the physical flow of products from producers to consumers. Physical distribution makes the product available at the right place and at the right time, thereby maximizing the company's chance to sell the product and strengthen its competitive position. The products have to be carried to places of consumption; they have to be stored; and they have to be distributed. The product has to be marketed over an extensive marketing territory. It has to be transported through long distances, stored for a considerable length of time before being consumed. Physical distribution largely determines the customer service level. Inefficient physical distribution leads to loss of customers and markets.

As the above paragraph indicates, physical distribution starts at the factory. Managers choose a set of warehouses or stocking points and transportation carriers that will deliver the goods to final destinations in the desired time or at the lowest total cost.

The following are the functions of the physical distribution:

- Planning the total physical distribution system
- In plant warehousing
- Transportation
- Field warehousing
- Receiving
- Handling
- Secondary transportation (secondary handling and sub-distribution of product)

Physical distribution is a very important area for cost savings. Over the years, in most businesses, physical distribution costs have grown into a sizeable portion of the total costs. Surprisingly, physical distribution despite being an important cost area, has remained one of the neglected areas for cost reduction.

We will discuss some of these factors below :

A) Transportation : Transportation plays a very important role in the economic development of a nation. According to Lionel Robbins "Transport industries which undertake nothing more than the mere movement of persons and things from one place to another, have constituted one of the most important activities of men in every

(3) It moves at a less speed than the railways and airways.

Railways : Railways are one of the cheap means of transport. It covers long distances and carries heavier types of goods.

Advantages-

(1) It is a cheaper mode of transportation for heavy goods.
(2) It is suitable for bulky goods.
(3) It is convenient for long distance travel.

Disadvantages –

(1) Railways have fixed routes and it cannot make point to point delivery.
(2) It is costly for short distance.
(3) It is inconvenient for remote areas.

Waterways : It is one of the cheapest mode of transportation. It was used for transportation of bulky goods and low grade goods in the older days. But now it is used for all kinds of goods.High tech machineries and equipment for the Numaligarh and Bongaigaon refineries of Assam were brought from outside through waterways

Advantages -

(1) It is one of the cheap mode of transportation.
(2) It can carry bulky goods.
(3) It is safer to transport glassware, scientific instrument and chemicals.

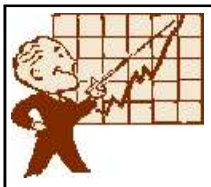
Disadvantages –

(1) It has got very low speed.
(2) It serves limited areas.
(3) The bridges that may be there on a river may create problems for high and heavily loaded ships

Airways : The airway transport passenger's mail and also goods. It is helpful in times of emergency like flood, earthquakes and war.

Advantages –

(1) It is the fastest means of transport.
(2) It is more safe for goods to be transported by the airways.



CHECK YOUR PROGRESS

Q.1: State true or false for the following statement –

(i) Physical distribution means movement of goods from one place to another. (True / false)

(ii) Through pipelines we can send solid items. (True / false)

(iii) Railways are the fastest mode of transportation. (True / false)

(iv) Waterways are the quickest mode of transportation. (True / false)

(v) For low volumne high value goods airways are the prefered means of transportation. (True / false)

8.4 MARKET LOGISTICS

The term “logistics” stems from the Greek word “logisticos” meaning the science of computing and calculating. In the military sense, Webster define Logistics as the “procurement, and transportation of military materials, facilities and personnel”. Today in the industrial and commercial world, logistics has acquired a wider meaning. Essentially it covers activities for the material flow from the source to the processing facilities and subsequent distribution of finished goods from there to the utility users.

The Council of Logistics Management defines logistics as follows:

“Logistics management is the part of supply chain management that plans, implements and controls the efficient and effective forward and reverse flow and storage of goods, services and related information between the point of origin and the point of consumption in order to meet customers’ requirements”.

Logistics involves the process of strategically managing the procurement, movement and storage of materials, parts and finished inventory (and the related information) through the organization and its marketing channels in such a way that current and future profitability are maximized through the cost effective fulfillment of order. The logistical system of a firm refers to an integrated effort towards generating the highest value

ii. Packaging
iii. Shipping
iv. Stocking lakhs of disks and manuals

The superior delivery system will help in improving the efficiency of the distribution and addition of value to the end users.

The market logistics calls for integrated logistics system which include materials management, material flow systems, physical distribution aided by information technology. Information system plays a critical role in managing market logistics especially via computers, point of sale terminals, uniform product bar codes, satellite tracking, and electronic data interchanges (EDI) and electronic fund transfer (EFT). These developments have helped the following

i. Shortened order cycle time
ii. Reduced clerical labour
iii. Reduced errors
iv. Improved control of operations

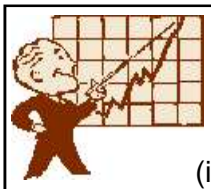
Market logistics encompasses several activities as given below.

i. Sales forecasting on the basis of which the company schedules distribution, production and inventory levels
ii. Saving cost and eliminating every unnecessary cost from the system
iii. Lower market logistics cost will permit lower prices, yield higher profit margin or both.

Many firms are embracing lean manufacturing, originally pioneered by Japanese firms such as Toyota to produce goods with minimal waste of time, materials and money. In a nutshell it can be stated that market logistics helps in 'getting the right goods to the right places at the right time for the least cost'

8.5 SUPPLY CHAIN MANAGEMENT

Physical distribution has now been expanded into the broader concept of Supply Chain Management (SCM). SCM starts before physical distribution and means strategically procuring the right inputs (raw materials, components and capital equipment); converting them efficiently into finished



CHECK YOUR PROGRESS

Q.2: Fill in the blanks with appropriate words:

(i) Supply chain consists of various stages in the conversion of _____ into final products and its delivery to _____

(ii) Logistics comes from the Greek word _____

(iii) The supply chain begins with the _____ of the customers.

8.6 DIFFERENT CHANNELS OF DIRECT MARKETING

One of the priorities of marketers today is to build long term relationship with customers. The companies send birth day cards, information materials etc. to customers. Airlines, hotels and other businesses adopt frequency reward programmes. To that extent they need to be in direct contact with the customers. Direct marketing is the use of consumer direct (CD) channels to reach and deliver goods and services to customers without using marketing intermediaries. Direct marketers can use a number of channels to reach individual prospects and customers.

The various channels or methods are discussed below:

1. **Direct mail:** It means sending an announcement, offer, reminder etc. to individual customers. The marketer should have a mailing list. Letters, reminders, multimedia DVDs etc. can be sent to prospects and customers. This is a popular medium. Because, it can reach to target market. It can be personalized. It allows early testing and measurement. So many marketers are sending out direct mail pieces that many customers perceive it as junk mail.
2. **Telemarketing:** In case of telemarketing, marketers contact consumers by phone. In telemarketing the salesperson uses telephone to attract new customers, to give information to its existing customers or to take orders.The call centres are used

8.7 ADVANTAGES AND DISADVANTAGES OF DIRECT MARKETING

Advantages of Direct Marketing:

Direct marketing is a method which comprises activities like direct mail, telemarketing, mail order, direct response advertising and email marketing etc as described earlier in the above sections. Direct marketing has many advantages because it enables to engage directly with the audience, whether they are prospects, end users or existing customers.

Following are some of the advantages or benefits of direct marketing:

1) **Flexible Targeting**: In Direct Marketing the salesman talk directly to the target customers and communicate with well-defined target markets.

2) **Multiple Uses:** Direct marketing is not only meant to sell products or services, it can also be used to (i) test new markets and trial of new products by customers, (ii) to reward existing customers to build loyalty, (iii) to collect information for future campaigns etc.

3) **Easy to Manage:** Direct marketing is easy to manage and has a greater control than other marketing methods. In direct marketing it is easy to measure the results because the salesperson knows exactly how many customers he has contacted. And also direct marketing makes it easier to plan, forecast and budget for future direct marketing campaigns.

4) **Rapid Delivery:** Direct marketing is very flexible. Especially for telemarketing, as the results of a conversation can be logged immediately and the problems and queries can be handled immediately.

5) **Testing Capability:** Any of the variables related with direct marketing such as timing, list, message, mailer and offer can be adjusted, tested again, and measured to find the optimum direct marketing proposition.



8.8 LET US SUM UP

In this unit, we have discussed about marketing channel.Marketers of physical products and services must be concerned about ensuring efficiency in physical distribution, market logistics and supply chain management. The marketers need to find out the best modes of transportation so as to move goods and services to market destinations in a time and cost effective manner. They need to coordinate the activities of suppliers, purchasing agents, manufacturers, channel members and customers. Because of information technology, there have been revolutionary changes in physical distribution, market logistics and supply chain management.

