. The advertisement can be brought out according to the desire of the advertiser. He can bring it in any place and also in any page as per his wish. It allow scope for inserting pictures or photos along with the advertisement matter,
- v. It is less expensive compared to advertising in other media,
- vi. The image of the newspaper becomes available to the advertiser and his product
- vii. The cost of newspaper is less when compared to its benefits,
- viii. It contains something for everyone. Readership, therefore, is assured, As it is read daily, continuous publicity is made available,
- ix. The public response to anything advertised in newspaper generally spontaneous,
- x. Advertisement can be given continuously and regularly,
- xi. The advertisement matter can even be lengthy.

DEMERITS OF NEWSPAPER ADVERTISING

- (i) As the life of the newspaper is very short, it is difficult to make the advertisement create a lasting impression. Frequent advertising may become necessary.

- (ii) The quality of the paper used is low. Therefore, desired visual effects may not be created.
- (iii) There is no guarantee that the advertisement will be seen and read.
- (iv) The advertisement matter will not reach the illiterate people
- (v) The advertisement may be carried to places where there may not be buyers for the product.
- (vi) People read newspapers hurriedly. They may not, therefore, give much importance to advertisements.

MAGAZINES

Magazines are of different types. There are general magazines like 'Frontline', 'India Today', 'Kumudham' and 'Anandha Vikadan'. Special magazines on sports (Sportstar), cinema (Filmfare), etc., are also available.

MERITS OF ADVERTISING IN MAGAZINES

- (i) Magazine is something read leisurely. An advertisement, therefore, in a magazine can create better impact.
- (ii) The quality of paper used for magazines is superior. Therefore, better visual effects can be created.
- (iii) As the frequency of publication is less, each issue is read over a fairly longer period of time. Therefore, it is possible to create a lasting impression.
- iv) As there are different types of magazines, the advertiser can select the particular magazine in which the product can be advertised to create the desired impact. For example, products used only by women can be advertised in magazines intended for women like "Women's Era", "Mangayar Malar", etc.
- v) As the size of the magazine is small, the number of advertisements published in a page may be restricted to just one or two. As a result, the advertisement gets prominence. This is in contrast to newspapers where there is crowding of advertisements in each page. The Advertisements in magazines brought out at national or international level can give a very good impact particularly if the product is marketed globally, e.g., electronic goods

DEMERITS OF MAGAZINES

- (i) In a newspaper, every page has some significance. For example, the first page, the sports page, the centre page, the business review page and so on. Therefore, the advertiser can select the page where he thinks the

advertisement should appear. Such an advantage is not available in the case of magazines.

- (ii) Unlike newspapers, magazines have only limited circulation. As a result, the advertisement may not reach many.
- (iii) The price of the magazine is generally high. Therefore, not many people buy it.
- (iv) These days, people hardly find time to go through even newspapers. Only a very few people go through magazines,
- (v) Advertisements in magazines cannot be brought out as quickly as it is possible in the case of newspapers,
- (vi) For new product advertisement in magazine alone is not enough.

3. RADIO

Radio has been a traditional medium of advertising. 'Vividh Bharathi' and 'FM' are some of the most popular commercial networks of All India Radio.

MERITS OF RADIO ADVERTISING

- (i) Of the various media of advertising, radio has the widest coverage It can reach any household,
- (ii) Radio advertisement can reach even illiterate people,
- (iii) The advertisement appears in the midst of an interesting programme, Therefore, those who listen to the programme also listen to the advertisement.
- (iv) As the advertisement matter can be presented as a song or as short story or in some other interesting form, it enhances the memory value,
- (v) The advertisement can be broadcast at the regional, national international levels.

DEMERITS

- i. Television has now taken the place of radio. Radio has become a less sought after medium.
- ii. Products requiring technical knowledge cannot be advertized successfully through radio,
- iii. The advertisement has to be brief. Therefore, all the prevalent information cannot be given
- iv. As visual effects are totally absent, the advertiser cannot expect the desired impact.
- v. Often too many advertisements are broadcast at a time. Therefore, it is

doubtful whether each one can leave a lasting impression on the listener.

4. TELEVISION

One can say without any hesitation that the advent of satellite television marks the beginning of what may be called 'advertisement revolution'. Every satellite TV channel is flooded not only with interesting programmes but also with numerous advertisements by Indian as well as international companies.

MERITS OF TELEVISION ADVERTISING

- (i) Like radio, television also provides a wider coverage. These days television is a common household item.
- (ii) Television advertising can reach every one including the illiterate people.
- (iii) Both audio as well as visual effects can be created through television. Therefore, the advertiser can create the best impact on the viewers.
- (iv) The advertiser can select the programme in which he wants to advertise. He can also select the channel and advertise so as to create the best possible impact on the people. Goods meant for children can be better advertised in the 'Cartoon network Channel'.
- (v) It is also possible for the advertiser to sponsor a popular programme. As a result, his product will come to be identified with the programme. This, indeed, is beneficial for the advertiser. For example, 'Pepsi - Ungal Choice', has come to be a very popular programme on 'Sun TV'.

DEMERITIES

- 1. Television advertising is very expensive.
- 2. Advertisements in the midst of interesting programmes only irritate viewers. Using the remote, they either switch off the TV or change the channel during advertisements.
- 3. Too many advertisements at a time may not give prominence for any one.
- 4. As television advertisement is expensive, it has to be brief. Therefore, relevant information about the product cannot be given.
- 5. There is also a criticism that the audio-visual effects are used to glorify not so good product

4. ADVERTISEMENT FILMS AND SLIDES

Short films on various consumer products and services are prepared by the marketers. These films are screened in cinema theatres usually before movies. Slides are also exhibited in theatres.

MERITS

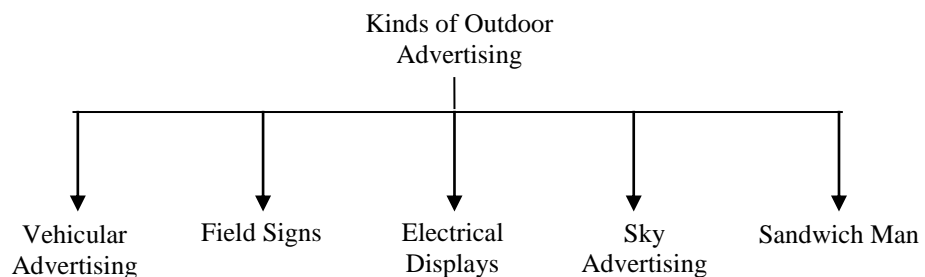
- (i) It offers wider coverage.
- (ii) Short film offers scope for demonstration.
- (iii) The advertisement appeal is made to different sections of the people at a time and in the same place,
- (iv) With audio-visual effects, best impact is created,
- (v) It is not generally possible for a movie-goer to miss the advertisement films unless he is deliberately late or leaves the theatre when such films are screened.

