

far as product is concerned it may any good, service or idea that satisfies a need or want. Good is a tangible item or object that can be seen and touched whereas service is an intangible product which can be felt. Idea can be defined as concept or philosophy. Non Government Organisations (NGOs) involved in various issues like crime prevention, drug prevention and environmental pollution etc., can be described as marketing ideas.

The marketing manager is someone who is perceived as demand stimulator for the organization's products. But actually his task is more than this popular perception of the people. He has to look into the level, timing and composition of demand in such a way so that the organization's objectives may be achieved. Through this discussion, it can be seen that marketing management is eventually demand management. Marketing managers can manage demand by carrying out research in marketing and then planning the products accordingly. They also decide about target markets, pricing, physical distribution and promotion of the product. The eminent writer Philip Kotler has quoted eight different states of demand and corresponding job of marketing managers there to. Let's discuss three different states of demand one by one.

(A) Negative Demand: When a particular product is disliked by the majority part of the market, it is a state of negative demand. Product like vaccinations, heart surgery and dental work etc. are often avoided by the consumers because of the negative feeling. The marketers task is to redesign the promotional programme and is to reposition the products in the mind of the consumers so that they are able to change their beliefs and attitude of the target market.

(B) No Demand: When the target consumers are either not aware about the product or they are not interested in the product. For example, an industrial house may not be aware about the new

LESSON-2

THE MARKETING ENVIRONMENT AND ENVIRONMENT SCANNING

STRUCTURE

- 2.0 Objective
- 2.1 Introduction
- 2.2 Definitions and meanings
- 2.3 Constituents of Marketing Environment
 - 2.3.1 Internal Environment
 - 2.3.2 External Environment
- 2.4 Environmental Scanning
- 2.5 Responding to Environmental Forces
- 2.6 Summary
- 2.7 Keywords
- 2.8 Self Assessment Questions
- 2.9 References/ Suggested Readings

2.0 OBJECTIVE

The objective of this lesson is to acquaint the students about the marketing environment and its various constituents. This chapter explores the association between the different elements of a firm's environment and the ways in which it can respond to the existing and changing factors.

2.1 INTRODUCTION

Managers face difficult and exciting challenges today. A global economy in which world-class quality is the ticket to ride, increased diversity in the work force, and calls for more ethical conduct promise to keep things interesting. The challenge for today's and tomorrow's

provide employment to the localites at least to the unskilled labour otherwise local group may harm that very business or they may interrupt the functioning of the business. The media has also to be taken into confidence because in turned hostile they may tarnish the image of the organisation unnecessarily. Simultaneously media may disseminate vital information to the target audiences. Action groups can also create hindrances in the name of exploitation of consumers or on the issue of environmental pollution. The business suffers due to their activities.

Therefore, their concerns should also be kept in mind. Albeit, it is wrong to think that all publics are threats to the business yet their concerns should be considered up to a certain level.

(B) Macro Environment

With the rapidly changing scenario, the firm must monitor the major forces like demographic, economic, technological, political/legal and social/cultural forces. The business must pay attention to their casual interactions since these factors set the stage for certain opportunities as well as threats. These macro factors are, generally, more uncontrollable than the micro factors. A brief discussion on the important macro environmental factors is given below:

(a) *Demographic Environment:* The first macro environmental factor that businessmen monitor is population because business is people and they create markets. Business people are keenly interested in the size and growth rate of population across the different regions, age distribution, educational levels, household patterns, mixture of different racial groups and regional characteristics. For ensuring the success of the business incessant watching of these demographic factors is a prerequisite. To enter into a particular segment, a marketer needs to understand composition of that segment with respect to different demographic factors in that very segment so as to decide the optimal

the world such as penicillin, open-heart surgery, family planning devices and some other blessings like automobile, cellular phones and internet services etc. It has also been responsible for hydrogen bomb and nerve gas. But the businesses that ignored technological developments, had to go from the world map. For example, in India, cars like Ambassador and Premier had to go from the scene because of obsolete technology. Likewise, containerised movement of goods, deep freezers, trawlers fitted with freezers etc. have affected the operations of all firms including those involved in seafood industry. Now it has been ensured that perishable goods can be transported in a safer manner. Explosion in information technology has made the position of some firms vulnerable. The life cycles of the products have reduced and expectations of the consumers are becoming higher and higher due to all these technological changes. To cope up with this kind of scenario, a continuous vigil of the happenings and adequate investment in R & D needs to be earmarked by the marketer. Marketers must also be aware of certain government regulations while developing and launching new products with latest technological innovations.

(a) *Political/Legal Environment*: Business decisions are strongly affected by developments in the political and legal environment. This environment consists of laws, regulations and policies that influence and limit various organisations. Sometimes these laws create opportunities for the business but these may also pose certain threats. For example, if the government specifies that certain products need mandatory packaging then it will boost the cardboard and packaging companies but it will add to the cost of the product. Regulations in advertising, like a ban on advertisement of certain products like liquor, cigarettes and pan masalas and hoarding of food products, gas and kerosene are the reality of today's business. Business legislations ensure specific purposes to protect business itself as well as the society from unfair competitions; to protect consumers from unfair business practices and to protect the

3.1 INTRODUCTION

It is quite evident that knowing consumer needs and desires is a road to success for the marketers, but the question is how? It is not a simple task. At the first instance, we can feel that whatever consumer is telling may be perceived as correct but actually he may act otherwise. They may respond to your message but may be influenced at the last moment by their friends, family members or by their other reference groups. It may happen that they intend to seek products as their counterparts are using but their cultural moorings may not allow them to use those products. They may not be in touch with their deeper motivational level and may not exactly know as to what they really need. Even after conducting surveys and knowing their needs, while trying to convey a message, a marketer may entirely fail to make audience perceive the message as desired. A marketer, for the convenience of the consumers may try to make the goods available at their doorstep, while they actually may prefer going to a shop place. The marketers' study finds varied types of personalities which require different sort of appeals to convince them according to their own concepts. So, there are hundreds of questions, which come in the way of conducting research on consumers for knowing their deep-rooted needs and desires, but nevertheless marketers must study their target customers' needs, wants, perceptions, preferences and buying behaviour.

So, the aspect of studying consumer behaviour is another paradigm in the field of marketing which requires huge attention. Although it needs a full life-span to study and understand a person's consumption decisions but for practical reasons marketers have to study consumer behaviour. The study of consumer psyche facilitates designing of more effective solutions to marketing problems. Therefore, a marketer's task is varied and complicated than it actually seems to be. It's not only the need and wants the marketers have to look for. Rather, their real task

when do they buy, from where they buy, how frequently they buy, and how they use certain products. But the study does not stop here as it also goes further to study the post purchase and evaluations of the consumers. So, it addresses all the issues related from pre-purchase to post purchase behaviour of the consumers.

The study regarding consumer behaviour can be divided into two parts i.e. consumer buying dynamics and dynamics of business buyers.

3.3 CONSUMERS' BUYING DYNAMICS

Let's discuss in brief the various determinants of consumer behaviour. Figure 1 summarizes the various factors that influence consumers' buying behaviour.

Fig. I

Cultural	Social	Personal	Psychological
Culture	Reference Group life cycle	Age & Stage	Motivation
Subculture	Family	Occupation	Perception
Social Class	Roles & Status	Economic circumstances	Personality

Source: Marketing Management by Kotler, p. 173.

3.3.1 Psychological Factors

A person's acquired needs are influenced by certain psychological factors such as motivation, perception, learning and personality, etc.

(a) Motivation: Motivation is a process of restoring the balance between actual and designed state of mind that has been effected by some physiological or psychological deprivation. This deprivation may be the cause of simple reaction in human biological system causing hunger, thirst, security and desire for sex etc. or it may be due to complicated

a new job or to solve a new problem. In a new task purchase, the organisational buyer needs much information. In this case, the buyer has to face so many challenges regarding product specifications, vendor specifications and procedures for the future purchase, therefore, the longer the time to decision completion.

(b) A modified rebuy purchase: It is a type of buying situation in which the buyer wants to modify product specifications, prices, delivery requirements, and other terms and conditions. For example, you might seek faster delivery, lower prices or higher quality of products to meet the changing needs of your customers. A modified rebuy situation may cause regular suppliers to become more aggressive and competitive to keep an eye on customers' business. Simultaneously competing supplier may see an opportunity to obtain the company's business.

(c) A straight rebuy purchase: It is a routine purchase of the same products under approximately the same terms of sale. The buyer chooses from suppliers on the basis of its already approved list giving weight to their past performances. He requires little information for straight rebuy purchase decisions. In such cases suppliers monitor the organizational buyers inventory and let the buyer know what needs to be ordered and when. These purchase decisions are extremely important to business buyers. It is critical that organizations purchase quality materials and components to be used in the manufacturing process. Simultaneously, they must strive to keep their costs down.

3.7 PARTICIPANTS IN BUSINESS DECISIONS

Business purchase decisions are hardly made by just one person. Instead, most organisations make their purchase decisions through many individuals who work in the organisation and also participate in the purchase decision process. These people consist of users, influencers, buyers, deciders, and gate helpers.

involves problem recognition, where one or more persons recognise a problem. It may occur under a variety of circumstances. For example, the sales manager and office manager of an office play a key role in recognising the need to add computers to their office. Recognition of this problem, however, can come up in several ways. In this particular instance, a continuing problem between field sales agents and internal administrative staff may lead the office manager and sales manager to recognise the problem. The continuation of these sources of influence eventually leads to an increased level of importance and the subsequent stage of information search.