In this Unit, we have also discussed Direct Marketing, its advantages and disadvantages. Direct marketing is an interactive marketing system that uses one or more methods to effect a measurable response. Direct marketers should plan campaigns by deciding on objectives, target markets and prospects. They need to test and establish measures to determine the company's success.



8.9 FURTHER READING

1) Philip Kotler, Kevin Lane Keller, Abraham Koshy, and Mithileshwar Jha (2007), *Marketing Management*, Published by Pearson Education
2) V. S. Ramaswami and S Namakumari (2003), *Marketing Management*, Published by Macmillan India Limited



8.10 ANSWERS TO CHECK YOUR PROGRESS

Ans. to Q No1: i. True ii. False iii. False iv. False

UNIT 9 : PROMOTION

UNIT STRUCTURE

9.1 Learning Objectives

9.2 Introduction

9.3 Defining Promotion

9.4 Promotion Mix

- 9.4.1 Advertising
- 9.4.2 Objectives and Functions of Advertising
- 9.4.3 Functions of Advertising

9.5 Factors Affecting Promotional Mix and Strategies

9.6 Types of Advertising

9.7 Advertising Media

- 9.7.1 Print Media
- 9.7.2 Broadcast media
- 9.7.3 Transit Media

9.8 Advantages and Limitations of Advertising

9.9 Sales Promotion

9.10 Publicity

9.11 Let Us Sum Up

9.12 Further Reading

9.13 Answers To Check Your Progress

9.14 Model Questions

9.1 LEARNING OBJECTIVES

After going through this unit, you will be able to :

- define promotion
- describe different types of promotion
- explain the meaning of advertising, sales promotion, personal selling and publicity
- distinguish between Pull and Push Policy of sales promotion.
- explain the need for promotional strategy.

LET US KNOW



Industrial marketing is the marketing of goods and services from one business to another. In the Industrial marketing, goods are produced for the purpose of reproduction. Again consumer marketing is the marketing which focuses on the needs and wants of consumers. In the consumer marketing, goods are produced for ultimate consumption.

ACTIVITIES



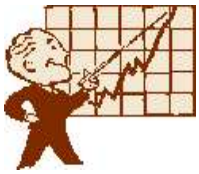
Do you think promotion is necessary to sell a product? Observe the rcent advertisement in TV and see how they are used to promote products /services

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CHECK YOUR PROGRESS



Q1. Give the definition of promotion.

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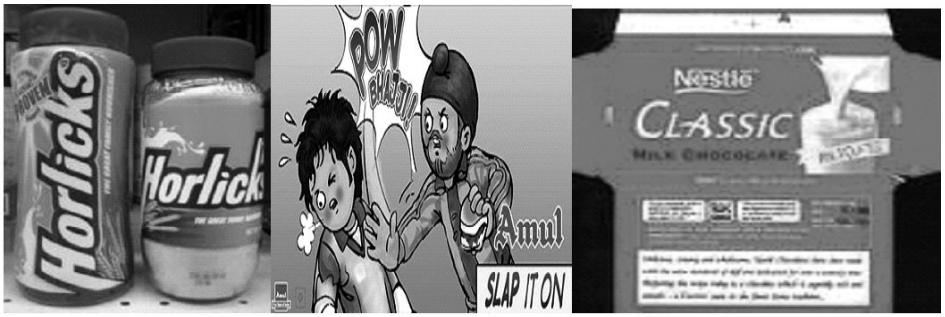
9.4 PROMOTION MIX

Promotion is one of the major components of marketing mix. The purpose of promotion is to reach the desired consumers and persuade them to act positively towards purchase of the specific product or services. A company may have a well designed product offering with a price and distribution system appropriate to its target market. But if it is unable to reach that market, then all its efforts will have been in vain. Promotion is responsible for awakening and stimulating consumer demand for the product.

According to Philip Kotler, “Advertising is non-personal form of communication conducted through paid media under clear sponsorship.”

Advertising is persuasive, informative and it is designed to influence the mass population. Advertising may cost a lot of money but that cost is justified if it works effectively and economically.

Some of the examples of advertisements for different products are shown below.



From the above definition of advertising, we can summarize the characteristics of advertising as:

1. It is non personal communication to specific consumers
2. It is a paid form of communication by an identified sponsor.
3. It disseminates information about products or services to the consumers.
4. It persuades people to buy a product by creating interest of the prospective buyers in the product.
5. It is an essential form of communication for introducing a new product in the market.
6. Written or oral messages are addressed to selected customers.
7. It influences the general public to buy products or services.
8. Advertising messages are identified with the advertiser.For , example citibank had introduced 24/7 by rolling out Automatic Teller Machine(ATM) with the tag line “citi never sleeps”
9. It is a commercial transaction that forces the advertisers to pay the media houses whose media are used.
10. It is the promotion of ideas, goods and services.
11. It stimulates sales or patronage for the product.

- **Performing selling job:** The objective of advertising is to perform selling function, e.g. in mail order business the selling function is performed by advertisement.
- **Assisting salesman's effort:** Advertising also assists the salesman's effort in increasing sales of a product. Since the advertisement educates the customers about the product, the function of the salesman remains simply to sell the product.

9.4.3 Functions of Adverting

Advertising performs a number of functions, which can be categorized as follows:

1) Primary Functions:

- It attracts customers and helps the marketer in promoting new products
- It assists the dealer to sell the advertised goods effectively.
- It persuades dealers to stock advertised goods sufficiently.
- It develops brand name.
- It increases use through repetition of advertising.
- It eliminates seasonal fluctuation of sales by offering something extra.
- It also helps in improving standard of living of the customers.

2) Secondary Functions: The secondary function of advertising is

- To assist salesmen and boost their moral.
- To increase profits by increasing sales.
- To reduce production and selling cost by increasing sales.

In the growth stage, customers know the qualities of the product. Hence to stimulate demand, advertising and sales promotion must be increased. In the maturity stage, sales and profits decline and hence promotional activities like advertising should be cut down. However, emphasis may be given on sales promotion tools.

4. **Market penetration:** Here the product is already known to the buyers. In that situation, a sustaining promotional strategy is suitable. A brand has insignificant market penetration means it has a small market or struggling market.In order to penetrate further, awareness needs to be created by advertisement.The demand needs to be stimulated by sales promotion.

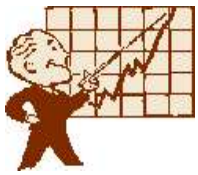
5. **Market size and location:** Product's market size and location also influences the promotional mix. In narrow market, where the numbers of potential buyers is small, direct mail is used. In a broad market advertising is used.

6. **Characteristics of buyers:** The characteristics of prospective buyers strongly influence the promotional mix. Experienced professional buyers such as industrial purchasing agents need personal selling. Inexperienced buyers need advertising. Some buyers give importance to time, some to purchase of products, buyers act according to the influence of friend, relatives etc.

7. **Distribution strategy;** Companies fighting more through distribution for establishing their brands, invest more money on personal selling and advertising. Companies which have already established their brand in the market have to invest only a small amount in personal selling. However, they need to maintain awareness level through advertising.

8. **Pricing strategy:** Pricing strategy influence the promotional mix strategy. If the brand is priced higher than the competition, more personal selling is needed to get a middleman to stock and push the brand. If the brand is priced lower,more sales are expected to take care of the margin of middlemen.

- **Commercial and non commercial advertising:** Commercial advertising is concerned to increase the sales of commercial enterprises. The forms of commercial advertising are- industrial advertising, trade advertising, professional advertising etc. Again non commercial advertising is undertaken by non-profit organisations such as government, charitable institutions, etc to support ideas and donations etc.
- **Rational and emotional advertising:** Rational advertising explains the reason for going to a particular product. For example Colgate tooth paste advertising is rational. On the other hand emotional advertising attracts the consumer through emotional feelings. For example, Cadbury Dairy Milk- celebration shows the emotional touch in their advertisement.



CHECK YOUR PROGRESS

Q 2. State true or false:-

(i) Advertising is a non paid form of company message.(True / False)

(ii) Advertising provides information to the consumer and educates them about the product. (True / False)

(iii) Advertising helps salespersons in promoting the product . (True / False)

(iv) Advertising assists dealers to sell the advertised goods effectively. (True / False)

(v) National advertising are sponsored by local retailers. (True/False)

9.7 ADVERTISING MEDIA

Advertising media can be classified under three broad categories:

1. Print media
2. Broadcast media
3. Interactive multimedia

The picture given below shows a magazine advertisement.



- **Packaging:** In todays marketing environment, a package is both a container and a communication vehicle. The package serves as a critical reminder of the product's important benefits at the moment the consumer is choosing among several competing brands.
- **Direct mail advertising:** Direct mail advertising is one of the media communication that brings the product message directly to the notice of the individual through mail or personal delivery.

