story, its origin dates back to the days when the people realized that only in the activity to which he was best suited and he found it to utilize the services of others when they could do things better than tion created the necessity of exchange and thus the foundation of d. After Industrial Revolution, there were changes in the techniques, e of production. Large scale production introduced the new methods te demand for products and services.

udes various activities which are involved in the generation of markets of consumer needs. Marketing is not a single activity nor is it the ties. It is the result of a balanced interaction of several activities. In plain the basic concept of marketing, its nature, scope, importance marketing concepts.

W

volution: The **Industrial Revolution** was 18th and early 19th centuries when major changes in agriculture, ng, and transportation had a profound effect on the socioeconomic ns in Britain. The changes subsequently spread throughout Europe, ventually the world. The onset of the Industrial Revolution marked a in human society; almost every aspect of daily life was eventually way.

OF MARKET

Market' refers to a place where goods are bought and sold by the In wider sense, market includes the whole of any region in which re brought into contact with one another and by means of which the to be equalized easily and quickly.

two concepts of market –

t: A convenient meeting place of buyers and sellers for exchange of ysical or spot market.

cept: A market is equated with the total demand. Market means unmet wants and purchasing power to make their demand effective

FOUR YEAR BACHELOR'S DEG

(CBCS in Accordance with NE

SEMESTER-VI

MARKETING MANAGE

COMMERCE



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eprint March, 2026

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UNIT 1 : CONCEPT OF MARKETING

UNIT STRUCTURE

1.1 Learning Objectives
1.2 Introduction
1.3 Meaning of Market
1.4 Meaning of Marketing
1.5 Importance of Marketing
1.6 Basic Concepts Underlying Marketing
1.6.1 Evolution of Basic Marketing Concepts
1.7 Selling Concept Vs Marketing Concept
1.8 Nature of Marketing
1.9 Scope of Marketing
1.10 Marketing Mix
1.11 Evolution of Marketing Concepts
1.12 Let Us Sum Up
1.13 Further Reading
1.14 Answers To Check Your Progress
1.15 Model Questions

1.1 LEARNING OBJECTIVES

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

- explain the meaning and importance of marketing.
- describe the various concepts of marketing and the differences marketing concepts.
- state the nature and scope of marketing.
- explain the meaning of marketing mix.
- narrate the evolution of marketing concepts.

1.2 INTRODUCTION

In this unit we are going to discuss about marketing. Marke

MARKETING MANAGEMEN

DETAILED SYLLABUS

CONTENTS

UNIT 1 : Concept of Marketing

Meaning and Importance of Marketing, Basic Concepts Ur
Marketing, Evolution of Basic Marketing Concepts, Selling
Vs Marketing Concept, Nature and Scope of Marketing, Mark

UNIT 2 : Marketing Environment

Environmental Scanning, Micro and Macro Environment, Dif
between Micro and Macro Environment, Techniques of Enviro
Scanning

UNIT 3 : Marketing Segmentation

Concept and Importance of Market Segmentation, Ba
Consumer Market Segmentation, Bases for Industrial
Segmentation, Target Marketing, Evaluating Market Segm
Target Market Selection, Market Positioning Strategies

UNIT 4 : Concept of Product

Concept and Features of Product, Classification of Products,
Planning and Development, Product Diversification, Standa
and Simplification, Concept of Product Life Cycle, Stages in
Life Cycle

UNIT 5 : Pricing

Meaning of Pricing, Importance of Pricing in Marketing,
Affecting Pricing Decision, Pricing Strategies

UNIT 6 : Branding

Defining Brand, Basic Concepts, Importance of Brand, Bran
Trade Marks and Its Importance, Role and Functions of Pa
and Labelling

UNIT 7 : Distribution Channel

Concept and Importance of Distribution Channel, Types of Dis
Channel, Conventional and Non- Conventional Channel,
Affecting the Selection of Distribution Channel, Product,
Company, Middlemen and Environmental factors, Channe

ng and Logistic Management **123-139**

nd Functions of Wholesalers, Latest Trends in
t, Importance, Types and Functions of Retailers,
ail, Concept of Logistic, Logistic Management
as in Logistic Management

140-151

omotional Mix and Strategies, Promotion Mix,
romotion (push versus pull), Personal Selling,

ur **152-163**

f Consumer Behaviour, Importance and Forces
er Behaviour, Consumer Research, Consumer
Consumer Personality, Perception and Learning,
Making Process

n **164-177**

onents of Marketing Information System, Internal
telligence System, Marketing Research System,
g Research, Implementing the Research Plan,
rting the Findings, Marketing Research and Ethics

178-185

arketing, Direct marketing Process, Different
rketing, Advantages and Disadvantages of Direct
f E-Commerece and E-Business

186-194

Selling, Objectives and Functions of Personal
and Disadvantages of Personal Selling, Selling
les Person

195-206

ance of Sales Forecasting, Factors influencing
ethods of Sales Forecasting, Sales Territories,

COURSE INTRODUCTION

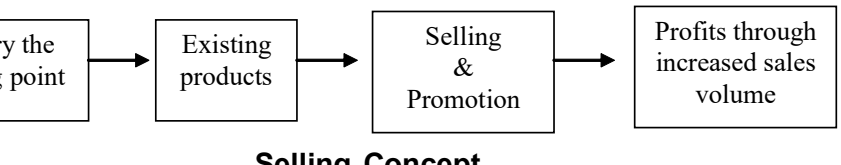
The course *Fundamentals of Marketing* of B. Com 6th semester will foc
marketing management. Marketing is an important aspect in mode
organization irrespective of nature and size must perform marketing
competition, business organizations undertake various marketing strat
Customers' satisfaction results in higher market share and profit. At the sa
has also increased manifold. Therefore, it is utmost important for the lea
conceptual knowledge in this subject. Keeping in mind this objective the
make the learners well equipped with marketing principles. The course
from the conceptual background of market and marketing, marketing envi
the four 'P's of marketing mix besides consumer behaviour, marketing rese
selling and sales forecasting.

While going through a unit, you will notice that some along-side bo
to help you know some of the difficult, unseen terms. Some ''ACTIVITY
you to apply your own thoughts. Again, we have included some relevant
along with the text. At the end of sections, you will get ''CHECK YOUR P
have been designed to self-check your progress of study. It will be better
these boxes immediately after you go through the sections of the units
with ''ANSWERS TO CHECK YOUR PROGRESS'' given at the end of e



Marketing Concept

oncept: This is a new idea in the field of exchanging of goods. s concept the organization tries its best to determine the needs, d values of the buyer's market and takes all possible steps to deliver d satisfaction more effectively and efficiently than its competitors do. empt is made to satisfy the wants of customers and to achieve this a special programme of Market Research is undertaken. The on fully understands that it can win the loyalty of its customers and eciation only by providing them satisfactory services in respect of ds and wants. Winning the confidence of customers is as good as he goals of the organization. It fully believes in theory known as sovereignty and ensure the maximum welfare of consumers, thereby a good amount of profits. This concept assumes that organizations what customer want and thereby yield consumers' satisfaction and fits. This concept may be explained with the help of the following



Selling Concept

Marketing Concept : This concept is management oriented that t the key task of the organization is to determine the needs and target market and to adapt the organization to deliver the desired n more effectively and efficiently than its competitor in a way that or enhances the customers' and society's well being.

ental trends like public welfare concerns for better living quality of life te that organization would have to adopt socially responsible marketing nd plans in order to assume social welfare in addition to consumer he socially responsible marketing concept is based on the assumption: ission of an organization is to create satisfied and healthy customers

to determine a target market. Demand concept of mark importance in the marketing concept.

1.4 MEANING OF MARKETING

The traditional view of marketing states that marketing is m the physical and ownership transfer of goods and services from ultimate consumers. But the modern concept of marketing states tha the production of the product acceptable to the customers and the physical transfer and ownership from the producer to the ultimate con view assumes that marketing means identifying, anticipating and s needs and desires. Thus, marketing creates place utility, time ut utility.

Marketing is a human activity directed at satisfying needs exchange processes.

A need is a state of felt deprivation. Marketers create wa needs. For example, food is an essential element to satisfy the hung produce various types of food such as pulao, sweets, tea, and c wants. Creating wants means creating demand for a product by pro for choice or selection. Here, the buyers have an opportunity to s alternatives –pulao, sweets, tea or coffee to satisfy their hunger n process means the transfer or transaction of goods which cannot b i.e. it should be on payment basis.

The process of marketing starts with the identification of needs market survey and converting them into products or services same to ultimate consumers through buyer oriented channel promotion technique at logical price to make a reasonable prof

The term "marketing" has been defined by a numb variety of ways. In fact, there are as many definitions as there in marketing. We shall describe a few definitions here to real subject marketing is–

1. "Marketing is the performance of business activities tha

of the American Marketing Association.

nition merely emphasizes one particular aspect i.e. movement of ervices from producer to consumer. It makes marketing production er than consumer oriented.

g is that part of economics which deals with the creation of time, l possession utilities"

larketing Association

is created by marketing the goods and services available to the the place where such goods are needed.

s created by making the goods available at the time when they are

utility is created by transferring the goods to those who need them.

n expresses the traditional views of marketing and it covers only few arketing.

g is a total system of interacting business activities designed to plan, and distribute want satisfying products and services to present and consumers"

on

e definition given by Stanton appears to be more suitable as it covers e modern views like –

marketing as a total concept.

es marketing as dynamic process.

all the activities ranging from product planning to distribution.

s that marketing is the result of interaction of several activities.

nportance for satisfying consumer's needs and wants.

g is the process of discovering and translating consumer wants into nd service specifications and then in turn helping to make it possible and more consumers to enjoy more and more of these products and

arsen

g is the business function that identifies customers' needs and wants, s which target markets the organisation can serve best, and designs

concept can work only in a sellers market. In buye market under keen competition. American luxury car by Japanese and European car because of this cor

(ii) **Product Concept:** This concept assumes that buyers fa that offer the most quality, performance and features. T the opinion that it is the quality of product that attracts quality of the product alone will yield satisfactory sales and concept appears to be initially very sound, it failed in actua companies have produced quality products but have not b the sales, unless they take positive steps to design, pack a to place them in proper distribution channels, bring th persons concerned and convince them that the product i No wise marketer can follow this philosophy of marketin world. This concept may lead to **"marketing myopia"** or sh because of undue concentration on the product rather desires of consumers for whom the products or service

(iii) **Selling Concept:** The selling concept assumes that the c will not increase without promotional efforts. Even the b have assured sales without the help of sales promot salesmanship. It implies the consumer's satisfaction is co selling the product is the primary consideration. The sel likely to lose his customers, who would not be satisfie Dissatisfied customers do act on their dissatisfaction dissatisfied consumers do not purchase further and do n product to any of their friends and relatives or they do co Since there are many potential customers, the producer about the repetitive sales in monopoly or less compet highly competitive market, the producers are under compul or repetitive purchases. The selling concept starts with focuses on the existing products and promotion and calls promotion to obtain profitable sales volume. This concep with the help of the following diagram

fruits. They could offer money, another food or a service in return for
ses on this last option. Kotler (1984) states that for exchange to take
y five conditions, namely:
east two parties.
s something that might be of value to the other party.
capable of communication and delivery.
free to accept or reject the offer.
ieves it is appropriate or desirable to deal with the other party.

tion of Basic Marketing Concepts

decades ago, companies face a number of tough decisions for
eir products. They had to determine product features, and quality,
ompanying services, set the price, determine the distribution channels,
nuch to spend on marketing, and decide how to divide their resources
tising, sales force, and other promotion tools. Modern marketing has
complex and dynamic.
ologically, the concepts are classified in five. They are mentioned

on concept,
concept,
oncept,
g concept, and
Marketing concept.

on Concept: This concept assumes that customers will favour
hat are available and highly affordable and that management should
focus on increasing production and distribution. Most of producers
hat the customers prefer only low priced products and so they
tes on large scale production to reduce the cost. A firm may apply
ept in two types of situations:
the demand for the product or service is higher than the supply of
ame.
the cost of the product is high and increase in production is going

- (Kotler and Armstrong, 1996).