2. Information Search: Information search can be both formal and informal. Site visits to evaluate a potential vendor, laboratory tests of a new product or prototype, and investigation of possible product specifications are part of formal information search. Informal information search can occur during discussions with sales representatives, while attending trade shows, or reading industry specific journals. Business buyers search for information both to help make the best decision and to support their actions and recommendations within the organisation.

3. Evaluation and Selection: The evaluation of possible suppliers and selection of a supplier often follows a two-stage decision process. The first stage is making the buyer's approved suppliers list. In this case, a conjunctive decision process is very common. Using this kind of process, the organisations screen out potential suppliers that do not meet all its criteria.

A second stage of organisational decision making could involve other decision rules such as disjunctive and lexicographic etc. In the disjunctive decision rule, a minimum level of performance for each important attribute is established. All brands that surpass the performance for any key attribute are considered acceptable. The

4.1 AN INTRODUCTION TO MARKETING RESEARCH

Before defining 'marketing research', let us define research. Research always starts with a question or a problem. Its purpose is to find answers to questions through the application of the scientific method. It is a systematic and intensive study directed towards a more complete knowledge of the subject studied.

Research can be classified into two broad categories: (i) basic research, and (ii) applied research. Basic research is sometimes called 'fundamental' research, 'theoretical research' or 'pure' research. It aims at expanding the frontiers of knowledge and does not directly involve pragmatic problems. The essence of basic research is that it addresses itself to more fundamental questions and not to the problems with immediate commercial potential.

Applied research, on the other hand, proceeds with a certain problem, and it specifies alternative solutions and the possible outcomes of each alternative. Unlike basic research, it is prompted by commercial considerations. Though one may usually be able to distinguish between basic research and applied research, the distinction between the two sometimes gets blurred. Several firms may be engaged in basic research which does not have any immediate commercial use. However, it may be potentially commercial or else the firms would not have undertaken it at all.

Applied research can be divided into two categories: (i) problem-solving research, and (ii) problem-oriented research. Problem-solving research, as the name implies, is concerned with a particular issue or a problem and is usually proprietary in character. The latter characteristic indicates that such a research is undertaken within a firm or by an outside consultant on its behalf. Problem-oriented research, on the other hand, is concerned with a class of issues or problems in which several

All these types of research studies have tremendously helped Pepsi Foods to strengthen its position in the market. It feels the pulse of the market and is always in touch with the latest developments in the market.

7. Another multinational company **Whirlpool Asia** lays considerable emphasis on marketing research. In this company, every activity, strategy and decision is based on data collected through the research process. It believes in planning research in advance though it is rather difficult. It strives to have a meaningful dialogue with the consumer in order to know his real opinion about its products, what difficulties he experiences and what suggestions he has to offer. Information thus received proves to be quite useful to the company in modifying its products or in evolving new ones.

Whirlpool has gained an insight into the various segments in the market. In India, it has segmented the market on the basis of the different stages of the product life cycle.

Decisions like which size of refrigerator should be put in the market or what should be the price of a particular model are based on research. Marketing and Research Group (MARG) has been the main marketing research agency for Whirlpool.

4.4 LIMITATIONS OF MARKETING RESEARCH

The preceding discussion on the different applications of marketing research should not lead anyone to assume that marketing research can solve all the problems of marketing. While it can be extremely rewarding to a firm, it is wise to know that it is subject to certain limitations. One must be aware of these limitations in advance so that one is clear about what marketing research can and cannot do. The following are the main limitations of marketing research:

either from sources internal to the firm or from external sources. External sources of information can be further broken down into primary and secondary sources. Thus marketing management information comes from (1) sources internal to the firm, (2) primary sources external to the firm, and (3) secondary sources external to the firm (see table 1).

Some sources are internal to the firm, such as information generated by the marketing, accounting, and production departments. Their normal operating responsibilities require that they compile some of the sales and cost data needed by management. There are also data sources external to the firm, and these can be further classified as primary or secondary data sources.

Secondary data are those that have been collected by other organizations; for example, government agencies such as the Commerce and Labour departments of the federal government, financial organizations such as Reserve Bank of India, IMF and IBRD; newspapers and magazines such as the Economic Times and Finance India, trade associations such as the CCI. Data from these sources are called secondary because these organizations collect original data, analyse and tabulate these data, but then publish only summary tables and charts. Users of such data are limited to what is presented in the summary tables and charts; the original data are not available to them. As secondary data typically are compiled for some general audience- not just for a specific manager- it is unlikely that their form and content will perfectly satisfy a specific manager's information needs.

Population to be Analysed

The individuals or objects whose characteristics are to be measured are called the population or units of analysis. The units always identify the objects to be studied. It is necessary that the universe is well defined. Consider, for example, the statement- “Women’s dress buyers in Delhi stores on July 30, 2002”. This specifies a particular universe, provided that clear definitions are given for ‘Women’s dress buyers’, and ‘Delhi stores’. Consider another universe- “Women living in the Delhi metropolitan area who are shopping for one or more dresses in July 2002”. The difference in the two statements is that whereas the units of the universe are ‘buyers’ in the former, in the latter they are ‘shoppers’. Also, note another difference between the two universes. In the first case, the universe indicates ‘Buyers of women dresses’, implying that the buyer may be either male or female. But in the second case, only women comprise the universe.

Time and geographical boundaries

As regards time and geographical boundaries, we find that the two universes are again different. In the first instance, a precise date, viz. 30th July, 2002 is given while in the second instance the entire month of January is given. Similarly, the two universes are different in terms of space- the ‘buyers’ universe specifies stores located in Delhi while the ‘shoppers’ universe specifies the Delhi Metropolitan area which should be a larger territory than the former. A more subtle difference between the two universes can also be seen. The ‘buyers’ universe specifies that buying takes place in stores located in Delhi. The ‘shoppers’ universe does not specify as to where shopping takes place. It says that women shoppers living in the Delhi metropolitan area in July, 2002 are shopping. They may be shopping outside Delhi as well. Thus in the

idea of the environment in which the research is to be done, so that focus on the problem is not lost. Finally, problem formulation would also indicate the limitations of research itself so that one can see it in a proper perspective.

Choice of Research Design

A research design specifies the methods and procedures for conducting a particular study. The researcher should specify the approach he intends to use with respect to the proposed study. Broadly speaking, research designs can be grouped into three categories- exploratory research, descriptive research and causal research.

A exploratory research focuses on the discovery of ideas and is generally based on secondary data. It is preliminary investigation which does not have a rigid design. This is because a researcher engaged in an exploratory study may have to change his focus as a result of new ideas and relationship among the variables.

A descriptive study is undertaken when the researcher wants to know the characteristics of certain groups such as age, sex, educational level, income, occupation, etc. In contrast to exploratory studies, descriptive studies are well structured.

A causal research is undertaken when the researcher is interested in knowing the cause and effect relationship between two or more variables. Such studies are based on reasoning along well tested lines.

It may be emphasised that the main criterion of a good research design is that it must answer the questions posed earlier. Further, the researcher should select that research design which is appropriate in achieving the objectives of the study. A point worth emphasising here is that there is not one 'best' research design. There are several alternative methods for solving a particular problem. Therefore the research should

likely to be larger when small rather than large samples are used, for small samples have lower reliability.

Example: If 20 percent of a sample of Delhi's households reports that they regularly view a certain television program, a manager can ask: "How close is this sample estimate to the true percentage that exists among all Delhi households?" The sample size will be a factor in determining the answer to this question. If a sample of 1,000 households was used to gather the information, the manager can be confident that the sample was large enough to provide an estimate within one or two percentage points of the actual percentage of all Delhi households regularly viewing the program. If only 50 households were sampled, and 10 households (20 percent) indicated they were regular viewers, the actual percentage of households viewing the program might be as low as 10 or as high as 30.

The magnitude of potential error from sample size can be calculated using the theory of sampling statistics if a probability sample is used. That theory can help researchers determine what sample size is needed for a given degree of accuracy. The accuracy needed in the study and the costs of using various size samples will determine the choice and, therefore, the reliability of the results.

Organising and Conducting the Field Survey

Having prepared the questionnaires and selected the sample design and size of sample, the next step is to organise and conduct the field survey. Two important aspects should be looked into interviewing and the supervision of field work.

The task of interviewing seems to be simple but, in reality, it is one of the most different tasks in marketing research. This is because respondents are generally hesitant in giving information unless

is necessary that the researcher gives sufficient thought and care to its preparation.

Although report writing needs some skill which can be developed with practice, the researcher should follow the main principles of writing a report. Some of these principles are objectivity, coherence, clarity in the presentation of ideas and use of charts and diagrams. The essence of a good research report is that it effectively communicates its research findings. As management is generally not interested in detail of the research design and statistical findings, the research report should not be loaded with such details, otherwise, there is a strong likelihood of its remaining unattended on the manager's desk. In view of this, the researcher has to exercise extra care to make the report a useful and a worthwhile document for the management.

Sometimes, a detailed marketing research study throws up one or more areas where further investigation is needed. Since research on those areas or aspects could not have been fitted into the original project, a separate follow-up study has to be attempted.

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Conclusion

The marketing research process, as described above, involves various steps, though strict adherence to each of these steps may not be necessary. A researcher may deviate from the above sequence and steps depending on his specific needs. It should be remembered that as research proceeds from the selection of the theme through the collection and analysis of data to the preparation of a report, the focus of attention

frequently overlap one another. They are (1) formulating research problem (2) choice of research design (3) determining source of data, (4) designing the data-collection project; (5) selecting a sample type and sample size; (6) organizing the fieldwork; and (7) analyzing the collected data and (8) reporting the findings.

4.8 KEYWORDS

Market research: It is about determining the characteristics of a market like size, growth rate, segment, and competitors positioning etc.

Marketing research: besides including market research, it includes the monitoring of the effectiveness of its advertising, intermediaries, financing policies and identifying the needs of the consumers.