(ii) Television Advertising: It is said that today television advertising is the best appealing media vehicle. It is a means of bringing actual demonstration in the homes of the prospects and therefore more effective media when compared with radio. Television makes full use of sight, sound and motion and thereby maximizes impact on audience.

Merits

- It combines the advantages of both radio and cinema. It is a powerful audio-visual medium.
- It makes the message more attractive, impressive and effective.
- It has a wide coverage.
- It is most advantageous to those advertisers whose products and service require demonstration.

Demerits

- It is very expensive.
- Television message is very short lived.
- Television advertisements are very brief due to high cost of advertising on television.
- The messages lost in the clutter of advertisements as there are so many advertisement.

(iii) Film Advertising: Today cinema is an important and effective media of advertising. Suitable short films (e.g. infomercial) may be prepared to create a lasting impression upon the audience. These may be presented in the form of a short story or cartoon. Such films may be shown before the start of the feature film or during interval. At present there are three kinds of films used as media of advertising:

a) Straight Advertising Films.

b) Documentary Films.

c) Sponsored Advertising Films.

showroom, window display etc. As a component of promotion it has certain advantages and disadvantages which are outlined below:



LET US KNOW

Internet has developed as one of the important advertising media. It is known as internet advertising, e-marketing or online marketing. Now most of the companies use this media as it offers various advantages like, low cost, global audience etc. However, there are certain limitations of this media. As it requires newer technologies, it may not be possible for all people to take advantage of this media. Another limitation is the inability of buyers to touch, taste or try-on tangible goods before purchasing the goods.However, the popularity of this form is increasing very fast.

Advantages of Advertising:

i) Television ads are more attracting because it provides audio-visual representation about the product. e.g.-Tata Sky (Isko Laga Dala To Life Jingalala)

ii) For Radio ads the voice should be clear and interesting to listen. (e.g. Radio Oolala 94.3 FM).

iii) For News paper and Magazine ads the heading is very important. The size of the advertisement also matters, whether the advertiser is using half page or full page coverage. Big and colorful advertisement gains more attention to the customers.

iv) Advertising can be used to build up a long term image for a product (coca-cola ads) or trigger quick sales (Vishal Mega Mart's weekend ads).

v) Advertising allows the user to transmit a message for a number of times.

vi) Advertising also helps in creating brand image about a company. Advertisement permits the seller to repeat a message for many times, which will help the customer to remember the product.

Advantages: Companies use sales promotion tools to draw a stronger and quicker buyer response. Sales promotion can be used for short run effects such as to dramatize product offers and boost sales.

Limitation: In contrast to advertising and personal selling, which are generally used on a continuous or cyclical basis, sales promotion devices get more irregular use. They are used mainly for short term gains.

PUSH VERSUS PULL:

When dividing the composition of promotion mix, marketing managers must decide whether to use Push or Pull policy.

Push marketing: Marketing develop advertising & promotional strategies geared towards the marketing and distribution channels to ***entice*** them in promoting product or services.



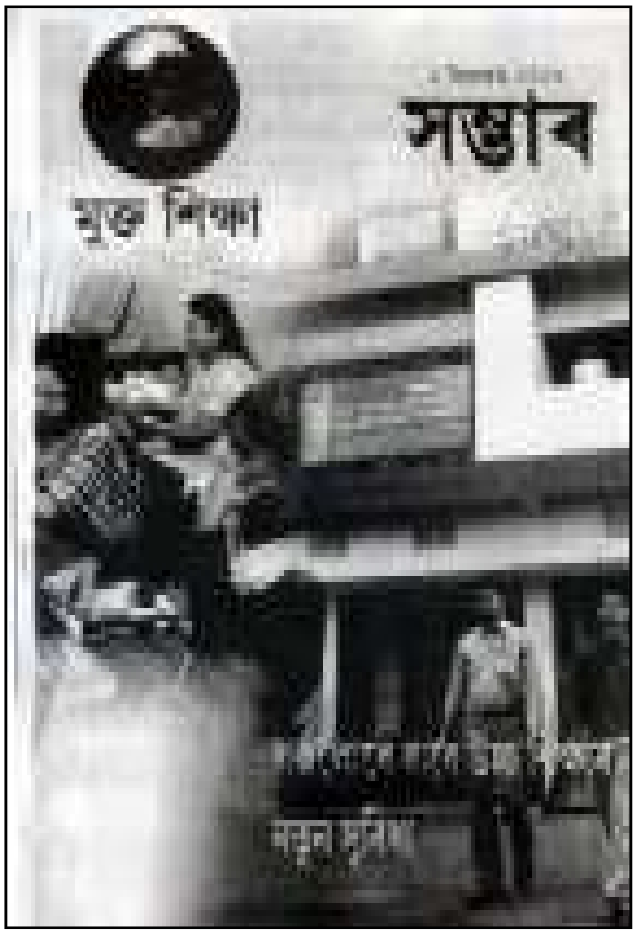
Entice —

Provoke someone to do something through promises or presuasion.

With a **PUSH POLICY** the marketer promotes the product only to the next member down in the marketing channel. In a consumer marketing channel with wholesalers and retailers, the producers focuses the promotion efforts on the wholesalers, who is the member below the producer in the marketing channel. Each channel member, in turn, promotes or pushes the product down through the marketing channel. Marketers employing a push policy generally focus on personal selling efforts, although sales promotion and advertising may be used in conjunction with personal selling to push the product down through the channel.

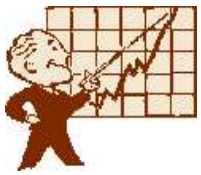
Pull marketing: Advertising & promotional strategies are geared in such a way that people will get attracted to buy your product or service.

A business using a **PULL POLICY** promotes its product directly to consumers to stimulate strong consumer demand for the product. When consumers learn, through promotional activities, about a product that they believe will satisfy their needs and wants, they ask for the products in retail stores. To satisfy consumer's demand retailers in turn try to purchase the product from the producers or wholesalers. A pull policy is therefore intended to pull products down through the marketing channel



This is an example of publicity in a Magazine

Other forms of promotion like packaging, direct mail, trade shows etc.



CHECK YOUR PROGRESS

Q.3 State true or false for the following statement –

i. Advertising is a non paid form of non personal presentation about an organization or its product or service. True/False

ii. Personal selling involves an immediate and interactive relationship between two or more persons. True/False.

iii. Coupons, contests, premiums are tools for personal selling. True/ False.

munication. This unit also focuses on the importance of advertising and its use to promote the product in the market.

The table below provides the summary of the key characteristics of promotional mix-

Characteristics	Advertising	Sales Promotion	Personal Selling	Publicity
Direct Coverage	Mass and Targeted	Mass and Targeted	Targeted	Mass
Message Flow	One way	One & two way	Two way	One way
Payment Model	Paid Directly	Paid	Paid	Non paid
Interaction Type	Non personal	Personal & non personal both	Personal	Non Personal
Message Control	Good	Good	Very good	Poor



9.12 FURTHER READING

1) Philip Kotler, Kevin Lane Keller, Abraham Koshy, and Mithileshwar Jha (2007), Marketing Management, Published by Pearson Education

2) V. S. Ramaswami and S Namakumari (2003),Marketing Management, Published by Macmillan India Limited



9.13 ANSWERS TO CHECK YOUR PROGRESS

Ans. to Q No 1: Promotion is the aspect of selling and advertising on communicating the benefit of the product or service to the target customers

Ans. to Q No 2: (i) False (ii) True (iii) True (iv) True (v) False

Ans. to Q No 3: (i) False (ii) True (iii) False

UNIT 10: SELLING FUNCTIONS IN MARKETING

UNIT STRUCTURE

10.1 Learning Objectives

10.2 Introduction

10.3 Meaning of Personal Selling

10.4 Objectives of personal selling

10.5 Importance of personal selling

10.6 Marketing conditions favoring personal selling

10.7 Process of personal selling

10.8 Concept of e-commerce

10.9 Advantages and disadvantages of e-commerce

10.10 Concept of Electronic business

10.11 Concept of E-CRM.

10.12 Let Us Sum Up

10.13 Answers to check your progress

10.14 Further Reading

10.15 Model Questions

10.1 LEARNING OBJECTIVES

After going through this unit, you will be able to -

- describe personal selling.
- discuss the quantitative and qualitative objectives of personal selling.
- learn the importance of personal selling.
- discuss the marketing conditions favouring personal selling.
- explain the process of personal selling.
- learn the concept of e-commerce.
- discuss the underlying advantages and disadvantages of e-commerce.
- learn the concept of electronic business and its various advantages.
- define the concept of E-CRM.