This definition has also covered all the activities of mar
identification of needs and wants of consumers, converting th
service and making things available to consumers in a m
enjoy more and more.

1.5 IMPORTANCE OF MARKETING

The success or failure of any organization, profit making or o
marketing. As the economy progresses, the importance of marke
With the progress of economy, the demand and supply of certain
services start increasing and some of the existing products or servi
demands. In this ever changing situation marketers are forced to sell t
to the needs, wants and desires of the customers. The importance
studied both from the point of view of society and producer.

Importance of marketing from society point of view:

(I) Marketing improves standard of living: Marketing promotes la
and sales which bring down the cost of production and incr
profit. Lower price results in large consumption by large nu
which improves the standard of living at large.

(II) Marketing connects the producers and consumers: The
goods and services for the purpose of selling. Therefore, the
in touch with the consumers who require such goods and serv
of marketing process, it would have been extremely difficult for
what customer want.

(III) It provides employment opportunities: Marketing results in la
which in turn creates a good number employment in the
Thousands of people are employed to manage the re
establishments. In our country, the business establishmen
agriculture sector in providing employment opportunities.

(IV) It helps to provide economic stability: Good marketing systen
the price level stable by equalizing the demand and supply a

ilize our natural resources: It is marketing which collects needs, preferences etc. of domestic consumers and international consumers e information to produce goods and services for better satisfaction In the process of producing various goods, they are utilizing the rces up to optimum level.

keting from producers/firms point of view:

tes awareness among potential consumers and motivates people to roducts and services to satisfy their needs and wants. In this process, rate revenue by selling the goods and services with which the firms e and grow.

organization provides a channel of communication between the firm mers. It is furnishing information about the consumers demands, ferences to the top managements. This process helps the firm to uction schedule to suit the tastes of the consumers.

oducers to increase the volume of sales which forces large scale results more profit.

anation you will be able to realize the importance of marketing in the ent of a country.

NCEPTS UNDERLYING MARKETING

ncept of marketing is to understand or feel the “human needs” that felt deprivation. The needs are in-built in human nature itself and d in the composition of human biology and human condition. When satisfied, a person will try to either reduce the need or look for a t has the ability to satisfy the need.

food, clothing, shelter and safety are the basic physical needs and gingness and affection are the social needs. The individual needs knowledge and self expression.

s are desires for specific satisfaction of deeper needs that means

need. For example, a teenage may need water to quench his thirst cold drink. Human needs may be few, but their wants are numerou continually shaped and re-shaped by social forces and institution colleagues, office neighbours etc. Marketers need not to create n needs pre-exist in the market. But they can influence the wants and the consumers about certain products and persuade them to purchas the benefits of such products.

- **DEMANDS**

People may have almost unlimited wants. But resources are to the wants they have. Therefore they have to choose the produ provide the most value and satisfaction for their money. When ba power, wants become demand. Thus, demands are basically wants that are linked /associated with the ability and willingness to pay for example, many desire a car such as Mercedes Benz, Toyota, BMW, a few are really willing and able to buy one. Therefore being a mar must measure how many people would actually be willing and able to products than how many of them want the products.

- **PRODUCTS**

To satisfy the wants and needs of people the company mus in the market. That means people purchase the products to sati wants. Specifically, a product can be defined as an object, service, a organisation or idea. You can note here that the tangible items ar while the intangible items are known as service. The hidden use o may be to provide the service. For example a lipstick is bought to sup toothpaste for whiter teeth – prevent germs or give fresh breath etc job of marketer to sell the service packages associated with the p

- **EXCHANGE**

We have already got that marketing takes place only whe satisfy needs and wants through exchange. So, in the process o exchange value between the two party’s i.e. buyer and seller. The obtain the desired object to satisfy its needs and wants while the v generally the profit or the money. For example, hungry people can

buyers led to the emergence of product and selling concept. Further
ion forced the producer to feel the necessity of producing what the
ead of selling whatever is produced. The realization of producers to
rs' needs, wants, preference etc. led to the emergence of marketing
of consumerism and consumer legislation since 1960 have created
uyer behaviour and the formulation of marketing mix to respond
uyers behaviour. This led the emergence of societal marketing concept.

oduct ncept	Selling Concept	Marketing Concept	Societal Marketing Concept
00	1920	1950	1970 Present

Evolution of Marketing Concept

n shown for various marketing concept is more applicable to developed
The changes are almost noticed in all countries but the time period
ding on economic development and growth of the country. Again the
nged at different period for different products and services in the
an also see the co-existence of all the concepts in the same country
segments and products.

nary process is very fast in marketing because of globalization of
loes not require a large scale business to enter the export market,
is entering in the export marketing.

n of the marketing concept has traced its application to consumer
roducts and services of all kinds. The idea of its application to social
en observed.

R PROGRESS

eting Mix?

.....

.....

(b) The organization will not offer a product to customer
interest of customers.

(c) Marketing plans and programmes shall duly conside
interest, desires, social welfare and corporate needs

(d) The organization will offer long run customer and pu

The last two concepts of current market philosophy ha
adopted and widely accepted in the interest of the organizatio
society.

The first three concepts remained successful till compe
in a large number and supply was less than demand. As the n
came into market it became flooded with goods and services
price. That led producers to give importance on selling
selling and advertisement. But the selling efforts of the produc
As almost all producers applied the same sort of selling ef
producers started price-war to increase their market share
adversely affected in price –war. Thus during those periods
were in big crisis. Some enlightened marketing managers
their basic attitude and philosophy to solve the crisis. They
consideration of needs, wants, tastes and preferences of cons
their products. This idea saved them from unnecessary sel
false propaganda and protected them from going out of marl
of this concept.

The first three concepts are known as traditional conc
concepts are known as Modern marketing concept.

1.7 SELLING CONCEPT VS MARKETING CONC

The differences between the two concepts are explained on t
points:

(i) Satisfaction: The experts of selling concepts did not pay due pr
of consumer's satisfaction. They were of the view that the
marketing is to bring circulation of products so that the custor
in time and in right manner.

s of marketing concept assumed that customers' satisfaction is an
ent of marketing. The marketers can not survive for long period if
nsider consumers' satisfaction is an essential element.
tion: The selling concept experts worked with an objective of
it.
market concept experts are of the view that the generation of profit
ossible unless, the marketers concentrate on consumers' satisfaction.
entation: The selling concept experts felt that marketing should be
d. Where the experts of marketing concept advocates that marketing
sumer oriented. This concept pays emphasis on customer's needs
e marketers first determine the needs and wants of the customer
ers the product to satisfy those needs and wants. But in selling
make the product and then decide how to sell it.
elling concept, planning is short term oriented where as in marketing
ing is long term oriented.
elling concept, first production, then selling takes place at a profit
g customer's needs. In marketing concept, first consumer's need is
n production takes place, then the product is sold at a profit.
g concept, cost of production determines price where as in marketing
determines the price and price determines the cost.
lling concept, the experts did not assign any place to the welfare
In marketing concept, the experts talk about the payment of taxes
ent and the social welfare programmes taken up by the business

Development: In selling concept, the marketing survey and research
the due place but in marketing concept these activities are considered
for the growth of marketing.
it may be mentioned that the selling concept unnecessarily limited
marketing. This selling concept cannot get results in the age of

The combination of all the ingredients of marketing mix is sh
figure:



Marketing Mix

1.11 EVOLUTION OF MARKETING

The modern concept of marketing is not the result of a su
process of thinking of the business managers. It is the result of th
which compelled the business people to give an important place t
his wants. The change in the thinking took place after passing sev

After the industrial Revolution, large scale industries came into existen
of production. During those days producers were able to sell wha
because of sufficient demand. More demand provided an opportunity
concentrate them only on large scale production. Later on the co
producers started which forced them to think for improvement of qu

ill naturally be changing according to changing marketing conditions
ng environmental factors such as technical, social, economic, political

ting Mix:

rketing mix are described below:

uct means anything which can satisfy consumers needs and wants
nge process. It provides economic utility and socio-psychological
he marketer may offer a single product or several products. The
d also revise the product design; make improvements in the products
s to suit the changing tastes, habits and preferences of the consumers.
branding decisions are also included in product decision.

the value which is paid by the buyer to the manufacturer in exchange
s and services. The marketer has to take into consideration the cost
margin, the possibility of sales at different price level and the
cing policy as well as number of competitors.

he marketers should provide information to the customers about its
ervices and motivate customers to buy. Advertising, personal selling,
her sales promotional programes are the various promotional activities.
ties increase the volume of sales by expanding as well as retaining
hare for the products. Basically, promotion deals with no price
the market. Promotion is done for three purposes – (a) informing, (b)
d (c) influencing consumers.

ribution: Distribution is the delivery of the product and transfer of
he buyers and consumers. It includes channels and outlets through
move to the buyer and arranging their physical movement to different
nts. It depends upon the middlemen, products and services, channels
etc. It maintains the flow of products and services from the producers

w CHECK YOUR PROGRESS

Q1: Explain the meaning of marketing :

.....

Q2: Explain two importance of marketing :

.....

.....

Q3: Distinguish between selling and marketing con
points):

.....

.....

Q4: Match the organizational objectives given in colu
marketing concepts in Column – II

	Organizational Objectives	Marketing Concept
(a)	Effective distribution and affordable price	(i) Marketing concep
(b)	To make continuous product improvement	(ii) Selling concept
(c)	Large scale selling and promotion to obtain profitable sales volume	(iii) Product concept
(d)	Determining needs, wants and preference of largest market and deliver the product	(iv) Product concep

Q5: State whether the following statements are true or false:

(i) Demand for a product exceeds the supply duri
production concept.

(ii) Marketing creates only time and place utility.

(iii) Marketing helps to utilize our natural resources.

(iv) Marketing helps to provide economic stability.

1.8 NATURE OF MARKETING

The different views of marketing create confusion. Some exp
art, some experts call it a science and some treat it as art. A large

g in relation to its features or characteristics:

may also be studied in relation to its features as describe below:

nd competitors oriented: It has consumers and competitors ts business planning and activities.

bjectives: Corporate objectives are given top preferences and oal act as the means to achieve corporate goals.

implementation of marketing objectives: It follows the system anning, organizing, controlling and coordinating its entire business as chieve the overall corporate objectives.

orecasting: Collection, analysis and forecasting of consumers needs, demands, ability to pay, willingness to pay etc. are made for market search.

development of products and services: It develops products and es to match with the anticipated consumer demand.

f consumer demand: It stimulates consumers' demand by logical uencing promotion techniques.

onsumers to yield customers' satisfaction: It takes all sorts of sfy consumers.