Data-based marketing: The practice of using databases of customers' names, addresses, phone numbers, past purchases, responses to previous offers, and previous decisions etc.

Hypothesis: It is a tentative solution to a problem. Here we take certain assumptions to research objectives.

Research design: A master plan that specifically identifies what techniques and procedures will be used to collect and analyse data about a problem.

Sampling: Any procedure in which a small part of the whole population is used as the basis for conclusions regarding the whole.

4.9 SELF TEST QUESTIONS

1. What is "research"? What are the two broad categories in which it can be divided?

7. Quoted from 'Marketing Research' by G.C. Beri. According to the author the first four applications are based on case studies and articles published in different issues of *Advertising and Marketing (A&M)*, a fortnightly magazine published from New Delhi.
8. Based on *The Strategies Quarterly* (The Business Standard Magazine of Management), January-March, 1996.
9. Examples 6 and 7 are based on Vibha Gaba: "Tracking the Users" in *The Strategist Quarterly* (The Business Standard Magazine of Management), January-March 1996, pp. 41-44.
10. Mature Products Remain as the Mainstays in the Gillette Co., "Marketing News, June 10, 1983, p.17.
11. Brown, F.E., *Marketing Research*, Addison Wesley, Chapter 2, p. 35.
12. Based on 'Brand Equity' a weekly supplement to 'The Economic Times', 11th August 2002, page 1-2.

Preview from Notesale.co.uk
Page 93 of 360

LESSON-5

MARKET SEGMENTATION, TARGETING AND POSITIONING

STRUCTURE

- 5.0 Objective
- 5.1 Introduction
- 5.2 Market segmentation: meaning and definitions
- 5.3 Levels of market segmentation
- 5.4 Bases for segmentation
- 5.5 Criteria for effective targeting of market segments
- 5.6 Approaches for selecting target markets:
- 5.7 Product positioning
- 5.8 Strategies to position products
- 5.9 Summary
- 5.10 Keywords
- 5.11 Self-assessment Questions
- 5.12 References / Suggested readings

5.0 OBJECTIVE

This chapter explores the bases of segmentation and criteria for segmentation. How the study of segmentation help out companies to target selected groups. The chapter also stresses that how a company's products must be positioned against competitors' products.

5.1 INTRODUCTION

Marketers can not be all things to all consumers. A firm can not satisfy every consumer with the same product, no matter how effectively it designs the product and its marketing mix. It happens because customers are too numerous and diverse in their buying requirements.

and cleaning materials which are all ancillary to the manufacturing process.

Goods required by industry are shown in Figure 3 and classified into the formal groups described below:

1. Installations: These are the most expensive and critical purchases a company has to make. They are the major items of plant and machinery which are required for the production of a company's product. If a company makes a mistake in its choice of office equipment or building maintenance services this can be costly, but it is unlikely to seriously threaten the company's future. However, if a range of machinery is purchased which is subsequently found to be unsuitable; this could jeopardize the complete production base. The purchase of installations is, therefore, the result of a very extensive search process. Although price is very important in such a decision, it is almost never the single deciding factor. Much emphasis is placed on the quality of sales support and advice and subsequent technical support & after-sales service.

2. Accessories: Like installations, these are considered as capital items, but they are usually less expensive and are depreciated over fewer years. Their purchase is important for the company, but not as critical as installation purchase. Accessories include ancillary plant and machinery, office equipment and office furniture. In the case, of say, a haulage company, forklift trucks, warehousing equipment and smaller vehicles would be classified as accessories.

3. Raw Materials: The purchase of raw materials probably accounts for most of the time and work-load of a typical purchasing department. There is a direct relationship between raw material quality and the quality of the company's own finished product. Therefore it is vital that quality, consistency of supply, service and price are optimized.

unrelated products. In the above example of the CIBA-Geigy, the company has diversified in unrelated products. This is called scramble diversification. On the other hand, Bata Shoe Company has diversified in related products by marketing socks, boot polish, etc. This is called related product diversification.

In certain situations, a company may adopt the strategy of slimming or contracting the product mix. It may do so by abandoning a product line, or reducing the variety of models in a product line, called product line simplification. In the U.S.A., a trend of trimming the product line was witnessed in the 1970s. Many companies like Xerox, Radio Corporation of America, General Electric, etc., dropped certain product lines altogether and also thinned certain fat product lines. The objective of trimming the product line is to abandon the low-sales volume and low-profit products and concentrate on a limited number of high-profit products.

Product-Mix Defined

“A product mix (also called product assortment) is the set of all products and items that a particular seller offers for sale”.

It is the set of all product lines and items that a particular company offers to buyers. The width of a product mix refers to how many different product lines a company carries. For example, Proctor & Gamble's (P & G) product mix in India consists of four lines such as detergents, bar soaps, personal hygiene products and disposable diapers.

The depth of a product mix refers to how many variants of each product are offered in the line, e.g. Colgate-Palmolive's Halo shampoo comes in three formulations and three sizes and hence has a product mix depth of nine. This kind of assortment is popularly referred as Stock Keeping Units (SKUs).

Downward stretch takes place when the company finds that its offerings are at the high price end of the market and then stretch their line downwards. For example, P & G's Ariel detergent began at premium end and then the down market Ariel bar was introduced to tap the lower segment.

Conversely, upward stretch occurs when a company enters the upper end through a line extension. The reasons for this may be a higher growth rate, better margins or simply a wish to be a full line marketer. An example of a successful upward stretch would be that of Lifebuoy, which started from hygienic bath soap for the masses to a premium quality liquid hand wash for the higher strata of society. Throughout this stretch the brand had used hygiene as its core benefit, so that there was no dissonance in the minds of consumers.

2. Line filling: A product line can also be lengthened by adding more items within the present product range. There are several reasons for line filling.

- Reaching for incremental profits.
- Trying to satisfy dealers who complain about lost sales because of missing items on the line.
- Trying to utilize excess capacity.
- Trying to offer a full line of the product.
- Trying to plug holes in the positioning map.

The launch of Cinthol, in different variants is an example of line filling. Today Cinthol is a lime-soap with yellow packaging and a cologne variation with blue wrapping apart from the initial Cinthol fresh. There is also a Cinthol International, packed in a red pack with a picture of mountains depicting freshness.

The company needs to differentiate each item in the consumer's mind. For this, each item must possess a difference which sets it apart from the others.

3. Line modernization: Even when the product line length is adequate, the line might need to be modernized. The issue is whether to overhaul the line completely or one at a time. A piecemeal approach allows the company to see how customers and dealers react to the new style. Piecemeal modernization is less of a drain on the company's cash flow. A major disadvantage of piecemeal modernization is that it allows competitors to see changes and start redesigning their own line.

In the rapidly changing market, product modernization is carried out continuously. Because competitors are constantly upgrading their options, each company must redesign their own offering. A company would like to upgrade customers to higher-valued, higher-priced items. A major issue is the timing of the product line improvements so that they do not happen too early and damage the sales of their current product line, or come out too late so that the competitors can establish a strong foothold.

4. Line featuring: In the case of durable products, marketers at times select one or a few items to "feature". The idea is to attract consumers into the showrooms and then try to get them exposed to other models. At times, the marketer will feature a high end item to lend prestige to the product line. These products act as "flagships" to enhance the whole line. Sometimes a company finds one end of its line selling well and the other poorly. The company may try to boost the demand for the slow-moving items, especially if they are produced in a factory that is lying idle due to the lack of demand.

6.5.1 Managing Line Extensions

There are several factors which can explain why so many companies have pursued line extensions as their marketing strategies. These are being discussed as under:

1. Customer segmentation: Managers perceive line extensions as a low-cost, low-risk way to meet the needs of various customer segments and by using more sophisticated and lower-cost market research and direct marketing techniques, they can identify and target finer segments more effectively than ever before. In addition, the quality of audience profile information for television, radio and print media has improved; managers can now translate complex segmentation schemes into effective advertising plans.

2. Consumer desires: Consumers are switching brands and trying products they have never used before. Line extensions try to satisfy the desire for “something different” by providing a wide variety of products under a single umbrella. Such extensions, companies hope, fulfil customer desires while keeping them loyal to the brand franchise. The Gujarat Milk Marketing Federation launched a host of milk-based products under the brand name Amul. Similarly, SmithKline Beecham made an entry into the faster growing brown beverages segment with its Chocolate Horlicks brand to counter the established Cadbury’s brand Bournvita.

Line extensions can help a brand increase its share of shelf space, thus gaining higher visibility and attracting consumer attention. When marketers coordinate the packaging and labelling across all items in a brand line, they can achieve an attention-getting billboard effect on the store shelf or the display stand and thus leverage the brand’s equity. However, building enough volumes to offset the additional costs required for such extension is also necessary.

3. Pricing breadth: Marketers often extend the line on superior quality platform and set higher prices for the new offering than their core items. In markets subject to slow volume growth, marketers can increase unit profitability by attracting current customers move up to the “premium” products. In this way a marketer also lends “prestige” to its product-line.

Similarly, some line extensions are priced lower than the lead product. For example, American Express offers its Optima card for a lower annual fee than its standard card. Extensions give marketers the opportunity to offer a broader range of price-points in order to capture a wider audience, and thereby serve as “volume builders”.

4. Excess capacity: On some occasions companies added new product lines to make use of their excess capacity or to improve efficiency and the quality of existing products. In fact, excess capacity encourages the introduction of line extension that requires only minor adaptations to current products.

5. Short-term gain: Line extensions offer the most inexpensive and least imaginative way to increase sales quickly. The development time and costs of line extensions are far more predictable than they are for altogether new products. In fact, few brand managers are willing to spend the time or assume the career risk of introducing new products in this crossed market.