10.4 OBJECTIVES OF PERSONAL SELLING

The following are some of the objectives of Personal Selling:

1. **Product Awareness**: Building awareness using personal selling is most important. A common job of salespeople is to educate customers on product offerings and discuss about new product launch and making them aware about the new technologies and benefits.
2. **Creates Interest:** Personal selling involves face to face communication and makes the customer feel and touch the product which result in building interest about the product. It gives an experience of the product for the first time. Creating interest goes hand-in-hand with building product awareness as sales person can often accomplish both objectives during the first encounter with a potential customer. For example, Free test drive of a car.
3. **Provide Information**: In Personal selling large part of the conversation focuses on product information. Marketing organizations provide their sales staff with large amounts of sales training and technical support through product brochures, research reports, computer programs and many other forms of informational material which should be provided to a customer.
4. **Creating Demand:** Once customer is aware of the product, and is showing interest and has sufficient information then most important objective of personal selling is to convince customers to make a purchase.
5. **Reinforcing the Brand:** A strong relationship can only be built over time and requires regular communication with a customer. Personal selling is intended to build long-term relationships with customers, meeting with customers on a regular basis allows salespeople to repeatedly discuss their company's products and strengthen customers' knowledge of what the company has to offer.

10.5 IMPORTANCE OF PERSONAL SELLING

The main feature of personal selling that sets it apart from other methods of selling is that the salesperson conducts business with the customer in person. This method of selling is commonly and successfully employed by small companies and for taking feedback on newly launched products. Thus, personal selling is highly relevant as it provides easy and effective answer to multi-dimensional sales problems. It is applicable for retail selling, field selling telemarketing.

1. Personal selling allows the salesperson to target the message specifically to the audience and receive immediate feedback.
2. Personal selling has a greater persuasive impact due to its very nature.
3. Personal selling can be an important source of marketing information. Salesperson may learn about competitors' products or regarding emerging needs of the customers that may lead to the development of a new product.
4. This method of selling may help a small business build loyal, long term relationships with customers.
5. Companies recruit efficient and trained sales force for conducting the function of personal selling as they may act as problem solvers and advisors for customers.
6. Personal selling is mostly successful in selling highly technical products such as machineries, computers, copiers etc.
7. Finally, a company that cannot afford a mass-advertising campaign might consider personal selling as an alternative to advertising.

10.6 MARKETING CONDITIONS FAVOURING PERSONAL SELLING

There are specific market and product conditions that encourage personal selling. Following situations demand adoption of personal selling techniques by companies-

- Personal selling is adopted by companies when customers are concentrated at a point though the market is wide-spread,

strategy. This step builds up the confidence level of the salesperson. The sources of information can be fellow salesmen, customers, local newspapers, special investigators, directories, observation and the prospect.

c) **Approach: -**In this stage, the salesperson meet the prospect in person where face to face conversation takes place for understanding the prospect better. It is a delicate and critical stage of sales process that either the sales are won or lost. The salesman should be well prepared in this stage as he may make a favourable or lasting impression and may end up conducting a smooth sales proposition. The sales man should be polite, confident and informative.

d) **Presentation and demonstration:-** It is the heart of the selling process. Effective and powerful product demonstration has the capacity of stimulating desire and arousal of interest among the prospects. A casual visit may end up in a commitment visit provided products are displayed and demonstrated by the salesman in an appealing manner. Demonstration may be demonstration in general or in particular. For example some products demand specific tests for demonstration. This makes the presentation more convincing and acceptable. To name a few, tests may be conducted to show the purity of silk, diamond or pearl. Again, significance of demonstration lies in reducing the sales talk, facilitating the comparison, appealing to senses and convincing customers.

e) **Overcoming objections:** - For a resourceful and creative salesman, the process of selling really starts when the prospects raise objections because each objection can be mitigated and converted into a buying decision. An objection is an expression of disapproval of action or statement by salesman. These objections may be genuine or mere excuses. Overcoming objections is a very crucial process which if successfully dealt with brings the customer back to the sales track again.

goods and services using computer networks such as internet. E-commerce draws on technologies such as mobile commerce, electronic fund transfer, supply chain management, internet marketing, online transaction processing, electronic data interchange, inventory management systems and automated data collection systems. Modern electronic commerce typically uses the World Wide Web for at least one part of the transaction's life cycle, although it may also use other technologies such as e-mail. E-commerce has allowed firms to establish a market presence or to enhance an existing market position, by providing a cheaper and more efficient distribution chain for their products and services. E-commerce enables a firm or an individual to conduct business over an electronic network, typically the internet. It operates in all of the four major market segments. Almost any product or service can be offered via e-commerce, from books and music to financial services and plane tickets.

E-Commerce business may entail some or all of the following-

- Online shopping websites for retail sales direct to consumers
- Providing or participating in online market places which process third party business-to-customer or customer-to-customer sales
- Business-to-business buying and selling
- Gathering and using demographic data through web contacts and social media
- Business-to-business electronic data interchange
- Marketing to prospective and established customers by email
- Engaging in launching new products and services by sharing information through e-mode.

10.9 ADVANTAGES AND DISADVANTAGES OF E-COMMERCE

The major advantages of electronic-commerce are as follows-

- E-commerce has a wide coverage of customers. It can easily reach to the mass.
- It has low operational costs and offer better quality service.
- Purchasing goods online saves a lot of time of the customers as they

10.10 CONCEPT OF ELECTRONIC-BUSINESS

Electronic business or e-business is the application of information and communication technologies in support of all the activities of business. The concept of e-business was coined by IBM's marketing and internet team in 1996. It is the conduct of business processes on the internet. These electronic business processes include buying and selling products, supplies and services, servicing customers, processing payments, managing production control, collaborating with business partners, sharing information, running automated employee services, recruiting and more. E-business systems naturally have greater security risks than traditional business systems, so it is important for the e-business systems to be fully protected against these risks. Customers, suppliers, employees and numerous other people use any particular e-business system daily and expect their confidential information to stay secure. Some common security concerns include keeping business and customer information private and confidential, authenticity of data and data integrity. Commonly used methods for protecting e-business security and keeping information secure include physical security measures as well as data storage, data transmission, anti-virus software, firewalls etc.

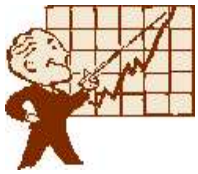
Advantages of E-business

- The most obvious benefit of updating to e-business is that it gives a vital web presence. In an upgraded e-business environment company website becomes the focal point of communication and marketing strategy. Hence a cost effective communication and marketing strategy can be developed.
- E-business aims at cutting advertising and marketing costs. Online advertising is not only more efficient, but is often less expensive than traditional advertising. After sales training, expenses can be reduced by utilizing online seminars, training videos and tutorials.
- E-business streamlines the ordering process by taking orders online. Implementing an online ordering system allows customers to eliminate manual paperwork or telephone order taking. It also offers the possibility of integrating the sales order system with order fulfillment and delivery.

customers and enables the businesses to customize products and services that meet the customers' individual needs.

Electronic customer relationship management provides an avenue for interactions between a business, its customers and its employees through web based technologies. The process combines software, hardware, processes and management's commitments geared towards supporting enterprise-wide CRM business strategies. ECRM is facilitated by easy internet access through various platforms and devices such as laptops, mobile devices, desktop PCs and TV sets. It facilitates utilization of web based technologies to interact, understand and ensure customer satisfaction.

A typical ERCM strategy involves collecting customer information, transaction history and product information. It then analyses the customer characteristics to give a transactional analysis consisting of the customer's profile and transactional history and an activity analysis consisting of exploratory activities showing the customer's navigation, shopping cart, shopping pattern and more. The benefits of E-CRM may include improved customer relations, service and support. It aims at matching customers' behavior with suitable offers. ECRM strategies result in greater efficiency, cost reduction, increased business revenue and enhanced customer satisfaction and loyalty.