F MARKETING

w modern marketing experts identified marketing as philosophy, a an, a media of raising the standard of living, a means of sub-serving a device to bring the national economy on the right track, the scope ady broadened. The modern marketing concept has broadened the which naturally includes almost all the activities before and after the "The scope of marketing lies in its functions". From the definition er and others, the scope of marketing may be described as below:

e market: It is done through marketing research. Data and information hrough market survey.

marketing functions: On the basis of market analysis, the marketing ets are determined, i.e. quantity to be sold and produced, volume of

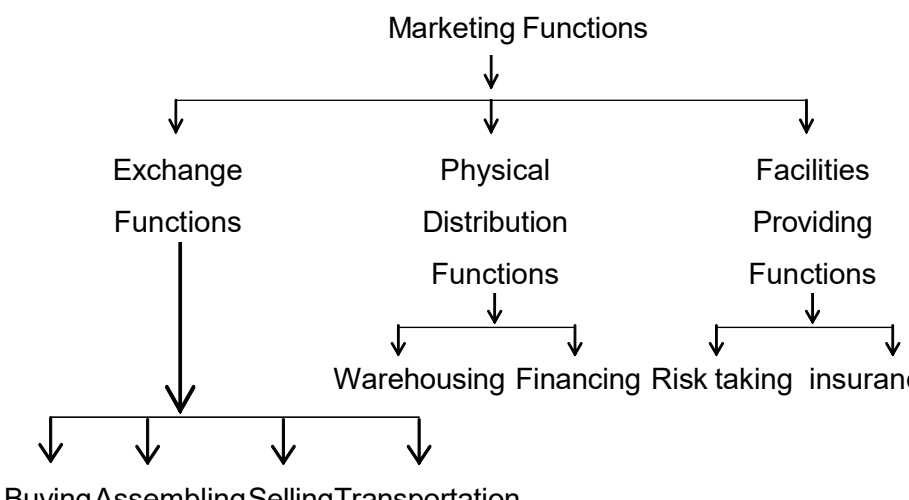
(iii) **Designing marketing structure:** The marketing structure is d different activities relating to marketing for effective marketing of

(iv) **Marketing Research:** Marketing utilizes marketing research te the changes in taste, fashion, habit, linking, disliking, and customers, and new types of goods and services to be introd

(v) **Pricing of the product:** The success of the marketing depend decision at the right moment.

(vi) **Evaluation of marketing activities:** The marketing evaluates to determine the efficiency of sales personals and effectiv techniques.

The scope of marketing may also be analysed in terms of ma through various functions.



Marketing functions will be explained in details in the next unit

1.10 MARKETING MIX

Marketing mix is the mixture of the essential elements of m enhance consumer satisfaction. Marketing mix is the mixture of 4Ps Promotion and Place (Physical distribution and channel of distributio in marketing effort, the various components should be well coordin offers an optimum combination of all marketing elements so that we c goals such as profit, return on investment, sales volume, and marke

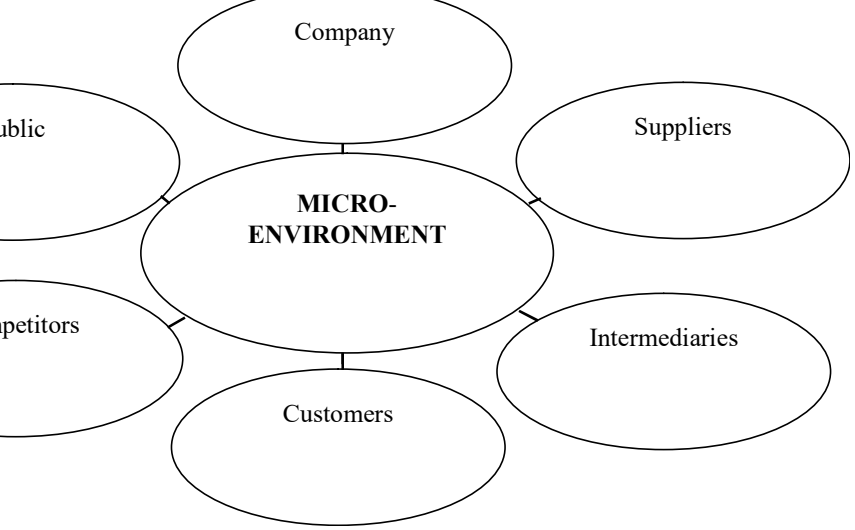


Figure 2.2: The Marketing Micro-Environment

hese are the people who provide the resources to produce the necessary rvices. They form an important part in the entire value delivery system of on. Policies of the organization have an impact on the suppliers and, olicies of the suppliers have an impact on the organization and the entire system. It therefore, important for the marketers to build and develop nships with the suppliers.

es: These are the people who help the company to promote, sell, and oods to final buyers. These include people who assist the flow of products ucers to the consumers; and they typically include wholesalers, retailers, t is important for companies to select an effective chain of marketing s, so as to make the goods reach the market in time. The marketing s give necessary information about the market to the manufacturer and onsible for giving product information to the customers. If a company sfy these intermediaries, they neglect its products and may even push r's product.

The main of production is to meet the needs and wants of the consumers. onsumers are the focal point of all the marketing activities. The needs the consumer must be taken into account before taking any important agers should also take into account the changing needs and demands

Q7: Explain Nature of Marketing

.....

.....

.....

Q8: What is the Scope of Marketing ?

.....

.....

.....

Q9: Match the Column I with Column II :

Column I	Column II
(a) Product	(i) Delivery of goods and transfer of ownership
(b) Price	(ii) Dealer Aids
(c) Promotion	(iii) Warehousing
(d) Place	(iv) Terms and Credit

Q10: State whether the following statements are true or false.

(i) Marketing has got an interdisciplinary relation.

(ii) Marketing is consumer and competitor oriented.

(iii) Buying, assembling and selling are marketing functions.

(iv) The marketing mix will naturally be changing changing marketing conditions and also environmental factor.

1.12 LET US SUM UP

In this unit, the following aspects have been discussed –

- This unit explains the importance of marketing. Marketing occupie in all stages of economic life from simple barter economy to marketing concept. Only after Industrial Revolution, there came r in the techniques, methods and volume of production, which ca marketing concepts and led to new-new methods of marketing.
- The term marketing has been defined differently by different a

nt stages of development, each stage is term as concept namely – concept, (ii) Product concept, (iii) Selling concept, (iv) Marketing ocietal marketing concept. However, many companies are still in the s. There are co-existence of various concepts in the same country. f the business firms and the economic growth of a country is related nt on the success of its marketing efforts. Marketing efforts deliver of living, connect the producers and consumers, increase national e employment, provide economic stability of a country and utilize out ces.

f marketing activities again depends on right combination of marketing oduct, price, promotion and place. We can achieve company goals return on investment, sales volume, and market shares only when ments are adequately coordinated. Mainly these elements are known ice, promotion and place but in modern days it also includes – e, packaging, public relation and political power. The combination of should be flexible to change with marketing conditions and also with onmental factors.

R READING

g Principles and Practices – By Pillai & Bagavathi.

ement – By S.A. Sherlekar.

RS TO CHECK YOUR PROGRESS

Marketing means identifying, anticipating and satisfying consumers' nd desires through exchange process. Thus marketing creates place, possession utility.

he importance of marketing are as below:

improves standard of living: Marketing promotes large scale production s which bring down the cost of production and increase the amount Lower price results in large consumption by large number of people proves standard of living.

connects the producers and consumers: In the absence of marketing it would have been difficult to know the needs and preferences of

these issues. Examining the marketing environment and monitoring th environment can be done through both environmental scanning and en

Environmental scanning is the process of gathering data about of the marketing environment. Scanning depends on several sour secondary (e.g., business publications) or primary (e.g., personal observ analysis is the process of assessing and interpreting the data gathered th scanning. The marketing manager must assess the data collected i credibility, relevance, and comprehensiveness.

The following sections discuss about the micro-environm environment. The last section of the unit will touch upon the techni scanning.

2.4 MICRO ENVIRONMENT

Micro-environment consists of the forces close to the company serve its customers. The elements of the micro-environment include par crucial business activities. The micro-environment includes: c intermediaries, customers, competitors, and public.

These micro-environment entities are described below:

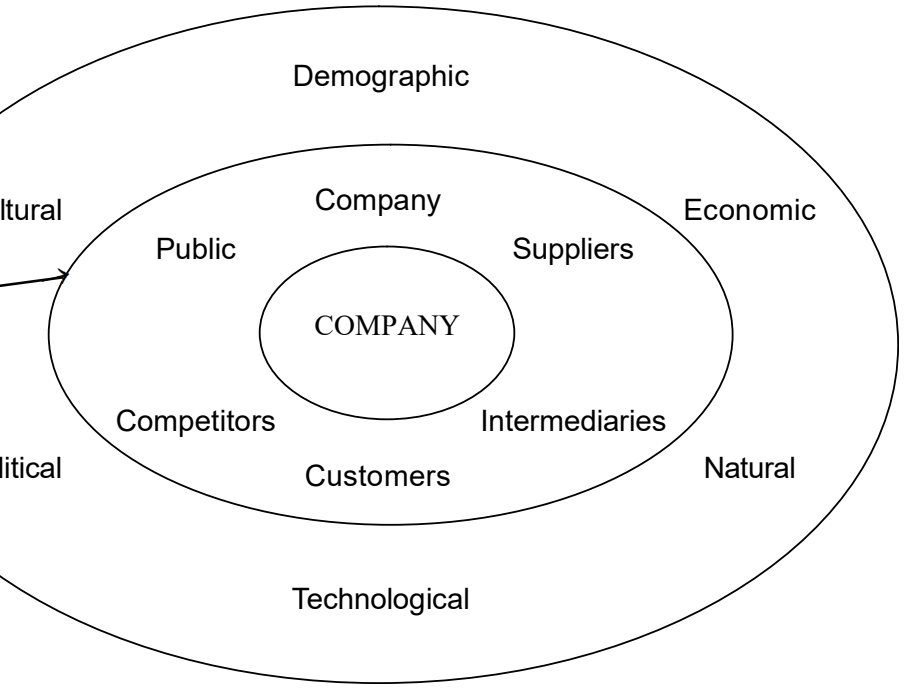
a) **Company:** The first entity of the micro-environment is the comp although very essential, is only one functional activity of an org must work with people in the organization who are involved in perf tasks and activities. For example, a large manufacturing organiza namely, manufacturing, engineering, purchasing, personnel, ac are all part of the internal environment of the company. All thes the organization and the people who perform them have an activity. For example, marketers work within the framework of t set by the top managers of the organization. Thus, the compa impact on the marketing activity.

IENTAL SCANNING

ronmental forces influence a company's marketing system. According ompany's marketing environment consists of the internal factors and he company's ability to develop and maintain successful transactions n the company's target customers." The marketing environment thus, s and forces that affect a firm's ability to create and preserve relations he marketing environment can be divided into:

ment

nment



: Marketing Environment: Micro-Environment and Macro-Environment

e environmental factors are controllable while some are not. Environment marketing and securing the right fit between the environment and the arketing. The firm must know where the environment is heading, what place changes are, and what should be the response to these changes. of the marketing manager to observe these minute changes to tackle

consumers to produce goods and services at the sa would not have the goods at their affordable reach.

Ans to Q No 3: The two differences between marketing and se below:

(a) Satisfaction: Selling concept did not pay due weightage consumers. In this concept production and distribution of g enough. But marketing concept assumed that custome important element of marketing.