DEMERITS

- (i) The cost of production of such films is very high,
- (ii) Such films can be screened only to people going to theatres,
- (iii) The advertisement films are to be certified by the Censor Board. Thus, certain formalities need to be complied with in the making and screening of such films,
- (iv) When a number of such films are screened, the desired impact may not be created,
- (v) Screening of advertisement films requires the participation and support of the theatres.

5. OUTDOOR ADVERTISING

It refers to advertisements displayed in public places. Outdoor advertising is of different kinds as indicated below:



POSTERS

These are usually pasted on walls. Such a method of outdoor advertising is also known as 'Mural Advertising'. A poster can create a very good visual effect. It is less expensive too. It should be prepared in such a manner that it looks attractive and is capable of conveying the idea at a glance. It is only the passersby who look at the posters. They are always in a hurry to go. The poster must, therefore, convey the idea briefly. It must also make use of suitable and attractive colours and pictures.

Catchy and humorous phrases written in bold letters can also help to get the attention of the public. Care must be taken to ensure that posters do not turn out to be traffic hazards.

VEHICULAR ADVERTISING.

The advertisement matter may be painted both inside and outside vehicles such as vans, buses, trains and so on. Posters may also be pasted on vehicles. If the advertisement matter is placed inside the vehicle, the travelling public will have considerable time to observe it. It provides greater coverage as a large number of passengers travel in buses and trains. Those who travel regularly see the advertisement often and this gives memory value to the advertisement.

The advertisement matter painted on the outer body of the vehicle or the advertisement board fitted in the vehicle enables the passersby to look at it often. This is also beneficial as it enables the public to be familiar with the advertisement. It is important that the subject matter of advertisers placed in vehicles should be brief. If it is lengthy, the public may not have patience to go through it.

FIELD SIGNS

These are large boards placed along the railway route and can be seen from the windows of the train. The subject matter of advertisement in this case must be legible as the passengers in the moving train will see it in a flash. The message must be very short otherwise it will go unread. Usually the brand name is written using colours so that maximum legibility secured. The field signs are merely used as reminders and these COIH just the brand name.

ADVERTISEMENT BOARDS

These are kept at certain fixed places where people frequently like bus stops, railway stations, etc. In suburban stations, the passenger stay only for a brief while. They may not have enough time to look nil advertisement boards kept there. On the other hand, in long distance stations, the passengers wait for a longer time to board the train friends and relatives also come to the station to see them off. Such a place is more suitable to keep advertisement boards containing more information

ELECTRICAL DISPLAYS

Many advertisers use advertisement boards illuminated with colour lights these days particularly in big cities and towns. Such an electrically operated mechanism also changes colours in short intervals to attract the attention of the passersby. The mechanism can also give movement effect to the object that forms part of the advertisement matter. Electrical displays can

give a very good effect particularly during evening and night hours. But these are expensive to install and operate.

Sky Advertising :-

It includes notices, pamphlets etc., that are dropped from aeroplanes/ helicopters. Huge inflated balloons, bearing the brand name or brand mark of a company's product, floated from tall buildings will also form part of sky advertising.

SANDWICHMEN

They are hired persons who move in a procession carrying placards and distributing notices in busy places. They also play musical instruments sometimes to attract the attention of the passersby. Cinema theatres usually employ such persons particularly in rural places to announce the release of a film. Those who organise circus or exhibition also use this kind of advertising.

MERITS OF OUTDOOR ADVERTISING

- (i) It is the best medium to inform the moving population.
- (ii) It is less expensive.
- (iii) It can be displayed at a place where best impact can be created.
- (iv) Once an advertisement board is installed at a place, it usually remains there for a fairly longer period. Thus, it creates a lasting impression on the public.
- (v) Pictures and paintings enhance the value of outdoor advertisements.

DEMERITS

- (i) It can create only visual effects.
- (ii) It conveys limited information.
- (iii) The effectiveness of such an advertisement cannot be easily measured.
- (iv) Outdoor advertising by itself is not adequate. It can only supplement all other media of advertising.
- (v) Although outdoor advertising provides attention and memory values, it is doubtful whether it will provide action value

6. POINT OF PURCHASE ADVERTISING

It refers to the display of products by the dealers near the entrance (known as window display) or inside the showroom. It may be called as 'Store Display'.

MERITS OF POINT OF PURCHASE ADVERTISING

- (i) It is the right place to advertise,
- (ii) It is like serving an invitation to the people to enter the shop and buy.

- (iii) Window display of goods is always done in an attractive manner. This boosts the image of the business as well as the product,
- (iv) The price of the product displayed is also tied to it. This enables the intending buyers to satisfy themselves about the worth of the product.
- (v) It is not very expensive when compared with radio and television advertising.

DEMERITS

- (i) Its coverage is much less.
- (ii) Mere display of goods does not provide all the information the buyer wants,
- (iii) It may attract the passerby. But there is no guarantee that he will buy.
- (iv) Only large-scale retail establishments can undertake window display of goods,
- (v) Display, by itself, cannot induce the buyer to buy.

7. DIRECT MAIL

It is a direct approach by which the prospective buyers are informed through letters, catalogues, booklets, etc., about the goods and services of the marketer. Publishers of books adopt such an approach. They send catalogues of the books published by them to the teachers to enable them to recommend the same to the students and also place an order for their any school or college library. We are living in an era of Internet, which allows any such offer to be sent by E - Mail.

MERITS OF DIRECT MAIL

- (i) The advertisement material can be sent only to the prospective buyers,
- (ii) It is economical. Catalogues, etc., are sent only by book-post. If it is sent by E-mail, it costs nothing,
- (iii) It is easy to measure the effectiveness of advertisement by seeing the orders placed
- (iv) It can be sent at the most appropriate time.
- (v) It also helps to maintain personal relationship with the customer.

DEMERITS

- (i) Such a method is not suitable if the number of customers is very large.
- (ii) It is necessary to maintain the addresses of all the prospective buyers. It must also be updated periodically.
- (iii) There is no guarantee that the buyers will respond favourably.

- (iv) Such a method can be adopted only by certain marketers.
- (v) Postal delays, incorrect customer address, etc., are some of the other limitations of the direct mail approach.