CHECK YOUR PROGRESS

Q2: State True (T) and False (F)

a. Personal selling allows the salesperson to target the message specifically to the audience and receive immediate feedback.

b. Personal selling is mostly successful in selling highly technical products such as machineries, computers, copiers etc.

c. personal selling is collecting detailed facts about a specific individual to have effective sales appeals on him/her.

d. Direct marketing does not involve advertisements placed on the internet, on radio or in newspapers.

c. Approach
d. Presentation and demonstration
e. Overcoming objections
f. Closing
g. Follow-up and maintenance

Ans to Q2:

a. Personal selling allows the salesperson to target the message specifically to the audience and receive immediate feedback. (true)
b. Personal selling is mostly successful in selling highly technical products such as machineries, computers, copiers etc. (true)
c. Personal selling is about collecting detailed facts about a specific individual to have effective sales appeals on him/her. (false)
d. Direct marketing does not involve advertisements placed on the internet, on radio or in newspapers. (true)
e. E-commerce requires physical company set up for selling goods. (false)
f. ECRM strategies result in increasing cost, decreased business revenue and lower customer satisfaction and loyalty. (false)



10.15 MODEL QUESTIONS

Q1. Define personal selling.
Q2. Write a note on quantitative and qualitative objectives of personal selling.
Q3. Discuss the importance of personal selling.
Q4. Explain the process of personal selling.
Q5. State the various marketing conditions that demand adoption of personal selling technique.
Q6. Define e-commerce. What are its advantages and disadvantages?
Q7. What do you understand by e-business?
Q8. Write a note on E-CRM.

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11.3 BASIC CONCEPTS

Definition of Service Marketing

Service can be defined as "an act or performance offered by one party to another. Although the process may be tied to a physical product, the performance is transitory, often intangible in nature and doesn't normally result in ownership of any of the factors of production".

Phillip Kotler defined services as "Service is any act or performance that one party can offer to another that is essentially intangible and does not result in any ownership".

In the case of 'goods', the benefits come from ownership of physical objects, whereas in 'services' the benefits are created by actions or performances. The growing complexities in the service environment demand a higher emphasis on the marketing aspects of services. It is very important to run efficient operations, but that alone is no longer enough for success. Employers must be customer service oriented in addition to being concerned about efficiency in operations. The service product must meet customers' requirements. The service product should be priced realistically and judiciously distributed through effective channels convenient for the customers and should be actively promoted so that customers become aware and interested in the service product.

As service is a deed or performance, it is ***ephemeral*** – transitory and perishable – and so cannot be stocked as inventory after being produced. The service is produced and consumed simultaneously.



Ephemeral —

Lasting a very short time.

11.4 SERVICE MARKETING MIX

Generally for goods market we use four P's of marketing strategy. But the major difference between services marketing versus regular marketing is that instead of the traditional "4 P's," Product, Price, Place, Promotion, there are three additional "3 P's" consisting of People, Physical evidence, and Process. Thus, 7p's of service marketing are as follows:

- **Promotion:** Promotion means promoting a product to the potential customers. Marketers employ various promotional tools like advertising, sales promotion, public relation and personal selling to attract customers (we have already discussed in earlier unit). As services are intangible in nature, promotion plays a vital role in this field. In service marketing much promotion is educational in nature, specially for new customers.
- **Place:** Delivering product or service to the customers involves decision on the place and time of delivery, as well as the methods and channels used. Firms may deliver service directly to the customers or through intermediaries. Service marketers also have to handle distribution of their services. But, services can not be produced in some centralized location and transported later to different market for sale and consumption. Rather services must move near the place of demand.



LET US KNOW

Case Example:

"Compassion with care' has been Narayana Hrudayalaya's motto since its establishment in 2011 as a cardiac facility. The Chairman, Dr. Devi Chetty, envisioned a cardiac care facility for children where no one was turned away for lack of funds. Today, Narayana Hrudalaya has the world's largest telemedicine network and has expanded its infrastructure to perform over 150 major surgeries in a single day.

- **Physical Evidence:** It is the environment in which service is delivered and where the firm and the customer interact. The appearance of buildings, equipments, vehicle, interior furnishing, staff member, brochures, other printed material etc. provides tangible evidence of a firm's service quality.
- **Process:** The actual procedure through which service is delivered is known as process. Creating and delivering product elements require the design and implementation of effective process. A badly designed process generally leads to slow and ineffective process and customer dissatisfaction.

number of people live in close proximity with each other. Some of the services related to urban lifestyle include transportation, repairs and maintenance, health care, fitness, restaurants and entertainment etc.

- **Women in the workforce:** Now, a large number of women go outside home to do job. This creates lots of service opportunity in housekeeping sector, like- household services, baby sitter, daycare centre, cleaning services, fast food restaurants etc.
- **Demographic shift:** One of the most important demographic changes is that the life expectancy has increased. People tend to live longer than their forefather. This creates a greater demand for service like healthcare.
- **Government polices:** Changes in regulations and policies like privatization, customers' protection or changes in the service trade mechanisms etc. may influence the growth of the service sector. In India, the growth of the telecom and insurance sector can be highly attributed to the changes in the government policy on liberalization. Measures to curb pollution and promote environmental benefits have resulted in emergence of service organizations like Pollution Control Boards
- **Social changes:** Social changes like rising consumer experiences, increasing income, rising ownership of electronic gadgets etc. are also influencing the growth in the service sector. Another major contribution to the service sector is the increasing demand for health care.

  Computers and mobile phones, increasing desire to have new buying experiences are some of the factors that influence the growth of service sector. Increasing desire to have new experiences is likely to influence the growth of services.
- **Business trends:** We find interesting business trends are emerging like quality movement, growth in franchising mode etc. We may observe emerging trends on how products are offered. Today every marketer is trying to add value through services and self services.

11.6 DIFFERENCE BETWEEN GOODS AND SERVICE MARKETING

Physical Goods	Services
1. Tangible	1. Intangible
2. Homogeneous	2. Heterogeneous
3. Production and distribution are separated from consumption	3. Production, distribution and consumption are simultaneous process
4. A thing	4. An activity or process
5. Core value processed in factory	5. Core value produced in the buyer seller interaction
6. Customer do not participate in the production process	6. Customers participate in the product process
7. Can be kept in stock	7. Cannot be kept in stock
8. Transfer of ownership	8. No transfer of ownership.
9. Non perishable	9. Perishable
10. Can be returned	10. Can not be returned
11. Mass distribution possible	11. Localized distribution

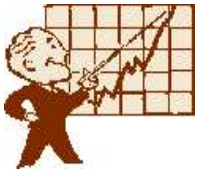
11.7 CHARACTERISTICS OF SERVICE MARKETING

- **INTANGIBILITY:** Physical products can be seen, felt or tasted. But services are intangible in nature. We can not touch, smell, see or taste any service. When services are bought, buyers can not get anything tangible. We cannot carry a luxurious hotel room comfort to our home.

  Though services are intangible in character, not all services have a uniform degree of intangibility. Rather, service products may be rated on a scale with two ends denoting very high and very low intangibility. Examples of very low intangibility are self-service restaurants, cash deposit machines etc. and examples of very high intangibility are career counselling, yoga camps, counselling by clinical psychologists etc. .

a long time before consumption. But perishable products, like fruits, vegetables etc. cannot be stored for a long time. Services are also perishable in character. Perishability often puts a greater burden on service marketer to manage demand. Once the time passes we cannot store the service. As services are deeds, performances and activities whose production and consumption takes place simultaneously, they have to be consumed when created or else they tend to perish. If you have purchased a ticket for availing a bus journey from Guwahati to Dibrugarh on a particular day at a scheduled time. If the bus leaves station and you cannot report on time, you miss the bus. The service performance of the bus cannot be delivered at some other time with the same ticket. It is perishable.

- **OWNERSHIP:** In service marketing, no ownership passes from seller to buyer. For example, if we stay in a hotel and pay the room rent, we will not get the ownership of the hotel.



CHECK YOUR PROGRESS

Q2. Write any two differences between goods and service.

.....

.....

.....

.....

Q3.What is the intangible characteristic of service marketing?

.....

.....

.....

.....



11.8 LET US SUM UP

In this unit we have discussed different aspects of service marketing. In today's world, service sector is growing very rapidly. In several

Ans. to Q.2:

Physical Goods	Services
1. Tangible 2. Homogeneous	1. Intangible 2. Heterogeneous

Ans. to Q.3: Intangible products are the ones which we cannot touch, smell, see or taste. When services are bought, buyers can not get anything tangible.



11.11 MODEL QUESTIONS

Q1. Define services.

Q2. What are the additional 3P's of service marketing?

Q3. Discuss the reasons for the growth of service sector.

Q4. Describe the basic differences between goods and services.

Q5. Explain the characteristics of service marketing.

Q6. "Intangibility of services is a significant problem and service providers must be sensitive to this"-Elaborate the statement.

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12.3 MEANING AND SCOPE OF INTERNATIONAL MARKETING

The basic definition of international marketing is simple: "International marketing is the marketing of goods, services, and information across political boundaries." Thus, it includes the same elements as domestic marketing: "Planning, promoting, distributing, pricing, and support of the goods, services, and information to be provided to intermediate and ultimate consumers."