(b) Profit generation: Selling concept worked with sole obj profit whereas the marketing concept works with the obje through providing consumers' satisfaction.

Ans to Q No 4: a (IV), b (III), c (II), d(I)

Ans to Q No 5: (i) True, (ii) False, (iii) True, (iv) True

Ans to Q No 6: Marketing mix is the mixture of the essential elem order to push up sales. It is the combination of 4 Ps – Produc and Place. To attain success in marketing effort, the various co well coordinated.

Ans to Q No 7: Some experts consider marketing as an art, so science and some experts treat it as cocktail science. A large experts advocate that marketing has got an interdisciplinary rel like Economics, Sociology, Psychology, Anthropology, Mathem disciplinary relation with marketing and hence it would be bet as cocktail science.

Ans to Q No 8: The modern marketing concept has broadened the which includes almost all the activities before and after the pro scope of marketing lies in its functions. It covers analysis marketing functions, designing marketing structure, marketing product and evolution of marketing activities.

Ans to Q No 9: a (III), b (IV), c (II), d (I)

Ans to Q No 10: I (True), II (True), III (True), IV (True)

QUESTIONS

ng.

different concepts of marketing?

portance of marketing?

rences between traditional and modern marketing.

olution of marketing concept.

eting mix?

m societal marketing concept.

*** ***** ***

UNIT: 2 MARKETING ENVIRONMENT

UNIT STRUCTURE

2.1 Learning Objectives

2.2 Introduction

2.3 Environmental Scanning

2.4 Micro Environment

2.5 Macro Environment

2.6 Differences between Micro and Macro Environment

2.7 Techniques of Environmental Scanning

2.8 Let Us Sum Up

2.9 Further Reading

2.10 Answers to Check Your Progress

2.11 Model Questions

2.1 LEARNING OBJECTIVES

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

- explain the need for Environmental Scanning
- explain the company's Micro and Macro Environment
- discuss the techniques of Environmental Scanning

2.2 INTRODUCTION

In the earlier unit we got a fair idea about marketing conce implementing marketing plan requires a number of decisions and to mal companies must possess comprehensive and up-to-date information. S understand the dynamic nature of the marketing environment and under of continuously monitoring and adapting to the environment. Thus, mana activities rests squarely on the knowledge of the marketing environme

In this unit we are going to discuss the components of an orga micro environment and learn the different techniques of environmenta

ain everyday information about developments in the marketing nment. Marketers collect marketing intelligence from newspapers, trade ations, interaction with customers, etc. a company can take several steps to improve its quality of marketing intelligence.

- The company must train and motivate the sales force to spot and report new developments.
- Companies may hire specialists to gather marketing intelligence. Service providers and retailers often send mystery shoppers to the stores to assess the standards of service.
- Companies also resort to external networking to obtain marketing information. Companies can purchase competitor's products, attend trade shows, talk to employees, dealers, and distributors. These form an important way of gathering information about the marketing environment.
- Companies can also set up a customer advisory panel and the members might include representative customers or the company's largest customers or its most outspoken customers.
- Companies can also take advantage of government data sources to determine the changing trends and demographics. Census data provides a lot of relevant information to companies in this regard.
- Companies can also purchase information from outside suppliers. These research firms gather consumer-panel data and supply it to the firms.
- Several companies now-a-days are using online customer feedback systems to collect competitive intelligence. Online customer review boards, discussion forums, and blogs generate a lot of information about both the product and the firm.

rends: A trend is a direction or sequence of events that has some nd durability. Trends are predictable and it reveals the shape of the dicates the opportunities. Megatrends have been described as "large mic, political, and technological changes that are slow to firm, and once influence us for sometime". Successful marketers manage to create

of the consumers. Ultimately, a company's marketing strateg target consumer.

e) **Competitors:** Competitors include organizations who serve similar products and services against which a company must gai A cautious marketing manager has to be in constant touch rega related to the competitor's strategies. Marketers must identify competitors, build plans to overtake them in the market and at consumer towards his own products.

f) **Public:** Public may be defined as any group that perceives itself a company's ability to achieve its objectives. A company's ob meet the demands of the consumer but also to maintain a go positive interaction with the public increases the company's go all most all companies maintain a public relations department

CHECK YOUR PROGRESS

Choose the correct answer:

Q1: The marketing environment consists of which of the following:

a. Micro and Macro environment
b. Micro and Mini Environment
c. Macro environment and Mini Environment
d. Major and Minor Environment

Q2: _____ is the collection and interpretation of information ab and relationships that may affect the organization:

a. Opportunity analysis
b. Environmental scanning
c. Stakeholder analysis
d. Market sampling

Q3: Company's micro environment does not include:

a. The company

aphic forces

bliers

of the micro-environment consists of:

competitive pressures, social and physical forces

s, competitors, customers, distributors

gy, legal forces, supply chain, competitors

c, customers, social and political forces

help the company to promote, sell, and distribute its goods to final

g intermediaries

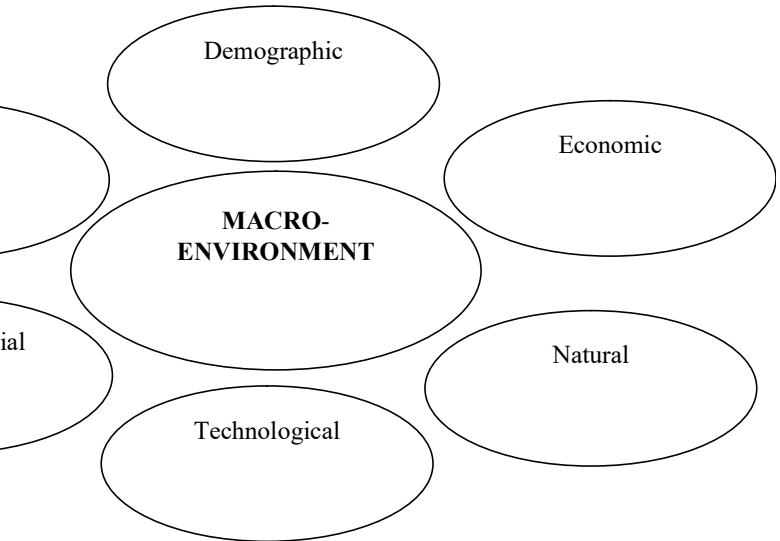
tor networks

s

epresentatives

NVIRONMENT

nment consists of the broad and larger societal forces that affect the ment. These broad societal factors shape the activities of every marketer. ent consists of: demographic forces, economic forces, natural forces, dge, political factors and cultural forces.



any changes and adapt to them. The following section discusses the vario techniques of environment scanning that can be used by managers to sc their internal and external environment.

a) **Internal Records and Marketing Intelligence:** Marketers rely internal information generated by the company itself in the form reports of orders, sales, prices, costs, inventory levels and so o This information can be analyzed by marketing managers to ident opportunities and problems.

   i. **The order-to-payment cycle:** One of the important recor for marketing companies is the order-to-payment cyc Sales representatives, dealers and customers send orde to the company. The sales department in turn prepares t invoice and process the order. In today's world compani need to process orders quickly and accurately becau customers prefer organizations which can deliver on tim Companies have resorted to using internet and extranets improve their systems. By doing this they are not or delivering on time but also saving cost.

   ii. **Sales information systems:** Marketing managers also us reports on current sales. Companies use sales and invento data that captures data on every item that they sa Marketers must carefully analyze and interpret the sales da so as to draw correct marketing conclusions.

   iii. **Databases, data warehousing, and data minin** Companies now-a-days organize their information in databases and they combine information from vario databases. This helps the companies to categorize the wi array of customers and offer their product offering Companies also warehouse these data and make the available to decision makers. Analysts analyze these da to garner fresh insights into customer trends and segmen

   iv. **The marketing intelligence system:** Marketing intelligen

CES BETWEEN MICRO AND MACRO
T

n in details the various factors that make up both the micro-environment
onment. Although both micro and macro-environment forms the total
nt for organizations, there are certain differences between both these
ble below describes the difference between the micro-environment and
nt:

MICRO-ENVIRONMENT	MACRO-ENVIRONMENT
Micro-environment is defined as the nearby environment, under which the firm operates.	Macro-environment refers to the general environment that can affect the working of all business enterprises.
Internal environment.	External environment.
The elements of the micro-environment: organization itself, suppliers,market intermediaries, competitors, and public.	The elements of the macro-environment: demographic, economic, cultural, natural, technological, and political.
Specific	General
Directly and regularly	Indirectly and distantly
Micro-environment factors are controllable	Macro-environment factors are not controllable

e2.1: Differences between Micro and Macro environment

ES OF ENVIRONMENTAL SCANNING

marketing system must operate within the context of the environmental

The macro-environment entities are described below:

a) **Demographic forces:** Demography is defined as the statist population and its distribution. This is one of the most influencing environment as it deals with the people who form the market. interest in the size and rate of growth of population in cities and levels; household patterns; age distribution; and regional chara should study the population, its distribution, age composition, et marketing strategies. Apart from population, marketers also ta the ethnic and racial makeup, educational groups, and house groups have certain specific wants and buying habits. Seve companies have directed their products and promotions targetin Similarly, presence or absence of educated groups determines t books, magazines, and a high supply of skills as well. The hou have a tremendous impact on the marketers. For example, joint fa larger space, more furniture and more food. On the other hand, lesser space, furniture and food. There is also a growing trend of childless couples, empty-nesters. Marketers must increasingly needs of these non-traditional households, because they are now than the traditional households.

b) **Economic forces:** Economic forces affect the consumer pu spending patterns. A company can successfully sell its produ have enough money to spend. For example, at the time of inflatio comes down. In such a situation, it is difficult for people to purc Similarly, income of the consumers also determines the pu example, in a situation where both husband and wife work, th will be more. Hence, companies may sell their products quite e pay careful attention to trends affecting purchasing power beca strong impact on business.

Marketers also need to study the income distribution in countri great extent in level and distribution of income. There are fo structures: subsistence economies (few opportunities for mar exporting economies (with good markets for equipment, tools

alizing economies (where new rich class and a growing middle class types of goods); and industrial economies (which are rich markets for ods). Marketers need to pay attention to this shifting income distribution round the world, particularly in countries where the affluence levels are

es: A company has to adopt its policies within the limits set by nature. A rove the nature but cannot find an alternative for it. Nature offers t in a limited manner. A product manager utilizes it efficiently. Companies best combination of production for the sake of efficient utilization of the ources. Otherwise, they may face acute shortage of resources. For oleum products, power, water, etc.

erioration of the natural environment is a cause of major concern. In cross the world, pollution has reached dangerous levels and there is a about the "greenhouse gases" and the depletion of the ozone layer. regulations are formulated to control this unprecedented damage caused nment. Marketers need to be aware of the threats and opportunities th these shifts in the natural environment.

al forces: Technological environment consists of the forces that create gies which ultimately leads to creation of new products and market Technology is one of the most dramatic forces people shaping people's ew invention builds a new market and a new group of customers. It has served that new technologies create new wants, destroy old industries several long-run consequences. Cell phones and internet are examples ology which have made it possible to connect to people anywhere and hey have reduced face-to-face social interaction and the importance of dia. In fact, economy's growth rate is affected by how many major new are discovered.

progress offers unlimited opportunity to marketers to innovate their entists today are working on a range of new technologies that will products and production processes. Companies are also forming to fund research so that everyone can benefit from the fining. It is marketers to identify the technological changes, the pace at which these

changes are taking place, and the opportunities that are created change.

e) **Political-social forces:** The political and legal environment con agencies, laws, and pressure groups that influence and lim organizations. Due to ever-increasing globalization, companie political forces of not only their own countries but other countri they have trading relations. Legislation affecting business has world and this is true in case of our country also. India, like other laws covering fair trade practices, environmental protection, pro laws and their enforcement will continue to increase. Business e these developments when planning their marketing program understand that written rules and regulation may not be able to cu malpractices. Beyond these written laws and regulations, busin by social codes. Therefore, enlightened companies encourag look beyond what the regulatory system allows. Companies ar positive images of them by exercising social responsibility. Ever is tied to some caus. Buy a ITC Classmate notebook and dona education. For every CRY card you buy, CRY donates money for p rights. Thus, in essence marketing transactions have moved in

f) **Cultural forces:** The cultural environment is made up of institu affect a society's basic values, perceptions, preferences, and b is a combination of various groups with different cultures and sub has a distinct form of behaviour and managers must study the organization operates. The lifestyle, values, beliefs are shaped example, in India, we have different cultural groups such as A and Bihari to name a few. Each of these cultural groups has distin and beliefs. The marketing manager must take a note of thes formulating the product and the marketing program.