SCIENTIFIC ADVERTISING

The need for advertising, particularly for marketing consumer goods is quite obvious. The marketer has to carefully prepare the text of advertisement and select the media. He has to allocate funds for advertisement. The effectiveness of advertisement must also be examined. Thus, a systematic approach on the part of the marketer/advertiser is necessary for the success of the advertisement programme. Scientific advertising is nothing but a programme that carefully considers all the relevant factors connected with advertising as indicated below:

1. First of all, it must be ensured that the product marketed has the necessary potentials to be advertised in a medium. It must have certain unique features. It must be possible for the marketer to differentiate it from the substitutes available in the market. Above all, finance must not be a constraint for the business.
2. The advertisement budget has to be prepared. The competitors' strength, the area to be covered and the financial position of the business will be considered while preparing the budget.
3. A decision has to be taken on the medium of advertising. The advertiser has to decide whether he would advertise in radio, television, newspapers or magazines or in any one or more of the media available. The nature of the product, the nature of the market, the type of buyers, availability of funds, etc., will guide him in taking such a decision.
4. The advertisement copy has to be carefully prepared. The text of the advertisement will be prepared by the copywriter. The success of advertisement depends largely on the quality of the advertisement copy. It must have attention, memory, suggestive, educative, sentimental, conviction and action values
5. The actual execution of the advertising programme is done at this stage. In the case of new product marketing, repeated advertising is necessary. The advertisement copy must focus more on brand name/ mark and trade name/mark.
6. Making an evaluation of the results is essential. Advertisement programme can be considered a success only if sales have increased and a desired change in the attitude of the buyer has taken place.

PERSONAL SELLING

Personal selling is a promotional activity by which the consumers are personally induced and persuaded to buy the goods and services of a manufacturer. While in the case of advertising there is non-personal presentation of goods and services, in the case of personal selling there is personal presentation. The salesman will call on every potential buyer personally, show him the product, convince him and even persuade him to buy. Thus, there is two-way communication in personal selling

SELLING AND SALESMANSHIP

'Selling is a narrow term that denotes only the transfer of title or ownership of goods. Salesmanship, on the other hand, is an elaborate process of meeting a potential buyer, convincing him about the company's product and persuading him to buy it. Thus, salesmanship is a creative job. It involves winning the buyer's confidence for the seller's goods. It, further, ensures regular and permanent customers for a business. Salesmanship creates satisfied customers

DEFINITION OF PERSONAL SELLING

The American Marketing Association has defined the term 'Personal Selling' as 'the personal process of assisting and/or persuading a prospective customer to buy a commodity or service and to act favorably upon an idea that has commercial significance to the seller'.

The above definition points out the need to persuade the buyer to buy.

BASIC CHARACTERISTICS OF PERSONAL SELLING

1. It lays emphasis on personal contact between the prospective buyer and the seller or his representative.
2. It requires the buyer to be induced and persuaded to buy.
3. It is an art. The salesman has to actually sell the product idea before selling the product. This requires skill.
4. It offers scope to impart product knowledge to the prospective buyers.
5. It provides an opportunity to develop bondage between the buyers and the business.

IMPORTANCE OF PERSONAL SELLING

1. It is useful to introduce a new product.
2. It is required to sell high-priced consumer durables like television, refrigerator, etc.
3. It is absolutely necessary to sell products like computers that require

technical knowledge.

4. It is essential to sell anything that requires persuasion of the buyers, e.g., Insurance.
5. Personal selling becomes necessary to achieve quick sales.
6. It also helps to obtain necessary information about the market and pass on the same to the producer.

ARGUMENTS AGAINST PERSONAL SELLING

1. It forces buyers to buy goods they may not actually require.
2. In most cases, the salesman earns the ill-will rather than the good of the buyer.
3. The success of personal selling depends much on the capabilities of the salesman. If the salesman is incapable, he may not be able to sell even a very good product.
4. There is also a feeling that salesmen are required to sell and not a good product.
5. Most people feel that the salesmen hardly speak the truth salesmen are always desperate and their only aim is to somehow sell.

KINDS OF SALESMEN

1. **Manufacturer's Salesman:** He is appointed by the manufacturer to supplement the efforts of wholesalers and retailers. He is controlled and paid by the manufacturer. He will be able to collect firsthand information about the market.
2. **Wholesaler's Salesman:** He works for the wholesaler. His job is to supply goods to the retailers who are found in different places.
3. **Retailer's Salesman:** He is appointed, controlled and paid by the retailer. Such a salesman may either be an indoor salesman or an outdoor salesman. An indoor or 'counter salesman' is one who works within the shop. He has to receive the customer, find out his needs, show him the products he requires and complete the sale. Such a salesman need not go behind any buyer. The buyer comes to him. On the other hand, an outdoor salesman or a 'travelling salesman' is one who has to go in search of buyers.
4. **Creative Salesman:** He has to create demand for the company's products. His job consists of finding customers and exploring sales territories.
5. **Detail Salesman:** The 'medical representatives' fall under this category. They do not deal with the customers directly. A medical representative has

to contact the doctors personally, show them the samples of medicines, convince them about their utility and request them to recommend the same to their patients.

6. Service Salesman: He is a salesman selling intangibles, e.g., insurance agents, small savings agents and so on.
7. Speciality Salesman: Such a salesman is required to sell the high value speciality products, e.g., car, two-wheeler, etc.
8. Staple Salesman: He sells goods that are already desired by the buyers. No special selling efforts are required to sell such goods, e.g., food items, ready-made clothes, etc.
9. Exporter's Salesman: He helps to find overseas buyers for a company's products.

STEPS INVOLVED IN PERSONAL SELLING

1. IDENTIFYING THE BUYERS

The first step in personal selling is to identify the potential buyer. The salesman cannot call on any buyer at random for different types of goods. products like toothpaste, soap or hair-oil can be offered to anybody. But there certain products which can be offered to certain buyers only. product like television, fridge, etc., can be offered only to those who are affluent There are still certain other products like computer, air-conditioner, etc., that are desired only by a few even within the affluent group. Thus, the task of the salesman is to identify correctly the potential buyers.

2. APPROACHING THE BUYERS

Having identified the potential buyers, the next step is to approach them. The salesman has to adopt a planned approach in contacting the buyers. He is wrong if he thinks that he can call on any buyer at any as per his own will and wish. He has to first of all find out the convenience of the buyer and fix up an appointment with him. This is particularly necessary if the salesman is selling intangibles like insurance or expensive goods like vacuum cleaner, personal computer, etc.

3. OVERCOMING OBJECTIONS

During the discussion with the prospective buyer, the salesman is sure to receive certain objections from the former. The salesman should never be under the impression that the buyer will accept all that he say even if what he says is true. The buyer may have his own ideas and may not accept all the claims of the salesman. The salesman shall not speak manner to provoke the buyer. In fact, in the course of the discussion even if the buyer gets provoked,

the salesman has to keep his cool and diplomatically overcome the objections raised by the buyer.

4. CLOSING THE SALE

Once the buyer is convinced of the product or service, he is going to give his consent. The success of personal selling lies in the ability of the salesman to get the buyer's consent. Not every salesman has the ability to complete the deal successfully. Only those salesmen who have the skill knowledge and courage will be able to do the work fruitfully.