6. Competitive intensity: Mindful of the link between market share and profitability, managers often see extensions as a short-term competitive device that increases a brand’s control over limited retail shelf space and, if overall demand for the category can be expanded, also increases the space available to the entire category.

proposition, expanding the usage contexts, and blocking competitive entry.

12. Blocking or inhibiting competitors: Although niche markets may represent marginal businesses, they may strategically represent important footholds for competitors. Line extensions have the potential of inhibiting or neutralizing moves by competitor. Failure to see this aspect may result in adverse consequences for market leaders, as can be seen from what happened to companies like Tomco, Calcutta Chemicals, etc. who permitted new companies to gain a toehold in their respective industries.

13. Managing a dynamic environment: Line extensions provide a way to survive in an environment full of ambiguities and transitory signals and forces. If the company does not extend line it may face the risk that if a segment is created corresponding to the "new" product, such a segment may be a precursor to a larger trend that, if ignored, might generate a strategically altered landscape with a first-mover competitor holding a considerable advantage.

14. Testing ground for national launch: Product line extensions can also be effective ways to test-market product improvements and at the same time enter emerging segments. Thus, logic seems to be on the rise for any new launch to assess the pulse of the market in a competitive environment.

6.6 SUMMARY

A product is "a set of tangible and intangible attributes, including packaging, colour, price, manufacturer's prestige, retailer's prestige, manufacturer's and retailer's services, which the buyer may accept as offering satisfaction of wants or needs. There are five levels of product. The most fundamental is the core benefit or service followed by a basic

7.1 INTRODUCTION

To compete effectively and achieve their goals, organisations must be able to adjust their product mixes in response to changes in customers and customers' needs. A firm often has to introduce new products, modify existing products, or eliminate products that were successful perhaps only a few years ago. To provide products that satisfy target markets and achieve the organisation's objective, a marketer must develop, alter, and maintain an effective product mix. An organization's product mix may need several types of adjustments. Because customers' attitude and product preferences changes over time, their desire for certain products may wane.

In some cases a company needs to alter its product mix for competitive reasons. A marketer may have to delete a product from the mix because a competitor dominates the market for that product. Similarly, a firm may have to introduce a new product or modify an existing one, to compete more effectively. A marketer may expand a firm's product mix to take advantage of excess marketing and production capacity.

Regardless of the reasons for altering a product mix, the product mix must be managed. In strategic market planning, many marketers rely on the portfolio approach for managing the product mix. The product portfolio approach tries to create specific marketing strategies to achieve a balanced mix of products that will bring maximum profits in the long run. This chapter examines several ways to improve an organisation's product mix, including managing existing products, developing new products from idea generation to commercialization, and eliminating weak products from the product mix.

the demand for the product category has to be estimated and the likely share the proposed product can take, has to be evaluated.

- Seasonal patterns in consumption, if any.
- Competition.
- Major competitors, their market shares, the dominant market segments held by them.
- Special market features affecting demand.
- Price elasticity of demand.
- Volume-cost profit analysis at different feasible levels. The nature of channel required the nature of channels available, comparative costs/advantages of alternative channel types.
- The marketing organisation required for marketing the product- whether the existing marketing organisation can take care of the product or whether a new organisation set-up is required. If so, what would it cost?

Only when information on the above aspects is complete, meaningful estimates of overall profitability of the project can be made. And it is based on the overall profitability picture that the corporation decides further.

Product Development

The product ideas that pass the screening and business analysis stages are not usually “concrete” enough for extensive testing of customer acceptance. An idea must be developed into a functioning product. Product development is often a scientific and engineering task, leading to the design and building of prototype working models. Once a prototype exists, functional testing may take place. For technical products such as sound speakers or robots, this may be a complex and lengthy task. Government testing and approvals may also be required for such

competitive entries, and a changing environment. Most timing issues are specific to the product market situation, so related analysis is essential.

Product Adoption Process

The acceptance of new products- especially new to the world products -usually doesn't happen overnight and it can take a very long time. People are sometimes cautious or even sceptical about adopting new products, as indicated by some of the remarks quoted in Table. Customers who eventually accept a new product do so through an adoption process. The following stages of the product adoption processes are generally recognized as those that buyers go through in accepting a product.

1. Awareness: The buyer becomes aware of the product.
2. Interest: The buyer seeks information and is receptive to learning about the product.
3. Evaluation: The buyer considers the product's benefits and determines whether to try it.
4. Trial: The buyer examines, tests, or tries the product to determine its usefulness relative to his or her needs.
5. Adoption: The buyer purchases the product and can be expected to use it when the need for this general type of product arises again.

In the first stage, when individuals become aware that the product exists, they have little information about it and are not concerned about obtaining more. For example, one might be aware that Polaroid offers a talking camera that has built-in recorded comic messages to evoke smiles, but have no plans to gather more information about it. Consumers enter the interest stage when they are motivated to get information about the product's features, uses, advantages, disadvantages, price, or location. During the evaluation stage, individuals

consider whether the product will satisfy certain criteria that are crucial for meeting their specific needs. In the trial stage, they use or experience the product for the first time, possibly by purchasing a small quantity, by taking advantage of a free sample or demonstration, or by borrowing the product from someone. Supermarkets, for instance, frequently offer special promotions to encourage consumers to taste products. During this stage potential adopters determine the usefulness of the product under the specific conditions for which they need it.

TABLE 7.2: MOST NEW IDEAS HAVE THEIR SCEPTICS

"I think there is a world market for may be five computers"

- Thomas Waston, Chairman of IMB, 1943

"This telephone' has too many shortcomings to be seriously considered- as a means of communication. The device is inherently of no value to us".

- Western Union internal memo, 1876

"The wireless music box has no imaginable commercial value. Who would pay for a message sent to nobody in particular?"

- David Sarnoffs associates in response to his urgings for investment in the radio in the 1920s

"Who the hell wants to hear actors talk?"

- H.M. Warner, Warner Brothers, 1927

"A cookie store is bad idea. Besides, the market research reports say America likes crispy cookies, not soft and chewy cookies like you make".

- Banker's response to Debbie Field's Idea of starting Mrs., Fields' Cookies

"We don't like their sound, and guitar music is on the way out".

- Decca Recording Co. rejecting the Beatles, 1962

Individuals move into the adoption stage by choosing the specific product when they need a product of that general type. However, because a person enters the adoption process does not mean that she or he will eventually adopt the new product. Rejection may occur at any stage,

- New products suffer from a high attrition rate. Many new product ideas, after years of caring, do not reach the market at all. Considerable time, money and effort are thus wasted.
- New products suffer from a high rate of market failure. That means that even those products which reach the market after years of preparation and work, often fail miserably in the market.
- Even in the case of successful new products, success is short lived. Many of them suddenly die out after the initial boom.

Now wonder, new product development has mostly remained the forte of big companies who can absorb the cost and fatigue of such failures.

7.5.1 How to Avert New Product Failures

Analysis shows that several new products turn out to be failures not because the products are defective, but because the company in question is not equipped to handle that product. Such a situation arises because the firm has not answered and solved certain basic questions at the product idea stage itself. Before a firm proceeds with a new product idea, it should find convincing answers to certain basic issues:

- Does the proposed product remain close to the existing business of the company? Close to the knitting? Or, does it constitute an entirely new line of business to the company? In the latter case, can the company handle the new business?
- How new is the new product? Is it radically new for the market? Or, is it similar in some way to already existing products in the market? If it is a radically new product, how long would it take to get established? Can the firm sustain the long pioneering stage? If it is a time-toot product, can it makes a living in a market already dominated by early

LESSON-8

BRANDING, PACKAGING AND LABELLING

STRUCTURE

- 8.0 Objective
- 8.1 Understanding the Term Marketing
- 8.2 Marketing Process
- 8.3 Product
- 8.4 Brand
- 8.5 Brand equity
- 8.6 Branding strategies
- 8.7 Brand name decisions
- 8.8 Packaging
- 8.9 Packaging strategies
- 8.10 Labelling
- 8.11 Summary
- 8.12 Keywords
- 8.13 References/Suggested readings

8.0 OBJECTIVE

Objective of the chapter is to acquaint the students with the concept of Branding, Packaging and Labelling, their importance in marketing decisions, their relationship with other concepts and strategies of marketing.

8.1 UNDERSTANDING THE TERM MARKETING

Let us start with very basic question that:

Why marketing is needed?

that sense, it is the ultimate measure of the impact on the mind of consumer.

(ii) Brand Loyalty: A brand's value to the company is a measure of customers' loyalty towards a brand. Since a company consider loyalty as a major assets which encourages and justifies loyalty buildings program, which, in turn, helps create and enhance Brand Equity.

Brand Personality: In totality brands holds more meaning and .importance than tangible or perceivable product seems to offer.

This is a highly promised concept, both in theory and practical relevance, when it comes to positioning brands with non functional values, in form of feeling it arouse in consumer: Raymond- a complete man, Cadbury's- a gift of love. Many brand strategy statements nowadays refer to the personality of the brand. However, brand managers using these statements often tend to define character for several brands in the company's line in more or less identical terms e.g. for many OTC (over the counter) medicines, the Brand character is monotonously described as caring and efficient. So, the key lines in building different and distinct brand personality.

The purpose of positioning by brand personality is lost if we are unable to define a desired personality for our brand which is clearly distinct from the personalities of competing brands and sister brands in our own product line.

Now the question arises: what is Brand image? Brand personality?