It is also important for marketers to understand that although co are fairly consistent but cultural shifts do take place. However, slow. Marketers must track the changes or shifts in the cultura basis to identify and explore marketing opportunities.

rtant to identify those consumers whose needs the marketer can satisfy
etitors. In this unit we will discuss the marketing strategies like market
t targeting and market positioning which helps the marketer in marketing
vices

AND IMPORTANCE OF MARKET
ON

sts of customers and you are aware that customers are differ in one or
ay differ in terms of age, resources, geographical location, requirements,
uying practices. Besides that in recent years the business environment
dously. Competition has increased manifold and the consumers have
sticated. With the availibility of close substituites in the market , the
ariety of choices and he/ she can buy the product or service which can
.

circumstances, the companies can adopt the strategy of market
t segmentation may be define as the subdividing a market into distinct
s, where any subset may be selected as a market target to be reached
ing mix. It helps the marketers in the preparation of marketing mix for
ments by differentiating consumers on the basis of their specific needs,
ation, gender etc.

a of market segmentation is that in stiff competition, a marketer may
g offers for specific market segments whose needs are not satisfied by
rket segment is groupings of buyers according to some common
as income, age, sex, qualification, geographical location etc, so that
understood and served.

of the definitions of market segmentation as given by various authors :
tation is the act of dividing a market into distinct groups of buyers who
arate products and/or marketing strategy. – Philip Kotler.
yers or segmenting the market is described as market segmentation. –

new solutions to satisfy the unmet needs of the customers. Th
or the megatrends and incorporate the needs into their offerin
market.

c) **SWOT analysis:** SWOT analysis is a way to monitor the exte
marketing environment. SWOT analysis is the overall evaluation
weaknesses, opportunities, and threats (SWOT). A firm must
environment forces (demographic, economic, natural, techno
cultural) and significant micro-environment factors (customers, p
suppliers, competitors) which affect its profitability.

One of the major purposes of environment scanning is to iden
and threats in the external environment. A marketing opportuni
need and interest in which there is a high probability that a co
satisfy that need. On the other hand, an environmental threat is
an unfavorable trend or development that would lead to lower
absence of defensive marketing action. Apart from the streng
each business needs to evaluate its internal strengths and we
aim of SWOT analysis is to identify the key micro and macro e
that are important to achieving the objectives of the organizati
forms the cornerstone of business policy formulation.

	Opportunities (External, Positive)	**Threats** (External,
Strengths (Internal, Positive)	**Strength-Opportunity Strategies** Which of the Company's strengths can be used to maximize the opportunities that have been identified?	**Strength-** How can be used that have
Weaknesses (Internal, Negative)	**Weakness-Opportunity Strategies** What actions can be taken to minimize the company's weaknesses using the opportunities that have identified?	**Weakness** How c weakness the thre environme

is: PEST analysis is a scan of the external macro-environment in which ates. It can be expressed in terms of the following factors: Political, cial, and Technological (PEST) and is used to describe a framework is of these factors.

s include government regulations and legal issues and define both formal rules under which the firm must operate. Some examples are: l regulations, taxation policies, employment laws, etc. Economic factors rchasing power of the buyers and also the firm's cost of capital. Some ors are: interest rates, exchange rates, inflation rates, etc. Social factors mographic and cultural aspects of the larger macro-environment which tomer needs. Some social factors include: age distribution, population ealth consciousness, etc. The technological factors deal with advances which may have a substantial impact on cost and production, and sourcing decisions. Some technological factors are: R&D activity, echnology incentives, etc.

s is useful because it helps spot business opportunities that may exist nvironmental context. PEST analysis also reveals the direction of change cro-environment, thereby helping companies identify trends and work t helps in developing an objective view of business environment rather on assumptions. PEST analysis is often associated with SWOT analysis; n the tools have different areas of focus. PEST analysis looks at the e, whereas SWOT analysis focuses on specific product-lines.

forces model: Porter's five forces model is a tool for industry analysis. s a group of companies producing similar products. It is important to mportant stakeholders' in a particular industry as they form an important vironment. A firm is most concerned with competition. In scanning the firms must determine the level and intensity of competition in the industry. is done using Porter's five forces model. Five forces analysis assumes five forces that determine competitive power in a business situation. rces are:

ver: This is an assessment of how easy it is for suppliers to drive up again influenced by the number of suppliers, uniqueness of the product

UNIT 3: MARKET SEGMENTATION

UNIT STRUCTURE

3.1 Learning Objectives

3.2 Introduction

3.3 Concept and Importance of Market Segmentation

3.4 Bases for Consumer Market Segmentation

3.5 Bases for Industrial Market Segmentation

3.6 Target Marketing

3.6.1 Evaluating Market Segments and Target Market Selec

3.7 Market Positioning Strategies

3.8 Let Us Sum Up

3.9 Further Reading

3.10 Answers To Check Your Progress

3.11 Model Questions

3.1 LEARNING OBJECTIVES

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

- explain the concept of market segmentation
- describe the importance of market segmentation
- describe the requirements of market segmentation
- discuss the bases of market segmentation
- describe the concept of market targeting
- explain the concept of market positioning and its related.

3.2 INTRODUCTION

The buying process of different buyers are different dependi such as income, education, age, habit etc. Due to this the marketers div is known as market segmentation. To be successful in marketing, a m those groups of buyers or market segments where he has bright prosp

RS TO CHECK YOUR PROGRESS

- Micro and Macro Environment
- Environmental Scanning
- Demographic forces
- Suppliers, competitors, customers, distributors
- Marketing intermediaries
- Product
- Legal environment
- Socio-cultural environment
- Business factors
- SWOT Analysis

QUESTIONS

m marketing environment. What is the importance of marketing
r organizations?
environment and macro-environment? Distinguish between the two.
onmental scanning? Why is environmental scanning important for

the techniques of environmental scanning.
erent micro-environmental forces.
cro-environmental factors.
analysis.
analysis. What is the difference between PEST and SWOT analysis?
s Five Forces Model.
different internal records of a company that can act as a source of
out the internal environment?

*** ***** ***

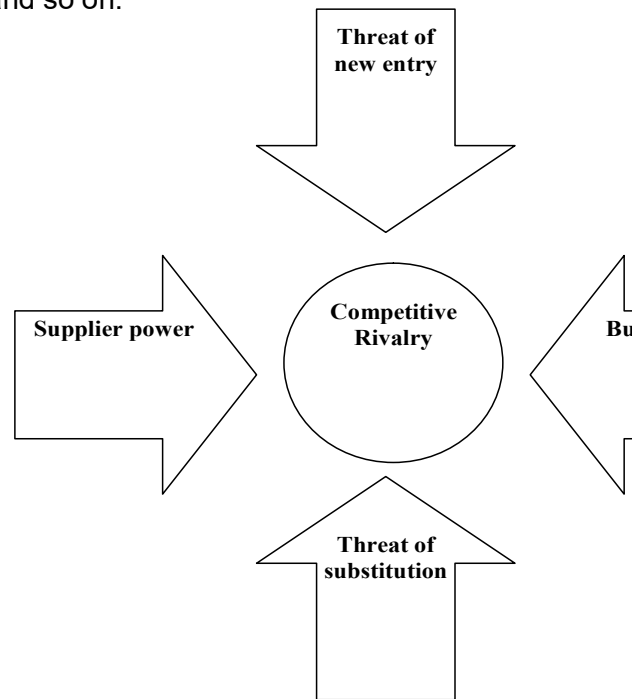
and cost of switching from one to another and so on. The fewe
of the firm, more is the power of the suppliers.

Buyer power: This is an evaluation of how easy it is for buyers
This in turn is driven by the number of buyers, cost of them switc
product to a different product, and so on.

Competitive rivalry: This assesses the number and capability
the firm. What is important here is the number and capability of
their offerings. If the firm is producing something unique that
easily, then it has tremendous strength.

Threat of substitution: Availability of alternative products outs
common product boundaries increases the propensity of custom
alternatives. Some of the factors that determine the threat of su
performance of the substitute, buyer switching costs, relative
substitute, and so on.

Threat of new entry: Profitable markets that give high return
firms. This results in many new entrants, which eventually decr
of all the firms. Some of the factors that determine the threat
capital requirements, government regulations, existence of barr
rights, etc.), and so on.



orces model is a simple but powerful tool to analyze where power lies in ironment. It helps in understanding both strength of the firm's current osition and also the strength of a position the firm is contemplating moving

R PROGRESS

rect answer:

ollowing is not a part of the external marketing environment?

tural
rtising is now virtually banned in all marketing communication forms ries around the world. This can be explained as an influence of:
gical environment
c environment
ironment
l environment
rketer for a global consumer products company. He is working on the ampaign designed to reach a target audience in a new international rt is working hard to make sure that the promotional campaign is tood by the nation's consumers and doesn't offend anyone. Which of he external environment is he being influenced by?
tural environment
ive environment
c environment
ironment
nsions usually considered to constitute the external marketing nclude all of the following except:
onsiderations
factors
tural aspects
c issues

Q10: _____ is a way to monitor both the external and the internal

a. SWOT Analysis
b. PEST Analysis
c. Porter's Five Forces Model
d. All of the above

∪ 2.8 LET US SUM UP

In this unit we have discussed the following:

- Environmental factors influences in Company's marketing sys
- Examining the marketing environment and monitoring the environment can be done through both environmental scannir analysis.
- Environmental scanning is the process of gathering data about of the marketing environment. The marketing environment ca micro and macro environment.
- The marketing micro-environment includes: company, supp customers, competitors, and public.
- The macro-environment consists of: demographic forces, eco forces, technological knowledge, political factors and cultural f
- various techniques of environment scanning are:
  - Internal Records and Marketing Intelligence
  - Needs and trends
  - SWOT analysis
  - PEST analysis
  - Porter's five forces model

o 2.9 FURTHER READING

1. Philip Kotler, Kevin Lane Keller, Abraham Koshy, and Mithi *"Marketing Management"*, Pearson Education
2. Saxena Rajan (2007), Marketing Management 3rd Edition,Tata M

can enjoy operating economies through specialising its products, stribution and promotion.

ve specialisation : Here, the company selects a number of appropriate ts. This is known as multi segment strategy. The main advantage of this is that even if one segment becomes unprofitable, the company can fit in other segments.

t specialisation : Here, the company concentrates on the production of n product and sells it to several segments. This type of strategy enables to build up a good reputation in the specific product area.

specialisation : Here, the marketer concentrates on satisfying the needs ticular group of customers. For example baby products.

rket Coverage : Here, the marketer tries to serve all customer groups he products that they may need. This is applicable only in case of large s houses.