QUALITIES OF GOOD SALESMAN

1. PHYSICAL QUALITIES

- (i) He must be physically fit as he has to undertake lot of travelling
- (ii) He must look decent. His dress, hairstyle etc., must give him a pleasing appearance,
- (iii) He must not speak in a loud tone nor should it be feeble. He must, have tonal control. His voice must be pleasing to ears,
- (iv) He must be a man of clean habits.

2. MENTAL QUALITIES

- (i) He must have the attitude and aptitude for the sales job.
- (ii) He should not be lethargic. He should always be on his toes, i.e., alert,
- (iii) It is important that the salesman has a good memory. only then, he will be able to remember all his clients, their addresses telephone numbers, etc.
- (iv) A person cannot be a successful salesman, if he will be confidence. As the salesman will not be backed by anyone in his work and has to do all the work himself, he must have supreme self - confidence.
- (v) He must have adequate knowledge of the company for which he works and also have a thorough knowledge of the product. Otherwise, he will be as bad as a half-baked cake.
- (vi) He must have foresight. This will help him to predict the behaviour of his clients and adopt an appropriate strategy to handle them.

3. SOCIAL QUALITIES

- (i) The salesman should be courteous. As mentioned earlier, he should not trouble any customer by approaching him without getting the latter's appointment,
- (ii) It is important that the salesman gives a patient hearing to the views of the buyer,

- (iii) He should have good manners. Only then the buyer will be inclined to spare some time for him.
- (iv) He must have an open mind to receive the viewpoints of the people he comes across.

4. OTHER QUALITIES

- (i) He must be tactful. Although it is said earlier that the salesman must listen to the views of the buyer, it is important that he handles any unnecessary or unwanted remarks tactfully.
- (ii) He must be honest and straightforward in his dealings.
- (iii) He must be loyal to those customers who are sincere and prompt.
- (iv) He must be ambitious.

In addition to the above mentioned qualities, the salesman is expected to have knowledge of the following:

1. Knowledge of self: Everyone has his strong and weak points. The salesmen has his strengths and weaknesses. He has to so work as to capacities on his strong points and hide his weak points. He will be a failure if he cannot do this. Thus, knowledge of his personal traits helps salesman to perform his job better.

2. Knowledge of the company: It is important that the salesman has full knowledge of the organisation he represents. This will help him to answer the questions that may be raised by the prospective buyers about the company that has brought out the product. The salesman is expected to know the history of the organisation, its achievements., sales policies, dealers, services provided to consumers, etc.

3. Knowledge of the product: Needless to say, the salesman shall have perfect knowledge of the product he sells. Only then he will be able to Mile the buyers on the merits of the product. He should know the nature of the product, its utility, the materials used in production, etc.

4. Knowledge of the buyers: Knowledge of the psychology of buyers is Important for the salesman. He has to, for example, know why the customer desires a particular product (the buying motive), his buying power, the kind of service he expects from the salesman and his company and so on. If he approaches a customer without knowing anything about the latter's preference, purchasing power etc., he will not be able to do his work effectively.

5. Knowledge of the selling technique: The techniques of selling are generally different for different classes of products and for different classes of buyers. For example, the approach for bulk buyers and small quantity buyers cannot be the same. Likewise, *cash parties* need a different approach. Selling

industrial goods needs an altogether different technique as compared to selling consumer products.

Recruitment and Selection of Salesmen :

The recruitment of salesmen shall start with the task of determining the number of people to be inducted into the organisation. The number of salesmen required will depend upon such factors as the number of customers (existing and potential), the number of times the customers need to be contacted and the time required, etc. It is important that the organisation has the right number of salesmen. The number shall neither be more nor less.

The next step is to specify the authority and responsibility associated with the salesman's job. This is what is known as 'job description'. The functions to be performed by the salesmen will have to be specified.

As the third step, the requirements of the job should be made clear. That is, the qualification necessary to carry out the job has to be prescribed. This is what is known as 'job specification'. The qualification for different categories of salesmen, *i.e.*, indoor salesmen, service salesmen, travelling salesmen, etc., will have to be determined.

SOURCES OF RECRUITMENT OF SALESMEN

1. From among the existing employees: Preference may be given to the existing employees of the concern. Employees working in other departments may be considered if they possess the desired qualification, aptitude and attitude for a sales career. Some of the advantages of selecting from within the organisation are:

- (i) They can be easily assessed, as their service records are already available.
- (ii) Such people are supposed to be more loyal and sincere.
- (iii) The initial training to be given (called induction training) is not necessary as they are already familiar with the organisation.
- (iv) Better control can be exercised over their activities as they are known strangers. To quote the proverb here 'known devil is better than the unknown angel' will be more appropriate.
- (v) As the person is already an employee of the concern, he need not be paid a very high remuneration.

Selection from within the organisation has certain limitations too. These are:

- (i) People without any aptitude for selling may get selected.
- (ii) As the selected persons are already employees of the same concern, they may adopt a casual approach towards the work,

(iii) Such a method prevents dynamic youngsters, from outside the concern, from getting selected.

2. Newspaper advertisements: The vacancy may be notified by way of newspaper advertisements. The nature of work, the qualification expected, previous selling experience, salary offered, etc., will be usually specified in the advertisement itself. Interested persons may be asked to apply along with their bio-data within a stipulated time. Job seekers also advertise in newspapers. The employer may keep the particulars of such individuals and inform those who are found good.

3. Employment exchanges: The Government run employment exchanges may be contacted in this regard. The employer may request such employment exchanges to furnish a list of eligible candidates. There are also private employment consultants and bureaus that provide valuable information on such matters.

4. Campus interviews: Another popular method of recruitment these days is what is known as 'campus interview'. By this it is meant that the employers will visit colleges and universities at a particular period of time every year and interview the students studying certain degree courses. usually, the eligible final year students will be interviewed. Those found suitable will be given the placement orders immediately. Such selected persons can join the concerns after completing their degree course.

5. From competitors: Salesmen working for the competitors may be lured with better perquisites. The ethics in such a practice has been a matter of controversy. The advantage of such an approach is that the salesmen selected are already well versed in the particular line of business and therefore can perform their work more effectively. Such people do not require much training. But the drawback of such an approach is that the salesmen may not be loyal. If some other businessman tempts them with evengreater perquisites, they may ditch the present employer and go.

6. Unsolicited applications: Renowned organisations receive a number applications frequently from the unemployed graduates although the concern has not called for applications. The personnel department of the concern may maintain a record of all such applications for future consideration. Any candidate found suitable may be informed when a vacancy arises

7. Recommendation: Another important source of recruitment is that the employer may be informed of a suitable candidate for a job in the concern. Such a recommendation may come either from an employee of the organisation or from any friend or relative of the employer.