David Ogilvy, writing, on the image and the brand, regards 'image' and 'personality' as synonymous. "The manufacturer who dedicates his advertising to building the most favourable image, the most sharply defined personality, is the one who will get the largest market share at the highest profit in the long run".

consumer's mind. The other situation where it might work in the form of extra strength like clinic shampoo and clinic plus or vicks vaporub and Vicks Vaporub plus. But there too, the dangers of cannibaliation are high.

Multi-Brand

Companies often introduce additional brands in the same category. Multi-branding offers a way to establish different features and appeal to different buying motives. It also allows a company to look up more reseller's shelf space. Finally, companies may develop separate brand names for different regions or countries, perhaps to suit different cultures or languages e.g. P&G dominates the U.S. laundry detergent market with Tide, which in all form captures more than 40% market share. But, in multi-branding each brand might obtain only a small market share, and none might be very profitable.

New Brands

A company may create a new brand name when it enters a new brand category for which none of the company's current brand names are appropriate like Japan's Matsuishita uses separate brand name-for its different families of product. Technics, Panasonic, National and Quasar. If Timer decides to make toothpaste, it is not likely to call them Timex tooth-brushes. Yet establishing a new brand name in US market place for a mass consumer packaged good can cost anywhere from \$ 50 million to \$ 100 million. Thus P&G and other large consumer product marketers are new pursuing megabrand strategies- weeding out weaker brands and focusing their marketing skills only and brands that can achieve number one or two market share positions.

Sunsilk, Ayur etc. It should suggest about product qualities e.g. 5star chocolates, milk maid, Lazer blades.

It should be easy to pronounce, recognise, and remember e.g. Godrej, IBM, Sony. It should not carry poor meanings in other countries and languages e.g. Nova is a poor name for a car to be sold in Spanish speaking; it means 'doesn't go'.

8.8 PACKAGING

Even after the development of product and branding that product, needs arise to fulfil the other aspects of the marketing mix. Most physical products have to be packaged and labelled. One such product feature, and a critical one for some products, is packaging which consists of all the activities of designing and producing the container or wrapper for a product.

"Packaging includes the activities of designing and producing the container for a product".

The above definition shows that package is the actual container or wrapper. Thus, packaging is a one of the important function of the business as it is the package, where first get the attention of the customers. It has become a potent marketing tool. Well designed packages can create convenience and promotional value.

Packaging and the resulting packages are intended to serve several vital purchases.

- (i) It protects a product in a way to the consumer.
- (ii) It provides protection to the product after it is purchased.
- (iii) Package size and shape must be suitable for displaying and stocking the product in the store.
- (iv) It helps to identify a product and this may prevent substitution of competitive products.

LESSON-9

PRICING METHODS AND STRATEGIES

STRUCTURE

- 9.0 Objective
- 9.1 Price: its meaning
- 9.2 Importance of pricing decisions
- 9.3 Pricing objectives
- 9.4 Pricing methods
 - 9.4.1 Cost-Based Pricing Method
 - 9.4.2 Demand-Oriented Pricing Method
 - 9.4.3 Price Elasticity Method
- 9.5 Pricing strategies
 - 9.5.1 Value Pricing
 - 9.5.2 The maximum acceptable price
 - 9.5.3 Price leadership
 - 9.5.4 Pricing new products
 - 9.5.5 Skimming pricing strategy
 - 9.5.6 Penetration price strategy
 - 9.5.7 Product line pricing
 - 9.5.8 Price Bundling
 - 9.5.9 Premium pricing
 - 9.5.10 Image pricing
- 9.6 Summary
- 9.7 Keywords
- 9.8 Self Assessment questions
- 9.9 References/Suggested readings

respecting constraints of costs and profitability, and an external coherence, i.e. setting the price level keeping in mind the market's purchasing power and the price of competing goods. Furthermore, pricing decisions must remain coherent with other elements of marketing mix especially brand positioning and distribution strategy, advertising etc.

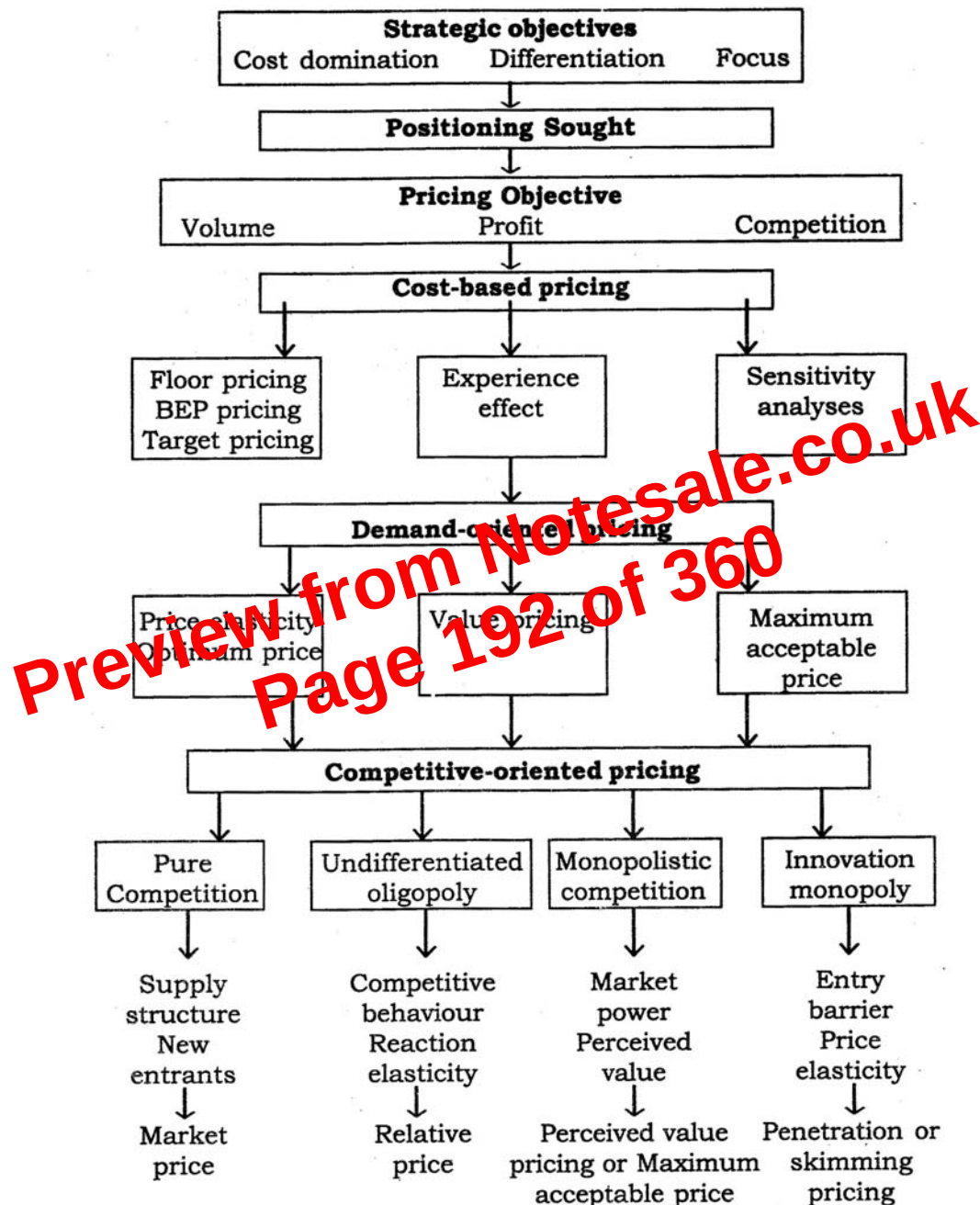


Figure 1: Overview of pricing decisions

types of cost-based prices, each responding to specific cost and profit requirements.

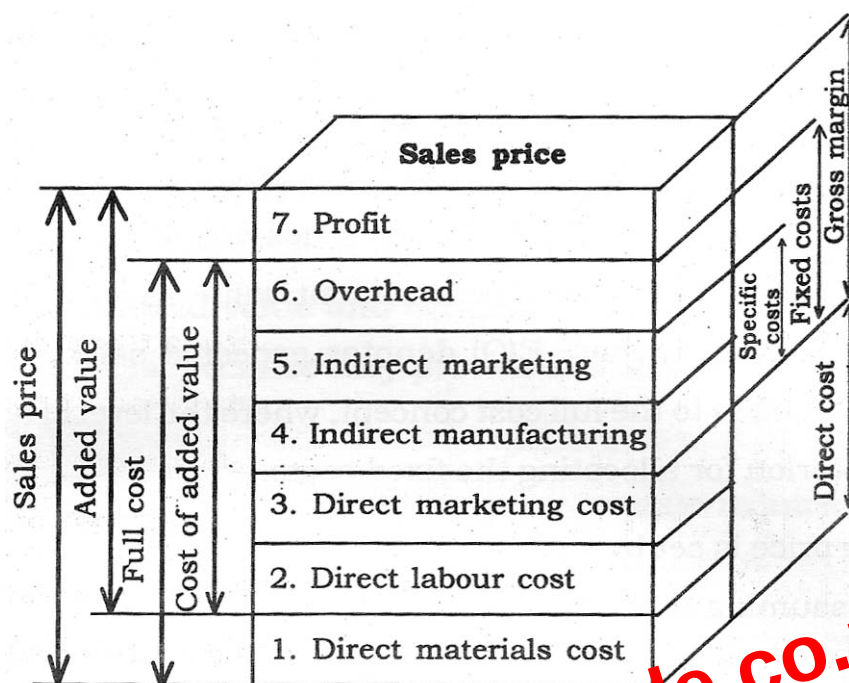


Figure 2: The elements of price

The floor price, or the minimum price, corresponds to direct variable costs (C), also known as 'out-of-pocket costs'. It is the price that only covers the product's replacement value, and, therefore, implies zero gross profit margin.

$$\text{Floor price} = \text{Direct variable costs}$$

This price concept is useful for negotiating exceptional orders or for second marketing discounting, when the firm has unused capacity and has the possibility to sell in a new market such that there will be a negligible loss of sales in its main market. Floor price, also called 'marginal price', is the absolute minimum selling price the firm should accept. Any price above the floor price can allow a firm to use its production capacity to a maximum and still generate extra funds to cover overhead or improve profits. Exceptional orders, generics for large retail

demand and competition, it must then choose between two very contradictory strategies: (a) a high initial price strategy to skim the high end of the market, and (b) a strategy of low price from the beginning in order to achieve fast and powerful market penetration.

