ELEMENTS OF MARKETING

UNIT-I

MARKETING MANAGEMENT

Marketing management is defined as "the analysis, planning, implementation and control of programmes designed to create, build and maintain beneficial exchanges and relationships with target markets for the purpose of achieving organisational objectives".

Marketing managers have to carry marketing research, marketing planning, marketing implementation and marketing control. Within marketing planning, marketer must make decisions on target markets, market positioning, product development, pricing, channels of distribution, physical distribution, communication and promotion. Thus, the marketing managers must acquire several skills to be effective in market place.

Marketing has been defined by different authors differently. A popular definition is that "marketing is the performance of business activities that direct the flow of goods and services from producer to consumer or user".

Another notable definition is that "marketing is getting the right goods and services to the right people at the right place at the right time at the right price with the right communication and promotion".

Yet another definition is that 'marketing is a social process by which individuals and groups obtain what they need and want through creating and exchanging products and values with others'. This definition of marketing rests on the following concepts:

(i) needs, wants and demands;
(ii) products;
(iii) value and satisfaction;
(iv) exchange and transactions; and
(v) markets.

NEEDS, WANTS AND DEMANDS

A human need is a state of felt deprivation of some basic satisfaction. People require food, clothing, shelter, safety, belonging, esteem etc. These needs exist in the very nature of human beings.

Human wants are desires for specific satisfiers of these needs. For example, cloth is a need but Raymonds suiting may be want. While people's needs are few, their wants are many.

Demands are wants for specific products that are backed up by an ability and willingness to buy them. Wants become demands when backed up by purchasing power.

Products

Products are defined as anything that can be offered to some one to satisfy a need or want.

Value and Satisfaction

Consumers choose among the products, a particular product that give them maximum value and satisfaction.

Value is the consumer's estimate of the product's capacity to satisfy their requirements.

Exchange and Transactions

Exchange is the act of obtaining a desired product from someone by offering something in return. A transaction involves atleast two things of value, conditions that are agreed to, a time of agreement and a place of agreement.

Market

A market consists of all the existing and potential consumers sharing a particular need or want who might be willing and able to engage in exchange to satisfy that need or want.

Thus, all the above concepts finally brings us full circle to the concept of marketing.

IMPORTANCE OF MARKETING

1. Marketing process brings goods and services to satisfy the needs and wants of the people.
2. It helps to bring new varieties and quality goods to consumers.
3. By making goods available at all places, it brings equitable distribution.
4. Marketing converts latent demand into effective demand.
5. It gives wide employment opportunities.
6. It creates time, place and possession utilities to the products.
7. Efficient marketing results in lower cost of marketing and ultimately lower prices to consumers.
8. It is vital link between production and consumption and primarily responsible to keep the wheels of production and consumption constantly moving.
9. It creates and raises standard of living of the society.

CONCEPTS OF MARKETING

There are five distinct concepts under which business organisation can conduct their marketing activity.

- Production Concept
- Product Concept
- Selling Concept
- Marketing Concept
- Societal Marketing Concept

PRODUCTION CONCEPT

In this approach, a firm is considered as the central point and all goods and commodities produced were sold in the market. The major emphasis was on the production process and control on the technical perfections while producing the goods.

The production concept holds that consumers will favour those products that are widely available and low in cost. Management in production oriented organisations concentrates on achieving high production efficiency and wide distribution coverage.

PRODUCT CONCEPT

The product concept holds that consumer's will favour those products that offer the most quality, performance and features. Management in these product-oriented organisations focus their energy on making good products and improving them over time.

SALES CONCEPT

The sales concept maintains that a company cannot expect its products to get picked up automatically by the customers. The company has to consciously push its products. Aggressive advertising, high-power personal selling, large-scale sales promotion, heavy price discounts and strong publicity and public relations are the normal tools used by organisations that rely on this concept. In actual practice, these organisations too do not enjoy the best of customer patronage.

The selling concept is thus undertaken most aggressively with 'unsought goods', i.e. those goods that buyers normally do not think of buying, such as insurance, encyclopedias. These industries have perfected various techniques to locate prospects and with great difficulty sell them as the benefits of their products.

MARKETING CONCEPT

The Marketing concept was born out of the awareness that marketing starts with the determination of consumer wants and ends with the satisfaction of those wants. It proclaims that "the entire business has to be seen from the point of view of the customer". In a company practising this concept, all departments will recognise that their actions have a profound impact on the company's ability to create and retain a customer. Every department and every worker and manager will 'think customer' and 'act customer'.

Marketing concept is a customers' needs and wants orientation backed by integrated marketing effort aimed at generating customer satisfaction as the key to satisfying organisational goals.

The salient features of the marketing concept are:

1) Consumer orientation
2) Integrated marketing
3) Consumer satisfaction
4) Realisation of organisational goals.

1. Consumer Orientation

The most distinguishing feature of the marketing concept is the importance assigned to the consumer. The determination of what is to be produced should not be in the hands of the firms but in the hands of the consumers. The firms should produce what consumers want. All activities of the marketer such as identifying needs and wants, developing appropriate products and pricing, distributing and promoting them should be consumer-oriented. If these things are done effectively, products will be automatically bought by the consumers.

2. Integrated Marketing

The second feature of the marketing concept is integrated marketing i.e. integrated management action. Marketing can never be an isolated management function. Every activity on the marketing side will have some bearing on the other functional areas of management such as production, personnel or finance. Similarly any action in a particular area of operation in production or finance will certainly have an impact on marketing and ultimately on consumer. Therefore, in an integrated marketing set up, the various functional areas of management get integrated with the marketing function. Integrated marketing presupposes a proper communication among the different management areas, with marketing influencing the corporate decision making process. Thus, when the firms objective is to make profit - by providing consumer satisfaction, naturally it follows that the different departments of the company are fairly integrated with each other and their efforts are channelised through the principal marketing department towards the objective of consumer satisfaction.

3. Consumer Satisfaction

The third feature of the marketing is consumer satisfaction. The marketing concept emphasises that it is not enough if a firm has consumer orientation; it is essential that such an orientation leads to consumer satisfaction.

For example, when a consumer buys a tin of coffee, he expects a purpose to be served, a need to be satisfied. If the coffee does not provide him the expected flavour, the taste and the refreshments his purchase has not served the purpose; or more precisely, the marketer who sold the coffee has failed to satisfy his consumer. Thus, 'satisfaction' is the proper foundation on which alone any business can build its future.

4. Realisation of Organisational Goals including Profit

If a firm has succeeded in generating consumer satisfaction, is implies that the firm has given a quality product, offered competitive price and prompt services and has succeeded in creating good image. It is quite obvious that for achieving these results, the firm would have tried its maximum to control costs and simultaneously ensure quality, optimise productivity and maintain a good organisational climate. And in this process, the organisational goals including profits are automatically realised. The marketing concept never suggests that profit is unimportant to the firm. The concept is against profiteering only, but not against profits.

Benefits of Marketing Concept

The concept benefits the organisation that practices it, the consumer at whom it is aimed and the society at large.

1. ***Benefits to the Organisation:*** In the first place, the practice of the concept brings substantial benefits to the organisation that practises it. For example, the concept enables the organisation to keep abreast of changes. An organisation practising the concept keeps feeling the pulse of the market through continuous marketing audit, market research and consumer testing. It is quick to respond to changes in buyer behaviour; it rectifies any drawback in its products, it gives great importance to planning, research and innovation. All these responses, in the long run, prove extremely beneficial to the firm. Another major benefit is that profits become more and more certain, as it is no longer obtained at the cost of the consumer but only through satisfying him. The base of consumer satisfaction guarantees long-term financial success.

2. ***Benefits to Consumers:*** The consumers are in fact the major beneficiary of the marketing concept. The attempts of various competing firms to satisfy the consumer put him in an enviable position. The concept prompts to produces to constantly improve their products and to launch new products. All these results in benefits to the consumers such as: low price, better quality, improved/ new products and ready stocks at convenient locations. The consumer can choose, he can bargain, he can complain and his complaint

will also be attended to. He can even return the goods if not satisfied. In short, when organisations adopt marketing concept, as a natural corollary, their business practices change in favour of the consumer.

3. ***Benefits to the Society:*** The benefit from the marketing concept is not limited to the individual consumers of different products. When more and more organisations resort to the marketing concept, the society in toto benefits. The concept guarantees that only products that are required by the consumers are produced; thereby it ensures that the society's economic resources are channelised in the right direction. It also creates entrepreneurs and managers in the given society. Moreover, it acts as a 'change agent' and a 'value adder'; improves the standard of living of the people; and accelerates the pace of economic development of the society as a whole. It also makes economic planning more meaningful and more relevant to the life of the people.

   In fact, the practice of consumer oriented marketing benefits society in yet another way by enabling business organisations to appreciate the societal content inherent in any business. When the organisations move closer to the customers, they see clearly the validity of the following observation of Drucker, "The purpose of any business lies outside the business – in society." And this awareness of the societal content of business often enthuses organisations to make a notable contribution to the enrichment of society.

SOCIETAL MARKETING CONCEPT

Now the question is whether the marketing concept is an appropriate organisational goal in an age of environmental deterioration, resource shortages, explosive population growth etc. and whether the firm is necessarily acting in the best long run interests of consumers and society. For example, many modern disposable packing materials create problem of environmental degradation. Situations like this, call for a new concept, which is called 'Societal Marketing Concept'.

The societal marketing concept holds that the organisation's task is to determine the needs, wants and interests of target markets and to deliver the desired satisfaction more effectively and efficiently than competitors ***in a way that preserves or enhances the consumer's and the society's well being***.

A few magazines such as Kalki, Ananda Vikadan, do not accept any advertisements for Cigarettes or alcoholic liquors though it is loss of revenue for them. This is a typical example of societal marketing concept.

The societal marketing concept calls upon marketers to balance three considerations in setting their marketing policies namely firm's profits, consumer want satisfaction and society interests.

Concept	Focus	Means	Ends
Product	Products	Quality product, reasonable price, little marketing effort	Achieve profits or objectives by products generating consumer demand
Selling	Products	Aggressive advertising and selling efforts	Achieve profits or objectives by generating sales volume
Marketing	Customer needs	Integrated marketing	Achieve profits or objectives through customer satisfaction
Societal-Marketing	Customer satisfaction and long run public welfare	Constant search for better products in terms of appeal and benefit	Satisfy organizational goals and responsibilities for society

FUNCTIONS OF MARKETING

Efficient performance of marketing functions can reduce the cost of marketing. Marketing agencies and institutions usually specialise in certain marketing functions and such specialisation ensures minimisation of marketing costs in the process of marketing. Marketing functions are the means to achieve marketing objectives set by the marketing plans and programmes.

Marketing department is given the main responsibility to carry out the marketing functions. These marketing functions are now oriented toward the customer needs and all marketing decisions are made in the light of customer requirements and for the purpose of satisfying customer demand at minimum expense, with optimum sales volume and profits. Customer-oriented marketing functions can assure survival and prosperity of any business enterprise.

Marketing functions are specialised marketing activities of a marketer in each channel of distribution. They may be performed several times in the marketing of a given product. For example, buying, selling, storage, transport, financing and risk bearing are performed by all middlemen at different stages in the marketing process.

At each stage in the machinery of distribution, a marketer will need marketing information for formulating plans, policies and programmes in order to serve customer demand effectively. Marketing functions are a necessary part of the marketing task and must be performed by any marketer if goods are to be placed in the hands of consumers.

A. Exchange Function

Transfer of ownership is the primary objective of the marketing process. Hence, performance of buying and selling functions assumes a unique importance.

1. Buying (Assembling):

Buying is one side of the equation of exchange — the counterpart of selling the other side of exchange. It is carried out by all marketers -the manufacturer, the wholesaler and the retailer. The buying function involves planning of purchases, selection of proper sources of supply, selection of goods to be sold, or to be used in business, assembling of goods in right quantity, at the right place and time and at the right price. In a formal exchange, buyer has to negotiate the terms of price, payment, delivery, etc., and secure normal transfer of title in his favour through a contract of purchase.

The primary purpose of buying is to assemble goods upon demand, for resale or use in production or personal consumption. The buying function plays a very important role when fashion or style is dominant in marketing. Buying skill is essential not only in analysing the market demand but also in buying the requisite supplies.

2. Selling:

Selling and buying must complement each other. They are the two sides of the equation of the exchange. All marketing efforts revolve around the selling and buying functions. The selling function is most important in any business. The primary objective in marketing is to sell goods or services at a profit.

Sales provide income to cover costs and yield a profit. Of course, under the customer-oriented marketing process, selling must offer expected consumer satisfaction and service. Profits are rewards to be earned through serving the demand.

The selling function involves a number of subsidiary activities- (a) product planning and development i.e., merchandising, (b) search of buyers, (c) creation of demand through all means of promotion, (d) negotiation of terms of sale such as quality, quantity and price and (e) sale contract leading to transfer of title and possession of goods.

B. Physical Distribution Function

3. Transportation:

The functions of exchange, viz., buying and selling functions provide only transfer of title or ownership right from a seller to a buyer. Change of ownership is usually accompanied by change of possession. Transport offers this particular service and a buyer can enjoy the physical possession only when the goods bought are duly transported from a seller to a buyer.

Transportation as a marketing function assumes unique importance in mass production, mass distribution, and ever- widening markets. As the distance between centres of production and centres of consumption increases, the importance of transport expands. The cost of transport must be justified by the resulting creation of place utility. Speedy, economical and efficient transportation can ensure healthy growth of mass production and mass distribution.

Transportation is the movement of products from the centres of production to centres of processing or manufacturing and then from the factories to the markets (right up to consumers' residences). Thus it is an essential marketing service at every stage in the flow of goods during concentration as well as dispersion in the process of marketing.

4. Storage:

Storage creates time utility by holding and preserving stock of goods for different periods of time during the marketing process. Storage enables equalisation process over period of time, whereas transport enables equalisation of supplies place-wise. Hence, transport and storage facilitate the function of physical distribution. Almost all goods entering the market must be stored at numerous points in the journey of goods from the primary producer to the ultimate consumer.

By means of transport and storage a marketer can easily equalise and regulate supplies place-wise and time-wise so that supply can be adjusted with changing market demand in all markets as well as throughout the period. Storage function is necessary in concentration as well as in distribution. It is performed by a manufacturer, wholesaler, retailer or professional warehouse-keepers.

Storage is essential in both agricultural marketing and marketing of manufactured products. Marketers can easily adjust supply with demand (place-wise and time-wise) with the help of transport and warehousing and thereby consumers can have price stability in all markets and at all times. However, cost of transport and warehousing plays a significant role in the total marketing cost. Hence, physical distribution has assumed great importance in the process of marketing.

C. Facilitating Functions

In the process of marketing at every stage in the machinery of distribution/assembling we need a number of auxiliary or facilitating functions to

ensure the smooth flow of goods. These functions help the primary functions of buying, selling, transport and storage.

The important facilitating functions smoothening the marketing process are:

1. Standardisation and grading
2. Financing
3. Risk taking
4. Marketing information

5. Standardisation and Grading:

Standardisation means prescribing basic limits or grades on the basis of which products may be sorted and to which producer of goods must conform. Grading is the actual sorting of a supply of a given commodity as per specified or fixed norms or standards. Please note that standardisation precedes grading and both are closely related activities.

Standardisation is necessary in agricultural as well as manufactured products. Standardisation and grading are important marketing functions as they enable widening of markets. Buying and selling become easier. Consumer confidence can be secured. We can have uniform quality, size, type, etc. Marketing costs also can be reduced considerably.

6. Financing:

Financing is the self-blood of industry. It is required for production as well as for marketing. In the modern market, exchange operations are based on money and credit. There is a certain time interval between the purchase of raw materials and the manufacturing of finished products and from the time goods are made till the consumer pays for them.

Banks and financial institutions undertake this waiting period. Manufacturer gets bank loan for manufacturing and marketing operations. Dealers and traders get bank finance for purchase of goods and for their resale to the customers. Banks help merchants to finance for holding of stocks of goods lying in the warehouses.

At each sale or purchase, a change in ownership takes place and the question of payment of price arises. Hence, marketing is directly linked with the various aspects of money and banking. Bankers are dealers in money market. They provide money and credit or means of payment to business and thereby solve financial problem of business men. The wheels of marketing machine are constantly lubricated by an efficient system of banking and finance. Instruments of credit like cheques, bills, promissory notes and hundies facilitate trade finance.

The financing function in marketing involves the use of capital to finance the marketing agencies (wholesalers and retailers) in their various activities, plus the financing of goods moving into and through the channels of distribution. Manufacturer, wholesaler as well as retailer demand credit for financing their marketing operations. Credit is used at all levels of marketing. Retailers have to use consumer credit liberally to attract customers. Mass markets for costly consumer durables could be created only through installment credit.

7. Risk taking:

In marketing as in other fields of business there are numerous risks or the chances of loss or damage. We have three major marketing risks- (i) Physical loss or damage of goods, (ii) Economic Joss of values in goods, (iii) Credit losses. Marketers can secure regular insurance facilities to protect themselves against physical loss and credit loss. Though the risk of loss cannot be eliminated, it can at least be transferred to insurance companies by insurance policies.

However, there is no insurance coverage as yet available against loss of value caused by a fall in the market demand or price or from new competition. Protection against these losses can be secured only through minimising the losses with the help of able and competent marketing management. Hence, element of risk is significant in the total cost of marketing. Intelligent management of risk is the main job of a marketer.

8. Marketing Information:

As marketing conditions are dynamic and they may affect industry in any way and to any degree, producers are interested in securing up-to-date information on changing conditions of supply, demand and prices ruling in the markets. Information is a vital resource in any business. It has to be collected, processed and interpreted. Marketing decisions are based on facts and figures. Market intelligence means spreading of market information among buyers and sellers.

Marketing executives are interested in knowing trends in market demand, supply, prices and related market information. Equipped with latest market information, risk of loss can be reduced in marketing, in pricing, in forecasting market demand and in facing, competition in the market. Securing and using market information is a mark of good marketing management.

Marketing information service has assumed a unique importance in the present business system as decision making process in the field of marketing can be based on adequate, up-to-date, reliable and timely information. Modern means of communication can be employed for dissemination of market information. Organised markets, banks, government agencies act as clearing houses of vital market information.

Computer-based marketing information system offers several benefits to marketing managers:

i) More timely information,
ii) More complete information,
iii) More reliable and thorough analysis of data,
iv) Better understanding of relationship among the elements of marketing system and
v) More thorough evaluation and consideration of many alternatives.

Marketing plans and programmes are now based on information secured through marketing research and marketing intelligence services.

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

	competitors and channel members for use in marketing decision making

MARKETING ENVIRONMENT

The marketing activities of the business are affected by several internal and external factors. While some of the factors are in the control of the business, most of these are not and the business has to adapt itself to avoid being affected by changes in these factors. These external and internal factors group together to form a marketing environment in which the business operates.

Marketing Environment is the combination of external and internal factors and forces which affect the company's ability to establish a relationship and serve its customers.

The marketing environment of a business consists of an internal and an external environment. The internal environment is company-specific and includes owners, workers, machines, materials etc. The external environment is further divided into two components: micro & macro. The micro or the task environment is also specific to the business but external. It consists of factors engaged in producing, distributing, and promoting the offering. The macro or the broad environment includes larger societal forces which affect society as a whole. The broad environment is made up of six components: demographic, economic, physical, technological, political-legal, and social-cultural environment.

"A company's marketing environment consists of the actors and forces outside of marketing that affect marketing management ability to build and maintain successful relationships with target customers". – Philip Kotler

IMPORTANCE OF MARKETING ENVIRONMENT

Every business, no matter how big or small, operates within the marketing environment. Its present and future existence, profits, image, and positioning depend on its internal and external environment. The business environment is one of the most dynamic aspects of the business. In order to operate and stay in the market for long, one has to understand and analyze the marketing environment and its components properly.

Essential for planning

An understanding of the external and internal environment is essential for planning for the future. A marketer needs to be fully aware of the current scenario, dynamism, and future predictions of the marketing environment if he wants his plans to succeed.

Understanding Customers

Thorough knowledge of the marketing environment helps marketers acknowledge and predict what the customer actually wants. In-depth analysis of the marketing environment reduces (and even removes) the noise between the marketer and customers and helps the marketer to understand buyer behaviour better.

Tapping Trends

Breaking into new markets and capitalizing on new trends requires a lot of insight about the marketing environment. The marketer needs to research about every aspect of the environment to create a foolproof plan.

Threats and Opportunities

Sound knowledge of the market environment often gives a first-mover advantage to the marketer as he makes sure that his business is safe from future threats and taps the future opportunities.

Understanding the Competitors

Every niche has different players fighting for the same spot. A better understanding of the marketing environment allows the marketer to understand more about the competitions and about what advantages do the competitors have over his business and vice versa.

COMPONENTS OF MARKETING ENVIRONMENT

The marketing environment is made up of the internal and external environment of the business. While the internal environment can be controlled, the business has very less or no control over the external environment.

Internal Environment

The internal environment of the business includes all the forces and factors inside the organisation which affect its marketing operations. These components can be grouped under the Five Ms of the business, which are:

- Men
- Money
- Machinery
- Materials
- Markets

The internal environment is under the control of the marketer and can be changed with the changing external environment. Nevertheless, the internal marketing environment is as important for the business as the external marketing

environment. This environment includes the sales department, marketing department, the manufacturing unit, the human resource department, etc.

External Environment

The external environment constitutes factors and forces which are external to the business and on which the marketer has little or no control. The external environment is of two types:

I Micro Environment

The micro-component of the external environment is also known as the task environment. It comprises of external forces and factors that are directly related to the business. These include suppliers, market intermediaries, customers, partners, competitors and the public

- **Suppliers** include all the parties which provide resources needed by the organisation.
- **Market intermediaries** include parties involved in distributing the product or service of the organisation.
- **Partners** are all the separate entities like advertising agencies, market research organisations, banking and insurance companies, transportation companies, brokers, etc. which conduct business with the organisation.
- **Customers** comprise of the target group of the organisation.
- **Competitors** are the players in the same market who targets similar customers as that of the organisation.
- **Public** is made up of any other group that has an actual or potential interest or affects the company's ability to serve its customers.

II Macro Environment

The Macro environment is the uncontrollable factor of the company. For this reason, it has to structure its policies in the limits set by these factors. Macro-environment on the whole deals with the demographic, economic, technological, natural, socio-cultural and politico-legal environment aspects of the markets. Let us now look into these elements in detail.

1. Demography

It is characterized as the factual investigation of the human population and its dissemination. This is a standout amongst the most impacting variables because it manages the individuals who structure the business. An organization ought to study the populace, its conveyance, age structure, and so forth before choosing its strategy of marketing. Each group of the population acts differently, relying on a range of factors, for example, age, status, and so on. If these variables are measured, a company can manufacture only those products which

suit the necessity of the buyers. In this respect, it is said that ‘to comprehend the business sector you must comprehend its demography’.

2. Economic Environment

Economic components are general monetary value, investment rates, exchange rates, inflation rate, fiscal strategies, balance of payments and so forth. An organization can effectively offer its products just when individuals have enough cash to spend. The financial environment influences a customer’s buying behavior either by expanding his disposable income or by decreasing it. Eg: During inflation, the money value decreases. Thus, it is troublesome for them to buy more products. The income of the customer should likewise be considered. Eg: In a business sector where both husband and wife work, their acquiring power will be more. Consequently, organizations may offer their products effortlessly.

3. Physical Environment

These components incorporate the climate, atmosphere, environmental change, accessibility of water, accessibility of raw materials and so on. A company has to implement its policies contained by the restrictions set by nature. A man can enhance nature, however, can’t find an option for it. Nature offers resources, however, in a restricted way. The product manager has to use it proficiently. Companies must discover the best mix of products for productive usage of the accessible assets. Else, they may confront intense deficiency of resources.

4. Technological Factors

Technological variables incorporate the innovative work, robotization, development of web and other communication innovations, innovation inducements and barriers to technology. From the consumer's perspective, change in innovation implies a change in the living standard. In this respect, it is said that 'Technologies figure a person's Life'.

Each innovation creates another business & another group of clients. Another innovation enhances our way of life & in the meantime creates numerous issues. Eg: Invention of different purchaser comforts like washing machines, blenders, and so forth have brought about enhancement in our way of lifestyle yet it has made serious issues like shortage of power, similarly, innovation in autos has enhanced transportation, however, it has brought about the issues like air & noise contamination, more accidents etc. In plain words, the following are the effects of technological aspects on the market:

- Creation of new desires
- Creation of new industries
- May wipe out old industries
- May augment the expenditure on R&D.

5. Social and Cultural Factors

The vast majority of us buy in light of the impact of cultural & social elements. The lifestyle, qualities, convictions, and so on is dead set besides everything else by the society in which we live. Every society has its own culture. Culture is a blend of different variables which are exchanged from more established eras & which are gained. Our conduct is guided by our way of life, family, instructive foundations, dialects, and so on. Social components are the cultural and social viewpoints, which incorporate health cognizance, the growth rate of population, age distribution, career approach and the importance of security.

The society is a mix of different groups with diverse cultures & subcultures. Every society has its conduct. The marketing manager of a company must study the society in which he works. Eg: In India, we have distinctive cultural groups like *Kashmiris*, *Punjabis*, *Assamese*, and so forth. The manager of marketing of a company ought to observe these distinctions before finalizing the marketing schemes.

REVIEW QUESTIONS:

1. Define marketing. Bring out its importance.

2. What are the basic concept s in marketing? Explain
3. Explain different concepts of marketing.
4. Discuss the marketing concept. What are its salient features?
5. What are the benefits of marketing?
6. What is societal marketing concept? Illustrate with examples.
7. Briefly explain the functions of marketing.
8. What is marketing environment? State its importance.
9. Describe the micro and macro factors influencing the marketing environment.

BUYER BEHAVIOUR

Buyer behavior is the study of how an individual or a group of customers select and analyze a product or service. It attempts to understand the decision making process of a customer while selecting a product or service out of all the myriad alternatives available in the market.

Buyer and Seller

Buyers also called as a potential customer or a purchaser, he is the one who enters into the process of acquiring the ownership of some good or service in exchange of money or something agreed on between the selling and the acquiring parties. Buyers may not necessarily be an individual. It can also be a group of individuals or a firm as a whole which enters into the process of buying something (B2B Business).

Buyers demand goods and services and **sellers** supply goods and services. Markets exist with the interaction of buyers and sellers. This interaction describes market prices and thereby allows goods and services. The price is what people pay when they buy a good or service, and what they receive when they sell a good or service.