POSITIONING STRATEGIES

ision, as to 'which segments' of the market, a company will enter has ust decide as to what **'positions'** it likes to occupy in those segments. n as market positioning.

the perception or the image that customers have of the company and its o the competitors' products. It is the customers' belief about the company's pensive, high quality, durable, well designed etc. This perception is the r's attitude and behaviour towards company's products. Customers' will drive the business of the firm.

osition is the way the product is defined by consumers on important is positioned as beauty soap of cine stars. Lifeboy is positioned as an

, positioning is the process of distinguishing a brand from its competitors e preferred brand in the selected target market.

s some of the definitions of positioning-

t, who developed the concept of positioning, defined it as follows :

tarts with a product. A piece of merchandise, a service, a company, an

and dividing it into several sub markets or segments each c homogeneous in all significant aspects. – W. J. Stanton.

- Market segmentation is the strategy of dividing markets in orde Alan. A. Robert.

From the above definitions, it is clear that market segments are who have common characteristics as buyers of a product or service. It h meeting their needs in a better way. It guides in developing separate mark for each market segment.

Importance of Market Segmentation

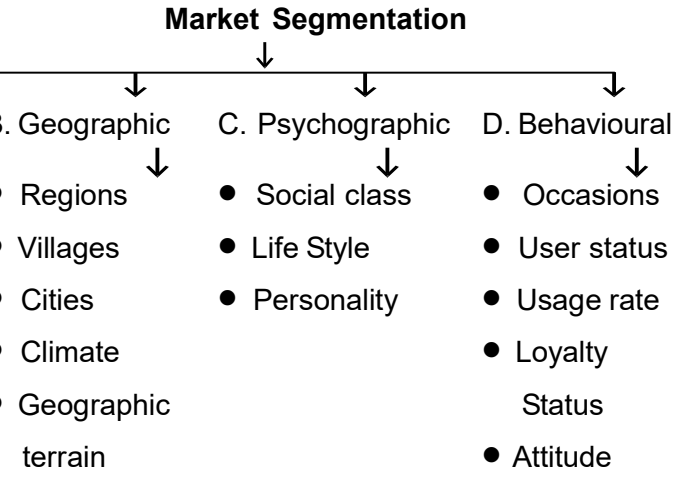
Now, you are aware that market segmentation helps the com various customer groups and to decide which group or segment they This leads to efficient use of marketing resources, better understandin efficient handling of competitive situation and establishment of goals an Market segmentation helps matching of marketing opportunities to marketers and enable them to face the competition. It helps in offering th to satisfy the customers. Some of the importance or benefits of market s discussed as below:

- It helps in identifying, understanding and satifying consumers in a
- It helps the marketer in facing competition;
- It helps in directing company's effort to the most potential segme
- It provides market information that helps in product development evaluating marketing activities, etc.;
- It ensures production of goods and services as per the demand
- It helps in the preparation of effective and efficient marketing polic
- It helps in determining effective promotional activities for the conc
- It helps the producers to determine and compare the marketing products and services.
- Market segmentation helps in the development of the elements of the requirement of target market.

R CONSUMER MARKET SEGMENTATION

oadly be classified into two types– consumer markets and industrial or ts. Consumer market consists of end users who normally buy in smaller market covers– large-scale buyers such as manufacturers, government

s about segmentation of consumer market. It can be segmented on the ariables namely, geographic, demographic, psychographic and buyer e a look on various variables as shown in the chart.



Variables : Demography is the study of population. It is the popular base consumer markets. In case of frequently bought consumer goods such ste, soap, detergents etc, this base is used for market segmentation. uss the different demographic variables-

ng on age, buyers' needs, wants and ability to purchase differs. The d analyse to which age groups, his product or service would be most has to plan various marketing policies meant for that group of people. ooks for kids and novels are two different segments.

products are gender-specific. Females generally purchase cosmetics, es, lipsticks etc. On the other hand, shaving blades, cream, razor etc. by males. Market segmentation on the basis of gender exists specially l care products.

e decides the purchasing ability of customers. Based on income, market size segment is more favourable. Smaller companie to compete in large segments and so they may pref

(ii) Segment growth rate : Growing segments are a analysis of growth rate should be accompanied wi degree of competition and additional amount of inve

(iii) Price sensitivity : Low price sensitive segments com more on quality and service, provided where custo sensitive.

(iv) Nature of competition : Nature of competition also i of selecting a particular market segment. The quality important than the number of competitors in the seg

(v) Social trends : Changes in society provide opport segments, for example, increasing number of w increased the demand for processed food and fast

(vi) Political Issues : Political forces can open up new encouraging and providing various incentives to sta new geographical areas particularly in backward reg

- **Company's capability to serve and compete in variou**

A market segment may be profitable but it may be difficu due to lack of resources and competencies. A company shoul has the required resources such as efficient marketing perso technological edge and managerial capabilities to compete in segment.

Companies consider the following factors while decidin

(i) Target Market Selection : After evaluation of various m company should decide the number of segments to s efficiently to earn good amount of profit and reputation.

(ii) Single segment concentration : Here, the company s various segments and concentrates there on. The mai system are

(a) through concentrated marketing, the company can a position on account of its greater knowledge of the s

segmentation helps the marketers to face the
on effectively.
gmentation can be done on psychographic factors.

ARKETING

re about the meaning and importance of market segmentation. The
policy of market segmentation to properly identify the customer groups
e profitably. But after segmenting the markets, a marketer often face a
rticular segment or segments to serve. In that case adopt the technique

ting is a technique by which a marketer evaluate the different market
its marketing mix to serve the target market profitably.
have to decide how many segments can be served effectively with its
nd capacity. For example, a firm selling text books may form segments
ol books, college books, general books, general knowledge books etc.
re may be further sub-divisions like, university wise or board wise, books
, Dibrugarh University and Secondary Education Board of Assam and
ondary Education etc.The firm may select one segment or two segments
nding on its resources. The selected segment/segments are the target

uating Market Segments and Target Market tion

market segments, the firm must examine these two factors :
attractiveness of the market segments.
ny's capability to serve and compete in various
ts.

e attractiveness of the market segments.

ortant to determine the potential profit to enter a market segment. The
l profit may be determined by analysing the size and growth rate of
ers and industry.

can be segmented as high- income, middle- income and low-
Accordingly products and services can be developed to suit the
segment.

- **Occupation :** Occupation is the source of income for any individual in various occupations, like lawyers, doctors, engineers, teache extent it influences their buying behaviour and life-style. Therefore, keep in mind all these factors while undertaking sales promotiona
- **Education :** On the basis of educational qualification and subj consumers can be classified into different groups such as un graduates,Master degreeholders, doctors, lawyers, economis publishers of magazines and journals, drama troops, film produc educational level of their customers in mind and should segme basis of their level of education.
- **Religion :** In India, a large number of religious beliefs are w communities. It is quite useful to analyse the population based products such as Christian ladies use long skirts, Muslim ladies w and kurtas and Hindu ladies would need sari and blouse. The marketing of their products, marketer should understand the buying communities. However, after globalisation the impact of religion c services is seen at low level.

B. Geographic Variables : Geography is another base of market s basis market can be divided into towns, cities, districts, states, cou market. Geographical locations with common characteristics can to develop products and services to meet the particular needs of th is segmented into different states within the same country, the leg not create much problems for the marketer though customers ne customs, beliefs etc. may vary. If the marketer cross the national analyse the legal environment of the other country besides a detail behaviour.

C. Psychographic Varicables : It includes factors like, social class personality etc. Individuals differ in their personality, thought e

produced and distributed.

ome of the psychographic factors of segmentation-

A marketer is reqiured to pay close attention on the different social classes. may be created on the basis of their occupation such as serviceholders, e, farmers; educational qualification, income etc. In each social class, ving style, habits and requirements and a marketer has to pay attention ts.

e style affects the overall manner in which persons live and spend time nsumers' liking and disliking for various goods and services is influenced . The marketers of recent times prefer segmenting market by consumer xample, a manufacturer of car may design a heavy and spacious car for ny executives. Life style is behavioural concept enabling us to grasp and ehaviour.

It covers the characteristics such as dominance, aggressiveness, evement, motivation etc. which influence buyer behaviour. The personality s determined by various factors like education, trends in industrialisation portunities available. The marketers should design their products and ner elements of marketing keeping in mind the personality of potential

riables : A large number of marketers are of the opinion that behavioural the best starting point for market segmentation. In behavioural consumers can be divided into groups on the basis of their attitude, use, ectation from the product, usage rate, usage habit etc. Generally, the are adopted to segment the markets.

ntation

ular occasion, for example having fruit juice after break fast.

n, for example, new dresses during puja and Bihu.

on-user, ex-user, potential user, regular user.

ght user, medium user, heavy user.

Soft loyals, hard loyals, shifting loyals, switchers etc.

s : Positive, indifferent, negative, hostile etc.

3.5 BASES FOR INDUSTRIAL MARKET SEGMENT

We are aware that market segmentation helps the marketer to customers in a better way. We have discussed the various bases for segr market. Similarly, the industrial market can also be segmented to provid the industrial customers. You are aware that industrial market is comp buyers such as, manufacturers, service providers, government agencies, institutions etc. But the nature of consumer market and industrial market i industrial market can be segmented on the basis of

Geographic: Industrial market can be segmented on the basis of custo industrial growth rate, international economic factors etc.

Customer type: Size of the customer, its decision making- process belongs, purchasing criteria etc.

Buyer behaviour: Usage rate, buying status, purchase procedure etc

CHECK YOUR PROGRESS

Q 1: What is meant by market segmentation ?

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Q 2: What are the bases for consumer market segmentation ?

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Q 3: What are the requirements for successful segmentation ?

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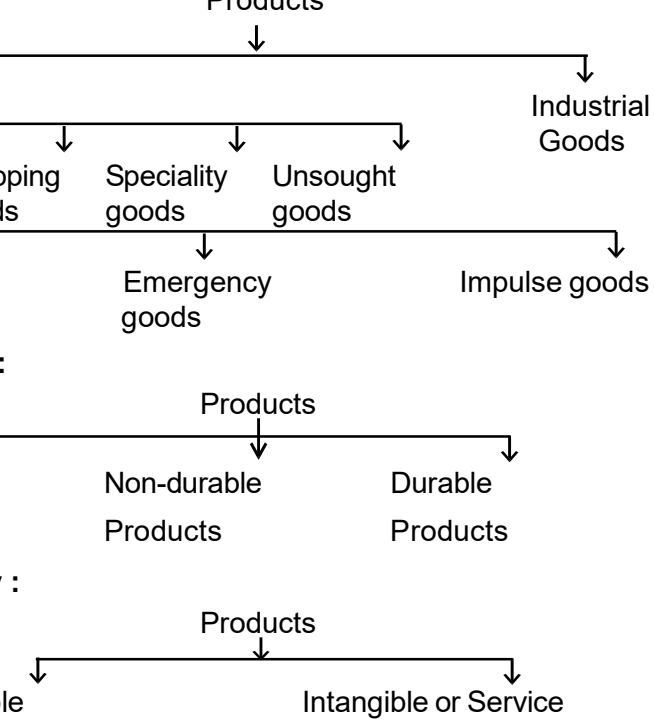
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Q 4: State whether the following statements are True or False.