9.5.5 Skimming pricing strategy

This strategy consists of selling the new product at a high price and thus limiting oneself to the upper end of the demand curve. This would ensure significant financial returns soon after the launch. Many considerations support this strategy; furthermore, a number of conditions need to be met for this strategy to prove successful.

- When there are reasons to believe that the new product lifecycle will be short, or when competition is expected to copy and to market a similar product in the near future, a skimming price strategy may be recommended because a low price strategy would make the innovation unprofitable.
- When a product is so innovative that the market is expected to mature slowly and the buyer has no elements on which to compare it with other products, demand is inelastic. It is tempting to exploit this situation by setting a high price and then readjusting it progressively as the market matures.
- Launching a new product at a high price is one way of segmenting the market. The segments have different price elasticity. The launching price skims the customers who are insensitive to price. Later price cuts then allow the firm to reach successively more elastic segments. This is a form of time discriminatory pricing.
- When demand is hard to evaluate, it is risky to anticipate what kind of demand growth or cost reduction can result from a low price. This is particularly true when the

LESSON-10

PROMOTION DECISION: PROMOTION MIX AND ADVERTISING

STRUCTURE

- 10.0 Objective
- 10.1 Introduction promotion mix
- 10.2 Promotional communication system
- 10.3 Factors affecting promotion mix
- 10.4 Elements of promotion mix
 - 10.4.1 Role of Advertising
 - 10.4.2 Types of Advertising
 - 10.4.3 Prerequisites of Effective Advertising
- 10.5 Developing and managing an advertising program
- 10.6 Summary
- 10.7 Keywords
- 10.8 Self Assessment questions
- 10.9 References /Suggested readings

10.0 OBJECTIVE

After reading this lesson, you must be able to learn

- what is the concept of promotion mix;
- promotional and communication system;
- what is an advertising communication;
- what parameters are used in media planning; and
- How the advertising budget decisions are made.

- Advertising is a unilateral and paid form of non-personal mass communication by a clearly identified sponsor. Usually it is designed to create a favourable attitude toward the company or product.
- Sales promotion includes all short-term incentives, generally organized on a temporary and for local basis, and designed to stimulate immediate purchase and to move sales forward more rapidly than would otherwise occur, and to effect higher demand.
- Public relations involve a variety of actions aimed at establishing a positive corporate image and a climate of understanding and mutual trust between a firm and its various publics. Here, the promotion objective is less to gain moral support from public opinion for the firm's economic activities, which ultimately would help the company in accomplishing its objectives.
- Personal selling has the objective of organizing a verbal dialogue with potential and current customers and to deliver a tailor-made message with the short-term objective of making a sale. Its role is also to gather information for the firm.
- Publicity, like advertising, is an impersonal method of promotion and it is also addressed to groups of audience. It differs from advertising in the sense that it is not sponsored by the seller. It is the coverage of commercially significant information regarding the company and/ or its products in the form of a news item or popular article by the media on its own.

In addition to these traditional promotion tools, one must also add direct mail, catalogue selling, fairs and exhibitions, telemarketing etc.

These last two tasks are in general assumed by advertising agencies and/or by agencies specializing in media planning.

- *Communication effectiveness:* The advertiser must identify the audience's response to the message and verify as to what extent the communication objectives have been achieved.

Applying the concept of marketing to advertising implies developing messages that relate to buyers' experience, namely by adopting a language they can decode. These four conditions for efficient communication determine the various decisions to be taken in any marketing communication programme.

Electronic communication: As a result of the impetus from developments in telematics, cable television, pay-TV, satellite communication, interactive videotext terminals, personal computers etc., electronic communication is at present in full development. These new possibilities influence our way of life as well as the promotion strategies of firms.

The development of electronic communication not only modifies the respective roles of personal selling and of advertising, but also changes the objectives and the content of advertising communication. Many significant changes are already observable in our society.

- To begin with, the new means of communication tend to be more interactive, i.e. two-way rather than one-way as in the past. Today, the general public has the possibility of asking for, choosing and sending back information rather than simply being passively subjected to a bombardment of irrelevant messages. We are moving in fact towards demanded advertising.
- Furthermore, it is now possible to have access to huge data banks, in the most varied fields, on available products, their

comparative performance, their prices etc. The firm will, therefore, face a more and better informed public. Such facts will further reinforce the informative and factual character of communication, which will increasingly be set up as an aid to the buyer rather than as a sales instrument.

- Another consequence of the development of electronic communication is its greater selectivity. The combination of possibilities offered by the telephone, the computer and the television means that very well-defined targets can be reached with personalized messages. We are, therefore, moving towards personalized electronic mail systems which would improve communication effectiveness and favour the development of interactive marketing.
- Regionalization of radio and television programmes also favours selectivity of communication. The introduction of local channels will allow local firms and local advertisers to have access to radio and television. Media plans could allocate different degrees of pressure from region to region and thus better adapt the brand situation from one region to another.
- Finally, another consequence is that the considerable increase in geographic zones covered by a transmitting station, thanks to the use of satellites and cable, will reinforce the internationalization of brands and advertising campaigns.

Thanks to these developments in the means of communication, a whole series of tasks once exercised by salespersons could henceforth be achieved by impersonal means of communication at a lower cost. Well-addressed direct mail, the telephone, a catalogue that can be consulted

10.4 ELEMENTS OF PROMOTION MIX

The *first* and *foremost* tool of promotion is advertising. In today's marketing scenario, it can be easily said that "No advertising, No business". Advertising is a means of communication by which a firm can deliver a message to potential buyers with whom it is not in direct contact. When a firm resorts to advertising, it is effectively following a pull communication strategy. Its main objective is to create a brand image and brand equity, and to ensure cooperation from distributors. Just as the sales force is the best tool for a push strategy, advertising is the best means for a pull strategy.

10.4.1 Role of Advertising

- For the firm, the function of advertising is to produce knowledge for consumers and to generate interest among them in order to create demand for its product.
- For consumers, advertising allows them to learn about the distinctive characteristics claimed by the manufacturer. Advertising also helps them to save personal time, since the information reaches them directly without their having to collect it.

10.4.2 Types of Advertising

Since the advent of the early form of advertising, advertising communication objectives have diversified considerably, and different forms of advertising can be identified while using the same media.

(i) Concept advertising: This is a media advertising message with a mainly 'attitudinal' communication objective: to influence the buyer's attitude towards the brand. Its role can be summed up as "The creative efforts of many national advertisers are designed, not to induce immediate action, but to build favourable attitudes that will lead to

The limitations of these methods are that there is no necessarily any link between achieving the intermediate communicational objective and the final goal of improving sales. One cannot therefore view measures of communicational effectiveness as substitutes for direct measures linking advertising to sale or market share.

(e) *Measuring Advertising effectiveness*

The marketing manager is deeply interested in knowing how far his advertising has succeeded in achieving its objectives. He needs to evaluate the effectiveness of advertising for three purposes: (i) To improve the effectiveness of advertising by making changes in advertising message, media, timing, etc. Such an evaluation provides him invaluable guidance in planning the optimum media mix. (ii) To convince management about the instrumentality of advertising in improving the firm's profitability so as to get the required level of budget appropriation for advertising. (iii) To determine the optimum level of advertising expenditure.

Measurement of advertising effectiveness has turned out to be an extremely complex and challenging task. Sales are the result of such a large number of variables including the product, price, distribution channels, advertising, personal selling, etc., that it is impossible to determine what proportion of it is due to effective advertising. However, marketing researchers have developed some tools for measuring the communication as well as sales effectiveness of advertising.

Measures used for measuring advertising effectiveness: A number of tests have been developed for measuring the communication effectiveness of advertising. It is generally assumed that there is a positive relationship between communication and sales effect of advertising but it is not known how strong is that relationship.

promotion, personal selling and publicity programmes for reaching the target market.

There are five major promotion tools known as the promotion mix which include advertising, personal selling, sales promotion, publicity and public relations. Each of these promotion tools has its own characteristics.

Advertising is a unilateral and paid form of non-personal mass communication by a clearly identified sponsor. Usually it is designed to create a favourable attitude toward the company or product. Sales promotion includes all short-term incentives, generally organized on a temporary and for local basis, and designed to stimulate immediate purchase and to move sales forward more rapidly than would otherwise occur, and to effect higher demand. Public relations involve a variety of actions aimed at establishing a positive corporate image and a climate of understanding and mutual trust between a firm and its various publics. Here, the promotion objective is less to gain media support from public opinion for the firm's economic activities, which ultimately would help the company in accomplishing its objectives. Personal selling has the objective of organizing a verbal dialogue with potential and current customers and to deliver a tailor-made message with the short-term objective of making a sale. Its role is also to gather information for the firm. Publicity, like advertising, is an impersonal method of promotion and it is also addressed to groups of audience. It differs from advertising in the sense that it is not sponsored by the seller. It is the coverage of commercially significant information regarding the company and/ or its products in form of a news item or popular article by the media on its own.