Businesses want to sell the goods and services consumers will buy. A market exists when buyers and sellers exchange goods and services. People's choices about what goods and services to buy ultimately determine what producers produce.

A buyer is any person who contracts to acquire an asset or service in return for some form of consideration. When someone acts as a regular buyer of certain assets for commercial purposes, the term "buyer" has a specific meaning as a job function.

A seller is party that makes, offers or contracts to make a sale to an actual or potential buyer. Also called vendor

Buyer Classification

Buyers are classified into various categories depending on where they are present in the distribution chain. Different buyers are given different prices and discounts based on this fact.

There are five types of buying behaviour. Each group's reason for buying are different hence the strategy must be accordingly modified to suit their needs. The five types are as under:

- ***Innovators:*** The smallest group of buyers. They love experimenting and buying anything new in the marketplace. They are very much exposed to new ideas and technology and are guided by a high level of self

confidence. If the product manages to entice the innovators , they are sold. They inspire others to buy if they like the product. They represent only 2% in the market.

- ***Adopters:*** Adopters are the trend-setters and they set trends and examples by their decision of product. They are not risk-taking like the innovators and try the new products only if it brings a significant change in their life or improves their business. Hence they try out the products only after proper consultation and understanding the benefits related to it.

- ***Early Majority:*** Representing 39% of the market, the early majority are a group of people who are slower to try new things than the innovators and adopters and are inspired by them. They are not very technology driven and are more practical in their approach to buying new things. They are very careful of the longevity and reputation of the company which manufactures the product.

- ***Late Majority:*** This group makes its purchase very late in the buying cycle. By then, mostly the early adopters and the innovators already move to other products. The late majority people wait for the product to be universally accepted. They are mostly price sensitive people who wait for the prices to fall. They rely on mass media for purchasing.

- ***Laggards or Excessive Traditionalists:*** Laggards wait for the products to become an absolute need. They purchase the products when the other groups consider the similar product obsolete. They are the zero risk takers. The laggards do not need a marketing campaign.

Buying Motives

Buying motives are those motives of consumer's which are sufficiently stimulated so as to induce the consumer to buy the product. These are the needs, which are pressing needs, causing anxiety and restlessness to the customers, so much so that the consumer has to make efforts to buy a suitable product. Buying motive is a motive which can be satisfied by the purchase of the commodities.

William J. Stanton points out that "a motive is a need sufficiently stimulated to move an individual to seek satisfaction". He further adds that "the motive become the buying motive when the individual seeks satisfaction through the purchase of something".

According to D. J. Durian "Buying motives are those influences or considerations which provide the impulse to buy induce action or determine choice in the purchase of goods or services".

Types of Buying Motives

Buying motives can be grouped into different levels. First, when the need is recognised by buyer and he talks about the motives for buying the product (conscious). Second the buyer is convinced that he has a need to buy but is not in position to understand the motives (sub-conscious) and last buyer is not in position to explain the factors which influence their purchase decisions (unconscious). These motives are known as conscious, sub-conscious and unconscious motives.

Classification of Buying Motives:

1. Product Motives
2. Patronage Motives

1. Product Motives:

Product motives are those motives which are related to the product that induce the consumer to buy the product. Product motive may relate to different attributes of the product. It can be further classified as:

I. Emotional product motives

II. Rational product motives

III. Operational product motives

IV. Socio-psychological motives

Emotional Product Motives:

Emotional product motives are those which invoke a person emotionally so that he buys the product, without analysing and evaluating its various attributes. Examples of emotional product motives are love, pride fear, comfort, ego, habits etc. Here consumer has the motive of only buying the product because he is emotionally attached to it. Other factors are absent here.

Rational Product Motives:

As against the emotional motives, there are rational motives. These are the motives which are concerned with the logical analysis of the various aspect of the product. Here the consumer makes a rational evaluation of different product attributes so as to determine its want satisfying potential, only then he buys the product. The various utility attributes of the product, credit facilities, transportation facilities etc. are included here.

Operational Product Motives:

On the basis of functions performed and socio-psychological benefit provided, buying motives are classified as operational product motive and socio-psychological product motives. Operational product motives refer to the satisfaction derived from the function or physical utility of the product. More

efficiently the functions are performed, and more are the functions performed, better are the chances of product being purchased.

Socio-psychological Motives:

Socio- psychological motives are different from operational motives. Here the consumer buys the product because of the prestige attached to it. The product here is, evaluated on the basis of its social status and prestige. It must satisfy the psychological need of the buyer of having a product which is perceived high by the society.

2. Patronage Motive:

Patronages motives refers to those motives which make a consumer buy from a particular shop. In general consumers have reasons to buy the goods from a particular shop only. The patronage of that shop attracts him. Patronage motive may also be classified as emotional patronage motive and rational patronage motive.

Many times the buyer buy goods from a specific shop for reason not clear to them also. Such motives are called emotional patronage motives. Here the reason for buying from that shop is purely subjective. Each buyer may have his own personal reason. On the other hand rational patronage motive are the logical reason that a consumer has for buying the goods from a particular shop only.

Here the consumer is aware of advantages of that shop in terms of wide variety of goods, wide selection, good quality, easy availability, good behaviour of salesman, after sale services etc. and therefore he is attached to the shop. Thus, we see that motives have significant influence on the buyer behaviour. A marketer should therefore develop a clear understanding of the product and patronage buying motives before he goes to attract the customers and develop their loyalty.

Buyer Readiness Stages

These are the different stages through which a consumer passes before making the actual purchase. It is a combination of 6 stages which are-

Awareness:

It is the stage where the consumer just has a vague idea of what the product/service is all about. If the awareness is low, the main job of the marketer is to launch a campaign which increases consumer awareness.

Knowledge:

This is the second stage where the consumer is aware of the product but does not have enough knowledge about what it actually offers. If the target group lies in this stage then the main job is to spread greater knowledge.

Liking:

This is the stage where the consumer starts relating to the product and develops connections to it. The job of the marketer is to understand what the consumer feels about his product accordingly draft his campaigns or communication.

Preference:

The check here is to see whether the consumer prefers the product over the competitor's offerings. The marketer enquires about the relative positioning of the marketer's product in the consumer's purchase list and tries to bring it on the top.

Conviction:

This is the phase where the consumer needs to be given a strong reason to believe (RTB) to purchase the product over others. This is how conviction about the product can be build.

Purchase:

It follows the conviction stage where after building confidence about the product, the marketer actually leads the consumer to purchase it. This is by offering discounts, giving rewards, making the product available at the consumer's nearby stores.

A consideration of these phases is important before implementing any marketing plan. This helps to focus on what is it that is actually required to be done to convince a consumer to take action and get involved in purchasing the product.

BUYER'S DECISION MAKING

The following are the various stages in buyer's decision making process:

1. Need recognition- The buyer here recognizes his needs and problems and finds out what product can fulfill his needs.

2. Information search – The customer goes through various means through which he can obtain the information about the product or service that he desires. He comes to know about the various alternatives available.

3. Evaluation of alternatives – at this stage, the prospective buyer analyzes the various available alternatives on the basis of many factors like price, shelf life, usability, duration of use, etc.

4. Purchase decision – The buyer, after sorting out 2-3 alternatives that he finds better suited than the rest, then actually purchases the product. Here the product visibility and availability is important.

5. Post purchase evaluation – The buyer uses the product and evaluates it in terms of the fulfillment of the various needs that the product claims to satisfy. This is important process and may decide whether the buyer will purchase the product again.

FACTORS INFLUENCING BUYER BEHAVIOUR

There are various factors which influence the buying behavioiur:

- Economic factors
- Cultural factors
- Sociological factors
- Personal factors
- Psychological factors

Consumers are stimulated by two types of stimuli - internal and environmental. The internal influences comprise of motivation, perception, learning and attitudes - all concepts drawn from the field of psychology. The environmental influences include cultural, social and economical. Experts in these areas attempt to explain why people behave as they do as buyers. All these influences interact in a highly complex ways, affecting the individual's total pattern of behaviour as well as his buying behaviour.

Economic Factors

Consumer behaviour is influenced largely by economic factors. Economic factors that influence consumer behaviour are

a) Personal Income:

The personal income of a person is determinant of his buying behaviour. The gross personal income of a person consists of disposable income and discretionary income. The disposable personal income refers to the actual income (i.e. money balance) remaining at the disposal of a person after deducting taxes and compulsorily deductible items from the gross income. An increase in the disposable income leads to an increase in the expenditure on various items. A fall in the disposable income, on the other hand, leads to a fall in the expenditure on various items.

The discretionary personal income refers to the balance remaining after meeting basic necessaries of life. This income is available for the purchase of shopping goods, durable goods and luxuries. An increase in the discretionary income leads to an increase in the expenditure on shopping goods, luxuries etc. which improves the standard of living of a person.

b) Family income:

Family income refers to the aggregate income of all the members of a family. Family income influences the buying behaviour of the family. The surplus family income, remaining after the expenditure on the basic needs of the family, is made available for buying shopping goods, durables and luxuries.

c) Income Expectations:

Income expectations are one of the important determinants of the buying behaviour of an individual. If he expects any increase in his income, he is tempted to spend more on shopping goods, durable goods and luxuries. On the other hand, if he expects any fall in his future income, he will curtail his expenditure on comforts and luxuries and restrict his expenditure to bare necessities.

d) Savings:

Savings also influence the buying behaviour of an individual. A change in the amount of savings leads to a change in the expenditure of an individual. If a person decides to save more out of his present income, he will spend less on comforts and luxuries.

e) Consumer credit:

Consumer credit refers to the credit facility available to the consumers desirous of purchasing durable comforts and luxuries. It is made available by the sellers, either directly or indirect y through banks and other financial institutions. Hire purchase, installment purchase, direct bank loans etc are the ways by which credit is made available to the consumers.

Cultural Factors

Culture is the most fundamental determinant of a person's wants and behaviour. It encompasses set of values, ideas, customs, traditions and any other capabilities and habits acquired by an individual as a member of the society. Each culture contains smaller groups of subcultures such as national culture, religious culture and social class culture that provides more specific identification and socialisation for its members. A subculture is a distinct cultural group existing as an identifiable segment within a larger culture. The members of a subculture tend to adhere to many of the cultural mores of the overall society, yet they also profess beliefs, values, and customs which set them apart. An understanding of subculture is important to marketing managers because the members of each subculture tend to show different purchase behaviour patterns.

Thus, the Japanese culture provides for certain manners of dressing while the Indian culture provides for different patterns. In the same way one's religious affiliation may influence one's market behaviour.

The religious groups such as Hindus, Christians and Muslims possess distinct cultural preferences. For instance, Hindus consider white and black colours inauspicious for brides during marriage; whereas for Christians white is a auspicious bridal dress and black is auspicious for Muslims.

Social class may be thought of as a rather permanent and homogenous group of individuals who have similar behaviour, interests and life-styles. Since people normally choose their friends and associates on the basis of commonality of interests, social classes have a tendency to restrict interaction, especially with regard to social functions. In addition, social classes are hierarchical in nature; thus people usually position their social group either above or below other groups. Usually social classes are divided into six – upper-upper, lower-upper, upper-middle, lower-middle, upper-lower and lower-lower.

Several research studies have pointed out that differences in buyer behaviour are largely a function of social class. The differences in behaviours can be traced in communication skills, shopping behaviour, leisure activities, saving and spending habits.

Each culture evolves unique pattern of social conduct. The prudent marketer has to analyse these patterns to understand their behaviour to evolve a suitable marketing programme.

Sociological Factors

The sociological factors are another group of factors that affect the behaviour of the buyers. These include reference groups, family and the role and status of the buyers. The reference group are those groups that have a direct or indirect influence on the person's attitudes, opinions and values. These groups include peer group, friends and opinion leaders. For instance, an individual's buying behaviour for a footwear could be influenced by his friend, colleague or neighbours. Similarly, Cine stars and Sports heroes are also acting as reference groups to influence buyers. While Cine stars are used to advertise toilet soaps, soft drinks etc., Sports heroes are focussed to recommend the products of two wheelers and four wheelers to influence consumers. Also the physicians are used as referees for influencing the consumers of toothpaste.

A more direct influence on buying behaviour is one's family members namely, spouse and children. The person will have certain position in his family, that is called a status and has a duty assigned - that is role and this status and role also determine buying behaviour. For instance, while buying T.V., clothing and other house-hold appliances, family members have a tremendous role in

influencing the buyer behaviour. For example, while buying clothing materials, children may influence parents and parents may influence children.

The marketers, therefore, aim their marketing efforts to reach reference groups and through them reach the potential buyers. The marketer needs to determine which member of a family has the greater influence on the purchase of a particular product and should try to reach to the customer to market his product.

Personal Factors

An individual's buying behaviour is also influenced by his personal characteristics such as his age and life cycle stage, occupation, income and personality. For example, if the target market is kids, their food and other requirements will certainly be different from aged people. Similarly, behaviour and need differs depending on the nature of occupation of the buyers. For example, factory workers and other defence people require footwear of mainly durable type that could withstand severe strain, whereas people with white collar jobs require footwear of light and fashionable type. Hence, marketers should try to identify the occupational groups that have interest in their products and services. An organisation can even specialise in manufacturing products needed by a particular occupational group.

Basically it is the level of income, its distribution and the consequent purchasing power that determine one's buying behaviour. Out of the one's total income, a part may be saved and the remaining part is available for spending. Again out of this, a sizable part has to be reserved for meeting essential expenses and it is only the balance — the individual has the discretion to spend. An intelligent marketer has to watch the income — saving trend of his consumer and basing on that evolve a marketing programme.

Each person has a distinct personality that will influence his buying behaviour. A person's personality is usually described in terms of such traits as self-confidence, dominance, autonomy and adaptability. Personality can be a useful variable in analysing buyer behaviour.

Psychological Factors

Psychological characteristics play the largest and most enduring role in influencing the buyer behaviour. A person's buying choices are influenced by four major psychological processes – motivation, perception, learning and attitudes.

Motivation is the 'why' of behaviour. According to one writer, "motivation refers to the drives, urges, wishes or desires which initiate the sequence of the events known as behaviour". Motivation may be conscious or subconscious - a force that underlies a behaviour. It is the complex network of psychological and physiological mechanism. Motives can be instinctive or

learned; conscious or unconscious, rational or irrational. The most popular human motivation theories are profounded by Maslow's, Freuds and Herzberg.

Maslow has classified human needs into five types in the order of importance - basic, safety, social, esteem and self actualisation needs. The most urgent motive is acted upon first. If this is fulfilled, the individual proceeds to fulfill the next higher need. It is important for the marketer to understand the motives that lead consumers to make purchases and he must be able to explain the prospective buyers how best his product can satisfy a particular need. But he must be sure that the target consumers have already fulfilled the previous need.

Freud's Theory deals with sub-conscious factors. He asserts that people are not likely to be conscious of the real motives guiding their behaviour because these motives are often repressed from their own consciousness. The most important implication of the Freudian model of marketing is that human beings are motivated by symbolic as well as by economic and functional concerns. At times, the marketing analyst must look beyond the apparent reason why an individual purchased a product in order to find the real reason. Only through special methods of probing such as in-depth interviews, projective techniques their motives can really be discovered and understood. The marketer should be aware of the role of visual and tactile elements in triggering deeper emotions that can stimulate or inhibit purchase.

Frederick Herzberg developed a two factor theory of motivation which distinguishes between dissatisfiers and satisfiers. The implication of this theroy is that the marketers should do their best to prevent dissatisfiers from affecting the buyers and then he should carefully identify the major satisfiers or motivators of purchase.

Perception is the process by which individuals become aware of (through any of the five senses) and give meaning to their environment.

Several technical factors affect the way an object is perceived. These factors do not refer to the product's technology itself, but rather to how the individual sees the object. Research studies, for example, have indicated that a large and multicoloured advertisement is perceived more quickly and remembered longer than a small black-and-white advertisement.

A second important factor is the individual's mental readiness to perceive a product. Research has shown that buyers tend to become "fixed" on a mental image. For example, a consumer may continue to purchase a particular brand even after that consumer knows that a better product can be bought at a lower price. Mental readiness is also affected by the buyer's level of attention. Generally speaking, people have a limited attention span. That is, human beings only comprehend a limited number of objects or messages in a given amount of time. Also, people's attention tends to shift quickly from one object to another.

These aspects of perception suggest the importance of keeping commercials simple and brief.

Social and cultural factors also shape perception. As already mentioned, culture and social class have a significant effect on how and what consumers purchase. As an illustration, consumers differ as to how important "upward mobility" is to them. Persons interested in climbing the social ladder will perceive certain products as inferior if they feel that members of the upper class do not purchase those products.

Past experience is a fourth factor influencing perception. To illustrate, a person may perceive a brand of toothpaste of high quality simply because of past favourable experiences with the product. Finally, the mood of the individual is an important determinant of perception; a person who is unhappy or depressed may find it difficult to see the positive side of a product.

Perception has three basic characteristics: it is subjective, selective and summative. It is subjective because no two individuals perceive the same object in the same way. People tend to see what they want to see and to hear what they want to hear.

Perception is selective in that only a few of the signals that people receive each day are converted into messages. We receive between 1,500 and 2,000 advertising signals per day through exposure to billboards, store signs, and other forms of mass media. Since it is not possible to deal mentally with so many messages, our minds eliminate most of them from conscious awareness. Because of selective perception, advertising managers must carefully choose their media and the timing and placement of advertisements in order to maximise exposure. In addition, if the advertisement is cluttered with many messages, prospective buyers will probably not be able to remember any of them.

Perception is summative in the sense that the reception and recognition of a signal is frequently a function of the cumulative effect of multiple signals. The more often a signal is received, the greater the chance that it will be understood. Also, the probability that a receiver will correctly interpret a signal is enhanced if the signal is sent through two or more channels. These two points suggest why television advertisers repeat their commercials frequently. Also the sales person who wants to ensure that a message is understood may send the customer a direct-mail promotion and then visit the customer personally to demonstrate the product.

Learning is the changes that occur in an individual's behaviour arising from experience. Learning is produced through the interplay of drives, stimuli, cues, responses and reinforcement. A drive is a strong internal stimulus impelling action and it becomes a motive when it is directed toward a particular drive-reducing stimulus object. Cues are minor stimuli that determine when, where and how the person responds. Advertisements frequently serve as cues.

If a person is thirsty (drive), a soft drink advertisement may encourage the viewer to reduce that drive by taking a soft drink either from the fridge, or visiting nearby cool-drink bar. These cues can influence response, and if the response if positive, the consumer learns about the product and buys it, which means his response is reinforced.

Learning is best studied from the perspectives of stimulus-response theory and cognitive theory.

Stimulus-Response Theory: Stimulus response theory had its beginning with the Russian psychologist Pavlov. In his famous experiment, Pavlov rang a bell immediately before feeding a dog. Eventually, the dog, associating the sound of the bell with the arrival of dinner, learned to salivate when the bell was rung regardless of whether food was supplied. As a result, Pavlov concluded that learning was largely an associative process.

The stimulus-response model has two important implications for marketing. First, when a new product is introduced, the firm should realise that it may have to extinguish brand habits and preferences before attempting to form new buying habits. In this light, the firm will wish to seriously consider the strength of its cues.

The second implication for marketing is that because people are conditioned through repetition and reinforcement, a single cue, such as a television advertisement, may not be sufficient to penetrate an individual's consciousness. Therefore, it is often necessary to repeat an advertisement a number of times.

Cognitive Theory: Cognitive theorists believe that habits are acquired by insight, thinking and problem solving as well as through a stimulus-response mechanism. From this perspective, the central nervous system and the brain become very important intermediatries in the learning process.

Cognitive theory has several implications for marketing. For example, when the firm is designing a sales strategy, it cannot assume that the consumer is going to buy the product simply because of previous satisfaction with the firm. If the consumer has had successful transactions in the past, this will help the seller, but the buyer can also be expected to evaluate the firm's product with respect to its merits as well as compare it to competitor's offerings. Therefore, in situations where cognitive learning is likely to take place, the seller must develop logical presentations which help the potential buyer to evaluate the product in a favourable light.

The practical importance of learning theory for marketers is that they can build up demand for a product by associating it with strong drives, using motivating cues and providing positive reinforcement.

A **belief** is a descriptive thought that a person holds about something. These beliefs may be based on knowledge, opinion or faith. Marketers are very much interested in the beliefs of people about their products and services because they influence their buying behaviour. If some of the beliefs are wrong and inhibit purchase, the marketer should launch a campaign to correct these beliefs.

An **attitude** describes a person's enduring favourable or unfavourable cognitive evaluations, emotional feelings and action tendencies toward some object or idea. Attitudes put them into a frame of mind of liking and disliking an object, moving toward or away from it. This leads people to behave in a fairly consistent way towards similar objects. Hence, the marketer should try to fit his product into existing attitudes rather than to try to change people's attitudes.

From the above discussions, it becomes obvious that buyer behaviour is influenced by economic, sociological and psychological factors. But it is wrong to assume that buyer behaviour is influenced by any 'one' of these factors. The fact is that at a point of time and in a given set of situation, it is influenced by a sum total of these diverse yet interrelated factors. When a consumer is in the process of taking a purchase decision, all these factors are proved to work simultaneously and influence his choice. But it is possible that the relative importance of these factors vary in a given situation. It is the intelligence of the marketer to find out the nature and intensity of the influence exerted by these factors and to formulate appropriate marketing programme.

MARKETING RESEARCH

The marketers need to know about the changing trends in the market viz. Changes in the customer's tastes and preferences, the new products launched in the market, prices of the competitor's product, the close substitutes of the product, etc.

The *Marketing Research* is the systematic collection, analysis, and interpretation of data pertaining to the marketing conditions.

The basic reason for carrying out the marketing research is to find out the change in the consumer behavior due to the change in the elements of the marketing mix (product, price, place, promotion).

"Marketing research is the careful and objective study of product design, markets, and such transfer activities as physical distribution and warehousing, advertising and sales management." —Clark and Clark

"Marketing research is the inclusive term which embraces all research activities carried on for the management of marketing work, the gathering, recording and analysing of all facts about problems relating to the transfer and sale of goods and services from producer to consumer." —Harry Hapner

From the above definitions, it is clear that marketing research is concerned with tackling the problems emerging from the beginning to the final stage of marketing process.

Marketing Research V/S Market Research:

Marketing research is a broader term including market research. Marketing research is concerned with all the major functions of marketing. Market research is primarily concerned with knowing the capacity of the market to absorb a particular product. Marketing research is not only concerned with the jurisdiction of the market but also covers nature of the market, product analysis, sales analysis, time, place and media of advertising, personal selling and marketing intermediaries and their relationships etc.

Marketing Research:

Marketing research serves the purpose of 'intelligence wing of the marketing management. Its scope is very broad as compared to market- research. It is concerned with collection of market information systematically and impartially, analysis and evaluation of relevant data and use such data for the benefit of the organisation.

It is a careful and objective study of various areas of marketing activities. What, when, where and how to sell the end product and the services are four questions to which the marketing research wing provides an answer.

Thus, market research and marketing research are different from each other. Market research is a narrow concept whereas marketing research is a broad one and its scope is much wider.

It includes nature of the market, product analysis, sales analysis, time, place and media of advertising, personal selling, pricing, sales organisation, packaging, brand names, etc.

Objectives of Marketing Research:

Marketing research is undertaken for attaining the following objectives:

(1) To Provide Basis For Proper Planning:

Marketing and sales forecast research provides sound basis for the formulation of all marketing plans, policies, programmes and procedures.

(2) To Reduce Marketing Costs:

Marketing research provides ways and means to reduce marketing costs like selling, advertisement and distribution etc.

(3) To Find Out New Markets for The Product:

Marketing research aims at exploring new markets for the product and maintaining the existing ones.

(4) To Determine Proper Price Policy:

Marketing research is considered helpful in the formulation of proper price policy with regard to the products.

(5) To Study in Detail Likes and Dislikes of the Consumers:

Marketing research tries to find out what the consumers, (the men and women who constitute the market) think and want. It keeps us in touch with the consumers, minds and to study their likes and dislikes.

(6) To Know The Market Competition:

Marketing research also aims at knowing the quantum of competition prevalent in the market about the product in question. The company may need reliable information about competitor's moves and strategies which are of immense significance for further planning.

(7) To Study The External Forces and Their Impact:

Marketing research provides valuable information by studying the impact of external forces on the organisation. External forces may include conditions developing in foreign markets, govt, policies and regulations, consumer incomes and spending habits, new products entering in the market and their impact on the company's products.

MARKET SEGMENTATION

According to William Stanton, 'Market segmentation is the process of dividing the total heterogeneous market for a product into several sub-markets or segments each of which tend to be homogeneous in all significant aspects.

Market segmentation is basically a strategy of 'divide and rule'. The strategy involves the development of two or more different marketing programmes for a given product or service, with each marketing programme aiming at each segment.

RATIONALE (OR REASONS) FOR MARKET SEGMENTATION

There are three reasons why firms use market segmentation:

- Because some markets are heterogeneous
- Because market segments respond differently to different promotional appeals; and

- Because market segmentation consider with the marketing concept.

Heterogeneous Markets:

Market is heterogeneous both in the supply and demand side. On supply side, many factors like differences in production equipments, processing techniques, nature of resources or inputs available to different manufacturers, unequal capacity among the competitors in terms of design and improvement and deliberate efforts to remain different from others account for the heterogeneity. Similarly, the demand side, which constitute consumers - is also different due to differences in physical and psychological traits of consumers. Modern business managers realise that under normal circumstances they cannot attract all of the firm's potential customers to one product, because different buyers simply have different needs and wants. To accommodate this heterogeneity, the seller must provide different products. For example, in two wheelers, the TVS Company first introduced TVS50 Moped, but later on introduced a variety of two wheelers, such as TVS XL, TVS Powerport, TVS Champ, TVS Sport, TVS Scooty, TVS Suzuki, TVS Victor, to suit the requirements of different classes of customers.

2. Varied Promotional Appeals:

A strategy of market segmentation does not necessarily mean that the firm must produce different products for each market segment. If certain promotional appeals are likely to affect each market segment differently, the firm may decide to build flexibility into its promotional strategy rather than to expand its product line. For example, many political candidates have tried to sell themselves to the electorate by emphasising one message to labour, another to business, and a third to farmers.

As another example, the Sheraton Hotel serves different distinct market segments, such as conventioneers, business people and tourists. Each segment has different reasons for using the hotel. Consequently, Sheraton uses different media and different messages to communicate with the various segments.