THE PROCESS OF SELECTING SALESMEN

Once the source of recruitment has been decided, the next step is to solicit applications from eligible candidates. The following stages are normally involved in the selection of the candidates:

1. Receiving applications: Applications are received from eligible candidates. The candidates might have been asked to send their applications in a plain paper along with their bio-data. Some organisations make available what are called 'Application Blanks', which may be obtained on payment of the prescribed fee. Unlike the application form, which is prepared by the candidate himself in a plain paper, the application blank made available by the employer, has certain advantages. These are:

- (i) It contains fixed data pertaining to the name of the candidate, his qualification, address, etc., and the candidate has to just fill it up.
- (ii) It ensures uniformity.
- (iii) It facilitates quick processing of applications.
- (iv) The employer can get all the necessary information, he wants, from the candidates. A candidate submitting his application in a plain paper will only state his plus points. For example, if he has secured only third class in his degree he may not mention it.

2. Scrutinizing Applications: The applications received from all the candidates will then have to be processed. Incomplete applications will be set aside. Applications of those candidates who do not fulfil the eligibility criteria will be rejected.

3. Written test: All the eligible candidates may then be called for a written test. The test paper usually contains two parts, objective and descriptive questions. The objective questions may test the candidate's knowledge of English, mathematics and also his level of general knowledge. The descriptive part will test the candidate's ability to draft a letter and prepare a general essay.

4. Interview: Such of those candidates who have been successful in the written test will then be called for an interview. Interview is a face-to-face oral examination of the candidate. The candidate may be asked questions on a wide range of subjects like politics, sports, marketing, banking and so on. The object of interview is to test the candidate's ability to face a panel of experts and communicate his ideas. The interview will help the employer to know whether the candidate is a shy person or is bold enough to undertake any assignment. The candidates, who are going to be selected as salesmen, shall possess good communication ability.

5. Checking references: Applicants for jobs are usually asked to give the names of a couple of eminent persons in their applications. Such persons, who are called referees, may be contacted by the employer to know the conduct and character of the candidate.

6. Medical examination: Successful candidates shall be medically examined to find out whether they are physically fit. The candidate's height, weight, eyesight, etc., are checked. Physical fitness is important for any kind of job. It is even more important for a salesman as he has to undertake lot of travelling.

7. Appointment: Candidates found to be medically fit may be appointed on probation. Probation is the initial training period during which the employee has to learn his work and also perform to the satisfaction of the employer. The period of probation may vary from six months to two years. Only those employees, who have lived up to the expectations of the employer, during the period of probation, will be retained. During probation, the employee usually gets a consolidated salary. He will be put on scale of pay only on confirmation of his service.

TRAINING SALESMEN

Training takes a person from where he is to where he should be. The object of training is to enable the salesman to perform his job much better. Certain amount of training is required for all types of salesmen. Training offers the following advantages:

- (i) It imparts sales knowledge to the trainees.
- (ii) It enables them to acquire the skill necessary, particularly, communication skill.
- (iii) It enhances the confidence level of the salesmen,
- (iv) Needless to say, the volume of sales will increase if the organisation has trained salesmen.
- (v) Better control can be exercised over the activities of the salesmen who are properly trained.
- (vi) Training also reduces the time that the salesman has to spend with each customer.
- (vii) Complaints against salesmen also become less
- (viii) Even if the concern has only a few salesmen, who are fully trained, committed, and efficient, it can perform the selling activity effectively,
- (ix) Trained salesmen will be able to answer all the questions raised by the customers. This maximises customers' satisfaction,

- (x) Finally, training helps the salesman to understand the need to maintain good rapport with the customers. This secures goodwill for the business.

METHODS OF TRAINING

1. Induction or Orientation training: Such a training is given to those salesmen who have been just appointed. The object of induction training is to familiarise the salesman with the organisation, its goals and policies. He may be taken to the various sections and departments and introduced to the employees there. The nature of his duties will be explained to him.

2. In-house training: It refers to training given to a salesman within the organisational premises. He may, for example, be put under an experienced salesman who will teach him the basics of selling.

3. On-the-job training: Unlike all other employees of a concern, whose job is confined to the four walls, a salesman has to do his job mainly outside the organisational premises. He has to be introduced to the clients of the business. For this, he has to accompany the senior salesmen when they visit such clients. The trainee salesman will observe them and thereby learn all the techniques of selling. This will help him later when he himself calls on certain new customers.

4. Off-the-job training: The trainee salesman may also be sent to certain training centres or institutes established for training salesmen.

5. Apprenticeship training: An apprentice is a trainee who works under a professional. His job is to assist the latter in his work. A salesman may, for example, assist a sales manager in the latter's work. The sales manager may ask him to meet any client or prepare a sales report. The payment made to an apprentice during the period of his training is known as 'stipend'.

6. Classroom training: In this method of training, salesmen will assemble in a particular place during the training period. Such a place will resemble a classroom. A person, experienced in selling, will give them the necessary instructions. Such a method is also known as the 'lecture method'

7. Role-play: In this case, a situation is artificially created and the salesman will be asked to act in the manner he would have acted had it been a real situation. Each trainee is exposed to such situations and his actions are observed. Later, the shortcomings are pointed out.

8. Case study: Such a method is suitable for those salesmen who have understood the basics of selling. The salesmen are divided into groups. A particular problem is given to all. Each group will discuss it and come out with

solutions. Later, the solutions are analysed. This enables every salesman to get a correct idea of the problem as well as the solution.

METHODS OF EVALUATING SALESMEN

1. SALES TARGET

The organisation sets sales target for each salesman that he has to attain. Such targets may be set either on the basis of units to be sold or based on the value of sales. However, while setting the target it is important to consider the following points:

- (i) It must not be impossible to attain,
- (ii) It must be reasonable.
- (iii) It must be set taking into account the past records, market potentials, etc.
- (iv) It must not be rigid.
- (v) The incentives to be given to the salesmen shall be linked to the targets.

ADVANTAGES OF FIXING SALES TARGETS

Setting targets for the salesmen will offer the following advantages:

- ❖ It enables the salesman to work according to a plan,
- ❖ It provides a basis for the evaluation of the salesman's performance.
- ❖ It is possible to coordinate production and sales,
- ❖ It does not allow any salesman to be insincere or careless,
- ❖ It enables efficient salesmen to earn more by way of incentives by attaining the target each time.

PROBLEMS IN SETTING SALES TARGETS

- (i) It is difficult to evolve a basis upon which the target may be set.
- (ii) Certain unpredictable changes in the market conditions may render the targets unrealistic.
- (iii) The same target cannot be set for all salesmen as the potentials of each person and each market differ
- (iv) Some salesmen are capable of doing much more than the target set for them. Thus, sales targets limit the initiative,
- (v) The target cannot be rigid. What was possible last year may not be possible this year. Therefore, the target needs to be revised periodically.