(a) Grouping of products is termed as market segmentation.

(b) Market segmentation facilitates the preparati marketing programme



uses :

ods : These products are meant for final consumers for their personal, se. These products are used by buyer for their consumption. For example ewspaper etc.

are further classified as below:

goods: These products are purchased by consumers frequently and buying efforts. For example soap, newspaper etc.

of these products require intensive distribution, advertising and in store-

ts are further classified as follows:

ods: These items are purchased routinely with little or no planning. For perishable goods such as bread, fish, vegetable etc. The items should le close to where the consumers live, work or pass by.

y goods: Goods which can satisfy urgent needs are called emergency r example, needs of umbrella during rainy season, repairing of T.V. during cricket etc.

goods: The consumer is not usually pre-planned or predetermined to

institution or even a person. Perhaps yourself. But positioning is not wha Positioning is what you do to the mind of the prospect. That is, you posi mind of the prospect."

- "Positioning is the act of designing the company's offer and imag distinct and valued place in the target customers' mind". – Philip
- "Positioning is the art of selecting out of a number of unique selling that will get you maximum sales". – Rosser Reeves.
- "The most important decision you will ever make about your pro position my product". – David Ogilvy.

There are large number of market positioning strategies, some of discussed below :

- **Positioning on Product Attributes :** The marketer can position product attributes. For example BPL features technical and perfo
- **Positioning on Benefits :** The marketer can also position its pr benefits it offers. For example – Colgate reduces cavities,
- **Positioning according to usage occasions :** The marketers c products on the basis of specific usage occasions, for example c dresser or oranaments for specific occasion.
- **Positioning the product for certain classes of users :** There films for children and for adult only. Similarly, certain publishers a on comic series publications to suit the needs of children.
- **Positioning away from competitions :** A product may also be competitors. 7-Up became the number three coal drinks when it "Un-Cola", the fresh and thirst alternative to Coke and Pepsi.

Positioning strategies generally apply one of the two approach consumers and the other on the competitors. Both the approaches foc of product benefits with consumer needs, the first one does so by link the benefits and the needs of consumers and the second approach pos comparing its product features with the competitors' products. From you can determine that there are basically four elements or variables tha a product– (a) The Product (b) The Company (c) The Competition and

R PROGRESS

nt by target marketing?

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ket positioning ?

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sitioning strategies.

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er the following statements are True or False.

s objective and Resources is one of the important factors in evaluating
t segments.

company selects one of the various segments and concentraties
is known as single segment concentration.

g on product attributes is one of the strategies of positioning.

UM UP

have discussed the following aspects-

ntation is the sub-division of a market into homogeneous groups of
e marketer can make fine adjustments of his product and marketing
e basis of market segmentation. Instead of applying one marketing
total market, he can create separate marketing programmes to meet
ferent buyers effectively.

adopt the policy of market segmentation for two main reasons:

match their own limited resources to market opportunities

such as tourist spot; organisations such as hospital; persons such as s
as safety measures etc. It also covers other related features such as des
label, etc.

Features of a Product

From the above discussion, the essential features of a product can b
below :

- **Tangibility:** To be a product, it should have a tangibility charac
touched or seen, for example a car, building, cloth etc.
- **Intangible Attributes:** The product may also be intangible in the
instance, banking, insurance, music composition, repairing, nurs
- **Associated Attributes:** A product may have number of features
from competitor's products. Associated attributes usually cover
brand name, installation instruction etc. For example Hindustan Le
has a brand name DALDA and with its package it can be identified
has developed an image in such a way that all kinds of vanaspat
referred to as DALDA ghee.
- **Exchange Value:** A product may be tangible or intangible but it
value. It must be capable of being exchanged between seller and b
price.
- **Consumer satisfaction:** A product should have the capacity to sa
or psychological needs and wants. At the same time, it must have
profit for the satisfaction of sellers.

w CHECK YOUR PROGRESS

Q 1: Mention the features of a product.

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.....

4.4 CLASSIFICATION OF PRODUCTS

Broadly products can be classified into following categories-

Based on uses

ept of product, its classification, stages of product planning and
s of product life cycle etc. Moreover, you will come across with the
diversification, standardization and product simplification.

AND FEATURES OF PRODUCT

ccuss the concept of product. In a narrow sense, a product is a set of
butes assembled in an identifiable form. Each product carries a name,
ilding etc. But in marketing, a product is anything which can satisfy a
of consumers and can be offered in an exchange process. Hence, a
modity, service, idea or a combination of all these. A commodity is a
s watch. A service is an intangible which provides benefits and satisfaction
health service or doctors' or nurses' service. An idea is a philosophy or
o smoking,'' ''use seat belt during driving'', ''suggestion for doing physical
s go through some of the definitions of product-
f tangible and intangible attributes including packaging, colour, price,
s the services and reputation of the seller. A product may be a tangible
, person or idea"

– W. J. Stanton

considered as a bundle of utilities consisting of various product features
ervices".

– W. Anderson

ng that can be offered to a market for attention, acquisition, use or
ht satisfy a want or need. It includes physical objects, services, persons,
and ideas".

– Philip Kotler and Armstrong.

purchase a product, they decide to buy after considering both tangible
tes of the product, for example a car is a tangible product but its after
ity, etc. are intangible part of product. Good products are key to market
e products should be produced as per the needs and wants of target

e explanation, it is clear that product in marketing has a much wider

(b) To provide guide lines for the development of an appropriate

- Target Marketing is one in which the marketer distinguishes the ma
  targets one or more of these segments and develops products and
  tailored to each selected segment. Target marketing evaluates th
  and finding out the segment which can be served effectively with
  earn profit.
- Market positioning is the process of creating a distinct offer and co
  customer.
- Positioning is created by designing a marketing mix which is s
  market.
- The process of positioning is continuous in nature and it should
  because of cut throat competition.

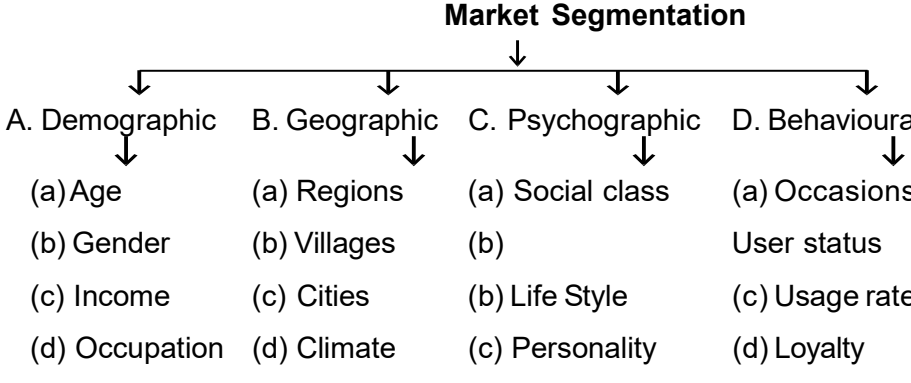
3.9 FURTHER READING

1) Kotler P. Keller K. L. Koshy A. Jha M (2009).Marketing Manage
   Perspectives. New Delhi: Pearson Education Ltd.
2) Pillai R.S.N. and Bagavathi (2007). Modern marketing: Principle
   Delhi: S. Chand & Company Ltd.

3.10 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: Market segment is grouping of buyers accordin
characteristics such as income, age sex, qualification, geograp
that their needs are better served.

Ans to Q No 2: The basis for consumer market segmentation are give



terrain (e) Attitude

requirements for successful segmentation are as follows:

(b) Substantiality

(d) Measurability

mand (f) Formulation of effective programmes.

alse (b) True (c) True (d) True

t marketing is the process of distinguishing the major market segments, or more of these segments and develop products and marketing ilored to each selected segments.

et positioning starts with a product. A piece of merchandise, a service, a stitution or even a person. Positioning is the perception or the image have of the company and its products. It is the customer's belief about products like, very expensive, high quality, durable etc.

wo positioning strategies are:

g on product attributes : Sometimes the seller positions its product on duct features, for example, Lux is positioned as beauty soap.

g according to usage occasions: The marketers can also position their the basis of specific usage, occasions etc. For example, casual dresses, ses etc.

rue (b) True (c) True.

QUESTIONS

ortance of market segmentation.

ases for organizational market segmentation?

cess of evaluating market segments and selection of target market.

arious positioning strategies?

*** ***** ***

UNIT 4: CONCEPT OF PRODUCT

UNIT STRUCTURE

4.1 Learning Objectives

4.2 Introduction

4.3 Concept and Features of Product

4.4 Classification of Products

4.5 Product Planning and Development

4.6 Product Development

4.7 Product Diversification

4.8 Product Standardisation

4.9 Product Simplification

4.10 Concept of Product Life Cycle

4.11 Stages in Product Life Cycle

4.12 Let Us Sum Up

4.13 Further Reading

4.14 Answers To Check Your Progress

4.15 Model Questions

4.1 LEARNING OBJECTIVES

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

- explain the concept of product and its essential features
- classify the products on the basis their characteristics
- describe the meaning of product planning and development
- explain the various stages of new product development
- explain the concept of product diversification, standardization a

4.2 INTRODUCTION

You are familiar with the concept of marketing mix that we have unit. As you know that there are four elements in the marketing mix and the elements. In this unit we will focus on this particular element of ma

roduct line and/or product items.

amount of profit.

ation:

s: (i) Related diversification and (ii) Unrelated diversification.

ification: When a new product is introduced in the existing product line tion is known as related diversification. For example, a ball pen producer gel pen, face cream producer may introduce body cream etc.

on of a new product increases the length of a existing product line but it uce one new product line.

ersification: When a new product is introduced which is not similar to cts or services and which require different marketing strategy, is known versification. For example if a book publishing company introduces a n or a group of face cream product then it is unrelated diversification.

bears greater risk as the marketer is new both to the product and to the tage after successful marketing, it reduces risk.

STANDARDISATION

dardization means the determination of the basic limits or grades in the s to which manufactured goods must conform and classes into which e sorted".– Committee of the Journal of Marketing.

ion is the determining of classes or grades of a product or service that Duddy and Revzan. On the basis of above two definitions it is clear that e process of formulating and applying rules for an orderly approach to a e benefit of all concerned.

standard for a product is a purely technical function which requires the ollowing physical properties of the product.

nd measures.

l dimension.

echnical properties.

nance, etc.

des various elements as Grading, Packaging, Labeling, Branding etc.

:

purchase this type of goods because of product exposure or a chocolate, balloon, a new type of ball pen etc.

- **Shopping Goods:** These are consumer durable goods and the these goods only after making comparisons on the basis of sui style and durability. The purchase decision usually takes more convenience goods because the consumers collect various infor product from various sources like friends, relatives, present use T.V., furniture, mobile hand-set etc.
- **Specialty Goods :** Buyers make a special purchasing efforts for are costly and luxurious goods. These products are of particula persons to which consumers are loyal. The buyers are reluctant to For example - branded surgical instruments for doctors, Bhupen Peter England dresses etc.
- **Unsought Goods:** The buyers do not know about the existence o do not want to purchase. For example life insurance policies, saf new unsought products which are completely new products and unf For example new course like B.Sc (Bio-technology) etc.