3. Consistency with the Marketing Concept

A third reason for using market segmentation is that it is consistent with the marketing concept. Market segmentation recognises the existence of distinct market groups, each with a distinct set of needs. Through segmentation, the firm directs its product and promotional efforts at those markets that will benefit most from or that will get the greatest enjoyment from its merchandise. This is the heart of the marketing concept.

Over the years, market segmentation has become an increasingly popular strategic technique as more and more firms have adopted the marketing concept. Other historical forces behind the rise of market segmentation include new

economies of scale, increased education and affluence, greater competition, and the advent of new segmentation technology.

BASES FOR MARKET SEGMENTATION

There are a number of bases on which a firm may segment its market.

1. Geographic basis
   a) Nations
   b) States
   c) Regions
2. Demographic basis
   a) Age
   b) Sex
   c) Income
   d) Social Class
   e) Marital Status
   f) Family Size
   g) Education
   h) Occupation

3. Psychographic basis
   a) Life style
   b) Personalities
   c) Loyalty status
   d) Benefits sought
   e) Usage rate (volume segmentation)
   f) Buyer readiness stage (unaware, aware, informed, interested, desired, intend to buy)
   g) Attitude stage (Enthusiastic, positive, indifferent, negative, hostile)

METHODS OF SEGMENTATION

On the basis of the bases used for the market segmentation, various characteristics of the customers and geographical characteristics etc., common methods of market segmentations could be done. Common methods used are:

Geographical Segmentation

When the market is divided into different geographical units as region, continent, country, state, district, cities, urban and rural areas, it is called as geographic segmentation. Based on the geographic needs and preferences products could be made. Even though Tata Tea is sold on a national level, it is flavoured accordingly in different regions. The strength of the tea differs in each regions of the country. Bajaj has sub-divided the entire country into two distinct markets. Owing to the better road conditions in the north, the super FE Scooter

is promoted better with small wheels; whereas in the case of south, Bajaj promotes Chetak FE with large wheels because of the bad road conditions.

Demographic Segmentation

Demographics is the most commonly used basis for market segmentation. Demographic variables are relatively easy to understand and measure, and they have proven to be excellent segmentation criteria for many markets. Information in several demographic categories is particularly useful to marketers.

Demographic segmentation refers to dividing the market into groups on the basis of age, sex, family size, family life cycle, income, education, occupation, religion, race, caste and nationality. In better distinctions among the customer groups this segmentation helps. The above demographic variables are directly related with the consumer needs, wants and preferences.

Age: Market segments based on age are also important to many organisations. Some aspects of age as a segmentation variable are quite obvious. For example, children constitute the primary market for toys and people 65 years and older are major users of medical services. Age and life cycle are important factors. For instance in two wheeler market, as Bajaj has 'Sunny' for the college girls; 'Bajaj Caliber' for youngsters; 'Bajaj Chetak' for the office going people and Bajaj M80 for rural people.

In appealing to teenagers, for example, the marketing executive must continually monitor their ever-changing beliefs, political and social attitudes, as wells as the entertainers and clothing that are most popular with young people at a particular time. Such factors are important in developing effective advertising copy and illustrations for a product directed to the youth market.

Sex segmentation is applied to clothing, cosmetics, magazines and hair dressing. The magazines like Women's Era, Femina, Vanitha (in Malayalam), Mangaiyar Malar (in Tamil) are mainly segmented for women. Recently even a cigarette exclusively for women was brought out. Beauty Parlours are now synonyms for the ladies.

Income segmentation: It has long been considered a good variable for segmenting markets. Wealthy people, for example, are more likely to buy expensive clothes, jewelleries, cars, and to live in large houses. In addition, income has been shown to be an excellent segmentation correlate for an even wider range of commodity purchased products, including household toiletries, paper and plastic items, furniture, etc.

Social Class segmentation: This is a significant market segment. For example, members of different social classes vary dramatically in their use of bank credit cards. People in lower social classes tend to use bank credit cards as installment loans, while those in higher social classes use them for convenience

purposes. These differences in behaviour can be significant when segmenting a market and developing a marketing program to serve each segment.

Psychographic Segmentation

On the basis of the life style, personality characteristics, buyers are divided and this segmentation is known as psychographic segmentation. Certain group of people react in a particular manner for an appeal projected in the advertisements and exhibit common behavioural patterns. Marketers have also used the personality variables as independent, impulsive, masculine, aggressive, confident, naive, shy etc. for marketing their products. Old spice promotes their after shave lotion for the people who are self confident and are very conscious of their dress code. These advertisements focus mainly on the personality variable associated with the product.

Behavioural Segmentation

Buyer behaviour segmentation is slightly different from psychographic segmentation. Here buyers are divided into groups on the basis of their knowledge, attitude, use or response to a product.

Benefit segmentation: The assumption underlying the benefit segmentation is that markets can be defined on the basis of the benefits that people seek from the product. Although research indicates that most people would like to receive as many benefits as possible from a product, it has also been shown that the relative importance that people attach to particular benefits varies substantially. These differences can then be used to segment markets.

Once the key benefits for a particular product/ market situation are determined, the analyst must compare each benefit segment with the rest of the market to determine whether that segment has unique and identifiable demographic characteristics, consumption patterns, or media habits. For example, the market for toothpaste can be segmented in terms of four distinct product benefits: flavour and product appearance, brightness of teeth, decay prevention and price.

The major advantage of benefit segmentation is that it is designed to fit the precise needs of the market. Rather than trying to create markets, the firm identifies the benefit or set of benefits that prospective customers want from their purchases and then designs products and promotional strategies to meet those needs. A second and related advantage is that benefit segmentation helps the firm avoid cannibalizing its existing products when it introduces new ones.

Buyers can be divided based on their needs, to purchase product for an occasion. The number of times a product is used could be also considered as a segmentation possibility. A tooth paste manufacturer urges the people to brush the teeth twice a day for avoiding tooth decay and freshness. Either a company can position in single benefit or double benefit which the product offers. The

status of the buyers using the product and the number of times they use the product can also reveal that behavioural patterns of consumers vary on a large scale.

Life-Style Segmentation

Life-style segmentation is a relatively new technique that involves looking at the customer as a "whole" person rather than as a set of isolated parts. It attempts to classify people into segments on the basis of a broad set of criteria".

The most widely used life-style dimensions in market segmentation are an individual's activities, interests, opinions, and demographic characteristics. Individuals are analysed in terms of (i) how they spend their time, (ii) what areas of interest they see as most important, (iii) their opinions on themselves and of the environment around them, and (iv) basic demographics such as income, social class and education.

Unfortunately, there is no one best way to segment markets. This facts has caused a great deal of frustration for some marketing executives who insist that a segmentation variable that has proven effective in one market/product context should be equally effective in other situations. The truth is that a variable such as social class may describe the types of people who shop in particular stores, but prove useless in defining the market for a particular product. Therefore, in using a segmentation criteria in order to identify those that will be most effective in defining their markets.

UNDERSTANDING MARKETING

Sometimes some firms ignore the market segment differences and would opt for the whole market with one particular market offer. It may design the product and marketing effort and programme that will appeal to the maximum number of buyers. Mass distribution and mass advertising is resorted to like Pepsi, Coke, Thumsup where the one taste in one particular bottle is used to sell in the markets. This marketing helps in economically utilising the resources available. This creates intense competition among the manufacturers who look for the largest segment.

DIFFERENTIATED MARKETING

Here the company operates in most of the segments of the market by designing separate programmes for each different segment. Bajaj, TVS-Suzuki, Hero cycle are those companies following this strategy. Usually differentiated marketing creates more sales than undifferentiated marketing, but the production costs, product modification and administrative costs, inventory costs, and product promotional budgets and costs would be very high. The main aim of this type of marketing is the large volume turnover for a particular brand.

REQUIREMENTS FOR EFFECTIVE SEGMENTATION

1. ***Measurability*** - the degree to which the size and purchasing power of the segments can be measured.

2. ***Accessibility*** - the degree to which the segments can be effectively reached and served.

3. ***Substantiality*** - the degree to which the segments are large and/or profitable enough.

4. ***Actionability*** - the degree to which effective programmes can be formulated for attracting and serving the segments.

BENEFITS OF MARKET SEGMENTATION

Market segmentation gives a better understanding of consumer needs, behaviour and expectations to the marketers. The information gathered will be precise and definite. It helps for formulating effective marketing mix capable of attaining objectives. The marketer need not waste his marketing effort over the entire area. The product development is compatible with consumer needs, pricing matches consumer expectations and promotional programmes are in tune with consumer willingness to receive, assimilate and positively react to communications. Specifically, segmentation analysis helps the marketing manager:

- To design product lines that are consistent with the demands of the market and that do not ignore important segments.

- To spot the first signs of major trends in rapidly changing markets.

- To direct the appropriate promotional attention and funds to the most profitable market segments.

- To determine the appeals that will be most effective with each market segment.

- To select the advertising media that best matches the communication patterns of each market segment.

- To modify the timing of advertising and other promotional efforts so that they coincide with the periods of greatest market response.

In short, the strength of market segmentation lies in matching products to consumer needs that augment consumer satisfaction and firm's profit position. However, the major limitation of market segmentation is the inability of a firm to take care of all the segmentation bases and their innumerous variables. Still,

the strengths of market segmentation outweigh its limits and offers considerable opportunities for market exploitation.

TARGET MARKETING

Target marketing refers to selection of one or more of many market segments and developing products and marketing mixes suited to each segment.

STEPS IN TARGET MARKETING

Target marketing essentially consists of the following steps:

1. Define the relevant market

The market has to be defied in terms of the product category, the product form and the specific brand.

2. Analyze characteristics and wants of potential customers

The consumer's wants and needs are to be analysed in terms of geographic location, demographics, psychographics and product related variables.

3. Identify bases for segmenting the market

From the profiles available, identify those bases which are unique to a segment and reflect on the wants of customer groups.

4. Define and describe market segments

As any one basis, say, income, is meaningless by itself, a combination of various bases has to be arrived at such that each segment is distinctly different from other segments in buying behaviour and wants.

5. Analyze competitor's positions

In each segment, the different competing brands used by the consumers are to be found out by surveying the consumers and the list of attributes which they consider important is determined.

6. Evaluate market segments

The market segments have to be evaluated in terms of revenue potential and cost of the marketing effort. The former involves estimating the demand for the product while the latter is an estimate of costs involved in reaching each segment.

7. Select the market segments

Choosing from among the available segments in the market one has to bear in mind the firm's capabilities and resources, the presence or absence of competitors in the same segment and the capacity of the segment to grow in size.

8. Finalise the marketing mix

This involves decisions on product, distribution, promotion and price. Product decisions will take into account product attributes most wanted by consumers, choice of appropriate brand name and image will help in promoting the product to the chosen segment and pricing can be done keeping the segments purchase behaviour in mind.

Hence, it can be seen that targeted marketing consists of segmenting the market, choosing which segments to serve and designing the marketing mix in such a way that it is attractive to the chosen segments. The third step takes into account the uniqueness of a company's marketing mix in relation to that of competitors. The uniqueness or differentiation may be tangible or intangible depending upon the physical attributes or the psychological attributes of the product. Establishing and communicating these distinctive aspects is termed positioning.

MARKETING PLANNING AND STRATEGY

Business environment keeps changing and a company must adapt to maintain strategic fit between its capabilities and the requirements of the market. Marketing planning is the process by which a company analyses the environment, decides upon a course of action and implements it. The marketing plan helps to ensure that the company's marketing mix serves changing customer needs. It also helps the company in finding opportunities where it can use its strengths to market its products in new markets.

A company starts its marketing planning by taking stock of its achievements in terms of market share, profitability and customer perception – where is it now. Second, the company deliberates on the strategies that it has been pursuing – how it reached here. Third, the company deliberates as to what it can hope to achieve if it continues to pursue its existing strategies and makes no changes in them – where will it reach. Finally, the company compares its prediction of its future with its ambitions for the future – where it like to be. It then implements its chosen strategies and keeps checking if it is realizing the goals it has set for itself – is it on course.

PROCESS OF MARKETING PLANNIG

1. Business Mission

Business Mission is broadly defined as, enduring statement of purpose that distinguishes a business from others of its type. Business mission is enduring and specific to individual organizations. The mission statement answers to two questions: What business the company is in? What business does the company want to be in? The answers define the scope and activities of the company.

A company's mission provides the rationale for its existence. A mission statement delineates the market segments that the company will serve, customer needs that it will satisfy and technologies that it will use to satisfy customer needs.

A company's mission is strongly influenced by background, personalities and beliefs of its senior managers. Changes in the environment also influence business mission. Change brings opportunities and threats, which influence mission definition. In fact, a company's mission is a reflection of the collective worldview of the most influential people in the company. Therefore, a company's mission should reflect the vision that its promoters and senior managers have of the future of the company, And their vision should be a coherent and powerful statement of what the company should strive to do for its stakeholders.

Business mission is a means of giving direction to an organization in the sense of deciding what activities to focus on and where boundaries of these activities lie.

2. Purpose

A stakeholder's definition of purpose is based on the assumption that company exists to serve the stakeholders (employees, customers, suppliers and shareholders) and the business mission should state what each will get out of the relationship.

But companies with a sense of mission strive for a higher deal. They define purpose as some objective that is more important than any of the stakeholder's individual interests. The effect is to draw together stakeholders, particularly employees by showing that they can commit themselves to the business not only because of financial benefits but also because purpose of business is worthwhile.

3. Strategy

Strategy is the commercial logic of the business. It defines how the business sis different from other competitors. Strategy involves making a

conscious choice about a different set of activities that are stated to create a unique value proposition. Strategy defines the boundary of the business and identifies the competitive advantages and distinctive competencies that will enable the business to compete effectively in its chosen business domain.

4. Standards and Behaviour

These are instructions about how employees should behave. Instructions include job specifications, level of expertise to be acquired by an employee for a particular job, time within which a specific task needs to be performed, norms about how to treat customers, extent of employee empowerment etc.

5. Company Values

Values are justifications of behavior. Values form the bedrock upon which the purpose, strategy and behavior is formed.

STEPS IN MARKETING PLANNING

The marketing process can be divided in several different ways. One popular conceptualization of marketing tasks is:

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

Though implied and considered as part of the overall corporate planning, the importance of situation analysis can never be undermined during marketing strategy formulation. Especially under product policies, but throughout the marketing mix elements, the company, customer and competitive scanning is so essential to marketing success. Situation analysis describes the process by which environmental assessment, marketing research and market size/growth estimates get done. It pays particular attention to environment scanning skills useful in forecasting and modeling consumer behaviour.

It is important to note that each part of the process is intimately related to the other parts of the process. For example, the distinction between a marketing plan and a marketing program is very unclear for many. But the precise boundaries are not as important as the general concept. Each element can be divided into smaller sub elements. For example, marketing planning includes market assessment which is the evaluation and selection to serve specific customer markets. Product line planning is another sub element of marketing planning.

1. Formulation of marketing strategy

Strategy formulation is the broadest, longest-term marketing activity. At this stage, complex and subtle integration with other corporate functions is required. All of the functional strategies must fit together into a business strategy. Because marketing deals with customers and the competitive environment, it is an early part of the total strategy formulation process. When done well, it is impossible to separate the marketing strategy from the corporate strategy. The two meld into a unified whole. The strategic process is one of working with market dynamics (a particular segment or selection of the market) to achieve a solid positioning of the product/service offering that contains a clear 'benefit promise' to the consumer which is differentiable from the offers of the competition and which thus positions the firm well for potential competitive responses to its actions.

2. Marketing Planning

Marketing planning involves objectives and plans with a 2-5 year time horizon and is thus further from day-to-day activity of implementation. Because of their broader nature and longer-term impact, plans are typically developed by a combination of higher level line managers and staff specialists. If the specialists take over the process, it loses the commitment and expertise of the line managers who are responsible for carrying out the plan. The planning process is probably more important than the final planning document. The process ensures that a realistic, sensible, consistent document is produced and leads to important organizational learning and development in its own right.

3. Marketing Programming, Allocating and Budgeting

This part of the marketing process involves a good deal of detail and focuses generally on the one-year time horizon.

Programs can be related to either one element of the marketing mix such as distribution for one or more products or to all elements of the mix for a single product or market. To some extent, the choice will be determined by the nature of the company's organization. The more functional the organization (i.e. separation of marketing functions such as advertising, sales, etc.), the more likely it is that the programs will focus on one aspect of the mix across all products and markets. On the other hand, companies which organize around products or markets tend to also develop programs for each of them.

Allocating is a necessary function because there is never enough of any scarce resource such as advertising budget or distribution effort to meet the 'needs' of all products, markets and programs. In many ways, marketing is deciding what not to do: which prospects not to sell to, which products not to produce to, etc. Allocation is the formal process of choosing what to do and what not to do, as well as choosing how much to do. Because marketers tend to be optimists, they often underestimate the amount of effort which will be required to accomplish a goal. Allocation requires the stark realism to separate the clearly feasible from the hopeful. It forces the marketer to set explicit priorities and to make hard decisions.

Budgeting reflects the programs and allocations in a set of quantitative forecasts or estimates which are important within and beyond the marketing function. The budgets generally include financial pro formas which are used by the control and finance functions to forecast cash flows and needs. They also generally include unit sales forecasts which are used by production scheduling personnel to 'load the factory' or service operation. If the forecasts are too low, customer needs are unmet and sales are lost. If the forecasts are too high, capacity sits idle and costs are much higher than they should have been.

4. Marketing Implementation

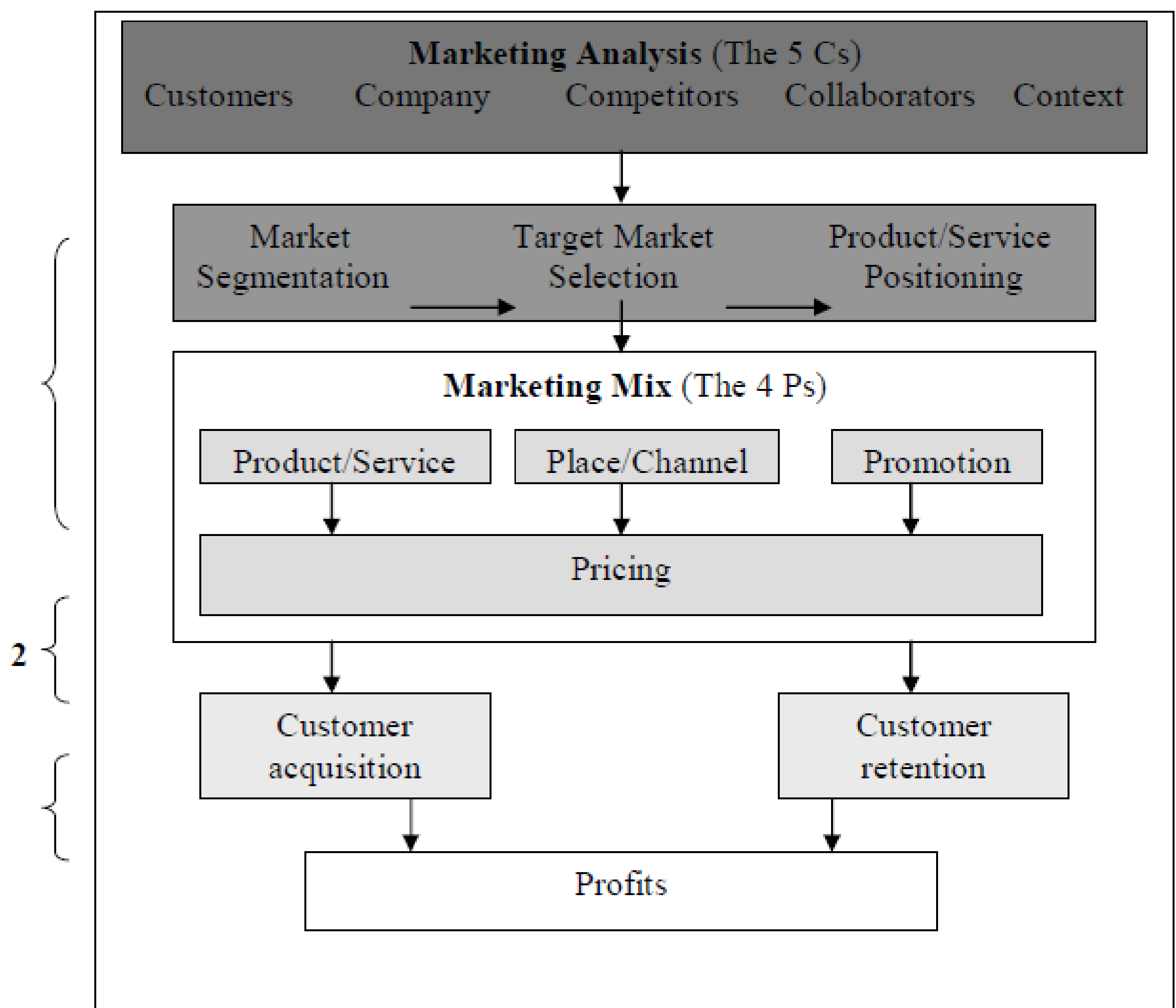
Strategy formulation, marketing planning, and programming, allocating and budgeting all lead to marketing implementation. This is the execution phase which, in part produces the actual results. Poor implementation can ruin even the best strategies, plans and programs. The total purpose of all that goes before implementation is to ensure excellent execution.

Implementation is very people-oriented. The results of implementation are manifested in people doing things – buying, selling, training, reorganizing, etc. Marketing implementation is unique compared to implementation in most other functional areas because the primary focus of marketing is outside the company. Thus marketing implementation focuses on prospects, customers, distributors, retailers, centers of influence (who are the influencers in a buying decision – they specify but do not purchase). But marketing implementation also includes dealing with other functional areas to gain support and to develop coordination. For example, product managers must implement their plans and programs through product development, production, service and logistics personnel in other functional areas.

Marketing implementation involves a very interesting tension between the structures the firm puts in place to guide marketing efforts and the skills of the managers doing the marketing job. In most firms, what happens is that over time the structures become rigid and dysfunctional to changing marketplace needs, which guides the firm to destinations it does not want to reach! It is only by the timely intervention of the marketers, using their personal skills to 'subvert the organization toward quality' that good marketing actions result.

5. Monitoring and Auditing

One reason to develop plans, programs and budgets is to have a set of goals or standards against which to measure performance. Marketing audits usually include two parts. The first is an assessment of performance against quantitative goals. The second part of a comprehensive audit reviews the processes and other non-quantifiable aspects of the marketing operation. Because marketing is a mixture of art and science, quantitative and qualitative, and because it involves so many interactive variables, it is hard to audit. Standards are few and comparisons are difficult.



6. Analysis and Research

All marketing decisions should be based upon careful analysis and research. The analysis and research need not be quantitative, but it should be deliberate and should be matched to the magnitude of the decision being made. While formal analysis and research are important, nothing replaces common sense and good judgment. The marketer's kit has some very powerful analytical tools and the rapid development of decision support systems, mathematics including statistics, and other supporting disciplines such as psychology and sociology insure that the diversity and power of the tools will continue to

increase. All of the tools must be applied carefully and intelligently to the decision at hand. It is a fine line, indeed between healthy skepticism and arrogant neglect of useful tools. The right analytical tool well applied can substantially improve marketing decision making.

Schematic of Marketing Process

The following figure presents a schematic marketing process describing a general process of marketing strategy development. As shown, five major areas of analysis (5 Cs) underlie marketing decision making – customers, company, competitors, collaborators and context.

The schematic process leads first to specification of a target market and desired positioning and then to the marketing mix (4 Ps). This results in customer acquisition and retention strategies driving the firm's profitability. In this schematic, value creation happens by identifying target segment, establishing a product/service positioning and developing the suitable product, place (distribution) and promotion for the chosen market segment. The pricing decision helps to capture value – for the company and for the customer. Value is sustained by acquiring and retaining the customers at a profit for the firm.

REVIEW QUESTIONS:

1. State the meaning for buyer, seller and buyer behavior.
2. Give the classification of buyers.
3. What do you mean by buying motives? Explain its types.
4. What are the various stages in buyer readiness?
5. Explain the stages in buyer's decision making process.
6. Describe the socio-cultural factors influencing buyer behaviour.
7. How would the personal factors influence buyer behaviour?
8. Discuss the economic factors affecting the buyer behaviour.
9. What are the psychological factors influencing buyer behaviour?
10. Define marketing research. What are its objectives?
11. What is market segmentation? What are the reasons to segment the market?
12. Explain the bases for market segmentation.
13. What are the requirements for effective segmentation?
14. State the benefits of market segmentation.
15. What is target marketing? Explain the target marketing process.
16. What is marketing planning? State its need.
17. Explain the process of marketing planning.
18. Discuss the steps in marketing planning.

UNIT-III

PRODUCT MIX

Product, the first of the four Ps of marketing mix has a unique position as it constitutes the most substantive element in any marketing offer. According to Alderson, "Product is a bundle of utilities consisting of various product features and accompanying services". The bundle of utilities is composed of those physical and psychological attributes that the buyer receives when he buys the product and which the marketer provides a particular combination of product features and associated services.

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

Philip Kotler defines product 'as anything that can be offered to a market for attention, acquisition, use of consumption that might satisfy a want or need. It includes physical object, services, persons, places, organisations and ideas'.

The perusal of above definitions it is revealed that a product is not only a tangible entity, but also the intangible services such as prestige, image etc. form an integral part of the product.

PRODUCT CLASSIFICATION

The nature of product is found to have considerable impact on the method of product positing. There are two classes of products consumer goods, and industrial goods, and this classification is useful in product positioning. The table given below shows the categories of consumer and industrial goods. Marketers have traditionally classified products on the basis of their characteristics: durability, tangibility and use. The following figure shows the products classification:

PRODUCTS CLASSIFICATION					
1.	Durability and tangibility	2.	Consumer goods	3.	Industrial goods
a.	N on-durable goods	a.	Convenience goods	a.	Material and parts
b.	Durable goods	b.	Shopping goods	b.	Capital items
c.	Services	c.	Speciality goods	c.	Supplies and business services
		d.	Unsought goods		0

Marketers have developed several product classification schemes based on product characteristics as an aid to developing appropriate marketing strategies.

DURABILITY AND TANGIBILITY

Products can be classified into three groups according to their durability and tangibility:

- ***Durable Goods:*** Durable goods are tangible goods that normally survive many users. Examples include refrigerators, tape recorders, television etc.
- ***Non-Durable Goods:*** These are tangible goods that normally are consumed for short period. Examples include soap, match box etc.
- ***Services:*** Services are activities, benefits or satisfactions that are offered for sale. Examples include banking, transport, insurance service etc.