2. SALES TERRITORY

A sales territory is a small segment of the entire market for a product or service. Each salesman is usually made in charge of a particular area or territory. For the trend in sales in each such area, the salesman concerned becomes accountable. Thus, sales territory enables the business to not only

evaluate the performance of the salesman but also to know the sales trend. The advantages of establishing sales territory may be mentioned as follows:

- (i) It enables the business to cover the entire market more effectively,
- (ii) It makes it possible for the salesman concerned to maintain good response with the clients in his area,
- (iii) It is possible to compare the progress in sales in each territory,
- (iv) It also gives scope to compare the performance of salesmen working for different territories,
- (v) It avoids duplication of work by salesmen in the same area,
- (vi) It ensures proper allocation of funds for different territories,
- (vii) It also helps to have knowledge of the extent of competition in each area. A particular area, having intense competition, may require more funds for sales promotion.

FACTORS TO BE CONSIDERED IN ESTABLISHING SALES TERRITORIES

- (i) The sales territory should be so determined that it should be possible for an average salesman to cover it within the stipulated time.
- (ii) Having a particular sales territory should be profitable for the business,
- (iii) It should also give scope for the salesman to undertake any promotional campaign,
- (iv) Each salesman shall, as far as possible, be allotted not more than one territory,
- (v) Each territory should be subject to periodical review. Additional manpower or finance may be provided depending upon the requirements

3. SALES REPORTS

Salesmen are duty bound to prepare reports on the progress of their work and forward the same to their organisation for necessary action. As the salesmen are the persons who know the dealers, buyers and competitors in each area, they are expected to send periodical reports to their office at regular intervals. Such reports usually contain information on the names and addresses of the customers, the orders received or to be received from them, the terms of the deal, the preferences of the buyers, the action required on the order from the organisation, etc.

Advantages of sales reports

- (i) It enables the concern to take suitable action at the appropriate time,
- (ii) The report is an evidence of the actual work done by the salesman,

- (iii) It helps to evaluate the performance of the salesman,
- (iv) The sales report is also an indicator of the effectiveness of the sales promotional activities of the business,
- (v) It also indicates the trend in sales in each area and the steps to be taken to increase sales in certain places.

REMUNERATING SALESMEN

The salesmen play a crucial role in, determining the progress of any business. The manner in which they will be compensated for their work is, therefore, very important. The remuneration plan for the salesmen shall fulfill the following conditions:

- (i) It should be linked to the target set for each salesman. Only then the salesman will have motivation to attain the same,
- (ii) If the remuneration to salesmen is so determined that it increases with an increase in sales, each salesman will strive to maximise sales,
- (iii) It should also enable the firm to widen its market,
- (iv) The remuneration plan should appear to be simple. The manner of calculating the remuneration of each salesman must not involve tedious calculations,
- (v) The plan must not be rigid. It must be capable of being adjusted in tune with the prevailing conditions,
- (vi) The remuneration package must not involve heavy payments for the firm. At the same time it should not be inadequate for the salesmen also for the work done.

METHODS OF REMUNERATING SALESMEN

1. STRAIGHT SALARY

By this, we mean that the salesmen will be paid the same amount every month irrespective of the work done.

ADVANTAGES OF STRAIGHT SALARY

The advantages of straight salary are:

- (i) It is simple to calculate.
- (ii) It gives security to the salesmen as the payment is assured,
- (iii) It provides them with stable income,
- (iv) There will be no scope for ill feelings among salesmen,
- (v) The administration work involved is also considerably less.

DISADVANTAGES OF STRAIGHT SALARY

- (i) No formula is generally available for determining straight salary.
- (ii) It does not do justice to those who are really efficient and hard working,
- (iii) It will not motivate efficient salesmen to maintain the same level of performance,
- (iv) It enables even the less efficient salesmen to get payment on par with the efficient salesmen,
- (v) As all the salesmen are paid the same salary, they may not work hard to enhance the firm's sales. The sales may even begin **to fall after** sometime.

2. STRAIGHT COMMISSION

Salesmen who are paid straight commission get payment according to the quantum of sales achieved by them. This is in contrast to straight salary.

ADVANTAGES OF STRAIGHT COMMISSION

The following are the advantages of straight commission:

- (i) It enables the efficient salesmen to earn more,
- (ii) It does justice to those who are hard working,
- (iii) It does not reward those who are less efficient and careless,
- (iv) It makes it possible for the firm to enhance sales, as efficient salesmen feel motivated,
- (v) It helps to identify inefficient salesmen.

DIS ADVANTAGES

- (i) Calculation of remuneration is not simple.
- (ii) It gives scope for ill feelings among salesmen.
- (iii) It may not assure stable income.
- (iv) Sometimes, sales may fall in spite of the best efforts of the salesmen. As a result even the most efficient salesmen may end up getting low remuneration.
- (v) It involves lot of administrative work.

3. SALARY PLUS COMMISSION

Under this method, the salesmen will receive a part of their remuneration as fixed salary every month. The other part will be paid in accordance with the volume of sales achieved by them. This method gives the advantages of the first two methods discussed above. But the drawback of this scheme is that it is not easy to determine the fixed and the variable components

of the salesmen's remuneration. Moreover, the administration of such a method is tedious.

OTHER FORMS OF COMPENSATING SALESMEN

- (i) **Bonus:** It is a payment made to salesmen, as a lump sum, usually at the end of the financial year. It may be based on performance, sales or the profits earned by the business.
- (ii) **Non-cash benefits or fringe benefits:** These include rent-free accommodation, medical facilities, subsidised food, provision of two-wheeler or car etc.
- (iii) **Certificates and Prizes:** Salesmen, who have shown very good results during a particular period of time, may also be given merit certificates and prizes.

UNIT - V

MARKETING RESEARCH

Meaning:

Marketing research is the systematic gathering, recording and analysing of data about problems connected with the marketing of goods and services. Marketing research is conducted by consumers, middlemen, producers and manufacturers who are largely affected by marketing problems.

Definitions of Marketing Research

Committee of the *American Marketing Association* which defines. "Marketing research is the systematic gathering, recording and analysing of data about problems relating to the marketing of goods and services.

Scope or Areas of Marketing Research

The scope of marketing research is very wide. Moreover, it is expanding at a fast rate. The scope of marketing research stretches from the identification of consumer wants and needs to the evaluation of consumer satisfaction. It includes research in respect of consumers, sales, product, advertising, distribution channels, pricing, market, physical distribution etc. In short, it includes the following:

(1) Consumer Research: It is concerned mainly with the discovery and analysis of consumer attitudes, reactions and preferences towards company's products.