LESSON-11

SALES PROMOTION, PERSONAL SELLING AND PUBLICITY

STRUCTURE

- 11.0 Objective
- 11.1 Meaning and definitions
- 11.2 Nature of each promotional tool
- 11.3 Personal Selling
 - 11.3.1 Hurdles for personal selling
 - 11.3.2 Types of personal selling
 - 11.3.3 Types of sales jobs
 - 11.3.4 The personal selling process
 - 11.3.5 Changing patterns in personal selling
- 11.4 Sales Promotion
 - 11.4.1 Objectives of Sales Promotion
- 11.5 Major Consumer Promotion Tools
 - 11.5.1 Major Trade-promotion Tools
 - 11.5.2 Major Business-promotion tools
- 11.6 Developing the sales-promotion program
- 11.7 Implementing and controlling the program
- 11.8 Evaluating the sales-promotion program
- 11.9 Public relations
 - 11.9.1 Marketing Public Relation as Publicity
 - 11.9.2 Objectives of Public Relations and Publicity
 - 11.9.3 Major tools of Public Relations and Publicity
- 11.10 Summary
- 11.11 Keywords
- 11.12 Self assessment questions
- 11.13 References/Suggested Readings

Across the counter selling is one where the customers come to the sales people. It primarily involves retail-store selling. In this kind of selling, those sales people are also included who are with catalogue retailers who take telephone orders. The other kind of personal selling is where sales people go to the customers. These people sell in person at a customer's place of business or home.

11.3.3 Types of sales jobs

The types of selling jobs and the activities involved in them cover a wide range. People who sell are, called by various names: salesmen, sales representatives, salespersons, account executives, sales consultants, sales engineers, field representatives, agents, and marketing representatives. Given below is the classification of sales jobs by Robert Mcmurry:

(a) *Driver sales person (Deliverer)*- In this, the sales person primarily delivers the product. For example, soft drinks, bread and milk salesman who deliver the respective products to retailers and/or other customers. In these types of jobs selling responsibilities are secondary. Few of these salesmen originate sales.

(b) *Inside order taker*- This is a position in which the sales person takes orders at the seller's place of business. Most of the sales persons visit grocery shops and general stores to take orders for various items.

(c) *Outside order taker*- In this position the sales person goes to the customer in the field and accepts an order. Most of the sales person who takes orders by visiting various colonies and residential localities fall in this type of category.

(d) *Missionary sales person*- This type of sales job is extended to build goodwill, perform promotional activities, and provide information

(c) *Stimulate the sales-force and dealers*: PR can help boost sales-force and dealer enthusiasm. Stories about a new product before it is launched will help the sales force sell it to retailers and consumers.

(d) *Hold down promotion costs*: PR costs less than direct mail and media advertising. The smaller the company's promotion budget, the stronger is the case for using PR to gain share of mind.

11.9.3 Major tools of Public Relations and Publicity

(a) **PUBLICATIONS**: Companies rely extensively on communication materials to reach and influence target markets. These include annual reports, brochures, articles, audio-visual materials, and company newsletter and magazines. Company newsletters, and magazines can help build up the company's image and convey important news to target markets. Audio-visual material, such as films, slides, and video and audio cassettes are coming into increasing use as promotion tools. The cost of audio-visual material is usually greater than the cost of printed material, but so is the impact.

(b) **EVENTS**: Companies can draw attention to' new products or other company activities by arranging special events. These include news conferences, seminars, outings, exhibits, contests and competitions, anniversaries, and Sport and culture sponsorships that will reach the target publics.

(c) **NEWS**: One of the major tasks of PR professionals is to' find or create favourable news about the company, its products, and its people. News generation require skills in developing a story concept, researching it, and writing a press release. But the PR person's skill must go beyond news preparing stories. Getting the media to' accept press releases and press conferences calls for marketing and interpersonal skills. A good PR media director understands the press' needs far stories that are

(b) Discrepancy of Assortment and Sorting

Channel intermediaries arise to adjust the discrepancy of assortment through the performance of the sorting process. In addition to increasing the efficiency of transactions, intermediaries smooth the flow of goods and services by creating possession, place and time utilities. These utilities enhance the potency of the consumer's assortment. One aspect of this smoothing process requires that intermediaries engage in a sorting function. The sorting function is performed by intermediaries that include the following activities:

- *Sorting out:* This involves breaking down a heterogeneous supply into separate stocks that are relatively homogeneous.
- *Accumulation:* It concerns bringing similar stocks from a number of sources together into a larger homogeneous supply. Wholesalers accumulate varied goods for retailers, and retailers accumulate goods for their customers.
- *Allocation:* It refers to breaking a homogeneous supply down into smaller and smaller lots. Goods received in truck loads are sold in case lots. A buyer of case lots in turn sells individual units. The allocation process generally coincides with geographical dispersal and successive movement of products from origin to end consumer.
- *Assorting:* This is the building up of an assortment of products for resale in association with each other. Wholesalers build assortment of goods for retailers, and retailers build assortment for their customers.

(c) Routinisation

Marketing agencies hang together in channel arrangements to provide for the routinisation of transactions. Each transaction involves ordering, valuating of, and paying for goods and services. The buyer and

themselves. Therefore, while channel institutions can be eliminated or substituted, the functions performed by them cannot. The functions that need to be necessarily performed in a channel system include transfer of ownership through selling, transfer of possession through transportation, order processing, inventory carrying, storage, sorting, negotiation and promotion. The same function in a given channel system may be performed at more than one level of the marketing channel, the work load for the function is shared by the members at all levels. For example, manufacturer, wholesalers, and retailers may all carry inventory. This duplication and redundancy in the channel may increase the distribution cost. However, the increase in cost is justifiable to the extent that it may be necessary in order to provide goods to customers at the right quantity, time, and place.

Flow in channels is referred as a set of functions performed in sequence by channel members. Therefore, the term flow is descriptive of movement. Figure 1 depicts important marketing flows. Physical possession, ownership, and promotion are typically forward flows from producer to consumer. Each of these moves down the distribution channel- a manufacturer promotes its product to a wholesaler, which in turn promotes it to a retailer, and so on. The negotiation, financing, and risk flows move in both directions, whereas, ordering and payment are backward flows.

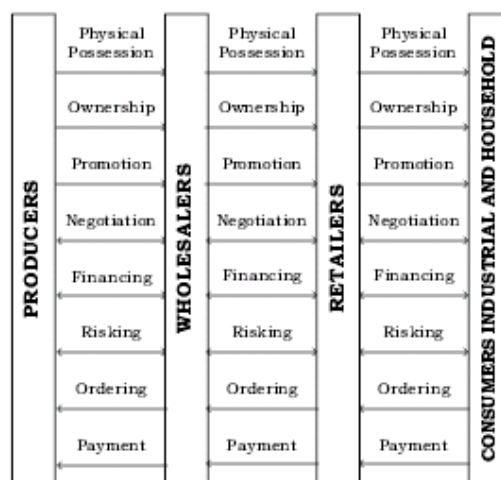


Figure 1. Marketing Flows in Channels

channel members to understand market dynamics and communicate brand's positioning strategies. These meetings are also used to resolve channel member's problems. While these are many a time informal meetings some companies have an in-house newsletter which they send to all their major dealers. This newsletter informs channel members of happenings in the market place and also the company's perspective of the products and markets.

(ii) *Dealer councils*: Another way to resolve conflict is through formation of dealer councils. Such council can resolve issues in horizontal level conflicts and even vertical conflicts. The manufacturer continues to play the key role in these councils. Often the criticism or fear voiced in this regard is that such councils can provide a platform for dealers to jointly voice their grievance against the manufacturer. These councils unite dealers. But, if the manufacturer can keep the councils focussed on market leadership and maximization of returns on investment, and is also willing to accept constructive suggestion, the dealer council can become an effective tool for intervening in the market place.

(iii) *Superordinate goals*: Another way to resolve channel conflict is to evolve superordinate goal of maximizing customer satisfaction. If the channel members can be motivated to perceive customer satisfaction as the ultimate goal of all members in the channel and this in turn leading to profit maximization of all concerned, then much of the conflict can be resolved. Often superordinate goals development is easier only when the threat from the other firms is high.

(iv) *Arbitration and mediation*: Often, the conflict among channel members may be resolved only through arbitration and mediation. Generally in the intra-middlemen conflict-horizontal or vertical (wholesaler vs retailers)- the manufacturer may arbitrate or mediate. But,

channel). The firms comprising a particular channel are served best if they all view their channel as a partnership requiring coordination of distribution activities.

12.11 KEYWORDS

Channel of distribution: The complete sequence of marketing organisations involved in bringing a product from the manufacturer to the ultimate consumer.

Merchant intermediary: An intermediary who takes the title of the product such as wholesaler or retailer.

Agent intermediary: An intermediary who does not own a title. He only brings together the sellers and buyers.

Vertical marketing system: A network of vertically aligned organisations that are professionally managed and all the activities of all the intermediaries move in the same direction.

Franchise: It is a type of contractual agreement between an original manufacturer and a franchisee by which the franchisee distributes the franchisor's product.

Channel conflict: When there is a kind of dispute between distribution channel members.

12.12 SELF ASSESSMENT QUESTIONS

1. What do you mean by marketing channel? Discuss in brief the functions and flows in marketing channel.
2. Discuss in brief the concept of 'Vertical Marketing System' with suitable examples.

low or too high where equalisation has not been brought about in terms of zero deviations. Such feed-back of facts and analysis makes the marketing personnel much alert and wiser about relevance and effectiveness of policies, strategies, targets and resources on the one hand and their practical application on the other hand and their practical application on the other.

13.2.2 Significance of marketing control

Marketing control means monitoring and realigning the marketing effort.