CONSUMER GOODS

Another method of classifying products is on the basis of consumer shopping habits because they have implications for marketing strategy. Basing on this, goods may be classified into three:

- ***Convenience Goods:*** Goods that the customer usually purchases frequently, immediately and with the minimum effort. The price per unit is low. Example: soaps, match box etc.
- ***Shopping Goods:*** These goods are purchased infrequently. The price per unit is comparatively higher. The customer, in the process of selection and purchase of these goods compares the suitability, quality, price and style. Examples include furniture, clothing, footwear etc.
- ***Speciality Goods:*** Goods with unique characteristics and/or brand identification for which a significant group of buyers are willing to make a special purchasing effort. The goods are expensive and purchased rarely. Examples include personal computers, cars, hi-fi components etc.

INDUSTRIAL GOODS

One of the ways of classification of industrial products involves two broad categories viz., (1) products that are used in the production of other goods and become a physical part of another product, and (2) products necessary to conduct business that do not become part of another product. The products that become part of another product are raw materials, semi-manufactured goods, components and subcontracted production services. The products that are needed to conduct the business include: Capital goods, operating supplies, contracted industrial services, contracted professional services and utilities.

Classification of Industrial Goods

a. **Material and Parts:** these are goods that enter the manufacturer's product completely. They fall into two classes. Raw material and manufactured material part

b. Capital Items: these are long lasting goods that facilitate developing or managing the finished products. They include two groups: installation and equipments.

c. Supplies and Business Services: these are short-listing goods and services that facilitate developing or managing the finished products.

Raw materials include crude oil, coal, iron ore, other mined minerals, lumber, forestry products, agricultural products, livestock, poultry and diary products and the products of fisheries.

Semi-manufactured goods are products, that when purchased, have already undergone some processing but are incomplete in themselves. Examples are cotton fibre, castings, plate glass and plastics.

Components are completed products meant to become part of another larger, more complicated product. Examples include automobile batteries, headlights, tyres etc.

Subcontracted production services are in use in large products. Examples are, subcontracting for installation of electrical, heating, air-conditioning and plumbing facilities to others.

Capital goods are manufacturing plants and installations, tools, machines, trucks etc. Operating supplies are industrial products used to keep a business operating normally. These include lubricating oils, paper clips, cash registers etc. The operating supplies usually have a relatively low unit value, and are consumed quickly.

Contracted industrial services include such items as machine servicing and repair, cleaning, remodelling, waste disposal and the operation of the employees' canteens. Contracted professional services include printing executive recruitment, advertising, legal advice, professional accounting, data processing and engineering studies.

The industrial products in the category of utilities consists of energy, telephone, and water.

PRODUCT POLICY DECISIONS

Broadly, the product policy involves appraisal of the product line and the individual products, decisions on product differentiation, product positioning, brand decision, packaging decisions, new product development and managing the product life cycle.

Precisely, the answers to the following questions constitute the product policy of a firm:

- ➢ What products should the company make?
- ➢ Where exactly are these products to be offered?
- ➢ To which market or market segment?
- ➢ What should be the relationship among the various members of a product line?
- ➢ What should be the width of the product mix?
- ➢ How many different product lines can the company accommodate?
- ➢ How should the products be positioned in the market?
- ➢ What should be the brand policy?
- ➢ Should there be individual brands, family brands and/or multiple brands?

A product policy serves the following three main functions:

1. A product policy guides and directs the activities of whole organisation toward a single goal. Only rarely, product decisions are made solely by top executives. More often such decisions require the specialised knowledge of experts in many fields - research, development, engineering, manufacturing, marketing, law, finance and even personnel.
2. A product policy helps to provide the information required for decisions on the product line.
3. A product policy gives executives a supplementary check on the usual estimates of profit and loss.

A sound product policy is thus an important tool for coordination and direction. It applies not only to those major decisions which are ultimate responsibility of general managers but also to the many lower level employees who also take day to-day decisions.

PRODUCT MIX DECISIONS

Product Mix

A product mix (also called product assortment) is the set of all product lines and items that a particular seller offers to sale.

A company's product mix can be described as having a certain *width, length, depth and consistency*.

- The width of the product mix refers to how many product lines the company carries.

- The length of product mix refers to the total number of items in its product mix.
- The depth of product mix refers to how many product variants are offered of each product item in the line.
- The consistency of the product mix refers to how closely related the various product lines are in end use, product requirements, distribution channels or some other way.

These four dimensions of the product mix provide the bases for defining the company's product strategy. The company can grow its business in four ways. The company can add new product lines, thus widening its product mix to capitalise the company's reputation or the company can lengthen its existing product lines to become a more full line company or the company can add more product variants to each product and thus deepen its product mix. Finally the company can pursue more product-line consistency or less, depending upon whether it wants to acquire a strong reputation in a single field or participate in several fields.

PRODUCT MODIFICATION DECISIONS

Need for Product Modification

A number of factors may prompt the manufacturer to modify his product.

- To take advantage of a new technological development.
- To modify the product out of competitive necessity.
- To regenerate a product suffering from declining sales.

The attributes of the product such as taste, colour, size, material, functional features, styling and engineering, etc. or combination of these attributes could be considered for modification.

Three important and contrasting product modification strategies are:

- quality improvement
- feature improvement
- styling improvement

A strategy of quality improvement aims at increasing the functional performance of the product - its durability, reliability, speed, taste etc. A manufacturer can often overtake competition by launching the new and improved automobiles, television set etc.

A strategy of feature improvement aims at adding new features such as size, weight, material, accessories that expand the products versatility, safety or convenience. The advantages of feature improvement are:

- new features build a company image of progressiveness and leadership;

- new features can be adapted quickly, dropped quickly and often made optional at little expense;
- new features can win the loyalty of certain market segments;
- new features can bring the company free publicity;
- new features can generate sales-force and distributor's enthusiasm.

A strategy of style improvement aims at increasing the aesthetic appeal of the product. The periodic introduction of new car models amounts to style competition rather than quality or feature competition. In the case of household products, companies introduce colour and texture variations and often restyle the package. The advantage of a style strategy is that it might confer a unique market identity. Yet style competition has some problems. First it is difficult to predict whether people - which people - will like a new style. Second, style changes usually, an discounting the old style, and the company risks losing some customers who liked the old style.

The three stages of product modification were contrasted as if they were mutually exclusive. In practice, a firm generally pursues some mixture of all three strategies. Just to maintain its competitive position, the firm must incorporate the latest developments in quality, styling and functional features.

PRODUCT ELIMINATION DECISIONS

Product elimination is an act of discontinuing or dropping the existing product. Many sick or marginal products never die; they are allowed to continue in the company's product until they 'fade away'. As a result, these marginal products lessen the firm's profitability and reduce its ability to take advantage of new opportunities.

Reasons for Product Elimination

- The weak product tends to consume a disproportionate amount of management's time

- It often requires frequent price and inventory adjustments

- It generally involves short production runs in spite of expensive set up times

- It requires both advertising and sales-force attention that might better be diverted to making the 'healthy' products more profitable

- Its very unfitness can cause customer misgivings and cast a shadow on the company's image.

In view of the costs of carrying weak products, why does management shy away from product-pruning programs due to logical as well as sentimental reasons. Sometimes, it is expected that product sales will pick up in the course

of time when economic or market factors become more propitious. Sometimes, the fault is thought to lie in the marketing programme which the company plans to revitalise. It may be felt that the solution lies in reviewing dealer enthusiasm, increasing the advertising budget, changing the advertising theme or modifying some other marketing factor. Management may feel that the solution lies in product modification through upgrading quality, styling or features.

For each product to be eliminated, management must determine its obligations to the various parties affected by the decision. Management may want to provide a stock of replacement parts and service to stretch over the expected life of most recently sold units. Some of the products can be dropped quite easily with little repercussion while other product eliminations will require an elaborate phasing-out plan. Some of the factors that will influence phasing-out tactics and timing are:

- How much finished and semi-finished stock remains in our inventory; how much finished goods are in distributor's inventories?
- What kinds of guarantees and compensations should be offered to distributors and consumers?
- How soon could the executives and employees be shifted to other useful assignments?
- How much salvage value could company get for its machinery and unfinished stock?

PRODUCT FAILURE

Reasons for New Products Failure

(1) A senior executive might push a favourite idea through in spite of negative marketing research findings.
(2) The idea may be good, but the market size is over estimated.
(3) The actual product is not designed.
(4) The product may be incorrectly positioned in the market.
(5) The product may not be advertised effectively.
(6) The product may be over priced.
(7) The cost o product development may be higher than expected.
(8) The competitions may be severe than expected.
(9) The product might fail due to governmental regulation.
(10) The product might fail due to inadequate marketing research.
(11) The product may fail due to delays in decision-making or poor timing.
(12) Lack of managers attention to complaints.
(13) It may fail due to poor after-sales-service.

Thus, the main reasons for the failure of new products are:

- Poor marketing research;
- Technical problems in the new products design or in its production;
- Poor timing in product introduction or ineffective launching; and
- Other poor management practices.

Types of Product Failures :

1. An absolute product failure: It loses money and its sales do not cover variable costs.
2. A partial product failure: It loses money but its sales cover all the variable costs and some of the fixed costs.
3. A relative product failure: It yields a profit that is less than the company's normal rate of return.

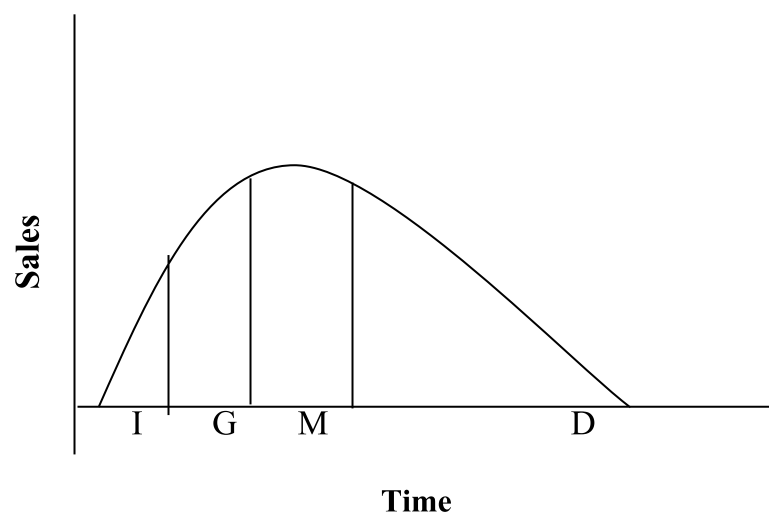
PRODUCT LIFE CYCLE

Like human beings, every product has a life span. When a new product is launched in the market, its life starts and the product passes through various distinct stages and after the expiration of its life span dies - dies in terms of its capacity to generate sales and profits. This is called Product Life Cycle (PLC).

The Product Life Cycle is an attempt to recognise 'distinct stages' in the 'sales history' of the product. In each stage, there are distinct opportunities and problems with respect to marketing strategy and profit potential. Hence, products require different marketing, financing, manufacturing, purchasing and personnel strategies in the different stages of their life cycle. The PLC concept provides a useful framework for developing effective marketing strategies in different stages of the Product Life Cycle.

There are four stages in the Product Life Cycle - *introduction, growth, maturity and decline*.

Figure:



The following table shows the product life cycle and its different stages and the various characteristics, which they reflect, in the varying stages:

PCL Elements	Introduction	Growth	Maturity	Decline
CHARACTERISTICS				
1. Sales	Low	Fast Growth	Slow Growth	Declining
2. Profits	Negligible	Peak Level	Declining	Low
3. Cash inflow	Negative	Moderate	High	Low
4. Competitors	Few	Growing	Many	Declining
5. Customers	Innovative	Mass Market	Mass Market	Laggards

Source: Peter Dayle, "The Realities of the product life cycle", Quarterly Review of Marketing.

Introduction Stage

The introduction stage starts when the new product is first launched. In this stage only a few consumers will buy the product. Further, it takes time to fill the dealer pipeline and to make available the product in several markets. Hence, sales will be low and profit will be negative or low. The distribution and promotion expenses will be very high. There are only a few competitors. Regarding pricing, the management can pursue either skimming strategy i.e. fixing a high price or penetration strategy i.e. fixing a low price.

The company might adopt one of several marketing strategies for introducing a new product. It can set a high or low level for each marketing variable, such as price, promotion, distribution and product quality. Considering only price and promotion, for example, management might launch the new product with a high price and low promotion spending. The high price helps recover as much gross profit per unit as possible while the low promotion spending keeps marketing spending down. Such a strategy makes sense when the market is limited in size, when most consumers in the market know about the product and are willing to pay a high price, and when there is little immediate potential competition.

On the other hand, a company might introduce its new product with a low price and heavy promotion spending. This strategy promises to bring the fastest market penetration and the largest market share. It makes sense when the market is large, potential buyers are price sensitive and unaware of the product, there is strong potential competition and the company's unit manufacturing costs fall with the scale of production and accumulated manufacturing experience.

Growth Stage

If the new product satisfies the market, it will enter a growth stage. This stage is marked by quick increase in sales and profits. The early adopters will continue to buy, and later buyers will start following their lead, especially if they hear favourable word of mouth. New competitors enter the market, attracted by the opportunities for high profit. The market will expand. Prices remain the same. Companies maintain their promotional expenditure at the same level or slightly higher level to meet competition and continue educating the market.

During this stage, the company uses the following marketing strategies:

- The company improves product quality and adds new-product features and models.
- It enters new market segments.
- It enters new distribution channel.
- It changes the price at the right time to attract more buyers.

In the growth stage, the firm faces a trade-off between high market share and high current profit. By spending a lot of money on product improvement, promotion and distribution, the company can capture a dominant position. In doing so, it gives up maximum current profit, which it hopes to make up in the next stage.

Maturity Stage

This stage normally lasts longer than the previous stages and it poses strong challenges to marketing management. At this stage, sales will slow down. This stage can be divided into three phases - growth maturity, stable maturity and decaying maturity.

In the growth maturity phase, the sales start to decline because of distribution saturation. In the stable maturity phase, sales become static because of market saturation. In the decaying maturity phase, the absolute level of sales now starts to decline and customers start moving toward other products and substitutes. Competition becomes acute.

Although many products in the mature stage appear to remain unchanged for long periods, most successful ones are actually evolving to meet changing consumer needs. Product managers should do more than simply ride along with or defend their mature products – a good offense is the best defense. They should consider modifying the market, product and marketing mix.

- ***Market Modification:*** The company should seek to expand the market and enters into new markets. It looks for new users and find ways to increase usage among present customers.

- ***Product Modification:*** The company should modify the product's characteristics such as quality improvement, feature improvement, style

improvement to attract new users and/or usage from current users. For example, Sony keeps adding new styles and features to its electronic products. Similarly, car manufacturers restyle their cars to attract buyers who want a new look.

- ***Marketing-mix Modification:*** The company should also try to stimulate sales through modifying one or more marketing-mix elements such as price cut, step-up sales promotion, change advertisement copy, extending credit etc.

A major problem with marketing-mix modification is that they highly imitable by competitors. The firm may not gain as much as expected and in fact all firms may experience profit erosion as they compete each other.

Decline Stage

In this stage, sales decline and eventually dip due to number of reasons including technological advances, consumer changes in tastes and acute competition. As sales and profit decline some firms withdraw from the market. Those remaining may reduce the number of product offerings.

They may drop smaller market segments and marginal trade channels. They may reduce the promotion budget and prices further.

Hence, companies need to pay more attention to their aging products. The firm has to identify those products in the decline stage by regularly reviewing sales, market shares, costs and profit trends. Then, management must decide whether to maintain, harvest, or drop each of these declining products.

Marketing Strategies during the Decline Stage

- Identify the weak products by appointing a product-review committee with representatives from marketing, manufacturing and finance.
- The firms may adopt the following strategies:
  - i) Management may decide to *maintain* its brand without change in the hope that competitors will leave the industry.
  - ii) Management may *harvest* by selling whatever is possible in the market.
  - iii) Management may decide to *drop* the product from the line.

When a company decides to drop a product, the firm can sell or transfer the product to someone else or drop it completely. It must decide to drop the product quickly or slowly. It must decide on how much parts in inventory and service required to maintain service to past consumers.

USES OF PLC CONCEPT

PLC concept's usefulness varies in different decision-making situations. As a planning tool, the PLC concept characteristics the main marketing challenges in each stage and suggests major alternative marketing strategies the firm might pursue. As a control tool, it allows the company to compare product performance against similar products in the past.

NEW PRODUCT PLANNING AND DEVELOPMENT

NEW PRODUCT DEFINITION

According to Stanton, new products are those which are really innovative and truly unique replacements for existing products that are significantly different from the existing goods and includes initiative products that are new to a company but not new to the market. If the buyers perceive that a given item is significantly different from competitive goods being replaced with some new features, like appearance or performance, then it is a new product.

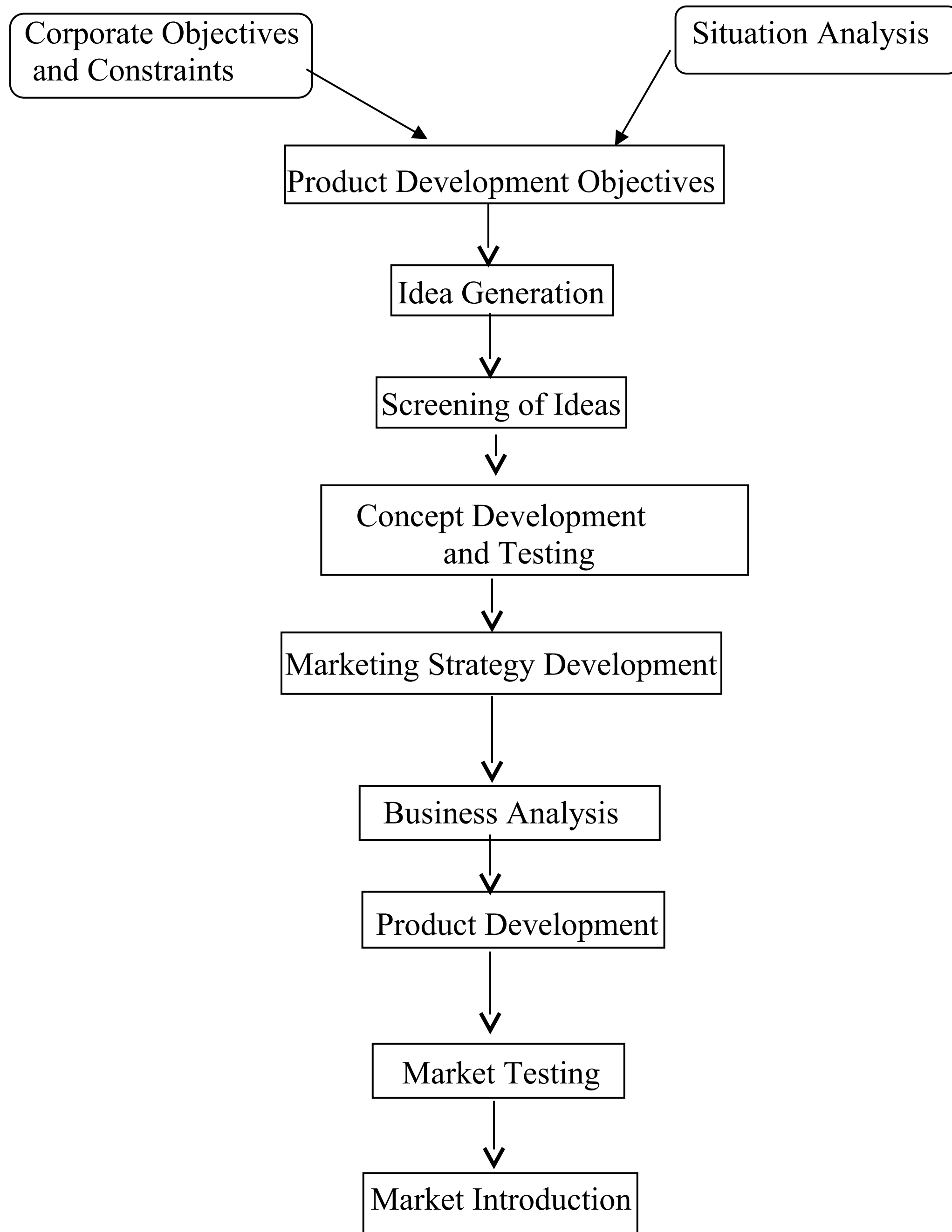
For Kotler, new products mean original products, improved products, modified products and new brands which are developed by the firm through its own research and development efforts and includes those products which the consumers sees as new.

NEED FOR NEW PRODUCT DEVELOPMENT

The following are the strategic reasons for launching new products:

- New products meet the changes in consumer demands.
- New products are the source of competitive advantage.
- They provide long-term financial return on investment.
- They utilise the existing production and operation resources to an optimum level.
- They capitalise on research and development.
- They provide opportunities for reinforcing or changing strategic direction.
- They leverage marketing/brand equity.
- They enhance corporate image.
- They affect human resources.
- They meet environmental threats.

Figure: New Product Development Process



STEPS IN THE NEW PRODUCT DEVELOPMENT PROCESS

1. Generation of New Product Ideas
2. Screening of Ideas
3. Concept Development and Testing
4. Marketing Strategy Development
5. Business Analysis
6. Development of the Product

7. Market Testing
8. Commercialisation

1. GENERATION OF NEW PRODUCT IDEAS

The new product development process starts with the search for ideas. An idea is the highest form of abstraction of a new product. It is usually represented as a descriptive statement, written or verbalised. Generally, the more the number of ideas, the better.

The objective of this stage is to obtain (a) ideas for new products, (b) new attributes for the existing products, and (c) new uses of the existing products.

Sources of New Product Ideas

Major sources of new product ideas include internal sources, customers, competitors, distributors and suppliers, and others.

Internal Sources:

One study found that more than 55 percent of all new-product ideas come from within the company. The company can find new ideas through formal research and development. It can get ideas from its scientists, engineers and manufacturing people. The company's sales people are another good source because they are in daily contact with customers.

Customers :

Almost 28 percent of all new-product ideas come from watching and listening to customers. The company can duct surveys or focus groups to learn about consumer needs and wants. The company can analyse customer questions and complaints to find new products that better solve consumer problems. Companies can learn a great deal from observing and listening to customers. Finally, consumers often create new products on their own, and companies can benefit by finding these products and putting them on to the market.

Competitors :

About 30 percent of new-product ideas come from analyzing competitor's products. The company can watch competitors' advertisements and other and other communications to get clues about their new products. Companies buy competing new products, take them apart to see how they work, analyze their sales, and decide whether the company should bring out a new product of its own.

Distributors, Suppliers and Others :

Resellers are close to the market and can pass along information about consumer problems and new-product possibilities. Suppliers can tell the

company about new concepts, techniques and materials that can be used to develop new products. Other idea sources include trade magazines, shows and seminars; government agencies; new-product consultants; advertising agencies; marketing research firms; university and commercial laboratories.

Idea Generating Techniques

SWOT Analysis: It is the analysis of the strength, weakness, opportunities and threats. Through SWOT analysis a company can make a conscious, deliberate, and systematic effort to identify opportunities that can be profitably exploited. Regular SWOT analysis facilitates the generation of ideas.

Clear Articulation of Objectives: Top management should define the products and markets to emphasize and by stating the operational objectives clearly, it can channelise the efforts of employees and induce them to think more imaginatively. There should be clear articulation and prioritisation of objectives to facilitate this.

Forced Relationships: By this technique several objects are listed and considered in relation to each other. For example, a sofa and a bed, two separate products are combined into one, by removing the arms of the sofa and making the back collapsible, to form a sofa-cum-bed, fulfilling a felt need of using furniture in a limited space.

Morphological Analysis: The morphological analysis will systematically explore the structural dimensions of a problem to identify its basic parameters and all the known alternative means of fulfilling them.

Need/Problem Analysis: This techniques differ from the preceding ones in that they require consumer input to generate ideas. Here, the consumers are approached to find out their needs, problems and ideas with reference to a particular product or product category.

Brainstorming: Brainstorming is an activity designed to provide maximum opportunity for the emergence of new and creative ideas, approaches and solutions to particular problems.

Synetics: It is an operational theory for the conscious use of preconscious psychological mechanisms present in man's creative activity and is particularly useful in the idea generation stage for new product development.

Lateral Thinking: According to De Bono, lateral thinking is a way of using the mind, a deliberate process, a general attitude which may make use of certain techniques on occasion. The most basic principle of lateral thinking is that any particular way of looking at things is only one form among many other possible ways. Lateral thinking is considered with exploring other ways by restructuring and re-arranging the information that is available.

Check Lists: Literally, it is a list of factors or actions which should be considered or implemented in performing a predefined task such as launching a new product.

2. SCREENING IDEAS

The purpose of idea generation is to create a large number of ideas. The purpose of screening is to *reduce* that number. The first idea-reducing stage is idea screening. The purpose of screening is to spot good ideas and drop poor ones as soon as possible.

In this stage managers use their knowledge and experience to weed out the poor ideas and will eliminate those ideas which are inconsistent with the firm's product policies and objectives, existing skills and resources and so on. In the same way, ideas which are incompatible with the firm's existing markets and customers are likely to be screened out.

To reduce the number of such ideas to an attractive, practicable level, some kind of preliminary screening is required. Towards this, the following aspects have to be looked into:

- Compatibility with the promoter
- Consistency with governmental priorities
- Availability of inputs
- Adequacy of markets
- Reasonableness of cost
- Acceptability of risk level

Compatibility with the Promoter

The idea being reviewed must be consonant with the interest, personality and resources of the firm. It should conform with the objectives and goals of the firm and should be accessible. Besides, it should offer the prospect of rapid growth and high return on invested capital.

Consistency with Governmental Priorities

The operationalization of the idea must be feasible within the governmental policies and regulatory framework. It should be ascertained that the idea does not contravene the environmental efforts or the government and that the idea can be pursued by obtaining necessary license and that the foreign exchange requirements, if any, can be met with.

Availability of Inputs

The firm must be reasonably assured of the availability of resources and inputs required. The organisation must assess whether the capital requirements are within manageable limits and that the technical know-how required for the pursuance of the idea is obtainable. The organization should also assess the

availability of raw materials domestically or if it is to be imported, will there be any problems. Availability of required power supply also has to be ascertained.

Adequacy of the Market

The organization must decide whether the present market size offers the prospect of adequate sale volume. There must be a potential for growth and a reasonable return on investment.