(2) Market Research: It is concerned mainly with the study of the size, location, nature and characteristics of markets. It also ascertains the strengths and weaknesses of competitors' marketing strategies.

(3) Sales Research: It includes an analysis of sales volumes, sales techniques, sales policies, sales quotas, performance of sales personnel etc.

(4) Advertising Research: The areas of advertising research broadly include: (i) determining the advertising messages and appeals in the light of consumer research finding ; (ii) comparing the probable effectiveness of the alternative advertising copies ; (iii) selecting the advertising media ; and (iv) evaluating advertising effectiveness.

(5) Product Research: The areas of product research include : (i) evaluating performance of company's products in terms of sales, profits and market segments; (ii) determining consumer acceptance of new products ; (in) determining modifications in the existing products; (iv) current and new uses of existing products ; (v) evaluating new competitive products, and (vi) marketing, testing of new products packages, label designs etc.

(6) Pricing Research: In pricing research, answers are sought to questions relating to the ability of consumers to pay. The areas of pricing research include ; (i) determining price expectations of consumers in the different market segments ; (ii) studying the price strategies of the competitors ; (iii) testing the alternative prices strategies ; and (iv) evaluating the consumer reactions and responses to the company prices etc.

(7) Distribution Channel Research: The main purpose of this research is to identify the appropriate distribution channels and intermediaries and to ascertain whether they help the company in meeting the consumer needs.

(8) Physical Distribution Channel: The purpose of this research is to explore the possibilities of cost reduction and enhancing the time and place utilities of the company's products.

Objectives of Marketing Research

Marketing research may be undertaken on different occasions for different purposes. That is why, different authors like *J. C. Denyer, P. D. Convers, D. M. Phelps, G. Rowland Collins*, etc. have discussed different objectives of marketing research, it is largely undertaken for the following objectives :

(1) Marketing research is used in the formulation of marketing plans, policies, strategies, programmes and procedures etc.

(2) It is employed for evaluating these plans, policies etc. when they are brought into practice.

(3) It is used in reducing and minimizing all marketing costs, particularly selling, advertising, promotion and distribution costs etc.

(4) Marketing management through marketing research can bring about the sale of the right product through the right channel to the right customers at the right places and at the right prices by evolving the right plans, policies, strategies are the programmes with the help of the right personnel.

(5) To enable the producers and manufacturers to make goods acceptable and saleable and to see that they reach the market more easily, quickly, cheaply and profitably without sacrificing consumer interest.

(6) To help the management in the development and introduction of new products which are acceptable to consumers.

(7) To locate and develop new markets for the company's products.

(8) To help the marketing management in studying and analysing the competitors' marketing policies, strategies, plans etc.

(9) To minimize the chances of business failures and thereby provide insurance cover for the survival, growth and expansion of the business in a dynamic society.

(10) To locate the new uses of the products.

Steps Involved in the Marketing Research Process

Steps to be taken to initiate and complete the research study. In order to successfully initiate and complete any research study, it is necessary to contemplate the steps. Each of these steps is independent and yet they are closely interrelated. Marketing research process or procedure involves the following steps in proper sequence:

(1) Defining the Marketing Problem Alongwith Objectives of Research

The first and the foremost step involved in any research process or procedure is to define the marketing problem in specific terms. Defining the problem means to know exactly what is to be solved. It involves developing an understanding of the problem which requires the attention of the researchers. Each part of the problem should be well-defined. Once the problem has been defined, the researcher has to frame research objectives. Research objectives are a frame of ends to be achieved. Why do we want to study the problem? What do we expect from the study? This is the relevant question whose answers will provide a clear direction for formulating the objectives of the research. The objectives should be both ultimate and immediate.

(2) Situation Analysis

After defining the marketing problem along with the objectives of research, the next step is to conduct situation analysis or survey the available data regarding the company, its product, the industry, the market, competitors, its advertising, dealer situation and the general environment around the company. You should have familiarity with the situation surrounding the problem. Personal interviews, company records, available published materials etc. are the sources of situation analysis.

(3) Preliminary Investigation

The next step is to conduct preliminary investigation. It is an informal investigation to secure minimum acquaintance or feel for the problem. It includes meeting with consumers, dealers, marketing executives, competitors etc. to gather the requisite background information which can throw some light on the most critical issues for study and investigation. Such an informal exploration may determine the need and justification for further formal investigation. In case the informal investigation fails to throw up the desired

solution of the problem, we may have to undertake formal investigation to arrive at valid and reliable conclusions.

(4) Research Design

The next step is to prepare the research design. Research design is the master plan or model for the conduct of formal investigation. The formal investigation plan will concentrate on the selection of sources of information and the selection of methods and procedures for gathering the requisite data. Data gathering forms are prepared. Questionnaires and other forms are tested. Samples for investigation are duly planned.

Sources and Collection of Data

In terms of the sources of data, they may be secondary or primary. Secondary sources provide data which are readily available in company records and are also published by government and private agencies. On the contrary, primary sources provide primary data which are collected by the researchers for specific purposes for the first time. Primary data can be collected through a number of methods such as survey, sampling, experimental method or observation method. Marketing research study may require both primary and secondary data.

(5) Information Analysis

This is the fifth step of marketing research. Under this step, collected data are edited, tabulated and analysed. The researchers make interpretation of the data. Conclusions and interpretations lead to recommendation for necessary action. In this connection, electronic data processing equipment can be employed for analysing large data quickly and economically.

(6) Preparing the Research Report

The ultimate result of all the exercises described above, is the preparing report and submitting the same to the marketing executives for necessary action. The report contains conclusions and recommendations supported by necessary analysis. The report must clearly and effectively point out the relationship among the data, the interpretation and the recommendations. The style of writing must be interesting and stimulating. The recommendations must be precise, clear-cut and feasible.

(7) Follow-up Action

As a matter of fact, the marketing research procedure comes to an end as soon as it is submitted to the marketing executives. However, the report submitted must be followed up to ensure the implementation of recommendations. It is desirable if the researchers are actively associated with marketing executives in implementing the report in its true spirit. In the

absence of follow-up, the marketing research report may be filed and forgotten which will amount to wastage of time, energy and money.

Methods (or) Techniques (or) Approaches of Marketing Research

The following are the three basic approaches, methods or techniques employed for marketing research:

- (I) Observation Method
- (II) Experimentation Method
- (III) Survey Method.