(1) It puts the unit on the progress path- A well designed and strictly implemented marketing control system aids the management in tracing the deviations from the chartered course. It monitors the variations- favourable or unfavourable- and redress, the mechanism before it gets too late. Hence marketing control puts every organisation on the progress path.

(2) It helps in locating responsibility for deeds- Marketing control helps the marketing manager in particular and the top management in general, in locating the responsibility for the deeds of subordinates- both good and bad.

(3) Keep pace with environmental changes- Continuous and consistent monitoring of marketing performance is an attempt to match the marketing efforts to the ever changing environmental forces such as social, economic, political, cultural, ecological and technological.

(4) It absorbs organizational complexity- The outstanding feature of modern business enterprises is that it is going mammoth in size and more complex in nature. Marketing control helps in reducing the complexity of operations and actions.

Strategic control	Top management, Marketing auditor	To examine whether the company is pursuing its best opportunities with respect to markets, products and channels	• Marketing effectiveness rating instrument • Marketing audit • Marketing excellence review • Company ethical and social responsibility review
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13.3.1 Annual-Plan Control

The purpose of annual-plan control is to ensure that the company achieves the sales, profits and other goals established in its annual plan. The heart of annual-plan control is management by objectives. Four steps are involved in annual plan control. First, management sets monthly or quarterly goals. Second, management monitors its performance in the marketplace. Third, management determines the causes of serious performance deviations. Fourth, management takes corrective action to close the gaps between its goals and performance. This could require changing the action programmes or even changing the goals. Managers use five tools to check on plan performance, sales analysis, market share analysis, marketing expense-to-sales analysis, financial analysis, and market-based scorecard analysis.

(A) Sales analysis- Sales analysis uses sales figures to evaluate a firm's current performance. It is probably the most common method of evaluation. Marketers use current sales data to monitor the impact of current marketing efforts. However, that information alone is not enough. To provide useful analyses, current sales data must be compared with forecast sales, industry sales, specific competitors' sales or the costs incurred to achieve the sales volume. So, sales analysis consists of measuring and evaluating actual sales in relation to sales goals. Two specific tools are used in sales analysis.

In some organisations, personnel in other functional areas, such as production or accounting, see marketers as primarily concerned with generating sales, regardless of the costs incurred. By conducting profitability analysis, marketing managers can counter this criticism and put themselves in a better position to demonstrate how marketing activities contribute to generating profits.

The task of determining marketing costs is often complex and difficult. Simply ascertaining the costs associated with marketing a product is rarely adequate. Marketers must usually determine the marketing costs of serving specific geographical areas, market segments or even specific customers. The first step in determining the costs is to examine accounting records. Most accounting systems classify costs into natural accounts- such as rent, salaries, office supplies, and utilities- which are based on how the money was actually spent. Unfortunately, many natural accounts do not help explain what marketing functions were performed through the expenditure of those funds. It does little good; for example, to know that Rs. 80,000 is spent for rent each year. The analyst has no way of knowing whether the money is spent for the rental of production, storage or sales facilities. Therefore, marketing cost analysis usually requires some of the costs in natural accounts to be reclassified into marketing function accounts, which indicate the function performed through the expenditure of funds. Common marketing function accounts are transport, storage, order processing, selling, advertising, sales promotion, marketing research, and customer credit.

Marketing cost analysis mainly use three broad categories of costs: direct costs, traceable common costs, and non-traceable common costs. Direct costs are directly attributable to the performance of marketing functions. For example, sales force salaries might be allocated to the cost of selling a specific product item, selling in a specific geographic area or

LESSON-14

NEW ISSUES IN MARKETING: GLOBALIZATION, CONSUMERISM, GREEN MARKETING AND LEGAL ISSUES

STRUCTURE

- 14.0 Objective
- 14.1 Introduction
- 14.2 Globalization
 - 14.2.1 Being International
 - 14.2.2 Determining the Level of International Involvement
- 14.3 Green marketing
 - 14.3.1 What is Green Marketing?
 - 14.3.2 Why is green Marketing Important?
 - 14.3.3 Why are Firms Using Green Marketing?
 - 14.3.4 Some problems with going green
- 14.4 Consumerism
 - 14.4.1 Consumer Protection Act
 - 14.4.2 Scope of the Consumer Protection Act, 1986
(COPRA, 1986)
 - 14.4.3 Consumer Protection Council
 - 14.4.4 Objectives of the Central Council
 - 14.4.5 State Consumer Protection Councils
 - 14.4.6 Consumer Disputes Redressal Agencies
- 14.5 Summary
- 14.6 Keywords
- 14.7 Self Assessment Questions
- 14.8 References/Suggested Readings

The push to reduce costs or increase profits may not force firms to address the important issue of environmental degradation. End-of-pipe solutions may not actually reduce the waste but rather shift it around. While this maybe beneficial, it does not necessarily address the larger environmental problem, though it may minimize its short term affects. Ultimately most waste produced will enter the waste stream, therefore to be environmentally responsible organizations should attempt to minimize their waste, rather than find “appropriate” uses for it.

14.4 CONSUMERISM

Marketing is highly visible, all pervasive and a very important activity having great influence on society. There might be situations where marketer’s action may be seen to be harming the interest of society. This calls for a carefully designed legislature ‘that may protect the interest of society and right of individuals against any sort of wilful or otherwise exploitation by marketing. This also called for education and awareness of consumer so as to safeguard against their harm. There have been various movements on the part of society to safeguard its interest which is known as consumerism.

Consumerism can be defined as “an organised social movement to enhance the right and powers of buyers in relation to sellers”.

A consumer can call for several rights like

- (i) The right to safety: to be protected against the marketing of goods which are hazardous.
- (ii) The right to be informed: to be protected against misleading information on advertisements and other promotional campaign by the marketer.
- (iii) The right to influence products and marketing practices in ways that buyers think will help improve the quality of life.

notification from time to time. The objectives of every State Council (like Central Council) shall be to promote and protect within the state, the rights of the consumers as laid down in its clauses (a to b) of Section 6. So far, 22 states and Union Territories have set up the consumer Protection Councils under the Act. How far these councils have been successful in protecting the consumer interest is not free from doubt.

14.4.6 Consumer Disputes Redressal Agencies

The Consumer Protection Act, 1986 provides for the establishment of a three-tier quasi-judicial machinery for redressing consumer grievances. They are: (a) District Forum, (b) State Commission, and (c) National Commission.

(a) District Forum: A Consumer Disputes Redressal Forum to be known as the District Forum is required to be established by the state government with the prior approval of the central government in each district of the state.

Composition of the District Forum. The Act provides that each district forum shall consist of a president, who is required to be or qualified to be a district Judge nominated by the state government. It shall consist of two members, among them one should be a lady social worker. The members may hold the office for a period of five years or up to the age of 65 years whichever is earlier and they are not eligible for re-appointment. Vacancy occurred by members resignation may be filled by the state government and it has entire authority about deciding salary or honorarium to be paid to the members.

Jurisdiction of the District Forum: district Forum has the jurisdiction to entertain the complaints where the value of the goods or services or compensation claimed is less than Rs. 5,00,0000 (earlier it was Rs. 1,00,000). It can take the complaints where opposite

party/parties reside/s or carries on business in the district and the cause of action”, wholly or in part, arises.

Procedure to be followed by the District Forum: Section 13 of the COPRA, 1986 lays down the procedure to be followed for the settlement of consumer dispute by the District Forum. After receiving a complaint from the complainant, it refers a copy of the complaint to the opposite party directing him to give his version within 30 days or such extended period not exceeding 15 days. If the opposite party denies or disputes the allegations contained in the complaint or “omits or fails to take any action to represent his case within the time given by the District Forum, then the forum shall take the following if the complaint relates to goods. If complaint alleges a defect in the goods which cannot be determined by proper analysis, then the District Forum shall take a sample and send it to a laboratory with prescribed fee (from the complainant) and then it has to send a copy of the laboratory report to the opposite party of the complainant disputes with the correctness of report of the laboratory, then they may submit in writing their objections and then the District Forum gives a reasonable opportunity to the parties of being heard and issue an appropriate order.

If the complaint relates to service and where the opposite party on receipt of a copy of the complaint denies or disputes the allegations contained in the complaint, or omits or fails to take any- action to represent his case within the time given by the Forum, the Forum shall proceed to settle the consumer dispute on the basis of:

- Evidence brought to its notice by the complainant and the opposite party denies or disputes the allegations contained in the complaint, or
- Evidence brought to its notice by the complainant where the opposite party omits or fails to take any action to represent his case within the time given by the Forum.

society to safeguard the interest of consumers, which is known as consumerism. In India Consumer Protection Act (CPA) safeguards the rights of consumer and provides the remedies. The consumer protection Act, 1986 extends to the whole of India except the state of J & K. The Act applies to all types of goods and services unless specifically exempted by the central government by notification. The Act provides for setting up Consumer Protection Councils at Central and state levels and consumer's complaints Redressal Agencies at Central, State and District levels of the country.

14.6 KEYWORDS

Globalisation: It is a trade philosophy where business people treats that the entire world is a market and I am one of the players.

Licensing: It provides a way of selling the rights to a patent, brand name, or expertise so that the licensee can produce or market the product in a foreign country.

Joint venture: It involves a shared ownership between a local and a foreign company.

FDI (Foreign Direct Investment): It is the situation in which a foreign company directly invest in a business venture.

Green marketing: Green marketing consists of all activities designed to generate and facilitate any exchanges intended to satisfy human needs or wants, such that the satisfaction of those needs and wants occurs, with minimal detrimental impact on the natural environment.

Consumerism: An organised social movement to enhance the rights and powers of buyers in relation to sellers.