Reasonableness of Cost

The cost structure of the proposed product must enable to realise an acceptable profit with a competitive price. In this regard, the organization should examine the costs of material inputs, labour costs,, factory overheads, general administration expenses, selling and distribution costs, service costs and economics of scale.

Acceptability of Risk Level

The desirability of an idea is critically dependent on the risk characterising it. While assessing the risk, the organization should consider the vulnerability to business cycles, technological changes, competition from substitutes, competition from imports and Governmental control over price and distribution.

3. CONCEPT DEVELOPMENT AND TESTING

Concept Development

An attribute idea must be developed into a product concept. A product concept is distinguished from a product idea and product image. While a product idea is a possible product that the company might offer to the market, its elaborated version expressed in meaningful customer terms is a product concept. Product image is the particular picture of an actual or potential product perceived by the consumers.

At this stage, it is important to define the boundaries of the concept rather than the details. The target market, customers, their applications, major technical requirement etc. have to be defined and issues like these are addressed in a concept level business plan. The new product concept, more specific in description than an idea, should include the customer, the major consumer benefits and features defining the new product.

The manager's task is to develop the new product into alternative product concepts, find out how attractive each concept is to customers, and choose the best one. The new product concept can be verbal or written description. It may be in the form of a picture, diagram, model, or appear in another suitable

presentation format which depicts the idea. Ideas and concepts are often combined and are considered to be part of one creative process.

Concept Testing :

Concept testing calls for testing new-product concepts with groups of target consumers. The concept maybe presented to consumers symbolically or physically. For some concept tests, a word or picture description might be sufficient. However, a more concrete and physical presentation of the concept will increase the reliability of the concept.

Objectives of Concept Testing

The major objectives of concept testing are:

(1) To get the reaction of consumer's views of the new product idea.

(2) To give direction regarding the development of the project.

(3) To choose the most promising concepts for development and

(4) To ascertain whether the product in question has adequate potential for its commercialisation.

Today, marketers are finding innovative ways to make product concepts more real to concept-test subjects. Customer feedback can be critical in providing insights into how potential customers will use and evaluate the new product.

4. MARKETING STRATEGY DEVELOPMENT

After developing and testing the new product concept, a new product manager should proceed to develop a marketing strategy plan for introducing the product into the market.

The marketing strategy statement consists of three parts:

❖ The first part describes the size, structure and behaviour of the target market, the planned product positioning and the sales, market share and profit goals sought in the first three years.

❖ The second part outlines the product's planned price, distribution strategy and marketing budget for the first year.

❖ The third part describes the planned long-run sales and profit goals and marketing-mix strategy over time.

5. BUSINESS ANALYSIS

Business analysis is a stage where a new product idea is subjected to more sophisticated and detailed analysis. It involves a review of the sales, costs and profit projections for a new product to find out whether they satisfy the company's objectives. If they do, the product can move to the product-development stage.

In a majority of new product development processes, three major interrelated questions emerge. They are regarding:

1. The estimated size and growth rate of the market segment, that is, the market opportunity for the new product concept.
2. The estimated sales and market share for the new product concept in the selected market or market segment.
3. The value of the new product program in terms of its expected financial performance.

Apparently these imply three types of new product forecasting, viz. market opportunity forecasting, sales forecasting and financial forecasting. These forecasting processes address different sets of problems and their forecasts must be integrated to provide a complete picture of the commercial viability of the new product.

Market opportunity forecasting assesses market size and growth for a new product in a potential market under various assumptions. Specific marketing research and modeling techniques are employed to measure sales response to alternative product concepts, prototypes and products and also price, distribution, promotion etc. It ensures that key product design decisions are made interactively with the market.

For Sales forecasting the company should look at the sales history of similar products and should survey market opinion. It should estimate minimum and maximum sales to assess the range of risk. After preparing the sales forecast, management can estimate the expected product costs and profits, including marketing, R&D, manufacturing, accounting, and finance costs.

Financial forecasting addresses the important question about the value of the new product and its launch program. It reconciles market potential, market penetration, sales costs and investment forecasts to support decision making. Estimates of profitability, cash flow, and other proforma financial measures over a planning period can be established.

The new product forecasting address major decision problems and in effect, provide a framework for a control system to track new product launch and make necessary revisions and modifications to achieve desired results.

6. PRODUCT DEVELOPMENT

Product development is done after forecasted sales and budgeted costs promise a satisfactory return on investment and after the company is satisfied that it can gain access to the target market. At this juncture, the objective is to establish if it is physically possible to produce an object with the desired performance characteristics within the cost constraints indicated by the forecast demand schedule. Usually this phase is the longest in the whole process, and it is vitally important that, throughout development, the innovator should continue critically to observe events and changes in the proposed target markets. In addition to updating the product concept to reflect changes in the market, the development phase should also provide for testing the product under real usage condition to ensure that it will deliver the promised satisfactions. The more complex the product and the more radical the behavioural change required of the end user, the more important this stage becomes. In the case of many capital, material and consumer durable innovation, the development stage frequently continues well into the market launch stage on the ground that deficiencies and defects in the final product will only become apparent once it is exposed to a broad spectrum of usage situations.

Prototype

The R&D department will develop one or more physical versions of the product concept to find out a prototype that will be seen by the consumers as embodying the key attributes described in the product concept statement. A prototype is a working model or preliminary version of the final product, achieved through an implementation of the product concept. For many products, the prototype is the first full-scale likeness of the product; for other, it is a scaled-down model. For some products a prototype is not possible without atleast a small-scale product launch. In such cases, prototyping and product development proceed simultaneously in market.

Scientist, engineers, designers, marketers and other responsible for product design and creativity will be heavily involved in prototype development. Some prototypes may be relatively easy to develop, especially for organization already in business, for example, a new soap. For others it may be more difficult.

It is not sufficient to design the required functional characteristics alone. But the new product developed team should also know how to communicate the psychological aspects through physical cues on the basis of an understanding as to how consumer react to different colours, sizes, weights, and other physical cues.

7. MARKET TESTING

After developing a prototype, they must be put through vigorous functional and consumer tests. The functional tests are conducted in order to

make sure that the product performs safely and effectively and they are conducted under laboratory and field conditions. Consumer testing is done in a variety of ways. They may be done by bringing consumers into laboratory or they may be given samples to use in their homes. In-home product placement tests are common in products like new home appliances. Consumer preference testing draws on a variety of techniques, like simple ranking, paired comparisons, and rating scales, each with its own advantages and disadvantages.

Market testing methods differ in testing different types of goods. While testing consumer products, four variables are sought to be estimated. They are, trial, first repeat, adoption and purchase frequency. In testing the trade, a company seeks to learn how many and what types of retailers will handle the product, under what terms, and with what shelf position commitments.

Although test marketing can take a variety of forms, the three popular types used in practice in consumer goods markets are simulated, controlled and conventional test marketing. Kotler classifies them according to the cost testing, from the least to the most costly, are (1) Sales-wave research, (2) Simulated test marketing, (3) Controlled test marketing, and (4) Conventional test marketing.

Sales Wave Research

In this method the consumers are initially offered to try the product at no cost and subsequently they are reoffered the product, or a competitor's product, at slightly reduced prices. These reofferings, referred to as sales waves, may be resorted to for as many as three to five times in order to find out how many customers selected the product again and their reported level of satisfaction. This method may also include exposing customers to one or more advertising concept in rough form to ascertain its effects on repeat purchase. The sales wave research can be implemented quickly.

Simulated Test Marketing (STM)

It is a research method that facilitates the measurement of market response to a new product and its marketing program among potential buyers in a pseudo market environment. It can be implemented in a laboratory setting, in the homes or places of business of potential buyers or in other places that will simulate the buying process as closely as possible.

The value of STMs is relatively low cost, quick execution, and secrecy from competitors. In many cases they are used to decide whether or not it is feasible to conduct a test market, and in other cases they are used to bypass test markets altogether and more directly to launch.

Controlled Test Marketing

One of the growing sources of data for new product test marketing is the controlled or electronic test markets that provide single-source data. Typically these are commercial services that are conducted in selected cities for test marketing. Selected retail outlets in these cities are equipped with electronic checkout scanners to record sales. A recruited panel of customers agrees to shop in these stores, and the individual order and a special identification card are scanned every time, a panel member makes a purchase. Each card code is associated with a profile of a customer kept in a data base (containing demographics, psychographics, preferences, and so on). The impact of local advertising and promotions during the test are also evaluated. Bringing these data sources together on a weekly or even daily basis can provide a powerful and highly controlled testing environment.

Conventional Test Marketing

It provides an opportunity to understand market response to the new product and its proposed marketing program in a more realistic market environment than in simulated and controlled test marketing. It is especially useful for measuring response to the product from a broader set of stakeholders, including competitors, the trade, media, regulators and others. It is also very helpful for discovering organizational and other market problems in implementing the new product program. The real benefits to conventional test marketing are the learning and subsequent adjustments that help ensure a successful launch, especially for new product situations with high stakes and high environment and market uncertainty. However, these benefits must often be traded off against cost and demands to speed market entry.

Industrial or business goods can be tested in a number of ways, including trade shows, in-use situations, and sales presentations. The first method consists of displaying and demonstrating the product to obtain measures of interest and possible buying intentions. In-use tests place the product with a sample of potential buyers who agree to try it and to provide an evaluation of its performance. Sales demonstrations simply present the product to a sample of prospective customers in an effort to learn how many would purchase it.

8. COMMERCIALIZATION

Commercialization can be considered as a final phase in the new product development when the product is launched into the market place, thus initiating its life cycle. Supplies can be made available to the distribution channel, intensive selling must take place to ensure widespread availability at the point of sale or to canvass orders from prospective buyers. Maintenance and servicing facilities will be necessary and a large promotional investment will be needed to create awareness of the new product’s existence.

While commercializing a product, market entry decisions can be critical. Market entry tends to be a highly situation specific decision. The dynamics of the environment, the market, the organization, and its new product development process must be assessed by the decision maker. Though rules are lacking, the following guidelines will help to make a sound decision.

(1) Recognize the situational aspects of market entry;

(2) Clarify the strategic importance of the market entry decision; and

(3) Formulate the market entry decision problem.

The launch marketing program at market entry represents the point of execution of a business strategy. The company launching a new product must first decide on introduction *timing*. Next, the company must decide *where* to launch the new product – in a single location, a region, the national market, or the international market. Few companies have the confidence, capital, and capacity to launch new products into full national or international distribution. They will develop a planned *market rollout* over time. In particular, small companies may enter attractive cities or regions one at a time. Larger companies, however, may quickly introduce new models into several regions or into the full national market.

BRANDING AND PACKAGING

BRANDING

The selection of a proper brand name is the major step in managing a product. The branding of a product is like naming a new-born child. It basically serves to identify the offering. Branding can add value to a product and is therefore an intrinsic aspect of product strategy. Essentially, a brand is a promise of the seller to deliver a specific set of benefits or attributes or services to the buyer. Each brand represents a level of quality.

Some key definitions of branding are:

Brand: Brand is a name, term, sign, symbol or design or a combination of them, which is intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors. Thus a brand identifies the maker or seller of a product.

Brand Name: It is that part which can be vocalised - the utterable. Example: Videocon, Dalda.

Brand Mark: It is that part of a brand which can be recognised such as a symbol, design or distinctive colouring or lettering. Example: 'Butterfly' of Co-optex, 'Maharaja' of Air India or 'Red colour inverted triangle' for Family Planning.

Trade Name / Mark: It is brand name or symbol that is given 'legal protection' because it is capable of exclusive appropriation by the seller.

BRANDING DECISION

The first decision is whether the company should put a brand name for its product. Historically, most products went unbranded. But to-day, branding has become such a strong force that nothing goes unbranded. For instance, salt is also now marketed in distinctive manufacturer's brand.

REASONS FOR BRANDING

1. The brand name makes it easier for identification of the product both for the marketer and consumer.

2. It makes easier to process orders and track down problems.

3. The brand name and trade mark provide legal protection of unique product features which would otherwise be copied by competitors.

4. Branding gives the marketer the opportunity to attract loyal and profitable set of customers by creating brand image and brand loyalty.

5. Good brand helps build the corporate image.

6. Branding helps the marketer to segment markets.

Brand names help making the product easier to handle, identifying suppliers, holding production to certain quality standards and increasing buyer preference. Brand names also help consumers to identify quality differences and to make efficient purchase.

SELECTION OF BRAND NAME

The brand name should be carefully chosen. A good name can add greatly to a product's success. Most large marketing companies have developed a formal brand name selection process. Finding the best brand name is a difficult task. It begins with a careful review of the product and its benefits, the target market, and proposed marketing strategies.

A good brand name should basically possess the following qualities:

- ❖ It should be short, simple and easy to pronounce. For example, Usha, Lux, Rin etc.
- ❖ The brand name should be distinctive.
- ❖ It should be easy to recognise and remember. Example: Indica.
- ❖ It should be pleasing when pronounced. Example: Matiz.

- It should be capable of registration and legal protection.
- It should not be offensive, obscene or negative.
- It should be adaptable to packaging and labelling requirements and to any advertising media.
- It should suggest something about the product's benefits and qualities. Example: Coldspot.

Brand-Sponsor Decision

In deciding to brand a product, the manufacturer has several options with respect to brand sponsorship.

The product may be launched as a manufacturer-owned brand. Or it may be launched by the manufacturer as a licensed name brand. Or the manufacturer may sell the product to middlemen, who put on a private brand - also called middlemen brand, distributor brand or dealer brand.

Brand Name Strategies

Companies follow different strategies in choosing brand names for the wide range of products they market.

Individual Brand Names

Some companies choose distinct names for each of their offerings. For instance, Hindustan Lever, Procter and Gamble favour individual brand names for their products. There are many reasons for doing this:

- Products marketed by a company may become diverse and hence require distinct names.
- Companies may wish to market their combination of products to different market segments.
- Sometimes companies may have multiple brands of a product, which compete with each other.
- The company does not tie its reputation to the product's acceptance. If the product fails, it does not compromise the manufacturer's name.
- A new name permits the building up of new excitement and conviction.

Family Brand Name

Some companies use a common or successful family name, also known as umbrella branding, for its several products. Example: Godrej, Bajaj, Ponds etc. Using a blanket family name for all products has some advantages:

1) The cost of introducing the product will be less because there is no need for 'name' research or for heavy advertising expenditures to create brand-name recognition and preference.

2) Sales will be more if the manufacturer's name has a reputation. For instance, TVS Washing Machine, 'Hitachi' Airconditioners etc.

The use of the family branding strategy does not always guarantee success. There are many instances where this strategy has failed. Ponds launched its tooth paste, using the distinctive flowered pink packaging which is associated with its talcum powder with the same family brand name. Market survey revealed that this tooth paste had failed despite Pond's name. It is also risky to launch a new product under the brand name of another highly successful product, if successive products under a family brand name do not perform well, the established goodwill or image may suffer. The strategy of using a common family brand name will be perhaps more effective in marketing new variations of the basic product. For this reason Liril, Cinthol Soap with an improved perfume were well accepted in the market.

BRAND IMAGE

The term ***brand image*** signifies the reputation and the symbolic meaning attached to a brand. Image is an abstract concept incorporating the influences of past promotion, reputation and peer evaluation of that brand.

Broadly speaking, the totality of any brand is made up of three types of appeals.

Appeal to Reason: It basically consists of many objective factors of evaluation. For example, what does the brand do? What does it contain? How does it perform? What benefits or functions does it serve?

Appeal to Senses: How does the brand look, taste, smell, sound etc. Here brands attempt to satisfy the consumer's quest for sensory gratification, convenience, aesthetic pleasure, intellectual satisfaction etc.

Appeal to Emotion: It refers to the brand's style, the mood it evokes and the psychological rewards it gives. Although these are mostly intangible factors, they create significant impressions on the consumer.

The above appeals collectively produce the brand image. However, the image of a brand may vary from one consumer to another. The core of the brand image is created by the advertising and other marketing programmes initiated by the company. Ultimately, the typical consumer will filter various communications about the brand and will develop an image on the basis of his existing beliefs, prejudices and predispositions.

Many firms strive to build unique brand name that will eventually become identified with the product category. For instance, though 'Dalda' is the brand name, it has identified with the product category - Vanaspathi.

BRAND IDENTITY

Brand image, as already observed, is perceptional whereas brand identity is aspirational. It means brand identity covers even those perceptions which a brand manager would like to be associated with the brand. It means a brand manager would like a brand image to travel to brand identity which is the goal.

Brand identity has two dimensions structurally - an inner core identity and extended identity.

Brand Identity in Maruti Car:

Maruti's core identity is that it is a small, economical, fuel efficient car with proven technology. Its extended identity includes its largest market share and availability of cars for every need. Its proven Japanese technology adapted to Indian conditions is also an important element of extended identity.

BRAND PERSONALITY

A simple method to describe brand personality is to state in terms of demographic characteristics - life style and personality traits. There are five personality factors namely sincerity, excitement, competence, sophistication and ruggedness.

Just like human beings, a brand also has a personality with a set of characteristics. These characteristics are demographic such as sex, age and socio-economic class. For example, moped are feminine whereas mobikes are masculine. Rin is upper class whereas 'Ideal Soap', 'Power Soap' are middle class. Parag and Apoorva Sarees are for the sophisticated modern women, whereas Poonam Sarees are for common women.

Brand have certain physical characteristics i.e. how they look and sound; have certain skills and abilities i.e. what they can do and how they can perform and certain associations and attitudes. The brand therefore appeals to senses, to reason and to emotions. Each brand has its own personality.

Thus, brand personality is a sum total of look, an attitude, a pattern of behaviour and style.

Both product-related factors such as 'Ruf and Tuf', 'Jeans' for young men and non-product related factors such as film-stars using Lux, to make them glamorous influence the formation of brand personality.

Brand personality provides an added insight-into the brand. The consumers associate their personality to the products and that decide their

attitudes towards the product. It helps to differentiate the brand and helps in position strategy. Further it makes promotion easier. The brand personality and product attributes are complement to each other.

BRAND POSITIONING

Brand positioning is the result of consumer's perception about the brand relative to the competing brands. Brand positioning is a part of brand identity and value composition that is to be actively communicated to the target audience and that demonstrates an advantage over competing brands. According to Kotler positioning is the act of designing the company's offer so that it occupies a distinct and valued place in the mind of the target customers.

BRAND EQUITY

Brand vary in the amount of power and value they have in the marketplace. Some brands are largely unknown to most buyers. Other brands have a high degree of consumer *brand awareness*. Still others enjoy *brand preference* – buyers select them over the others. Finally, some brands command a high degree of *brand loyalty*. Brand equity is the process of brand building.

Akar defines brand equity as a set of assets associated with a brand and which add to the value provided by the product/service to its customers. A brand equity is in effect the aggregate of potential customer's beliefs that it will deliver on its promise. Thus the term brand equity refers to the value inherent in a well known brand name.

A powerful brand has high *brand equity*. Brands have higher brand equity to the extent that they have higher brand loyalty, name awareness, perceived quality, strong brand association, and other assets such as patents, trademarks and channel relationships. A brand with strong brand equity is a valuable asset. In fact, it can even be bought or sold for a price. The world's top brands include Coca-Cola, Kodak, Sony and Mercedes-Benz. The best example of brand equity is Lifebuoy which has consistently followed a strategy of a 'Soap for Health' and similarly Margo as 'Herbal Soap'. 'Brand heritage' means brands which have a glorious past and a carefully nurtured image build over a period of time.

High brand equity provides a company with many competitive advantages.

- A powerful brand enjoys a high level of consumer brand awareness and loyalty.
- Consumers accept and willing to pay more for the powerful brand.
- The company will incur lower marketing costs relative to revenues.

- The company has more leverage in bargaining with resellers, and
- The brand name carries high credibility, the company can more easily launch brand extensions.
- A powerful brand offers the company some defense against fierce price competition.

Measuring the actual equity of band name is difficult. Because it is so hard to measure, companies usually do not list brand equity on their balance sheets. Still, they pay handsomely for it. According to one estimate, the brand equity of Coca-Cola is $ 36 billion, Kodak film $10 billion.

To build brand equity, the manager has to create and enhance brand awareness, brand loyalty and perceived quality of brand and brand associations (i.e. associating with certain tangible and intangible attributes). It should be understood that a brand is an intellectual property and hence patents form a brand asset. This requires continuous R&D investment, skillful advertising and excellent trade and consumer service. Some companies appoint "brand equity managers" to guard their brands' images, association and quality.

Some analysts see brands as the major enduring asset of a company, out-lasting the company's specific products and facilities. Yet, behind every powerful brand stands a set of loyal customers. Therefore, the basic asset underlying brand equity is *customer equity*. This suggests that marketing strategy should focus on extending *loyal customer lifetime value*, with brand management serving as a major marketing tool.

Brand Extension Decision

A brand-extension strategy is any effort to use a successful brand name to launch product modifications or new products. Brand extension also covers the introduction of new package sizes, flavours and models.

Brand extension saves the manufacturer the high cost of promoting new names and creates instant brand recognition of the new product. At the same time, if the new product fails to satisfy, it might hurt consumer's attitude toward the other products carrying the same brand name.

Multi-Brand Decision

In multi-brand strategy, the seller develops two or more brands in the same product category. Manufacturers adopt multi-brand strategies for several reasons:

- Manufacturers can gain more shelf space, thus increasing the retailer's dependence on their brands.

- A few consumers are so loyal to a band that they will not try another. The only way to capture the 'brand switchers' is to offer several brands.

- Creating new brands develops excitement and efficiency within the manufacturer's organisation.

- A multi-brand strategy positions the different benefits and appeals and each brand can attract a separate following. For example, Palmolive Shaving Cream is offered in Lime, Lavender and Antiseptic classes.

- Two or more brands commonly capture more sales and profits because they cater to more segments.

- It helps to sell new product variations in terms of colour, flavour, taste etc. For example, Campa-Orange and Campa-Cola.

In deciding whether to introduce another brand, the manufacturer should consider such questions as:

- Can a unique story be built for the new brand?

- Will the unique story be believable?

- How much will the new brand cannibalise the manufacturer's other brands versus competitor's brands?

- Will the cost of product development and promotion be covered by the sales of the new brand?

A major limitation in introducing a number of multi-brand entries is that each may obtain only a small share of the market and none may be particularly profitable. These companies should weed out the weaker brands and establish tighter screening procedures for choosing new brands. Ideally, a company's brands should cannibalise the competitor's brands and not each other.

BRAND RE-POSITIONING DECISION

However, well a brand is initially positioned in a market, the company may have to reposition it later. A competitor may have launched a brand next to the company's brand and cut into its market share. Or customer preferences may have shifted, leaving the company's brand with less demand.

Management must weigh two factors in making its choice of re-positioning. The first is the cost of shifting the brand to the new segment. The cost includes changing the product's qualities, packaging, advertising and so on. In general, the repositioning cost rises with the repositioning distance. The more radically the brand image has to be modified, the greater the required

investment. The other factor is the revenue that would be earned by the brand in the new position. The revenue depends upon the number of consumers in the preference segment, their average purchase rate, the number and strength of competitors in that segment and the price charged by brands in that segment.

Marketing research firms have developed elaborate name - research procedures including association tests (what images come to mind?), learning tests (how easily is the name pronounced?), memory tests (how well is the name remembered?) and preference tests (which names are preferred?).

Horlicks was relaunched as the New Horlicks in an attractive new jar. The new Horlicks claimed more nourishment through additional protein and calcium, eight essential vitamins and iron nutrients. Now 'Junior Horlicks' has been introduced targeting youngsters.

Lifebuoy is probably the oldest toilet soap available today. From its small beginnings in England in 1894, Lifebuoy has come a long way to become one of the most popular and largest selling soaps in the world.

When Lifebuoy was introduced in the Indian market 100 years ago, its positioning was clear. Lifebuoy was the soap that would destroy germs and keep the body healthy. Though the properties were clear, the brand found the going tough in rural markets. Therefore Hindustan Lever Limited decided to launch Lifebuoy as a soap for hand wash in 1900. The brand began to develop and at this stage, Lifebuoy was repositioned as a bath soap. "Where there is Lifebuoy, there is health" became a very popular slogan. In 1964, the brand was relaunched with a slight change in its shape and wrapper design backed by powerful advertisement and intensification in rural markets. With intensification of competition in 1970, Hindustan Lever Limited launched 'Lifebuoy a Personal' - a perfumed, pink-coloured, 75 gm soap. But the brand suffered because it did not carry the USP's health and value for money. In 1980, the Hindustan Lever Limited launched 'Lifebuoy Plus' with a new perfume. By this time, Liquid Lifebuoy also staged its entry to strengthen urban market. In the rural markets, Lifebuoy continued its dominance. Even today 60 per cent of Lifebuoy sales are from rural areas. The brand remains the largest selling brand and a Cash Cow for Hindustan Lever Limited.

PACKAGING DECISIONS

Packaging has become a very important part of product management. With competition increasing, marketers are turning to innovative packaging to establish a distinctive edge. Marketers are providing value addition to products and greater benefits to consumers through packaging, thereby attempting to increase the brand value.

Packaging includes the activities of designing and producing the container or wrapper for a product. The package may include the product's primary container; a secondary package that is thrown away when the product is about to be used. Labelling is also part of packaging and consists of printed information appearing on or with the package.

Functions of Packaging

- It contains and protects the product.
- It attracts the attention of the consumers.
- It describes the product
- It helps for easily handling
- It helps for self-service

The following are the main decision areas in packaging:

- Package Materials
- Package Aesthetics
- Package Size and Convenience

PACKAGING MATERIALS

Over the years, great changes have taken place in package materials. In the earlier days, wood was the main material for packaging. This slowly gave place to paper and paper boards. Now, in addition to paper board, polythene carry bags, plastic and metalised polyester laminate materials are widely used for packaging.

They also lend themselves to attractive printing/branding on them. Consumer products like Tata Tea, Nescafe, Dalda, Sweets have all gone in for plastic package materials. The trend generally is towards flexible packaging wherever the products lend themselves to such packaging. There are durable rubber containers - tanks and drums made from high tenacity polyamide fabric matrix and coated with compatible polymers. They also save transportation and handling costs considerably.

PACKAGING AESTHETICS

With the increasing need for enhancing the sales appeal of packaging, increased attention is now being given to package aesthetics. Business firms are always in search of new package materials, designs, sizes and shapes that will enhance the sales appeal of their products. It has become a common practice for marketers, especially in consumer product lines, to rely heavily on package

aesthetics as a powerful tool for sales appeal, brand identification and product differentiation. In some cases packaging also facilitates merchandising. The package aesthetics plays the role of a 'silent salesmen' in projecting the right image of the product.