(I) Observation Method

This is the most simple and easy method of marketing research. Observation is the act of recognising and noting facts or occurrences. In this method, the observer does not ask any question of the person but rather observes his actions generally without letting the other person know that he is being observed. No questions are asked in data collection. It is more objective and accurate. It eliminates subjective element encountered with questionnaire. For example, no question is asked of a respondent as to what brand of a product he/she buys. But his/her purchase behaviour itself is observed at the point of purchase to determine the brand and preference. Events are recorded as they happen—either by the observer himself or by some mechanical device, such as, camera or electronic devices.

Observation method can be used to study : (i) customer movement, (ii) sales techniques, (iii) customer responses in retail stores, (iv) pantry check in the kitchen of housewife for brands bought, (v) stock audit in retail stores for brand bought, (vi) dust-bin check at customer's house, (vii) fashions and style acceptances etc.

Advantages—(i) The information gathered under this method is more accurate and reliable, (ii) It is free from bias, (iii) Adequate information can be gathered under this method, (iv) This method can be used when other methods fail to provide the requisite information.

Disadvantages, Demerits or Weaknesses—(i) This method is expensive. (ii) It is time-consuming, (iii) Intimate activities and personal situations betray observation. One cannot, for example, observe the type of undergarments or nightwears one uses. Similarly, it cannot provide information on the state of mind, buying motives and peoples account of how they behave.

(II) Experimentation Method

This method is based on the concept that small-scale experiment is useful to indicate what can be expected in a large-scale experiment. Experimental method employs controlled experiments, Similar to those used in

sciences, such as, test marketing, consumer panel research etc. Experimentation method is an important tool to find out casual relationship, e.g., effect of price changes on sales effect of advertising on sales, effect of promotion or package changes on sales and so on. Lessons learnt from experimentation method can be employed for making the large-scale activity more effective and profitable.

Experimentation method can be used for : (i) test marketing, (ii) testing new products and packagings, (iii) testing, advertising and sales promotion campaigns, (iv) determining right prices, (v) display, (vi) product design, (vii) colour choice, etc.

Advantages or Merits: (i) The results developed in the experiment resemble the actual happening in the market place. This very fact infuses confidence in the marketing executives in implementing marketing plans and programmes more effectively, (ii) This method is more practical and has a great and bright future, (iii) Its increasing use can be predicted with confidence.

Disadvantages or Demerits : (i) It is more expensive, complex and difficult to administer, (ii) It is also time-consuming, (iii) The results of the experiment conducted may no longer remain relevant at the time the product is mass-marketed owing to the dynamism of consumer behaviour, (iv) It is difficult to select markets with identical characteristics as also to control other components of the marketing-mix.

(III) Survey Method

It is the most popular method of marketing research and is widely used in different spheres. The survey method of marketing research is the systematic gathering of information from respondents for the purpose of understanding and/or predicting some aspects of the behaviour of the population under survey. This method involves talking directly to consumers. The requisite information is gathered in three ways : (i) the telephone, (ii) the mail, and (iii) the personal interview. This method is referred to at times as the "questionnaire technique" and involves the furnishing of data by an individual through a conscious effort to answer questions. In this method, the respondents are contacted and are asked to answer questions contained in the questionnaire. The administration of questionnaire to a respondent in this manner is called interview. Such interviews may be classified according to the degree of structure and directness of questions. Surveys can be carried out both in the quantitative and qualitative researches.

The survey method can be used at any one or more of the levels in the marketing process—at consumer level, at retail level, wholesale level and producers'/manufacturers' levels. Surveys are an effective way of gathering information for the following marketing problems: (i) Product planning,

(ii) Sales promotion, (iii) Channel choice (iv) Advertising copy, (v) Consumer research, (vi) Dealer's research media of advertisement etc.

Survey Techniques

There are three types of survey techniques which are generally used :

(1) The Personal Interview Survey

Under this survey technique, the investigator contacts the respondent(s) personally and asks questions and records his/her answers in a face-to-face situation. A relatively long questionnaire can be used under this method. Even complex questions can be asked. The success of this method depends on the quality and efficiency of the interviewer.

Advantages or Merits: (i) More reliable and detailed information can be gathered. (ii) It is an easy and intensive method. (iii) Complex questions can be asked. (iv) It serves specific requirements of the survey. (v) It is a more flexible form of data collection.

Disadvantages or Demerits: (i) It is expensive, (ii) It is time consuming (iii) It is subject to interviewer's bias which might destroy the authenticity of information, (iv) Certain people are difficult to contact and certain neighbourhood are difficult to cover.

(2) The Telephone Survey

Under this method, the interviewer does not meet the respondent in a face-to-face situation but communicates through the telephone. Thus both the interviewer and the respondent talk on telephone. This method is employed where the information sought is limited, and speed and economy of collection of information are considered relatively more important factors. If you need factual answers to a few questions, this method is most suitable. It is used mostly in urban areas where telephone facilities are easily available.

Advantages or Merits : (i) It is a most economical method. (ii) It is the quickest method and thus saves time, (iii) It is more flexible (iv) Personal contact becomes possible, (v) Questions can be asked in a planned way. (vi) The data collected can be accurate.(vii) It is an ideal method of communication when you need information on current activities, (viii) Immediate response to the questions can be sought. (ix) People difficult to reach can be interviewed under this method.

Disadvantages or Demerits : (i) The survey under this method is restricted to a highly selective and relatively small portion of the population, namely, telephone subscribers only, (ii) There is every possibility of personal bias, (iii) This method is suitable only where the information sought is limited,

(iv) On the telephone respondents give noncommittal answers and they are unwilling to give personal information.

(3) The Mail Survey

Under this method, contact is made through postal service. Thus there is no face-to-face contact between the interviewer and the respondent. The questionnaires in this method are mailed to respondents at their mailing addresses with the request to fill them up and return by post. For this purpose, an up-to-date mailing list is prepared. Printed copy of the questionnaire with convening letter and duly stamped reply-paid envelope will be posted to the respondent on the mailing list. Gift incentive is usually provided to get cooperation and quick return of duly completed questionnaire. Follow-up by polite reminder is necessary to secure maximum response within a reasonable period. The mail survey has no geographic limitation.

Advantages or Merits—(i) It is a very effective and cheap method of conducting surveys, (ii) It covers a wider geographic area as it has no geographic limitation, (iii) It eliminates the interviewers bias it eliminates the personal element, (iv) It is more convenient to respondents as they get as much time as they wish, to answer the questions, (v) The data collected under this method are likely to be more accurate, (vi) Under this method, it is possible to reach certain types of respondents who are hard to get for interviews (vii) Distortion of reply is remote.

Disadvantages or Demerits—(i) Under this method, there is greater degree of non-response. (ii) The questionnaire may not be carefully and completely answered, (iii) Preparation of an up-to-date mailing list is a difficult task, (iv) This method lacks flexibility, (v) The questionnaire once prepared cannot be altered, (vi) Answers of the questionnaire may not be received in time and hence it is a time-consuming process.