The American Marketing Association (AMA) defines international marketing as "The multinational process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organisational objectives." The word 'multinational' implies that marketing activities are undertaken in many countries and these should be coordinated.

The process of international marketing, however, is typically much more complex, and challenging, than domestic marketing. The international marketer must deal with a number of key differences in foreign environments as compared to domestic environments. These may include differences in consumer tastes and needs, economic levels, market structures, ways of doing business, laws and regulations, and many other factors. Wrong handling of any one of these can make a company's approach to international marketing ineffective. Together, these differences require a careful and well-planned approach to entering and expanding in the international marketplace. There are facilitating organizations that can provide assistance in the process, but the marketing manager has the main responsibility for developing an effective and efficient approach to marketing in other nations. This requires an understanding of all of the differences that must be accommodated.

The business activities that must be carried out in marketing, and adjusted to accommodate differences in the international market, include the following:

i. The analysis of markets and potential markets;
ii. The planning and development of products and services that consumers want, clearly identified in a suitable package;

becoming more alike in their tastes and they would accept the same standardized products, if the prices were low and the quality good. The economies of scale in producing and marketing a product in the same way worldwide would produce substantially lower costs, and thus allow lower prices that would overcome remaining differences in tastes. Products, such as Coca-Cola, McDonald's fast food are examples of this case.

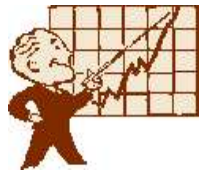
12.4 DIFFERENCES BETWEEN INTERNATIONAL AND DOMESTIC MARKETING

The striking difference between international and domestic marketing lies in the environment in which the two take place. The important points of difference between the two are:

1. ***Sovereign Political Entities***: Each country is a sovereign political entity and, therefore, they impose several restrictions for import and export of goods and services in order to safeguard their national interests. The traders, in international marketing, have to observe such restrictions. These restrictions may fall in any of the following categories:
   i. Tariffs and custom duties are imposed on import and export of goods and services in order to make them costly in the importing country and not to ban their entry into the country completely. Because of the efforts of General Agreement on Tariffs and Trade (GATT), there has been a significant reduction in tariffs globally and on a regional basis due to the emergence of regional economic groupings.
   ii. Quantitative restrictions are also imposed with an intention to restrict trade in some specific commodities. The major objective behind the restriction is the protection of home industries from competition with foreign commodities.
   iii. Exchange control is another restriction imposed by almost every sovereign state. The government, in some cases, does not ban the entry of goods in the country but the importer is not allowed the necessary foreign exchange to make payment for goods

of goods and services. Traders residing in the territory have to comply with these regulations and customs if they want to import and export goods and services.

As there are differences in legal and monetary systems, in government regulations and controls, in market characteristics, in procedure and documentation in foreign trade, the two marketing systems—international and domestic—are quite different. As each country has to protect its own interests—political, financial and social—it has to put certain restrictions on foreign trade. Restrictions are also there in domestic marketing, but the procedures, systems and the rules and regulations are applicable equally in all parts of the country and these are well known to the traders concerned.



CHECK YOUR PROGRESS

Q.1. State true or false for the following statement—

i. International marketing is the marketing of goods, services, and information across political boundaries. (True/False)

ii. The word 'multinational' implies that marketing activities are undertaken in many countries. (True/False)

iii. Exchange rates for each country's currency are fixed under the rules framed by the WTO. (True/False)

12.5 INDIAN EXPORT AND IMPORT POLICY

Since independence India has adopted a socialistic pattern for her society and aimed at achieving the self-sufficiency objectives. All her economic policies were geared to accomplish these objectives.

Till Third Five Year Plan, India's export was almost non-existent. The Fourth Five Year Plan recognised the necessity for controlling the balance of payment deficits. Incentives were given to promote foreign trade. Although the export grew during this period it did not outgrow the growth in imports because the import bill increased with the increase in the oil prices announced by OPEC (Organization of petroleum Exporting Countries) and

The massive trade liberalization measures adopted after 1991 marked a major departure from the relatively protectionist trade policies pursued in earlier years.

The current trade policy reforms seem to have been guided mainly by the concerns over globalisation of the Indian economy, improving competitiveness of its industry, and adverse balance of payments situation.

Main features of trade policies (trade reforms) since 1991 are as follows:

i. Free Import and Export

Substantial simplification and liberalisation has been carried out in the post reform period. The Exim policy 2000-01 removed quantitative restrictions on 714 items and the Exim policy 2001-02 removed quantitative restrictions on the balance 715 items. Thus, in line with India's commitment to the WTO (World Trade Organization), quantitative restrictions on all import items have been withdrawn.

ii. Rationalisation of Tariff Structure

Acting on the recommendations of the Chelliah Committee, the government has, over the years, reduced the maximum rate of duty. The 1993-94 Budget had reduced it from 110 percent to 85 percent. The successive Budgets have reduced it further in stages. The peak import duty on non-agricultural goods is now only 12.5 percent.

iii. Decanalisation

A large number of exports and imports used to be canalised through the public sector agencies in India. The supplementary trade policy announced on August 13, 1991 reviewed these canalised items and decanalised 16 export items and 20 import items. The 1992-97 policy decanalised imports of a number of items including newsprint, non-ferrous metals, natural rubber, intermediates and raw materials for fertilisers.

However, 8 items (Petroleum products, fertilisers, edible oils, cereals, etc.) were to remain canalised. The Exim policy 2001-02 put 6 items under special list—rice, wheat, maize, petrol, diesel and urea. Imports of these items

base and the need for a larger area of land for the project. The EOUs have put up their own infrastructure.

viii. Agriculture Export Zones

The Exim Policy 2001 introduced the concept of Agri-Export Zones (AEZs) to give primacy to promotion of agricultural exports and effect a reorganisation of our export efforts on the basis of specific products and specific geographical areas.

ix. Market Access Initiative Scheme

Market Access Initiative Scheme was launched in 2001-02 for undertaking marketing promotion efforts to generate data for promotion of exports from India, assist in promotion of Indian products and Indian brands in the international market by display through showrooms set up in rental premises by identified exporters, display in identified leading departmental stores, trade fairs etc.

x. Focus On Service Exports

The amended Export-Import policy, 2002-07, announced on March 31, 2003, specifically emphasized service export as an engine of growth. It, accordingly, announced a number of measures for the promotion of exports of services. The advance licence system was extended to tourism sector. Under this, firms would be allowed duty-free import of consumables and spares up to 5 percent of their average foreign exchange earnings of the previous three years, subject to actual user condition.

xi. Concession and Exemptions

A large number of tax benefits and exemptions have been granted during the 1990s to liberalise imports and promote exports with the five year Exim Policy 1992-97 and Exim Policy 1997-2002 served as the basis for such concessions.

These policies, in turn, have been reviewed and modified on an annual basis in the Exim policies announced every year. Successive annual Union Budgets have also extended a number of tax benefits and exemptions to the exporters.

reduced to a great extent The foreign trade of India is guided by the Export-Import policy of the Government of India. This policy contains various policy decisions with respect to import and export from the country. SEZs have been set up. Various measures have been initiated to promote export.



12.7 FURTHER READING

1. Rakesh Mohan Joshi, (2014), *International Marketing*, 2nd Edition, Oxford University Press, New Delhi.
2. R. Srinivasan, (2003), *International Marketing*, Prentice-Hall of India Pvt. Ltd, New Delhi.
3. P.K. Vasudeva, (2006), *International Marketing*, 3rd Edition, Excel Books, New Delhi.
4. Francis Cherunilam, (2010), *International Marketing*, 11th Edition, Himalaya Publishing House, Mumbai.
5. Government of India Publication on Import-Export Policy



12.8 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q 1: (i) True (ii) True (iii) False

Ans to Q 2: (i) True (ii) True (iii) False



12.9 MODEL QUESTIONS

Q1. Define international marketing. Discuss the scope of international marketing.

Q2. Distinguish between domestic and international marketing.

Q3. What do you understand by SEZ? Discuss its distinctive features.

Q4. Discuss the changes in Import-Export policy of India since 1991.

*** ***** ***

- outline the key elements of international distribution and their management
- discuss an overview of the international promotion mix

13.2 INTRODUCTION

An array of external and internal variables influences the offering to the international marketplace. Despite many challenges in the international arena, companies selling in global markets need to internationalize their operations. In deciding on the marketing programme, a company must decide how much to adapt its marketing programme—product, price, distribution and promotion—to local conditions. In this Unit, we are discussing all these elements of marketing mix in the global context.

13.3 4P'S OF INTERNATIONAL MARKETING

The 4P's of the Marketing mix i.e. Product, Price, Promotion and Place were originally presented by E. Jerome McCarthy, the author of the influential text book Basic Marketing: A Managerial Approach.