Packaging is a powerful communication tool. It communicates a lot, the package provides the first appeal to the consumer. The actual product comes only later. Its colour, its shape and size, its label and lettering, the brand name, the material used - they all carry some communication cues.

Along with package aesthetics, package size and convenience also contribute to the total product appeal. Earlier, Pond's Cold Cream was coming in a bottle-shaped container. Subsequently, Pond's introduced the Cold Cream in a Candy tube. The new package changed the very concept of the product. From a dressing-table item, it also become a carry-along product.

Harpic liquid toilet cleaner is another product that has successfully exploited the concept of consumer convenience in packaging. The container, fitted with a nozzle for cleaning the toilet, given Harpic an advantage over other similar products.

Providing small unit package is also a method of going with customer preference and convenience. Tooth paste, Shampoo and Coconut oil are all available now in small quantities and sachets. The use of sachets gained popularity for inducing product trials and for the convenience of frequent travellers. In shampoo, brands like 'Sunsilk' and 'Clinic Plus' have gained a lot of penetration in the rural markets through sachets. The low unit price of sachets makes them affordable even to the lower end of the market and helps in trial and adoption.

Providing reusable containers in another way of enhancing product appeal. 'Nescafe', came in a glass jar which could be later be used as a glass. 'Bournvita' and 'Horlicks' introduced 1 kg handle jar which was much sought by the consumers.

Refill packaging is also related to consumer convenience and economy. Several products like Bru, Bournvita, Horlicks, Parachute, Coconut oil are now coming in refill packs. The refill packs are sold at a slightly lower price than the regular package and that itself serves as a sales promotion effort.

DEVELOPING PACKAGING

Developing an effective package for a new products requires a large number of decisions.

The first task is to establish the 'packaging concept'. The packaging concept is a definition of what the package should basically *be or do* for the particular product.

Decisions must be made on further elements of package design - size, shape, materials, colour, text and brand mark.

After the packaging is designed, it must be put through a number of tests. 'Engineering tests' are conducted to ensure that the package stands up under normal conditions, 'Visual tests' to ensure that the script is legible and the colour harmonious; 'Dealer tests' to ensure that dealers find the packages attractive and easy to handle, and 'Consumer tests' to ensure favourable consumer response.

Marketers must grasp through systematic research, consumer preferences on the one hand and the cost and availability aspects on the other and provide the consumers with the best possible packaging. They should also remember that any change in packaging must be handled carefully. Firms must pay attention, however, to the growing societal concerns about pollution caused by packing materials and make decisions that serve society's interests as well as immediate customer and company objectives.

REVIEW QUESTIONS:

1. Define Product. Give the classification of products.
2. What is product policy? What are its functions?
3. What are the dimensions of product mix?
4. Explain the need for product modification.
5. When a marketer would take product elimination decision?
6. What are the reasons for new product failure?
7. Explain the Product Life Cycle concept. What are its uses?
8. Describe the stages in PLC with their marketing implications.
9. What is new product development? State its need.
10. Briefly explain the steps in new product development process.
11. Give the meaning of Brand; Brand Name; Brand Mark; and Trade Mark.
12. What are the reasons for branding?
13. What are the factors to be considered while selecting a brand name?
14. What strategies the marketers use in brand names?
15. Write note on Brand Image; Brand Identity and Brand Personality.
16. What is Brand Positioning and Repositioning?
17. What is Brand Equity? What are its advantages?
18. What is packaging? State its functions.
19. Describe the key decision areas in packaging.

UNIT-IV

PRICING DECISIONS

INTRODUCTION TO PRICING

A price is an expression of value. The value rests in the usefulness and quality of the product itself, in the image that is conveyed through advertising and promotion, in the availability of the product through wholesale and retail distribution systems, and in the service that goes with it. A price is the seller's estimate of what all of this is worth to potential buyers, recognizing the other options buyers will have for filling the need the product is intended to satisfy. To the extent that the product or service finds markets and is profitable at given price levels, it provides a viable economic base for building and maintaining a business.

In the competitive marketplace, pricing is a game. The struggle for market share focuses critically on price. Pricing strategies of competing firms, therefore, are highly interdependent. The price one competitor sets is a function not only of what the market will pay but also of what other firms charge. Prices set by individual firms respond to those of competitors; they also are intended often to influence competitors' pricing behaviour. All of marketing comes to focus in the pricing decision.

A way to think about making a pricing decision is that price should be set somewhere between what the product costs to make and sell and its value to the customer. If price exceeds the perceived value of the product to potential purchasers, it has no market. If the price is below what the product costs to produce, the business cannot survive for very long. Where a price should be set between cost and customer value is a strategic decision. Many factors can influence this decision, viz., competitors' product/price strategies, governmentally imposed constraints and the seller's and the buyer's sense of what is fair. Finally the most important determinant of price is the marketer's objectives – what is the firm trying to do.

PRICING POLICIES

Firms do their pricing in a variety of ways as discussed in the previous lesson. Executives complain that pricing is a big headache and one is wary of committing a go/drop error in the pricing decision. Pricing less than what the customer wants to pay and pricing more than what the customer wants to pay are both costly errors. Many companies do not handle pricing well. Some common mistakes are:

- Price is not revised often enough to capitalize on market changes
- Price is set independently of the rest of the marketing mix rather than as an intrinsic element of market-positioning strategy
- Price is not varied enough for different product items, market segments, distribution channels and purchase occasions

Procedure for a Pricing Policy

A firm must set a price for the first time when it develops a new product, when it introduces its regular product into a new distribution channel or geographical area, and when it enters bids on new contract work. The firm has to consider several factors in setting its pricing policy. A useful 6-step procedure to develop the pricing policy is discussed below.

1) ***Selecting the pricing objective:*** The firm first decides where it wants to position its market offering. The clearer a firm's objectives, the easier it is to set price. A firm can pursue any of the objectives classified under four major groups, viz. profitability objectives, volume objectives, meeting competition objectives and prestige objectives.

2) ***Determining demand:*** Each price will lead to a different level of demand and therefore have a different impact on a firm's marketing objectives. The relation between alternative prices and the resulting current demand is captured in a demand curve. In the normal case, demand and price are inversely related: the higher the price, the lower the demand. In the case of prestige goods, the demand curve sometimes slopes upward. However, if the price is too high, the level of demand may fall. The demand curve sums the reactions of many individuals who have different price sensitivities. The first step is estimating demand is to understand what affects price sensitivity. Generally speaking, customers are most price sensitive to products that cost a lot or are bought frequently. They are less price sensitive to low cost items or items they buy infrequently. They are also less price sensitive when price is only a small part of the total cost of obtaining, operating and servicing the product over its lifetime. Firms, of course, prefer customers who are less price sensitive. The following is a list of factors leading to less price sensitivity, as identified by Nagle and Holden.

- The product is more distinctive
- Buyers are less aware of substitutes
- Buyers cannot easily compare the quality of substitutes
- The expenditure is a smaller part of the buyer's total income
- The expenditure is small compared to the total cost of the end product
- Part of the cost is borne by another party
- The product is used in conjunction with assets previously bought
- The product is assumed to have more quality, prestige or exclusiveness
- Buyers cannot store the product

Most firms make some attempt to measure their demand curves using methods like statistical analysis, price experiments and surveys. In measuring the price demand relationship, the marketer must control for various factors that will influence demand. The competitor's response will make a difference. Also, if the company changes other marketing mix factors besides price, the effect of the price change itself will be hard to isolate and measure.

3) ***Estimating costs:*** It should be noted that demand sets a ceiling on the price, whereas costs set the floor. Also, the types of costs and the impact of economies of scale and learning curve on pricing was explained. To price intelligently, management needs to know how its costs vary with different levels of production. It is important to be aware of the risks presented by pricing based on the experience/learning curve. It assumes that competitors are weak followers. It leads the company into building more plants to meet the demand, while a competitor may be innovating a lower-cost technology. Then the market leader will be stuck with the old technology. Today's firms try to adapt their offers and terms to different buyers. A manufacturer may negotiate different terms with different retail chains. One retailer may want daily delivery (to keep inventory lower) while another may accept twice-a-week delivery in order to get a lower price. The manufacturer's cost will differ with each chain and so will its profits.
To estimate the real profitability of dealing with different customers with differing requirements, the manufacturer needs to use activity-based cost (ABC) accounting instead of standard cost accounting. ABC accounting tries to identify the real costs associated with serving each customer. It allocates indirect costs like clerical costs, office expenses, supplies and so on, to the activities that use them, rather than in some proportion to direct costs. Both variable and overhead costs are tagged back to each customer. Another interesting costing concept is target costing. Costs change with production scale and experience. They can also change as a result of a concentrated effort by designers, engineers and purchasing agents to reduce them through target costing. Market research is used to establish a new product's desired functions and the price at which the product will sell, given its appeal and competitors' prices. Deducting the desired profit margin from this price leaves the target cost that must be achieved. Each cost element - design, engineering, manufacturing, sales – must be examined and different ways to bring down costs must be considered. The objective is to bring the final cost projections into the target cost range. If this is not possible, it may be necessary to stop developing the product because it could not sell for the target price and make the target profit.

4) ***Analysing competitors' costs, prices and offers:*** Within the range of possible prices determined by market demand and company costs, the firm must take competitors' costs, prices and possible price reactions into account. The firm should first consider the nearest competitor's price. If the firm's offer contains features not offered by the nearest competitor, their worth to the customer should be evaluated and added to the competitor's price. If the competitor's offer contains some features not offered by the firm, their worth to the customer should be evaluated and subtracted from the firm's price. Now the firm can decide whether it can charge more, the same or less than the competitor. But competition can change their prices in reaction to the price set by the firm.

5) ***Selecting a pricing approach:*** Given the three *C*s – the Customer's demand schedule, the Cost function and the Competitors' prices – the firm is now ready

to select a price. Figure 3.3.1 summarizes the three major considerations in price setting. Costs set a floor to the price. Competitors' price and the price of substitutes provide an orienting point. Customers' assessment of unique features establishes the price ceiling. Firms select a pricing approach that includes one or more of these three considerations. The pricing approaches are cost-based or buyer-based or competition-based.

6) ***Selecting the final price:*** Pricing methods narrow the range from which the company must select its final price. In selecting that price, the company must consider additional factors, including the impact of other marketing activities, company pricing guidelines, gain-and-risk-sharing pricing and the impact of price on other parties. The final price must take into account the brand's quality and advertising relative to the competition. The price must be consistent with the firm's pricing guidelines. When a firm establishes pricing penalties, it must be done judiciously so as not to unnecessarily alienate customers. Sometimes, buyers may resist accepting a seller's proposal because of a high perceived level of risk. The seller has the option of offering to absorb part or all of the risk if it does not deliver the full promised value. Management must also consider the reactions of other parties to the contemplated price. For instance, the reaction of marketing intermediaries must be thought about. The reaction of the sales force must be taken note since they will be the ones to sell at that price in the marketplace. All these reactions might hold clues to fine tune the final price.

PRICING OBJECTIVES

A business firm will have a number of pricing objectives. Some of them are primary; some of them are secondary; some of them are long-term while others are short-term. However, all pricing objectives emanate from the corporate and marketing objectives of the firm.

Some of the pricing objectives are discussed below:

1. Pricing for a target return.
2. Pricing for market penetration.
3. Pricing for market skimming.
4. Discriminatory pricing.
5. Stabilising pricing.

1. Pricing for a Target Return

This is a common objective found with most of the established business firms. Here, the objective is to earn a certain rate of Return On Investment (ROI) and the actual price policy is worked out to earn that rate of return. The target is in terms of 'return on investment'. There are companies which set the target at, for example, 20% return on investment after taxes. The target may be for a short-term or a long-term. A firm also may have different targets for its different products but such targets are related to a single overall rate of return target.

2. Pricing for Market Penetration

When companies set a relatively 'low price' on their new product in initial stages hoping to attract a large number of buyers and win a large market-share it is called penetration pricing policy. They are more concerned about growth in sales than in profits. Their main aim is capturing and to gain a strong foothold in the market. This object can work in a highly price sensitive market. It is also done with the presumption that unit cost will decrease when the level of sales reach a certain target. Besides, the lower price may make competitors to stay out. When market share increases considerably, the firm may gradually increase the price.

3. Pricing for Market Skimming

Many companies that launch a new product set 'high prices' initially to skim the market. They set the highest price they can charge given the comparative benefits of their product and the available substitutes. After the initial sales slow down, they lower the price to attract the next price-sensitive layer of customers.

4. Discriminatory Pricing or 'Ability to Pay' Pricing

Some companies may follow a differential or a discriminatory pricing policy-charging different prices for different customers or allowing different discounts to different buyers.

Discrimination may be practiced on the basis of product or place or time. For example, doctors may charge different fees for different patients; railways charge different fares for usual passengers and regular passengers/ students. Manufacturers may offer quantity discounts or quote different list prices to bulk-buyers, institutional buyers and small buyers.

5. Stabilising Pricing

The objective of this pricing policy is to prevent frequent fluctuations in pricing and to fix uniform or stable price for a reasonable period. When price is revised, the new price will be allowed to remain for sufficiently a long period. This pricing policy is adopted, for example, by newspapers and magazines.

FACTORS INFLUENCING PRICING

Price is influenced by both internal and external factors. In each of these categories some may be economic factors and some psychological factors; again, some factors may be quantitative and yet others qualitative.

Internal Factors Influencing Pricing

- Corporate and marketing objectives of the firm. The common objectives are *survival, current profit maximization, market-share leadership* and *product-quality leadership*.
- The image sought by the firm through pricing.
- The desirable market positioning of the firm.
- The characteristics of the product.
- Price elasticity of demand of the product.
- The stage of the product on the product life cycle.
- Turn around rate of the product.
- Costs of manufacturing and marketing.
- Product differentiation practiced by the firm.
- Other elements of marketing mix of the firm and their interaction with pricing.
- Consumption of the product line of the firm.

External Factors Influencing Pricing

- Market characteristics.
- Buyers behaviour in respect of the given product.
- Bargaining power of the customers.
- Bargaining power of the major suppliers.
- Competitor's pricing policy.
- Government controls/ regulations on pricing.
- Other relevant legal aspects.
- Social considerations.
- Understanding, if any, reached with price cartels.

Internal Factors

The internal factors, as the term implies, are mostly internal to the organization and therefore, largely controllable by the organization. They also have a direct bearing on the firm's pricing decision. The following are the important internal factors that must considered in pricing a firm's product/service.

- ***Marketing objectives*** – Before setting price, the firm must decide on its strategy for the product. This reiterates the idea that the corporate strategy must precede the marketing strategy and then marketing strategy must precede the pricing strategy. If the firm has selected its target market and positioning carefully, then its marketing-mix strategy (i.e. the 4 *P*s) will be fairly straightforward. For example, if the Coimbatore-based Paramount Airways decides to target the corporate/business travelers with its single-class airplanes, this suggests charging a high price. Whereas, a no-frills, low cost carrier would charge a low price, as dictated by its targeting and

positioning. Thus pricing strategy is largely determined by past decisions on marketing strategy. At the same time, the firm may seek additional objectives. The clearer a firm is about its marketing objectives, the easier it is to set price. Some of the common objectives include survival, current profit maximization, market-share leadership and product-quality leadership.

- ***Other objectives*** – Sometimes a firm might set prices so low as to prevent competition from entering the market as they might lead the competition to regard the market as less attractive. Non-profit organizations may adopt a number of other pricing objectives such as full cost recovery, partial cost recovery or set a social price geared to the distributed income situations of different clients.

- ***Marketing-mix strategy*** – Price is only one of the marketing-mix elements that a firm uses to achieve its marketing objectives. Therefore, logically pricing decisions must be coordinated with product design, distribution and promotion decisions to form a consistent and effective marketing program. Decisions made for other marketing-mix elements may affect pricing decisions. For instance, the decision to position the product on quality plank will imply that the seller must charge a higher price to cover higher costs and/or to match the price-quality perception in the mind of the customers. It is common for marketers to design a price position wherein a target cost is set, then met and the target price is set. However some marketers deemphasize price and use other marketing-mix elements to create non-price positions. The marketer must consider the total marketing mix when setting prices. If the product is positioned on non-price factors, then decisions about quality, promotion and distribution will strongly affect price. If price is a crucial positioning factor, then price will strongly affect decisions made about the others marketing-mix elements. In most cases, the company will consider all of the marketing-mix decisions together when developing the marketing program.

- ***Costs*** – Though this topic was dealt with earlier in this lesson, some finer aspects related to costs are described here. Costs set the floor for the price that the firm can charge for its product. A firm’s costs may be an important element in its pricing strategy. The firm wants to charge a price that both covers all its costs for producing, distributing and selling the product and delivers a fair rate of return for its effort and risk. The types of costs were explained earlier. To price wisely, managers need to know how costs vary with different levels of production. The concept of economies of scale comes into play here. Also, costs vary as a function of production experience. There is a drop in the average cost with accumulated production experience and this is attributed to the experience curve or the learning curve. Consider the semiconductor industry as an example. It has a strong experience curve effect. As a given chip is produced, manufacturing speeds go up, defect rates

drop and costs plummet. These effects are seen dramatically in the PC market, where computing power increases and costs drop every year.

* ***Organisation for pricing*** – Management must decide who within the organization should set prices. Firms handle pricing in a variety of ways. In small firms, prices are often set by top management rather than by the marketing or sales departments. In large firms, pricing typically is handled by product line managers. In industrial markets, salespeople may be allowed to negotiate with customers within certain price ranges. Even so, top management sets the pricing objectives and policies, and it often approves the prices proposed by lower-level management or salespeople. In industries where pricing is a key factor, companies will often have a pricing department to set the best prices or help others in setting them. Others who have an influence on pricing decisions include sales managers, production managers, finance managers and accountants.

External Factors

The external factors, as the term implies, are external to the organization and therefore, treated as uncontrollable by the organization. They have an indirect, but definite bearing on the firm's pricing decision. The following are the important external factors that must considered in pricing a firm's product/service.

* ***Nature of the market and demand*** – While costs set the lower limit of prices, the market and demand set the upper limit. Buyers balance the price of a product or service against the benefits of owning it. Therefore, before setting prices, the marketer must understand the relationship between price and demand for his product. Price-demand relationship varies for different types of markets and how buyer perceptions of price affect the pricing decision. Economists recognize four types of markets, viz. pure competition, monopolistic competition, oligopolistic competition and pure monopoly. Each presents a different pricing challenge and pricing freedom.

    - Under pure competition, the market consists of many buyers and sellers trading in a uniform commodity. A seller cannot charge more than the going price because buyers can obtain as much as they need at the going price. Nor would sellers charge less than the market price because they can sell all they want at this price.

    - Under monopolistic competition, the market consists of many buyers and sellers who trade over a range of prices rather than a single market price. A range of prices occurs because sellers can differentiate their product/service offering to buyers. Buyers see differences in sellers' offerings and will pay different prices for them.

- Under oligopolistic competition, the market consists of a few sellers who are highly sensitive to each other's pricing and marketing strategies. The product may be uniform (as a commodity) or non-uniform. Each seller is alert to competitors' strategies and moves. An oligopolist is never sure that it will gain anything permanent through a price cut or a price hike.

- In a pure monopoly, the market consists of one seller. The seller may be a government monopoly (the Indian Postal service), a private regulated monopoly (a power company) or a private non-regulated monopoly (e.g. Sify, when it introduced Virtual Private Networks for corporate users). Pricing is handled differently in each case. A government monopoly can set the price below cost to make the product/service affordable, or set price to recover costs or set a high price to slow down consumption (an instance of demarketing). In a regulated monopoly, the government permits the firm to set rates that will yield a fair return. Non-regulated monopolies are free to price at what the market will bear. However, they will be careful not to attract competition nor invite government regulation.

The price-demand relationship must also be studied before taking the price decision. Each price the firm might charge will lead to a different level of demand. The relation between the price charged and the resulting demand level is described as the Demand curve. In the normal case, demand and price and inversely related. For 'prestige' goods, raising the price may result in more sales. In measuring the price-demand relationship, the marketer must not allow other factors affecting demand to vary. They also need to know price elasticity, that is, how responsive demand will be to a change in price. If demand hardly changes with a small change in price, the demand is said to be inelastic. If demand changes greatly, it is said to be elastic. Price elasticity of demand is determined by many situations. For example, buyers are less price sensitive when the product they are buying in unique or when it is high in quality, prestige or exclusiveness. They are also less price sensitive when substitute products are hard to find or when they cannot easily compare the quality of substitute products. Buyers are less price sensitive when the total expenditure for a product is low relative to their income or when the cost is shared by another party.

✶ ***Competition:*** Another external factor affecting the company's pricing decisions are competitors' costs and prices and possible competitor reactions to the company's own pricing moves. For so-called commodities (i.e. virtually undifferentiated products), all competitors generally charge identical prices. If one goes above the market price, sales will drop off sharply; if one goes below, all others are likely to follow or risk significant reductions in market share. How much any individual firm is constrained by competitors' prices, therefore, depends largely on how differentiated its product is. A product that is set apart from other market offerings by its functional design,

appearance, brand image and the supplier's reputation for service and availability in ways that have value to customers can command a price premium. There are circumstances, however, in which firms will price over competitive levels even though the price differences are not really justified by superior product quality and service. A company may consciously elect, for example, not to meet competitive prices in a strategy of 'milking' the business, that is, yielding market share and gradually withdrawing from the market. It may continue to sell profitably for some time to its loyal customers, in the mean time gradually cutting back on selling and promotional expenses until it eventually phases out of the market. Some companies may choose not to price competitively because to do so would mean selling below cost. These so-called marginal firms eventually go out of business. Some large companies may not elect to meet the low price of a smaller competitor because to do so might mean giving up unit profits on a large sales base. It may be less costly in the short run to hold prices and give up some small percentage of market share.

In the long run, the smaller competitor encroaches increasingly on the market positions of its major competitors until it becomes, itself, a major factor. Under shortage conditions, some firms may price opportunistically above prevailing market levels, knowing that demand far exceeds available supply and that some buyers will pay the high price. Finally, some firms may unknowingly be underpriced by competitors on some of their products. These products may be part of a broad line and the reporting system may not allow for monitoring the sales-profit performance of each item on the list. Thus the company may be losing sales and market position because of price and never realize, until too late, that the business has gone to more aggressive competitors. Generally, pricing strategies must inevitably be shaped with regard for present and future competition. In this respect, there is significant pricing interdependency among firms in an industry with each being heavily influenced by others' strategies and tactics. Some firms follow price trends; others, the larger ones, seek to lead them. Accordingly, in contemplating price changes, the marketing manager will often seek to anticipate competitive responses.

- ***Other environmental factors:*** When setting prices, the firm also must consider other factors in its external environment. Economic conditions can have a strong impact on the firm's pricing strategies. Economic factors such as inflation, boom or recession, and interest rates affect pricing decisions because they affect both the costs of producing a product and consumer perceptions of the product's price and value. The firm also must consider what impact its prices will have on other parties in its environment. How will resellers react to various prices? The firm should set prices that give resellers a fair margin, encourage their support, and help them to sell the product effectively. The government is another important external influence on pricing decisions. In regulated industries such as utilities, transport and so on,

the government has the authority to approve or reject price changes. Finally, social concerns may have to be taken into account. In setting prices, a firm's short-term sales, market share and profit goals may have to be tempered by broader societal considerations.

PRICING METHODS

New Product Pricing

Pricing a new product is an art. It is one of the most important and puzzling marketing problems faced by a firm. Pricing strategies usually change as the product passes through its life cycle. The introductory stage is especially challenging. Firms bringing out an innovative patent-protected product can choose between two options, viz. market skimming pricing and market-penetration pricing.

Market Skimming Pricing

A high initial price, together with heavy promotional expenditure, may be used to launch a new product if conditions are appropriate. For example:

(a) Demand is likely to be less price elastic in the early stages than later, since high prices are unlikely to deter pioneering consumers. A new product being a novelty commands a better price.

(b) If the life of the products promises to be a short one, a high initial price helps in getting as much of it and as fast as possible.

(c) Such a policy can provide the basis for dividing the market into segments to differing elasticities. Bound edition of a book is usually followed by a paper back.

(d) A high initial price may be useful if a high degree of production skill is needed to make the product so that it is difficult and time consuming for competitors to enter on an economical basis.

(e) It is a safe policy where elasticity is not known and the product not yet accepted. High initial price may finance the heavy costs of introducing a new product when uncertainties block the usual sources of capital.

Market Penetration Pricing

In certain conditions, it can be successful in expanding market rapidly thereby obtaining larger sales volume and lower unit costs. It is appropriate where:

(a) there is high short-run price elasticity;
(b) there are substantial cost savings from volume production;
(c) the product is acceptable to the mass of consumers;

(d) there is no strong patent protection; and

(e) there is a threat of potential competition so that a big share of the market must be captured quickly.

The objective of low penetration price is to raise barriers against the entry of prospective competitors. Stay-out pricing is appropriate:

i) where the total demand is expected to be small. If the most efficient size of the plant is big enough to supply a major portion of the demand, a low-price policy can capture the bulk of the market and successfully hold back low-cost competition.

ii) when potential of sales appears to be great, prices must be set at their long-run level. In such cases, the important potential competitor in a large multi-product firm for whom the product in question is probably marginal. They are normally confident that they can get their costs down to competitor's level if the volume of product is large.

Product-Mix Pricing

The strategy for setting a product's price often has to be changed when the product is part of a product mix. In this case, the firm looks for a set of prices that maximizes the profits on the total product mix. This pricing is difficult because the various products have related demand and costs and face different degrees of competition.

- ***Product-line pricing**:* In product line pricing, management must decide on the price steps to set between the various products. The price steps should take into account cost differences between the products, customer evaluations of their different features and competitors' prices.

- ***Optional-product pricing**:* Many firms use this strategy by offering to sell optional or accessory products along with their main product. These firms have to decide which items to include in the base price and which to offer as options.

- ***Captive-product pricing**:* Producers of the main products often price them low and set high markups of the supplies. For a competitor who does not sell these supplies, he will have to price his product higher in order to make the same overall profit.

- ***By-product pricing**:* In producing certain products, there are by-products. Using by-product pricing, the manufacturer will seek a market for these by-products and should accept any price that covers more than the cost of storing and delivering them.

Product-bundle Pricing

Using this strategy, marketers combine several of their products and offer the bundle at a reduced price. Price bundling can promote the sales of products consumers might not buy otherwise, but the combined price must be low enough to get them to buy the bundle.

Discriminatory Pricing

Firms will often adjust their basic prices to allow for differences in customers, products and locations. In discriminatory pricing, the firm sells a product or service at two or more prices, even though the difference in prices is not based on differences in costs. Discriminatory pricing takes many forms as indicated below:

- ***Customer-segment pricing*** – Different customers pay different prices for the same product or service.
- ***Product-form pricing*** - Different versions of the product are priced differently, but not according to differences in their costs.
- ***Location pricing*** – Different locations are priced differently, even though the cost of offering in each location is the same.
- ***Time pricing*** **-** Prices vary by the season, month, day and even hour.

Psychological Pricing

It applies the belief that certain prices or price ranges make products more appealing to buyers than others. In using psychological pricing, sellers consider the psychology of prices and not simply the economics.

Value Pricing

During slow-growth times, many firms try to shift consumer attitudes toward quality and value. Value pricing is offering just the right combination of quality and good service at a fair price. In many cases, value pricing has involved redesigning existing brands in order to offer more quality for a given price or the same quality for less.

Promotional Pricing

In promotional pricing, a lower-than-normal price is used as a temporary ingredient in a firm's selling strategy. Sometimes may be to introduce a promotional model or brand with special pricing to begin competing in a new market.

Geographical Pricing

Geographical considerations strongly influence prices when costs must cover shipping heavy, bulky, low-unit-cost materials. Buyers and sellers can distribute transportation expenses in several ways: (1) The buyer pays all transportation charges; (2) The seller pays all transportation charges; or (3) the buyer and the seller share the charges. This choice has particularly important effects for a firm seeking to expand its geographic coverage to distant markets.

International Pricing

A wide variety of internal and external conditions can affect a marketer's global pricing strategies. Internal influences include the firm's goals and marketing strategies, the costs of developing, producing and marketing its products, the nature of the products and the firm's competitive strengths. External influences include general conditions in international markets, especially those in the firm's target markets, regulatory limitations, trade restrictions, competitors' actions, economic events, customer characteristics and the global status of the industry.

PRICING PROCEDURE

The pricing procedure usually involves the following steps:

1. Development of Information Base

The first step in determining the basic price of a company's product(s) is to develop an adequate and up-to-date information base on which price decisions can be based. It is composed of decision-inputs such as cost of production, consumer demand, industry prices and practices, government regulations.

2. Estimating Sales and Profits

Having developed the information base, management should develop a profile of sales and profits at different price levels in order to ascertain the level assuring maximum sales and profits in a given set of situation. When this information is matched against pricing objectives, management gets the preview of the possible range of the achievement of objectives through price component in the marketing-mix.

3. Anticipation of Competitive Reaction

Pricing in the competitive environment necessitates anticipation of competitive reaction to the price being set. The competition for company's product(s) may arise from similar products, close substitutes. The competitor's reaction may be violent or subdued or even none. Similarly, the reaction may be instant or delay. In order to anticipate such a variety of reactions, it is necessary to collect information about competitors in respect of their production capacity, cost structure, market share and target consumers.

4. Scanning the Internal Environment

Before determining the product price it is also necessary to scan and understand the internal environment of the company. In relation to price the important factors to be considered relate to the production capacity sanctioned,

installed and used, the ease of expansion, contracting facilities, input supplies, and the state of labour relations. All these factors influence pricing decisions.

5. Consideration of Marketing-mix Components

Another step in the pricing procedure is to consider the role of other components of the marketing-mix and weigh them in relation to price. In respect of product the degree of perishability and shelf-life, shape the price and its structure; faster the perishability lower is likely to be the price.

6. Selection of Price Policies and Strategies

The next important step in the pricing procedure is the selection of relevant pricing policies and strategies. These policies and strategies provide consistent guidelines and framework for setting as well as varying prices to suit specific market and customer needs.

7. Price Determination

Having taken the above referred steps, management may now be poised for the task of price determination. For determination of price, the management should consider the decision inputs provided by the information base and develop minimum and maximum price levels. These prices should be matched against the pricing objectives, competitive reactions, government regulations, marketing-mix requirements and the pricing policies and strategies to arrive at a price. However, it is always advisable to test the market validity of its price during test marketing to ascertain its match with consumer expectations.

REVIEW QUESTIONS:

1. Define Price.
2. What is pricing policy? Explain the steps in developing the pricing policy.
3. What are the pricing objectives? Explain.
4. Explain the factors influencing pricing.
5. Describe the pricing methods for new products.
6. Explain the different types of product-mix pricing.
7. What is discriminatory pricing? What are its forms?
8. Write note on psychological pricing, value pricing and promotional pricing.
9. What is geographical pricing and international pricing?
10. Describe the procedure for fixing the price.

UNIT-V

PLACE MIX

CHANNEL DECISIONS

DEFINITION

Cundiff E.W. and Still R.S. define a marketing channel as "a path traced in the direct or indirect transfer of title to a product, as it moves from a producer to ultimate consumers or industrial users."

Philip Kotler defines a marketing channel as "the set of firms and individuals, that take title, or assist in transferring title, to the particular goods or services as it moves from the producer to the consumers."

A distribution channel is "a set of interdependent organisations involved in the process of making a product or service available for use or consumption by the consumer of business user."

Thus, it may be noted that every marketing channel contains one or more of the 'transfer points' at each of which there is either an institution or a final buyer of the product. From the view point of the producer, such a network of institutions used for reaching a market is known as a marketing channel.

CHANNEL FUNCTIONS

The primary purpose of a distributive channel is to bridge the gap between producers and users by removing differences between supply and demand. For this, certain essential functions need to be performed. They are:

1. *Information:* gathering and distributing marketing research and intelligence information about actors and forces in the marketing environment needed for planning and aiding exchange.

2. *Promotion:* developing and spreading persuasive communications about an offer.

3. *Contact:* finding and communicating with prospective buyers.

4. *Matching:* shaping and fitting the offer to the buyer's needs, including such activities as manufacturing, grading, assembling and packaging.

5. *Negotiation:* reaching an agreement on price and other terms of the offer so that ownership or possession can be transferred.

Others help to fulfill the completed transactions:

6. *Physical distribution:* transporting and storing goods

7. *Financing:* acquiring and using funds to cover the costs of the channel work.

8. *Risk taking:* assuming the risks of carrying out the channel work.

MAJOR CHANNELS OF DISTRIBUTION

There are a number of channels of distribution available to the producer which may be employed by him to bring his products to the market.

Distribution of Consumer Goods

Consumer goods may be distributed generally through various channels. The channels used are:

i) Producer to Consumer.
ii) Producer-Retailer-Consumer.
iii) Producer-Wholesaler-Retailer-Consumer.
iv) Producer-Wholesaler-Jobber-Retailer-Consumer.

Distribution of Industrial Goods

Industrial goods are distributed by manufacturer, through four important channels, although he may also use his sales branch or sales office for the purpose.

i) Producer-Industrial User: Through this direct channel are sold, large installations like generators, plants etc. to the users.
ii) Producer-Industrial distributor-User: Through this channel are sold operating supplies and small accessory equipment, such as building materials, construction equipment, air-conditioning equipment.
iii) Producer-Agent-User: This channel is often used when a new product is introduced, or a new market is entered.
iv) Producer-Agent-Industrial distributor-User.

FACTORS AFFECTING THE CHANNELS OF DISTRIBUTION

The best channel is one that works best in the marketing strategy selected by the company. The channel chosen should achieve ideal market exposure and should meet target customer's needs and preferences.

The channel choice is influenced by -

- Distribution Policy
- Product Characteristics
- Supply Characteristics
- Customer Characteristics
- Middlemen Characteristics
- Company Characteristics
- Environmental Characteristics

- Cost of Channel

Distribution Policy

A firm's distribution policy may be of intensive distribution, selective distribution or exclusive distribution.

Intensive distribution refers to maximum distribution through every possible type of outlet. This policy requires the use of more than one channel to reach the target market with many intermediaries.

Selective distribution is the sale of product through only those outlets which will be able to sell more product.

Exclusive distribution involves granting of exclusive rights to the channel member to distribute the products. Thus, the distribution policy of the firm decides the choice of a channel.

Product Characteristics

The product characteristics such as the use of the product, its frequency of purchase, perishability, value, the service required etc. decide the channel. For example, perishable products require more direct marketing; convenience goods such as soaps, match box which are frequently purchased and low unit value require long channel. Shopping goods such as refrigerator require selective channel.

Supply Characteristics

Small number of producers, geographically concentrated use short channel. If the number of producers are large, and geographically dispersed, they use long channel.

Customer Characteristics

Customer characteristics such as their number, geographical dispersion, frequency and regularity of purchase greatly influence the channel selection.

Middlemen Characteristics

The choice of channel is also depends on the strengths and weaknesses of various types of middlemen performing various marketing functions. Their behavioural differences, product lines, the number and locations affect the choice of the channel.

Company Characteristics

The choice of channel is also influenced by company characteristics such as its financial position, size, product mix, past channel experience etc. The company marketing policies such as speedy delivery, after-sales service etc. also influence the choice of channels.

Environmental Characteristics

Environmental characteristics such as economic conditions and law also influence the channel selection. For example, when economic conditions are depressed the producers prefer shorter channels to reduce cost.

Cost of Channel

As each channel will be doing some of the marketing functions, the cost of performing such marketing functions at each distribution level and the total cost of performing the entire marketing task has an influence in the choice of the channel. Those channels which ensure efficient distribution at least expense and which secure the desired volume of sales should be chosen.

MARKETING INTERMEDIARIES

The middlemen mainly, comprised of wholesalers and retailers. The word 'wholesaler' means 'to market goods in relatively larger quantities and who usually does not sell to ultimate consumers'.

Services Rendered by the Wholesaler to the Manufacturers

1. Securing orders from large number of retailers.
2. Reducing the manufacturer's need for carrying large stocks and incurring warehousing expenses.
3. Saving the manufacturer from the risk of credit sales with numerous customers.
4. Participation in sales promotion and advertising tasks of the manufacturers.
5. Acting as the interpreter of consumer needs and opinions.
6. Helping the manufacturers for continuous production.
7. Taking over the marketing functions from the manufacturer, thus enabling him to concentrate on production.

Services to the Retailers

1. Relieving the retailers to hold large stocks.
2. Prompt delivery of goods to the retailers.
3. The wholesaler who specialists in one line of goods can offer better advise to the retailer regarding the quality of goods.
4. Grant credit to the retailers.

5. Informing and influencing the retailers to buy new products.
6. Sharing the risk involved in marketing.

Retailers

Retailer is the last link in the channel of distribution. He sells the commodities to the ultimate customer. As an intermediary between the manufacturer/ wholesaler and the consumer he is performing the following services.

1. He makes available wide assortment of goods to the consumers.
2. He keeps ready stock to meet the day to day demands of the customers.
3. He brings new products and new varieties to the consumers.
4. He offers expert advise to the consumers regarding suitability of product.
5. He is able to ascertain first hand needs and requirements and reactions of consumers.
6. He undertakes sales promotion activities.
7. He extends credit facilities.
8. He maintains personal contact with consumers and exercises considerable influence on their buying decisions.

Elimination of Middlemen

Middlemen are used by the manufacturers because they can perform the marketing functions more economically and more effectively than the manufacturer at a given cost.

Further the manufacturer does not have the ability to perform those functions and/or because he does not possess adequate financial resources to perform them effectively. Even those producers who have required financial resources to sell directly to final consumers often can earn a greater return by increasing their investment in other aspects of business. The element of risk also arises here. Direct selling involves owning warehouses, delivery equipments and sales personnel. These involve fixed costs and increase the risk. But if middlemen are used, these risks are borne by the middlemen. These middlemen by virtue of their specialisation and experience may do the job better than the producer.

It is a wrong notion to believe that goods are marketed cheaply when middlemen are not used. The elimination of middlemen does not mean the elimination of the marketing functions. The functions are to be performed and the issue is who should perform it is largely one of relative efficiency and effectiveness. Therefore, one of the reasons the producer does not choose to perform a number of specific marketing functions is that the middlemen through their specialisation may perform it at less cost. Hence it is not possible to eliminate the middlemen from the channel and it is wrong to blame them as parasites on the society by pointing to the difference between the final price and the producers' price. It is only when the middlemen take advantage of shortage and consumer ignorance and exploit them, they can be termed as parasites.

RETAILING ESTABLISHMENTS

House-to-House Selling

House-to-house selling is also known as 'Home selling' or 'Door-to-door selling'. Under this method, salesperson directly meets the customers in their homes to promote the new products and to popularise existing products extensively as well as intensively. It is flexible method and no fixed investment is involved for a retail store at a specific place. It is convenient method of buying to consumers, in many cases after demonstration.

Marketing by Mail Order

Mail order marketing also known as Mail Order Business is one of the popular method. Under this method, the prospective consumers become aware of the product through information furnished by the products through the print media or through broadcast or through direct mail. Interested consumers respond by placing order through mail to the suppliers. The products are supplied to the consumer by mail and payment made either by VPP or by cheque.

Vending Machines

Vending machines enable the producers to supply the products to the consumers through machine without employing salesmen. Usually products which belong to the 'buy on impulse' category like soft drinks, ice creams, cigarette etc. are marketed through this method.

Independent Stores

Independent stores are retail shops marketing the products to the consumers. They have the following advantages.

- Personal relationship with customers
- Location at convenient places to the customers
- Greater flexibility in working

- Catering for more individualistic need
- Personal supervision
- Prompt and quick decisions
- Better services

Department Stores

A department store is defined as 'a retail institution that handles a wide variety of merchandise grouped into well defined departments for purposes of promotion, service, accounting and control'. It is capable of supplying all the requirements of the customer under a single roof.

Main features of department stores are:

a) A wide variety of goods;
b) Departmental organisation;
c) Large size.

Advantages

- Centralised location.
- Availability of a wide range of goods in one location.
- Convenience of shopping for consumers.
- Being a large organisation it can get the economies of large-scale procurement.
- It can afford to have effective advertisement and can derive economics of large scale advertisement.
- It can offer better sales services.

Drawbacks

- High cost of doing business.
- Limited personal attention to customers.
- Need for higher capital.
- Higher mark-up in prices.
- Dependence on hired employees.

Chain Stores or Multiple Shops

'A chain store system consists of a number of retail stores which sell similar products, are centrally owned and are operated under one management'. The various stores may be located in the various localities of a city or may be spread over a number of cities in the country.

Advantages to the Manufacturer or Owner of the Chain

- Low operational expenses.
- Low cost of goods.
- Uniformity in prices.
- Standardised methods of operation.

- Multiplication of selling points.
- Low investments in inventory.
- Proximity to customers.

Advantages to Customers

- Easy accessibility.
- Elimination of middlemen's profits.
- Assured quality.
- Uninterrupted supply.
- Direct contact.

Disadvantages

- Problems relating to personnel and supervision.
- Inflexibility in operations.
- Rise in distribution cost.
- Limited varieties.

Super Market

A supermarket is defined as 'a large retailing business unit with wide variety and assortments, self-service and heavy emphasis on merchandise appeal'.

Advantages

- Supermarket stocks a wide variety of assortments of goods.
- Prices are normally low.
- It operates on the principle of self-service.
- It is a low cost retail institution.

Limitations

- It can operate in the area of concentration of buyers.
- It has to face the problem of personnel and supervision.

PROMOTION MIX

Marketing communications is one of the four major elements of the company's marketing mix. Marketers must know how to use advertising, sales promotion, direct marketing, public relations, and personal selling to communicate the product's existence and value to the target customers.

Developing the promotion program involves eight steps. The communicator must first identify the target audience and its characteristics, including the image it carries of the product. Next the communicator has to define the communication objective, whether it is to create awareness, knowledge, liking, preference, conviction, or purchase. A message must be designed containing an effective content, structure, format, and source. Then communication channels both personal and non-personal must be selected. Next,

the total promotion budget must be established. Four common methods are the affordable method, the percentage-of-sales method, the competitive-parity method, and the objective-and task method.

The promotion budget should be divided among the main promotional tools, as affected by such factors as push-versus-pull strategy, buyer readiness stage, product life-cycle stage and company market rank. The marketer should then monitor to see how much of the market becomes aware of the product, tries it, and is satisfied in the process. Finally, all of the communications effort must be managed and coordinated for consistency, good timing, and cost effectiveness.

ADVERTISING

The main purpose of promotion is to attract customers and stimulate them to act in the desired manner. The need for promotional activities has been recognised by the marketer for the following reasons:

i) The physical separation of the consumers and producers and an increase in the number of potential customers.

ii) Improvements in physical distribution facilities have expanded the area limits of the markets.

iii) Availability of a large number of wholesaling and retailing middlemen in the market.

iv) To restore the demand for the existing product when sales begin to decline.

A company's promotional program—called ***promotion mix***—consists of the specific blend of advertising, personal selling and sales promotion.

MEANING

The term 'advertising' originates from the Latin word 'adverto', which means to 'turn around'. Advertising, thus, denotes the means employed to draw attention towards any object or purpose. In the marketing context, advertising has been defined as, "an paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor". It is a component of firm's promotional mix. It is a common technique of mass selling. Publicity is different from advertising. Publicity is not normally paid for and sponsor could not be identified. It is not easily controlled by the firm. Advertising can have both long-term and short-term objectives.

OBJECTIVES OF ADVERTISEMENT

1. To inform and influence the buyers to buy the product and thereby increase the sales.
2. To introduce a new product to potential customers.

3. To influence the middlemen to store and handle the product.
4. It helps build up brand image and brand loyalty to the products.
5. Advertising may be necessary to publicise the changes made in prices, channels of distribution, any improvement made in the quality, size, weight and packing of the product.
6. It may be issued, sometimes, to compete with or neutralise competitor's advertising.
7. It helps build up corporate image.
8. In the case of mail order business, advertising does the selling job by itself.
9. By supplementing personal selling, advertising makes the job of sales force easier.
10. It helps increase the effectiveness of sales promotion campaign.
11. Finally, it encourages the creative arts and the artists.

Decision Areas in Advertising

The decision areas in advertising comprises of:

1. Identifying the target audience
2. Determining the response sought
3. Deciding the advertising objectives
4. Deciding the advertising budget
5. Deciding on the advertisement copy
6. Deciding the media
7. Evaluating the effectiveness of advertisement.

IDENTIFYING TARGET AUDIENCE

A marketing communicator starts with a clear target audience in mind. The audience may be potential buyers or current users, those who make the buying decision or those who influence it. The audience may be individuals, groups, special publics or the general public. The target audience will heavily affect the communicator's decisions on *what* will be said, *how* it will be said, *when* it will be said, *where* it will be said, and *who* will say it.

DETERMINING THE RESPONSE SOUGHT

The stages involved in purchase-processes are *awareness, knowledge, liking, preference, conviction or purchase*. The target audience may be in any of the six stages and the marketing communicator needs to know where the target

audience now stands and to what stage he needs to be moved. This helps the marketer to develop a suitable promotional programmes.

DECIDING THE ADVERTISING OBJECTIVES

Advertising objectives are essential because it helps the marketer know in advance what they want to achieve and helps ensure effective development of advertising programmes and guides and controls decision-making in each area and at each stage.

DECIDING THE ADVERTISING BUDGET

Deciding how much money to be spent on advertising is not an easy task. The type of products involved, the competitive structure of the industry, legal constraints, environmental conditions etc. influence advertising expenditure. The decision cannot be taken by applying a standard formula. The answer varies from industry to industry and from company to company within the same industry. The same company's advertisement expenditure may differ from time to time.

Methods of Advertising Budget

(1) Affordable method

(2) Competitive parity method

(3) Percentage of sales method

(4) Objective and task method

Affordable Method

This method as the name indicates, rests on the principle that a firm will allocate for whatever it can afford. Usually small firms follow this method. Even the limited funds provided for advertising may get reallocated for other items depending upon the emergent requirements.

Competitive Parity Method

Under this method, the firms make their advertising budget comparable to that of their competitors. They simply do what others are doing.

Percentage on Sales Method

Under this method, the advertising budget is set in terms of a specified percentage of past year sales anticipated. The fact that different products/ brands at different stages of their life cycle will require varying levels of advertising support which is not taken into account by this method.

Another limitation is that the level of sales determines the level of advertising budget but the actual 'functional relationship' would seem to be the

reverse. Hence it is advisable that a percentage of projected sales be allocated rather than a percentage of previous year's sales.

Objectives and Task Method

In actual practice, marketers usually blend some of the well accepted methods to arrive at a compromise budget which is logical. In other words, the budget decision is closely linked up with the advertising objectives, the media decisions and copy decisions. These four decision areas in advertising interact among themselves and influence each other. The decision-making is an integrated process, which takes into account the total task of advertising to be performed.

DECIDING ON THE ADVERTISEMENT COPY

The term 'copy' includes every single feature that appears in the body of advertisement such as the written matter, picture, logo, label and designs.

Developing the copy is a creative process. It is an area where no rigid rules can be applied. Some essential qualities that must be present in a good advertisement are that it must be able to (i) attract the attention of audience (ii) arouse interest (iii) create desire and (iv) stimulate the action of buying. This is known as AIDA (Attention, Interest, Desire and Action).

Formulating the copy requires the consideration of the following:

(1) Message content - What to say?
(2) Message structure - How to say it logically?
(3) Message format – How to say it symbolically?
(4) Message source - Who should say it?

Message Content

The advertiser has to decide 'What to say' to the target audience to produce the desired response. The basis is 'advertising objectives'. Depending on the nature of the product and the target market, the message can have rational value, emotional value, moral value, educational value, attention value, humour value etc.

Message Structure

The structure deals with the organisation and arrangement of the various elements of a message. The communicator must decide how to handle three message-structure issues. The first is whether to draw a conclusion of leave it to the audience. The advertiser is better off asking question and letting buyers come to their own conclusions. The second message structure issue is whether to present a one-sided argument,or a two-sided argument. Usually one-sided arguments is more effective in sales presentations – except when audiences are highly educated. The third message-structure issue is whether to present the

strongest arguments first or last. Normally presenting them first gets strong attention.

Message Format

The marketing communicator also needs a strong format for the message. In a print advertisement, the communicator has to decide on the headline, copy, illustration, and color. To attract attention, advertisers can use novelty and contrast; eye-catching pictures and headlines; distinctive formats; message size and position; and color, shape and movement. If the message is to be carried over the radio, the communicator has to choose words, sounds and voices.

If the message is to be carried on television or in person, then all these elements plus body language have to be planned. Presenters plan their facial expressions, gestures, dress, posture and hair style. If the message is carried on the product or its package, the communicator has to watch texture, scent, color, size, and shape.

Message Source

The source of the message has great deal of persuasive influence on the buyers. The persuasive influence depends mainly on the credibility of the source.

Source factors such as level of expertise, trust worthiness and likeability usually decide the source's credibility with audience. *Expertise* is the degree to which the communicator has the authority to back the claim. Doctors, Scientists, and Professors rank high on expertise in their fields. For example, when a doctor is seen to render a message about a pain reliever, the receiver of the message is tempted to accept it as an authentic information. *Trustworthiness* is related to how objective and honest the source appears to be. If an audience perceives the source as sincere, honest and trustworthy, the source will be effective in communicating the message. *Likeability* is how attractive the source is to the audience; people like open humorous and natural sources. The most highly credible source is a person who scores high on all three factors.

DECIDING ON MEDIA

The communicator now must select channels of communication. There are two broad types of communication channels – personal and nonpersonal.

In ***personal communication channels***, two or more people communicate directly with each other. They might communicate face to face, over the telephone, or even through the mail. Personal communication channels are effective because they allow for personal addressing and feedback.

Nonpersonal communication channels are media that carry messages without personal contact or feedback. They include major media, atmospheres

and events. Major media include print media (newspapers, magazines, direct mail); broadcast media (radio, television); and display media (billboards, signs, posters).

Events are staged occurrences that communicate messages to target audiences. For example, public relations departments arrange press conferences, grand openings, shows and exhibits, public tours and other events.

FACTORS TO BE CONSIDERED WHILE CHOOSING MEDIA

Deciding on Reach, Frequency and Impact

To select media, the advertiser must decide what reach and frequency are needed to achieve advertising objectives. *Reach* is a measure of the percentage of people in the target market who are exposed to the advertisement campaign during a given period of time. *Frequency* is a measure of how many times the average person in the target market is exposed to the message. The advertiser also must decide on the desired *media impact* – the qualitative value of a message exposure through a given medium.

Choosing among Major Media Types

Media planners consider many factors when making their media choices. The *media habits of target consumers* will affect media choice – for example, radio and television are the best media for reaching teenagers. So will the *nature of the product* – fashions are best advertised in color magazines, and Polaroid cameras are best demonstrated on television. Different *types of messages* may require different media. A message announcing a major sale tomorrow will require radio or newspapers; a message with a lot of technical data might require magazines or direct mailings. Cost is also a major factor in media choice. Whereas television is very expensive, for example, newspaper advertising costs much less. The media planner looks at both the total cost of using a medium and at the cost per thousand exposures – the cost of reaching 1,000 people using the medium. Media impact and cost must be reexamined regularly.

Selecting Specific Media Vehicles

The media planner now must choose the best *media vehicles* – specific media within each general media type. For example, newspaper is the media and “The Hindu”, “Times of India” are vehicles. If advertising is placed in magazines, the media planner must look up circulation figures and the costs of different advertisement sizes, color options and positions and frequencies for specific magazines. Then the planner must evaluate each magazine on factors such as credibility, status, reproduction quality, editorial focus and advertising submission deadlines. The media planner ultimately decides which vehicles give the best reach, frequency and impact for the money.

Media planners also compute the cost per thousand persons reached by a vehicle. They would rank each magazine by cost per thousand and favour those magazines with the lower cost per thousand for reaching target consumers.

The media planner also must consider the costs of producing advertisements for different media. Whereas newspaper advertisements may cost very little to produce, flashy television advertisements may cost millions.

Thus, the media planner must balance media cost measures against several media impact factors. First, the planner should balance costs against the media vehicle's *audience quality*. Second, the media planner should consider *audience attention*. Third, the planner should assess the vehicle's *editorial quality*.

Deciding on Media Timing

The advertiser also must decide how to schedule the advertising over the course of a year. Suppose sales of a product peak in December and drop in March. The firm can vary its advertising to follow the seasonal pattern.

Finally, the advertiser has to choose the pattern of the advertisements, either continuous or pulsing. *Continuity* means scheduling advertisements evenly within a given period. *Pulsing* means scheduling advertisements unevenly over a given time period.