The 4P's have served as the cornerstone of modern marketing. In a nutshell, the 4P's are the core concepts for creating the right product at the right price in the right place with effective promotion.

In order to create an effective international marketing mix i.e. product, price, place and promotion, the most important step is to have a thorough understanding of global markets. This can be accomplished through marketing research. The research studies must be designed with appropriate changes to handle how different cultures react to different offers. Companies must also research how customers in different countries shop, eat, sleep, and socialize. Once information has been gathered about the international market, the most important concern is whether the product and promotion strategies need to be changed.

The marketer may face a question whether a company will keep their product same and follow the global marketing standardization. Sometimes products work well overseas, but sometimes unaltered product fail due to local cultural differences. For example, the word 'Diet' does not do well on products in

products, new product development, consistency of product line, width and depth of product-mix, branding, labeling, packaging and organisation of product warranties and services.

A firm's product policy reflects its marketing orientation. A firm may begin exporting the products it sells in the domestic market. Alternatively, it may recognise the significant differences in customer needs, conditions of product use, etc, and may plan for exporting different products or product versions to meet the specific needs of each of its different global market segments. In the latter case, the exporting firm would thus offer a large product mix.

The other option available to exporting firms is to develop a new product for the export markets. This new product may be the result of the firm's own R&D, acquisition or joint venture with a business partner in the host country. Interesting examples, here, include Coca-Cola Corporation which having entered Japan in 1958 had added Fanta and Sprite by 1970 and still later introduced fruit drink products, carbonated orange fruit drinks and also potato chips which were not even sold by the company in its US Market. Similarly, IBM developed EPABX within the UK, Brooke Bond essentially a tea company elsewhere, markets coffee and spices in India.

Given the relative merits and demerits of each of the available options, the basic question on international product policy relates to whether the exporting firm should standardise adapt or develop an altogether new product for the export market.

The advantages of economies of scale; savings on common costs of R&D, product and package design; and universal image make a strong case for product standardization across different export markets. The reality of the export markets is, however, not so easy to exploit. Factors such as customer orientation, stage of market development, legal consideration, climatic condition etc. influence the exporting firm's decision in favour of product adaptation and in extreme cases even for new product development. The extent of product adaptation is governed by cost-benefit accruing to the exporting firm, the state of competitors in the host country market, and also the nature of the product.

ingredients, price and handling instructions vary with the legal requirements and the international marketing policy of the firm, the language(s) of the host country, and the level of literacy of its people determine the graphics and visuals to be used on the product label.

Physical protection of the product as well as its psychological promotion is the key concerns of packaging. A package is influenced in its design, material, shape and weight by a large number of factors. Some of the important factors are:

i. Safety and security of the product within the package in terms of temperature limits, atmospheric pressure, corrodibility, colour retention, vibrations and ecological effect of the package in itself;
ii. Transportation hazards, weight and package construction in case of air shipment, and the handling and warehousing needs of the package;
iii. Customer perceptions in terms of shape, size, colour, storage life and aesthetics;
iv. Product promotion in terms of display value of the package shelf-life, package attractiveness as a silent salesperson, brand and label information and sales promotion aids like coupons, stickers, etc; and
v. Compliance with legal requirements and how much does the package cost in the light of the role it performs.

These factors force the exporting firm to keep in touch with innovative packaging materials and be on the look out to make their packaging cost effective.

A warranty is a guarantee on the product performance as stipulated by the manufacturer. In other words, it defines the manufacturer's liability in the case of non-performance, or under-performance of the product.

Other than compliance with the legal requirements of the host country, product warranties and service constitute an integral part of the added value of the product offered in international markets.

A warranty without the back up of service facilities is counterproductive. Consumer durables and industrial goods require servicing that is both convenient and reliable. Since customer service means enhancing efficiency

13.6.1 Costs

Costs represent the base line for setting the price. In other words, costs represent the price floor beyond which prices cannot be dropped. Costs are made up of two components, fixed costs and variable costs. Each of these component has its own significance when pricing a product but the significance is in turn is dependent upon the marketing goals, and other similar variables.

13.6.2 Demand and Supply

For a marketing manager the demand conditions are interpreted from the market conditions and the consumer behaviour whereas, the supply conditions are interpreted by an analysis of the competition. The prices charged by the competitors, and the attributes and quantity sold by the competitors, set the supply parameters.

13.6.3 Economic, Legal and Political conditions

These represent parameters outside the market forces which influence the price structure. The Government can through its policy modify the market conditions. Thus, the countries where the economic policies are directed by the Government, the economic and political conditions have an important bearing on price structures. Taxes and duty structure are examples for the same.

Legalities lengthen any process and complicate it and thereby influence the price structure. More the legal constraints are adhered to, the more is the price charged from the customers as the increase in costs is passed to customers.

A marketing manager arrives at a price which fulfills his marketing objectives, within the parameters of cost, demand and supply and economic, political and legal parameters.

An important pre-requisite for scientific export pricing decisions is regular availability of authentic basic data relating to export products, foreign market and other relevant marketing information. The details of information requirements vary from product to product, market to

considerable amount of time in examining the different systems that are in place, the criteria to choose distributors and channels of distribution.

Distribution plays an important role in the implementation of the international marketing programme as it enables the products and services to reach the ultimate customer. This process, difficult in domestic markets, grows more complicated in international environments because it has two stages. First, the international exporter must transport the goods from the domestic production site to the foreign market, and then establish methods of distribution for the goods within the foreign country.

An international marketing firm has the option of managing its distribution function either directly or indirectly through middleman or a suitable combination of the two. Due to physical distance, and also the differences in geographical cultural and market characteristics of the trading countries, use of middlemen is found quite prevalent in international marketing. Distribution is one such primary functions of marketing which makes use of the services of external independent agencies that bind the firm in a long term relationship. This function needs to be managed systematically.

Indirect distribution channels may be further classified based on whether the international marketer makes use of domestic intermediaries or foreign intermediaries. An international marketer therefore, can make use of the following types of intermediaries for distribution in foreign markets:

1. **Domestic Overseas Intermediaries:**
    a) Commission buying agents
    b) Country-Controlled buying agent
    c) Export Management companies (EMCs)
    d) Export Merchants
    e) Export agents
2. **Foreign Intermediaries:**
    a) Foreign Sales Representatives
    b) Foreign Sales Agents
    c) Foreign Stocking and Non-Stocking Agents
    d) State Controlled Trading Companies

Development of criteria for selection of specific intermediaries is important. The criteria generally includes following factors. The factors as stated would help the marketer to know whether the intermediaries would be able to provide the required services with their reputation, funds, infrastructure, expertise etc.

i. financial soundness,
ii. local government contacts,
iii. business reputation, distribution network,
iv. technical support
v. infrastructural facilities,
vi. business experience and
vii. managerial expertise.

After the channel member is selected it is a prudent business practice to enter into a written agreement spelling out the scope of commitment to each other and thus minimising the possibility of disputes and misunderstandings.

13.7.3 Motivation of Channel Members

In order to get best out of the international channel member it is necessary that economic and non-economic incentives be used for the purpose. It may be emphasized that channel members being independent business entities their key consideration for relationship is economic. If the channel member does not get an adequate economic return it is unlikely that he will put in his best in the business. In addition regularity of contact, involvement in goal setting, and provision of assistance in market development or other areas of deficiency of the channel members are generally expected by the channel members.

13.7.4 Control of International Distribution Channel Members

Control of international channel members is not easy, but is an important aspect of channel management. Accomplishment of sales targets, market coverage, payment schedules and profit contribution made are some of the factors on which the performance of channel

(b) help hold them as loyal customers to the product. The advertising challenges are different in different countries as the culture and languages are different.

Global marketers know that buyers hold distinct attitudes and beliefs about brands or products from different countries. *For example, if it is France, it must be 'stylish'*. Through advertising, the brand has to send the quality signal.



LET US KNOW

Case example:

L'Oreal, well known for its 1973 tagline – 'Because I'm worth it', is a leader in beauty products around the world. L'Oreal adopts a ***gloca****l approach i.e. a combination of global and local. It tries to be strong as the best local, at the same time it is backed by an international image and strategy.*

13.8.2 Personal Selling

Personal selling involves personal communication between a company representative and a potential customer. The salesperson's job is to correctly understand the buyer's needs, match those needs to the company's products, and then persuade the customer to buy. Effective personal selling in a salesperson's home country requires building a relationship with the customer; international marketing presents additional challenges because the buyer and seller may come from different national or cultural backgrounds. It is difficult to overstate the importance of a face-to-face personal selling effort for industrial products in global markets. The selling process is typically divided into several stages: prospecting, pre-approach, approach, presentation, handling customer's objections, closing the sale and following up. The relative importance of each stage can vary by country or region. Experienced American sales representative know that persistence is one tactic required to win an order in the United States; however, persistence

reports or controversies that arise because of company activities in different parts of the world. In such instances, PR's job is to make sure that the company responds promptly and gets its side of the story told. The basic tools of PR include news releases, newsletters, press conferences, tours of plants and other company facilities, articles in trade or professional journals, company publications and brochures, TV and radio talk show appearances by company personnel, special events and home pages on the Internet.