EVALUATING ADVERTISING EFFECTIVENESS

After sending the message, the communicator must research its effect on the target audience. This involves asking the target audience members whether they remember the message, how many times they saw it, what points they recall, how they felt about the message, and their past and present attitudes toward the product and company. The communicator also would like to measure behaviour resulting from the message – how many people bought a product, talked to others about it, or visited the store. Feedback on marketing communications may suggest changes in the promotion program or in the product offer itself.

Evaluating advertising effectiveness is not easy. In spite of the difficulty, firms resort to evaluation of advertising results. They try to assess how far the sales task and the communication task have been accomplished by advertising.

Copy tests are conducted during development process, at the end of actual production process (pre-test) and after the campaign is launched (post-testing) to find out the effectiveness.

Methods of Advertising Pre-testing:

- ***Direct rating:*** Under this test, advertiser exposes a consumer panel to alternative advertisements and asks them to rate the advertisements. These direct rating indicate how well the advertisements get attention and how they affect consumers. A high rating indicates a potentially more effective advertisement.

- ***Portfolio tests:*** Under this method, consumers view or listen to a portfolio of advertisements, taking as much time as they need. They then are asked to recall all the advertisements and their content, aided or unaided by the interviewer. Their recall level indicates the ability of an advertisement to stand out and its message to be understood and remembered.

- ***Laboratory tests:*** These tests use equipment to measure consumer's physiological reactions to an advertisement – heartbeat, blood pressure, pupil dilation, perspiration. These tests measure an advertisements attention getting power, but reveal little about its impact on beliefs, attitudes or intentions.

Methods of Advertising Post-testing:

- ***Recall tests:*** Under this the advertiser asks people who have been exposed to magazines or television programmes to recall everything they can about the advertisers and products they saw. Recall scores indicate the advertisement's power to be noticed and retained.

- ***Recognition tests:*** Under this test the researcher asks readers of a given magazine to point out what they recognise as having seen before. Recognition scores can be used to assess the advertisement's impact in different market segments and to compare the company's advertisements with competitor's advertisements.

SALES PROMOTION

Sales promotion is essentially a direct and immediate inducement that adds an extra value to the product, so that it induces the dealers and ultimate consumers to buy the product. It is defined as "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 offer non-recurrent selling efforts not in the ordinary routine".

Sales promotion measures are temporary promotion methods. It is practised as a catalyst and as supporting facility to advertising and personal selling.

NEED FOR SALES PROMOTION

Marketers resort to sales promotion to meet the following needs:

(1) To introduce new product.

(2) To overcome a unique competitive situation.

(3) To exhaust accumulated inventory.
(4) To overcome seasonal slumps.
(5) To get additional customers.
(6) To retain the existing customers.
(7) To supplement to the advertising effort.
(8) To supplement to the salesmen's effort.
(9) To persuade the salesmen to sell the full line of products.
(10) To persuade dealers to procure more.

The sales promotion effort may be aimed at consumers, traders/ dealers and salesmen.

Methods of Sales Promotion

The sales promotional methods aimed at consumers include:

(1) Samples
(2) Coupons
(3) Premiums
(4) Contests, Sweepstakes and Games
(5) Point of Purchase Promotion
(6) Discounts / Rebates
(7) Advertising Specialities
(8) Demonstrations
(9) Trade fairs and exhibitions

Samples:

Samples are offers of a trial amount of a product. Some samples are free; for others, the company charges a small amount to offset its cost. The sample might be delivered door to door, sent by mail, handed out in a store, attached to another product, or featured in an advertisement. Sampling is most effective – but most expensive – way to introduce a new product.

Coupons:

Coupons are certificates which offer price reductions to consumers during the subsequent purchase of same items. Coupons are distributed through newspapers and magazines, advertisements or even by direct mail. These are useful for introducing new product and to increase the sale of existing product.

Premium or Bonus Offer

An offer of a certain amount of product at free of cost to buyers who buy a specified amount of product is called premium offer or bonus offer. For example one silver spoon with Horlicks or plastic bucket with 1 kg of Surf powder. A premium may come inside the package or outside the package. If reusable, the package itself may serve as a premium.

Contests, Sweepstakes and Games

In *contest*, an opportunity is provided for consumers to participate in a contest with chances of winning cash prizes, goods, free air tickets, cricket match tickets etc. Contests take variety of forms such as quiz contest, beauty contest, car rallies, lucky draws etc. A *sweepstake* involves merely inclusion of the consumer's name or his bill number who buy more than the specified value of products in the drawing of prize winners. A *game* presents consumers with something – missing letters or completing a slogan – every time they buy, which may or may not help them win a prize.

Point of Purchase (POP) Promotion

Point of Purchase promotions include displays and demonstrations that take place at the point of purchase or sale. Attractive displays of products in the shelf space to induce the consumers to buy the product.

Discounts / Rebate

It is giving discount on certain products to induce buyers to buy the products. One could see grand discount sales during festival seasons on textiles, home appliances etc. to stimulate sales.

Instalment offer and credit sales are other popular methods of sales promotion.

Advertising Specialities

Companies also distribute gifts to customers such as pen, calendars, diaries, table decorations etc. which will carry companies name and logo.

Demonstration

Firms resort to product demonstrations when they introduce new products. Vacuum Cleaners is a best example. Demonstration may be done at retail stores, schools, homes and in trade fairs and exhibitions.

Trade Fairs and Exhibitions

Firms can introduce their products by displaying them in trade fairs and exhibitions to induce the buyers to buy the product. Especially in international marketing, international trade fairs play a vital role.

DEALER SALES PROMOTIONS

Trade promotion can persuade retailers or wholesalers to carry a brand, give it shelf space, promote it in advertising, and push it to customers. Shelf space is so scarce these days that manufacturers often have to offer price-offs,

allowances, buy-back guarantees, or free goods to retailers and wholesalers to get on the shelf and, once thereon, to stay on it.

Dealer sales promotions include:

(1) Buying allowance
(2) Promotional allowance
(3) Sales contest.

Buying Allowance

It involves an offer of a percentage off, on each minimum quantity of product purchased during a stated period of time by the dealer. The buying allowance is usually given in the form of cash discount or quantity discount.

Promotion Allowance

This is given to compensate the dealers for promotion expenses incurred by them. These include advertising allowance, display allowance etc.

The manufacturers may also issue advertisement or other publicity materials like calendars, key chains which carry the names of retailers who stock the product.

Sales Contest

It is a contest among the dealers in selling the product. The winners will be given prizes by the manufacturers. This is done to stimulate the distributions/ dealers.

SALES FORCE PROMOTIONS

The tools at sales force for sales promotion include:

i) Bonus
ii) Sales force contest
iii) Sales meetings

Bonus

A quota is set for sales force for a specific period. Bonus is offered to sales force on sales in excess of the quota.

Sales Force Contest

The contests are conducted among the sales force to stimulate selling and prizes are awarded to the top performers.

Sales Meetings

Sales meetings, conventions and conferences are conducted for the purpose of educating, inspiring and rewarding the salesmen. New products and new selling techniques are also described and discussed.

EVALUATION OF SALES PROMOTION

After spending a sizeable amount on sales promotion, it is very much essential that the company has to evaluate their sales promotional programmes. Companies can use one of many evaluation methods. The most common method is to *compare sales* before, during and after a promotion. Consumer research also would show the kinds of people who responded to the promotion and what they did after it ended. *Surveys* can provide information on how many consumers recall the promotion, what they thought of it, how many took advantage of it, and how it affected their buying. Sales promotions also can be evaluated through *experiments* that vary factors such as incentive value, length and distribution method.

Clearly, sales promotion plays an important role in the total promotion mix. To use it well, the marketer must define the sales-promotion objectives, select the best tools, design the sales-promotion program, pretest and implement the program, and evaluate the results.

PERSONAL SELLING

Personal Selling is the only promotional tool which involves the personal communication between buyer and the seller. Personal selling is specific and tailor made for the requirements of each customer. Promotional message could be easily made in consonance with the complex situations at the buyer's place. In other words, personal selling creates a climate for interaction between the parties that leads to an effective and timely resolution of the perceived buying need. In effect personal selling gives a quick response to the problem and the purchase action is carried out immediately in most of the occasions with an exception to industrial marketing. Personal selling is an active effort to communicate with high-potential buyers on a direct and face to face basis.

Sales people form the vital part of the personal selling measures. They provide key information to assist the companies in making purchase decisions. In this intense market driven competition, a buyer will not be satisfied unless he has had a conversation with the sales people before buying washing machines, cars, refrigeration etc. Depending on the type of industry and the company, the role of personal selling varies in promotional strategy adopted by the company. Those products which are complex, technical, etc. the role of personal selling becomes more important. In the case of mass based products, the promotional strategies involve mainly advertising. They also rely on personal selling since every time they bring out new products and hence introducing the new product to the dealer, customer etc. is taken care partly by the sales force.

The sales force serves as a critical link between a company and its customers. In many cases, salespeople serve both masters – the seller and the buyer. First, they *represent the company to customers*. They find and develop

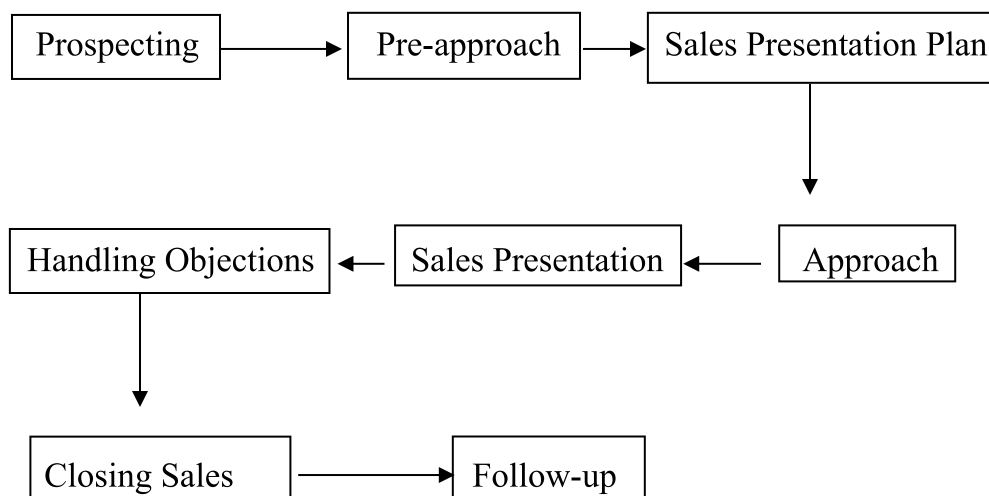
new customers and communicate information about the company's products and services. They sell products by approaching customers, presenting their products, answering objections, negotiating prices and terms, and closing sales. In addition, salespeople provide services to customers, carry out market research and intelligence work and fill our sales call reports.

At the same time, salespeople *represent customers to the company*, acting inside the firm as "champions" of customers' interests. Salespeople relay customer concerns about company products and actions back to those who can handle them. They learn about customer needs, and work with others in the company to develop greater customer value. Thus, the salesperson often acts as an "account manager" who manages the relationship between the seller and buyer.

As companies move toward a stronger market orientation, their sales forces are becoming more market focused and customer oriented. The old view was that salespeople should worry about sales and the company should worry about profit. However, the current view holds that salespeople should be concerned with more than just producing *sales* – they also must know how to produce *consumer satisfaction* and *company profit*. They should be able to look at sales data, measure market potential, gather market intelligence, and develop marketing strategies and plans. They should know how to orchestrate the firm's efforts toward delivering customer value and satisfaction. A market-oriented rather than a sales-oriented sales force will be more effective in the long run. Beyond winning new customers and makes sales, it will help the company to create long-term, profitable relationships with customers.

PERSONAL SELLING PROCESS

The sales process is a series of interrelated steps beginning with locating qualified prospective customers. From there on the sales person plans the sales presentation, makes appointment to see the customer, completes the sale and does post sales activities. This process is shown in the following figure:



1. Prospecting

Initially the sales person has to locate the list of prospective and potential customers. The sales person, may use external sources like references, contacts, community contacts, clubs etc. and internal sources like the records maintained by the company, inquiries, personal contacts and other sales seminars. After identifying the customers they have to be screened for locating the exact 'prospects'. If the prospect is worth calling irrespective of immediate gains or for the future purposes, he/she may be included in the list of prospective customers.

2. Pre-Approach

Sales person collects information about the prospect that will be used to formulate the sales presentation. Sales person understands the buyer needs, buyer motives and other details relevant for making the sales presentation. Care should be taken to avoid invasion of privacy and the details should be only to the knowing of intensity of purchase by the customers.

3. Sales Presentation Planning

The sales person must begin specifically stated objective for each sales presentation. The objectives could be order quantities, value of purchase, communication or agreements with the buyer. Sales person should be able to identify the benefits to be offered to the buyer for clinching the sale. Formats should be used for planning the sales presentation. A sales proposal may be developed after careful investigation of the prospect's needs. This is often combined with face to face presentations and question and answer periods. The sales person should draft the appropriate pace for presentation and identification of benefits and terms of sale to be discussed. He should also understand the extent of inquiry into the prospect's needs and decision making ability. The degree of interaction with the prospect must be well thought of. If need be, sales aids may be used. The actual selling begins as sales person seeks an interview with the prospect.

4. Approach

Approaching the customer is done in two phases: The first phase is getting an appointment for the sales interview. This will give a feeling of prospect's time importance. Appoints may be made over phone, mail or personal contact. In the second phase, the first few minutes of sales call harmonious atmosphere must be made like normal etiquette and courtesy with the prospect's, understanding the prospect's signals and informing about the benefit through the purchase of the product etc.

5. Sales Presentation

The sales person expands on the basic theme established in the first few minutes of the sales call or during the previous sales calls. In order to reduce the perception of risk in the prospect, the sales person should present himself or herself as the credible source of information. By dressing appropriately, showing the traits of honesty and integrity and able to listen to the prospect's

views are considered to be a credible source of information. Even quoting a third party for evidence, guarantees, warranties etc., would also add to the prospect's listening. The presentation should be having clarity of thought and the sales person should be able to handle objections and questions.

6. Handling Objections

Customers almost always have objections during the presentation or when asked to place an order. The problem can be either logical or psychological and objections are often unspoken. In *handling objections*, the salesperson should use a positive approach, seek out hidden objections, ask the buyer to clarify any objections, take objections as opportunities to provide more information, and turn the objections into reasons for buying. Every salesperson needs training in the skills of handling objections.

7. Closing the Sale

The sales person must be able to facilitate the prospect's decision making process towards making the purchase and to furnish the stimulus for the decision at the appropriate time. Several techniques like direct close, summary close, choice close etc. are available for the sales person to choose for closing the sale. Some sales people fear rejection and may hence avoid the stimulus for the purchase decision. The question of when to seek the completion of the sale is a judgement by the sales person with the assistance of the prospect. In this stage once the sale is closed the 'prospect' becomes the 'customer'.

8. Follow Up

In order to ascertain the delivery of the benefits and satisfaction guaranteed by the product and to establish a mutually satisfying long term relationship with the customers follow up is important. By expediting the orders, installing the product and after sales service may be the follow up activities. Building trust with the customer is important as it is achieved when the sales person is perceived as dependable, honest, competent, customer-oriented and likable. These customer expectations are reasonable and are controllable through recruitment, selection, training and supervision of sales personnel.

QUALITIES OF AN EFFECTIVE SALESPERSON

Most companies desire that certain essential personality traits, qualities, characteristics, aptitudes, attitudes and abilities should be possessed by the people whom they want to recruit to the sales force. However there is no standardised formula for listing the essential qualities such thing as the ideal sales personality. There are many kinds of selling jobs requiring different types of salesmen. So, the characteristics of salesmen usually varies from one sales position to another and also from company to company. This means, each company should make its own study of its selling job and decide the characteristics of its own sales force.

The majority of scholars feel that the following should be the essential characteristics of successful salesman:

1. Ambition
2. Enthusiasm
3. Cheerfulness
4. Sympathy
5. Patience and persistence
6. Tact
7. Hard work
8. Determination
9. Dependability
10. Integrity
11. Ability to ask questions
12. Ability to make quick and accurate spot judgements
13. Ability to provoke answer
14. Modest and confident answers to questions
15. Alertness
16. Sense of humour
17. Story telling ability
18. Ability of smile
19. Optimism
20. Right facial expression
21. Ability to mix easily with other people
22. Memory
23. Leadership
24. Power of observation
25. Acceptance of criticism
26. Habit of asking for the order
27. Knowledge of the company
28. Knowledge of the product
29. Knowledge of the prospect
30. Personal appearance.

In practice, it is difficult to find from a single individual all the above qualities. But still, the individual could develop the above qualities to become a better salesman.

SALES FORECAST

Any forecast can be termed as an indicator of what is likely to happen in a specified future time frame in a particular field. Therefore, the sales forecast indicates as to how much of a particular product is likely to be sold in a specified future period in a specified market at specified price.

Accurate sales forecasting is essential for a business house to enable it to produce the required quantity at the right time. Further, it makes the arrangement in advance for raw materials, equipment’s, labour etc. Some firms manufacture

on the order basis, but in general, firm produces the material in advance to meet the future demand.

Forecasting means estimation of quantity, type and quality of future work e.g. sales. For any manufacturing concern it is very necessary to assess the market trends sufficiently in advance. This is a commitment on the part of sales department and future planning of the entire concern depends on this forecast.

The management of a firm is required to prepare its forecast of share of the market that it can hope to capture over the period of forecasting. In other words, sales forecast is an estimate of the sales potential of the firm in future. All plans are based on the sales forecasts.

This forecast helps the management in determining as to how much revenue can be expected to be realised, how much to manufacture, and what shall be the requirement of men, machine and money.

Meaning and Definition

Sales forecasting is the process of estimating future sales. Accurate sales forecasts enable companies to make informed business decisions and predict short-term and long-term performance. Companies can base their forecasts on past sales data, industry-wide comparisons, and economic trends.

It is easier for established companies to predict future sales based on years of past business data. Newly founded companies have to base their forecasts on less-verified information, such as market research and competitive intelligence to forecast their future business.

Thus we can define sales forecasting as, estimation of type, quantity and quality of future sales. Goal for the sales department is decided on the basis of this forecast and these forecasts also help in planning future development of the concern. The sales forecast forms a basis for production targets.

Sales forecast can also been defined as, an estimate of sales in terms of money or physical units for a specified future period under a proposed marketing plan or programme and under an assumed set of economic and other forces outside the unit for which the forecast is made.

Sales forecasting gives insight into how a company should manage its workforce, cash flow, and resources. In addition to helping a company allocate its internal resources effectively, predictive sales data is important for businesses when looking to acquire investment capital. Sales forecasting allows companies to:

- Predict achievable sales revenue;
- Efficiently allocate resources;
- Plan for future growth.

Importance of Sales Forecasting

Sales forecasting is a very important function for a manufacturing concern, since it is useful in following ways:

(i) It helps to determine production volumes considering availability of facilities, like equipment, capital, manpower, space etc.

(ii) It forms a basis of sales budget, production budget natural budget etc.

(iii) It helps in taking decision about the plant expansion and changes in production mix or should it divert its resource for manufacturing other products.

(iv) It helps in deciding policies.

(v) It facilitates in deciding the extent of advertising etc.

(vi) The sales forecast is a commitment on the part of the sales department and it must be achieved during the given period.

(vii) Sales forecast helps in preparing production and purchasing schedules.

(viii) Accurate sales forecasting is a very good aid for the purpose of decision making.

(ix) It helps in guiding marketing, production and other business activities for achieving these targets.

Factors Considered for Sales Forecasting

Following factors should be considered while making the sales forecast:

1. Competition:

To assess demand, it is the main factor to know about the existing and new competitors and their future programme, quality of their product, sales of their product. Opinion of the customers about the products of other competitors with reference to the product manufactured by the firm must also be considered.

2. Changes in Technology:

With the advancement of technology, new products are coming in the market and the taste and the likings of the consumer's changes with the advancement and change of technology.

3. Government Action:

When the government produces or purchases then depending upon the government policy and rules, the sales of the products are also affected.

4. Factors Related to the Concern Itself:

These factors are related to the change in the capacity of the plant, change in price due to the change in expenditure, change in product mix etc.

Accurate sales forecasting is essential for a business house to enable it to produce the required quantity at the right time. Further, it makes the arrangement in advance for raw materials, equipment's, labour etc. Many firms manufacture on the order basis, but in general, every firm produces the material in advance to meet the future demand.

Types of Sales Forecasting

There are two types of forecasting:

1. Short-term forecasting and
2. Long-term forecasting.

1. Short-Term Forecasting:

This type of forecasting can be defined when it covers a period of three months, six months or one year. Generally, the last one is most preferred. The period is dependent upon the nature of business. If the demand fluctuates from one month to another, forecasting may be done only for a short period.

Purpose of Short-Term Forecasting:

- To adopt suitable production policy so that the problem of overproduction and short supply of raw material, machines etc. can be avoided.
- To reduce the cost of raw materials, machinery etc.
- To have proper control of inventory.
- To set the sales targets.
- To have proper controls.
- To arrange the financial requirements in advance to meet the demand.

2. Long-Term Forecasting:

The forecasting that covers a period of 5, 10 and even 20 years. The period here also depends upon the nature of business, but beyond 12 years, the future is assumed as uncertain. But in many industries like ship-building, petroleum refinery, paper making industries, a long term forecasting is needed as the total investment cost of equipment is quite high.

Purpose of Long-Term Forecasting:

- To plan for the new unit of production or expansion of existing unit to meet the demand.
- To plan the long-term financial requirements.
- To train the personnel so that man-power requirement can be met in future.

Methods Used for Sales Forecasting

Following are the methods generally employed for sales forecasting:

1. Survey of Buyers' Views:

This is direct method for making forecasting for short-term, in which the customers are asked what they are thinking to buy in near future say, in the coming year. In this method all the burden is with consumers, which may misjudge or mislead or may be uncertain about the quantity to be purchased by them in near future.

The disadvantages of this method are as follows:

- Consumer's buying intentions are irregular.
- When consumers have to select between different alternatives, they are unable to foresee their choices.
- Buyers may be anxious for purchasing the products but due to certain limitations they may be unable to purchase them.

2. Collective Opinion or Sales Force Polling:

In this method forecasting depends upon the salesman's estimation for their respective areas, because the sales-man are closest to the customers, hence can estimate more properly about the consumers' reaction about the product and their future requirements.

All the estimates of salesmen are consolidated to know the total estimate of the sales. This final estimate then goes through severs checking to avoid undue imagination which is done many times by the salesmen.

The revised estimates are then again examined in the light of factors like expected change in design, change in prices, advertisements, competition, purchasing power of local people, employment, population etc.

This method of collective opinion takes advantages of collective wisdom of salesmen, senior executives like production manager, sales manager, marketing officials and managers.

Advantages:

- This method is simple and requires no statistical technique.
- The forecasts are based on the knowledge of salesmen, who are directly responsible for the sales.
- In practice, this method is much useful in the case of new products.

Disadvantages:

- This method is useful only for short-term forecasting, i.e. maximum for one year.
- As the forecasting is dependent upon the salesmen's estimation and if sales quotas are fixed then they, in general under-estimate the forecast.
- As Salesmen have no knowledge about the economic changes, the estimate by them are not so correct many times.
- As the estimation is full time job, the quality to look into the future must be with the salesmen.

3. Trend Projections:

Well-established firms which have considerable data on sales, these data are arranged in a chronological order, known as 'time series'. Thus 'time series' are analysed before making the forecasts.

There is a common method known as 'Project the trend'. In this method the trend line is projected by some statistical method, generally, by least square method.

The time series forecasts are the demand characteristics over time. These time series data are analysed for forecasting future activity levels. Time series data refer to a set of values of some variables measured at the equally spaced time intervals such as monthly production levels, demands in the market etc.

4. Economic Indicators:

In this method the forecasting is dependent upon certain economic indicators, which are generally published by Central Statistical Organization under the national income estimates. Some of these indicators are:

1. Personal income for the demand of consumers' goods.

2. Agricultural income for the demand of agricultural inputs, implements etc.

3. Construction contracts sanctioned for demand of building materials.

4. Registration of automobiles for the demand of accessories, petrol's etc.

Elements of a Good Sales Forecasting

Following four elements are adopted as sales forecasting method:

1. Accuracy: The previous method must be checked for want of accuracy by observing that the predictions made in past are accurate or not.

2. Simplicity: The method must be simple and easily understandable. It should satisfy top management people.

3. Economy: For an undertaking, cost is a main factor so the method adopted should consider the minimum cost.

4. Availability: The technique must be able to produce meaningful results quickly. The technique which takes much time to produce useful information is of no use.

Applications of Sales Forecast

Sales forecast can be used for following purposes:

- It helps the management to decide marketing strategies.
- It helps in preparing the budget and for setting financial policies.
- With reliable sales forecast it is possible to produce at an average rate so that plant capacity and man power is fully utilized during the entire period. Thus the forecasting enables to overcome seasonal variations.
- It helps in material planning and avoids the evils of both the over-stocking and under stocking.
- From forecasts we can find out which product is more profitable and which should be manufactured and which should be dropped.
- Long range forecasts can predict future demand trends, which will enable the planning for expansion of the concern.
- It helps in finding out which territory needs more attention. Various sales programmes can be reassessed looking to their achievements.

REVIEW QUESTIONS:

1. Define channel. What are the functions of channels?
2. What are the major channels of distribution?
3. Briefly explain the factors affecting the channels of distribution.
4. What are the different types of marketing intermediaries?
5. What are the services rendered by the wholesalers and retailers?
6. Evaluate the merits and demerits of department stores and chain stores.
7. Describe the different formats of retailing establishments.
8. Define advertising. What are its objectives?
9. What are the different methods of advertising budget?

10. What are the types of advertising media? What are the factors to be considered in choosing the media?
11. How to evaluate the 'effectiveness of advertisement'.
12. Define sales promotion. What are its objectives?
13. Discuss the various methods of sales promotion.
14. How would you evaluate the effectiveness of sales promotion?
15. What is personal selling?
16. "Sales force serves as a critical link between a company and its customers" – Critically comment.
17. Describe the personal selling process.
18. What are the essential qualities of an effective salesperson.
19. Give the meaning of sales forecast and state its importance.
20. What are the factors to be considered for sales forecasting?
21. Explain the different types of sales forecasting.
22. Describe the methods used for sales forecasting.
23. Enumerate the elements of good sales forecasting.
24. State the uses and applications of sales forecasting.