13.8.4 Sales Promotion

Sales promotion is one of the most important aspects of marketing. Selling is as important as producing. Every manufacturer has to sell his product in the market—domestic or international. Selling products in the international market is more difficult than selling them in the domestic market. Sales promotion refers to activities other than advertising, personal selling and publicity. Any promotion activity that does not fall under these three activities of the promotion mix is considered as sales promotion. Coupons, sweepstakes, games, contests, price-offs, demonstration, premiums, samples, money refund offers are some of the commonly used sales promotion techniques. A combination of these can be used and sometimes is used in the same campaign. When Kellogg expanded its business abroad, it had to enlighten consumers in South and Central America, and Asia about dry cereal and cold breakfast. To gain market share in Japan, Proctor and Gamble distributed 1.5 million diaper samples of improved Pampers. In Taiwan, Coca-Cola provided American coaches to conduct baseball and basketball seminars and sponsored concerts by pop artist such as Steve Wonder.

Sales promotion is temporary and not self-sustaining. It can be used to supplement other elements of promotion mix viz. advertising, personal selling and publicity. It is effective when a product is first introduced in the market. It can also work with existing products which are of low unit value, have high turnover and are highly



13.9 LET US SUM UP

Companies need to be able to cross boundaries within and outside their countries. Although the opportunities to enter and compete in the international markets are significant, the risks can also be high. Companies in global industries, however, have no choice, but to globalize their operations. In this unit, we have discussed about the marketing mix of the international marketing. It may be summarized that when a company decides to expand its market overseas, it needs to analyze whether its marketing mix needs any adjustment. Companies must first start by analyzing the new global market to find out about the culture and customs. The product, price, place and promotion all have to be examined to see if any changes need to be made based on local customer preferences. Legal provisions of the host countries also have to be consulted before fixing the policies regarding the marketing mix. The internet also has made going international even easier and erased many of the barriers that used to exist.



13.10 FURTHER READING

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UNIT 14: CASE STUDIES IN MARKETING

CASE STUDY 1

BRIEF OF THE CASE– SHREYA BEVERAGES

Shreya Beverages, established in 2000, is a partnership firm. Its major brand "Bharat" tea, which was doing quite well in Malda, West Bengal until a few years back, has shown a declining trend, of late. The partners Ashutosh and Shreya have decided to evolve a new strategy for reviving the brand. To augment their effort, a market survey was conducted and interesting findings were obtained.

(1) Analyze the situation faced by Shreya Beverages.

Organization: Shreya Beverages

Partners: Ashutosh and Shreya

Line of business: Tea products

Major brand: Bharat Tea

Target consumers: Low and middle income groups in towns and rural areas of Malda

Current situation:

- Started the firm in 2000.
- A marketing agency was hired to sell the products.
- Ashutosh and Shreya are discussing to evolve a new marketing strategy.

The reasons for the slow sales growth may be attributed to:

- Change of preference of the consumers
- Changing market dynamics
- Low commitment of the marketing agency
- Competition from "Himalaya" brand
- "Bharat" brand is not being advertised
- Traditional brand name

The firm is planning to achieve a growth rate of 17 percent at par with the industry average, but it looks like a formidable one in the present circumstances. The hurdles on the way are:

- Stiff competition in the market.
- Changing preference level of the middle income group.

(2) Develop a plan of action.

The key problems faced by Shreya Beverages are Distribution and Promotion. Out of these, distribution should get the first priority. An efficient distribution channel is the need of the time for Shreya Beverages.

The firm may take up one or more of the following alternatives to have an efficient distribution channel:

- Shreya Beverages can market its products on its own in the entire urban as well as rural areas.
- The second alternative may be it can use the services of the incumbent agency to market its products in the rural areas, whereas the firm will do the same in urban areas.
- The firm can appoint a new agency for the entire market.
- The fourth alternative is that it can continue with the existing set up.

The last alternative is ruled out as it has not been successful even in maintaining the sales growth.

The first two alternatives are analyzed as follows:

Alternative 1: Marketing on its own in the entire market

For	Against
(1) As the marketing agency has failed in sustaining the growth momentum, it is not a bad idea.	(1) Shreya Beverages don't have the experience of handling its own sales team. So, this may cause problem if it has to market products on its own.

Alternative 3: Appoint a new agency

For	Against
(1) The present agency is not performing well. So, replacing it has become imperative.	(1) An agency usually deals with several items. They might be more interested for those products which give them better margins.
(2) Hiring a new agency will lead to infusing new and creative ideas.	(2) Appointing a new agency might take some time. In the present circumstances, time is very crucial, so it is better to market products on its own.

Conclusion

Marketing through agencies will be less cumbersome and beneficial if relationships are handled properly, and performance is monitored on a continuous basis.

From the above discussion, it may be concluded that Alternative 2 is a better option in the current scenario. It will take some time and experience for a producing firm to become a marketing firm completely. As such, the movement should be gradual and well planned. Thus, the obvious choice before the firm would be to market its products in the urban areas on its own and hiring a new agency for the rural areas.

PROMOTION

Promotion has become necessary for the firm due to the following reasons:

- Competitor “Himalaya” brand is advertised aggressively.
- Middle income groups are less favourable towards the brand.
- Promotion is an essential element in marketing mix which leads to increase in sale.

Having identified a gap in the market, Beiersdorf launched NIVEA VISAGE using an effective balance of the right product, price, promotion and place. This is known as the marketing mix or 'four Ps'. It is vital that a company gets the balance of these four elements correct so that a product will achieve its critical success factors. Beiersdorf needed to develop a mix that suited the product and the target market as well as meeting its own business objectives.

The company re-launched the NIVEA VISAGE range in June 2007 further optimizing its position in the market. Optimized means the product had a new formula, new design, new packaging and a new name.

This case study shows how a carefully balanced marketing mix provides the platform for launching and re-launching a brand onto the market.

How research improved the product

Beiersdorf's market research identified that younger consumers wanted more specialized face care aimed at their own age group that offered a 'beautifying' benefit, rather than a solution to skin problems. NIVEA VISAGE is a skin care range targeted at girls who do not want medicated products but want a regime for their normal skin.

Competitor products tend to be problem focused and offer medicated solutions. This gives NIVEA competitive advantage. NIVEA VISAGE provides a unique bridge between the teenage market and the adult market.

Beiersdorf tested the improved products on a sample group from its target audience before finalizing the range for re-launch. This testing resulted in a number of changes to existing products. Improvements included:

- Changing the formula of some products. For example, it removed alcohol from one product and used natural sea salts and minerals in others.
- Introducing two completely new products.
- A new modern pack design with a flower pattern and softer colours to appeal to younger women.
- Changing product descriptions and introducing larger pack sizes.

Distribution Channels

The main channels for the product are retail outlets where consumers expect to find skin care ranges. Around 65% of NIVEA VISAGE sales are through large high street shops. The other 35% of sales mainly comes from large grocery chains that stock beauty products.

Research also shows that the majority of purchasers are actually made by mothers, buying for teenagers. Mothers are more likely to buy the product from supermarkets whilst doing their grocery shopping.

NIVEA distributes through a range of outlets that are cost effective but that also reach the highest number of consumers. Its distribution strategies also consider the environmental impact of transport.

- Beiersdorf does not sell direct to smaller retailers as the volume of products sold would not be cost effective to deliver but it uses wholesalers for these smaller accounts.
- It does not sell directly through its website as the costs of producing small orders would be too high. However, the retailers like Tesco, feature and sell the NIVEA products in their online stores.

Promotion

Promotion is how the business tells customers that products are available and persuades them to buy. Promotion is either above-the-line or below-the-line. Above-the-line promotion is directly paid for, for example TV or newspaper advertising. Below-the-line is where the business uses other promotional methods to get the product message across.

Promotional Activities

Promotional activities include:

- Events or trade fairs help to launch a product to a wider audience. Events may be business to consumer (B2C) whereas trade fairs are business to business (B2B).
- Direct mail can reach a large number of people but is not easy to target specific consumers cost-effectively.
- Public relations (PR) includes the different ways a business can communicate with its stakeholders, for example, newspaper press



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