(B) Industrial Goods: Goods which are used for commercial produ some business activities are known as industrial goods. It is for not for personal use by the final consumer.

The various types of industrial goods are discussed below:

- **Installations:** These are capital goods which determine the n and efficiency of production as well as company. These a heavy goods. The marketers of these products mainly adopt to approach the buyers. Examples are plants and machiner building, assembly lines etc.
- **Raw Materials:** These are the main inputs to the final pro part of the final products. Some raw-materials are required to incorporating in the final products, whereas some raw-ma from the nature minerals, petroleum, iron ore etc.
- **Fabricated materials and parts:** These are semi processe

oduction of steel.

g Supplies: These are not the part of final products but these are required e the production process such as light bulbs, computers etc.

y Equipment: These are portable goods which are necessary to keep goods fit for operation. These are relatively less expensive. These neither ne part of final product nor change its form. For example bearing of a eal of a machine etc.

durability:

oducts : These are the products which have very short life spon and can or long time such as newspaper, a particular service for one day or

roducts: The products which deplets as and when consumption starts ts last for few uses, are known as non- durable products. For example, wder etc. The consumers purchase these goods very frequently if they h the products. Hence, the marketers should be very careful about the oducts and services to the consumers.

cts: These are products which have a long life and consumers may use ears. For example - T.V., watch, furniture, mobile hand-set etc. The ally take long time to take the decision of purchasing durable products. of this type of goods require a lot of personal selling, advertising and s-aids, and after sales service etc. to satisfy the consumers and to get ners.

tangibility :

ucts : It must be capable of being touched, seen, verified its quality etc. n, pencil, book. Here, the quality of the product is uniform and so sample nough to ascertain the standard of the quality.

ducts: A product may be intangible also but capable of providing ough its service. For example repairing, consultancy service, nursing

gible products or services, maintaining of uniformity is difficult task. As are human beings, variation in service can not be eliminated, but can be

w CHECK YOUR PROGRESS

Q 3: Mention the various stages in product d e process.

.....

.....

.....

Q 4: State whether the following statements are Ture or False.

(a) Elimination of unprofitable products is not cover planning.

(b) Idea generation is the first step in new produc process.

(c) Introduction of new product is essential for expansion of an organisation.

4.7 PRODUCT DIVERSIFICATION

A company with the existing products can not meet the con requirements all the time. The multi-products company substitutes one to meet the changing tastes of the consumers. By diversification we something new will be added. It may be new products, new markets, even a new company. But usually, it means adding a new product to the or mix. For example if a cigarette producing company like ITC starts Ho a product diversification. It does not, however, mean the new product sh same product line or entirely new product for a new product line. Divers an operating company, so that its business and profits come from a nu

Objectives of Diversification:

Some of the basic objectives of product diversification are:

(a) to use the existing selling and distribution facilities up to optimum

(b) to meet changing tastes and desires of consumers.

(c) to take the advantage of existing reputation.

(d) to face competition in the market.

(e) to increase the amount of sales and quantity of existing products

(f) to cope with the technological development in the process of pro

n tangible and intangible features are considered and included. Focus
et surveys and other market research techniques are used to gather
rmation.

: Test marketing involves placing a fully developed new product for sale
selected areas and observing its actual performance under a proposed
In the words of Philip Kotler- "Test marketing is the stage at which the
rketing programme are introduced into more realistic market settings".
ose is to evaluate the product performance and marketing programme in
ior to the commercialization. This step provides the scope of correction
n of the product as well as marketing programme. Many products fail
lization because of lack of test marketing. In this process, the marketers
l purchasers and first repeat purchaser to know their feelings and reaction
ct as well as marketing programme. On the basis of their opinions the
e certain required modification in the product as well as marketing
er the favourable result, products are sent for commercialization.

ation : After favourable response in test marketing, full scale production
programme are planned and then the product is launched. The product
ed in the market in phased manner or may be introduced simultaneously
he company's plan and resources available. Introducing the product in
helps to avoid short supply of the product due to initial gaps in production

elopment process may be presented through a flow chart given below -

Idea Search / Idea Generation

↓

Idea Screening

↓

Business Analysis

↓

Product development or Proto-type

↓

Test Marketing

↓

W CHECK YOUR PROGRESS

Q 2: State whether the following statements are true or false-

i. Product refers to tangible things only.
ii. Consumer goods are used for further processing.
iii. Consumers make comparison for shopping goods.
iv. Consumers make special purchasing efforts for purchas
goods.

4.5 PRODUCT PLANNING AND DEVELOPMENT

After getting an idea of different products, let us focus on anoth
planning and development. Product planning is the initial step of t
programme. In the competitive business world, producers try to produc
satisfy consumers' needs. The pressure of competition forces the pro
existing products by developing new products.

The new product will fail in the market if it fails to meet co
expectation. Product planning covers all activities which enable produce
determine what should constitute a company's products line. Product
the technical activities of product research, production and design. The
product development increases the scope to satisfy the needs of the c
The product planning and development cover the following decision ma

- What products should be produced?
- Expansion of product line.
- Determine the new use of its products.
- What brand, package and label are used for different products?
- What should be quantity of its production?
- Pricing policy etc.

In short, product planning involves the innovation of new products
the existing product.

Definition of Product Planning: "Product planning is the ac
commercialization of new products, the modification of existing lines ar
of marginal or unprofitable items". – Karl. H. Tietjen.

ent of new products.

n of existing product lines to suit the changing consumer

es and

nprofitable products.

nd continual growth of the enterprise demands systematic planning for

esting of the new product ideas, such an approach to product development

oduct planning.

t objectives of product planning are given below:

umer's needs and wants properly.

ume of sales.

t competition well.

etual survival.

most profitable utilization of company's resources.

strong and weak points of the company.

product planning are:

pment

fication

rdization and

ication

will be discussed in the following sections-

DEVELOPMENT

opment is the introduction of new products in the existing product line or

tirely new product line. A business firm meets its social responsibility

fact, the competitive conditions will not permit any firm to continue its

dated product or poor product for a long-run. A good and quality product

etitive sales. Therefore, new and improved products should be introduced

t the changing market conditions. The reasons for new product

e stated as below:

unity to consumer for selection.

t has reached declining stage of product life cycle.

(IV) Introduction of new products for growth and expansion of busine

Stages in New Product Development Process

The introduction of new product usually passes through various s

the management must decide whether to move on to next stage with th

Practically, in this process some of the ideas will be eliminated at ever

stages involved in the new product development. The stages are given

- **Idea generation:** New products are produced on the basis of new generated from various sources like customers, dealers, distrib executive, consultancy organisation, Research and Developme company etc. The first step is to generate ideas as many as possibl can find out one of the best idea out of those ideas to convert t product.
- **Screening of Ideas:** All new ideas can not be converted into pr constraints like, heavy investment, unavailibility of raw- materials et be screened and all unworkable ideas should be dropped. The mo promising ideas should be selected for further processing. Th concept testing method. In this method, consumer response to a or drawings is measured even before the product is actually prod to find out few best ideas.
- **Business Analysis:** During this stage, an attempt is made to consequences of the product for the company. In this stage, the the following activities:
  (a) Identification of product features.
  (b) Estimate the market demand and product profitability.
  (c) Establish a programme to develop the product.
  (d) Assign responsibility for further study of the product feasibil
- **Product Development or Prototype testing:**
  This step consists of the following:
  (a) Prototype development giving visual image of the product.
  (b) Consumer testing of the model or prototype product.
  (c) Branding, packing and labeling of the product.
  The marketing people determine an appropriate brand name, pa

QUESTIONS

uct?
fferences between consumer and industrial goods?
t planning?
fferent stages in new product development process?
ortance of product diversification?
t standardisation ?
fferent strategies of product simplification?

*** ***** ***

- **Product Standards:** Product standards are essentially techni establish physical characteristics, quality and performance of a par standards are generally meant to assure consumers of unifo performance.
- **Material Standards:** It is an attempt to standardize the raw- production process.
- **Quantity Standards:** The optimal quantity to be produced with the h inputs.
- **Process Standards:** The most scientific and rationalized metho down which forms the standard process of production.
- **Safety Standards:** It means the rules and regulations formed to employees working in factory.

4.9 PRODUCT SIMPLIFICATION

Product simplification requires continuous review of the va discontinues those products which are not contributing directly or indirect decision should not be taken only on the basis of present profitability. So price, promotion or market channels can make a currently unprofitable the future. The product simplification is adopted to eliminate the unp reduce inventory expenses, to improve products, to simplify produ management etc.

Product Simplification Procedure: The steps involved in this proc below- .

- **Committee formation:** The committee should consist of pers departments. The product simplification should be a subject of c participative venture.
- **Design Criteria:** The committee is to review periodically the perfo products and recommend the product strategy including product
- **Spell out simplification strategies:** The committee is to fo simplification strategies so that the product can be phased out fro planned action of simplification avoids the probable errors.

plementation: The programme for product planning with the dimension and replacement, stock clearance etc. should be properly coordinated. programme makes implementation easy.

ion Strategies :

t strategies of simplification are explained below:

runing strategy: It involves selective elimination of products. Only those ected for pruning whose contribution to the sales and profits are marginal.

rategy : This strategy reduces the supporting costs on a product to the hat will optimize the product's profitability. The supporting costs consist on, physical distribution and dealership.

eting strategy : Under this strategy, the producing company enter into with an independent marketing company to market its product. This useful where marketing costs are significant and marketing efforts are

se Strategy : Instead of going through any contract, a license can be party to sell the products.

lonment strategy : This strategy implies total stoppage of production oduct. Generally, when all other alternative strategies fail to provide any lts, the producers use this strategy.

R PROGRESS

objectives of product diversification.

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product simplification strategies.

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- Every product passes through certain stages, which is known as p stages of product life cycle are- introduction, growth, maturity, sa obsolesence.

4.13 FURTHER READING

1) Kotler P. Keller K. L. Koshy A. Jha M (2009).Marketing Manage Perspectives. New Delhi: Pearson Education Ltd.
2) Pillai R.S.N. and Bagavathi (2007). Modern marketing: Principle Delhi: S. Chand & Company Ltd.

4.14 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: The features of a product are-

(i) Tangibility

(ii) Associated attributes

(iii) exchange value

Ans to Q No 2: i. False

ii. False

iii. True

iv. False

Ans to Q No 3: The various stages in product development process a

(a) Idea generation (b) Idea screening

(c) Business analysis (d) Product development

(e) Test marketing (f) Commercialisation.

Ans to Q No 4: (a) False (b) True (c) True

Ans to Q No 5: The two objectives of product diversification are –

(a) to meet changing tastes and desires of consumers.

(b) to use the existing selling and distribution facilities at the op

Ans to Q No 6: The two product simplification stralegies are –

(a) Product line prunning strategy; and

(b) Contract marketing strategy.

Ans to Q No 7: (a) True (b) False (c) True (d) True

life cycle will become short and ultimately the old product would disappear
. On the contrary, if the rate of entry of competitors in the market is slow,
oduct will increase accordingly.

ces: Economic forces also affect the product life cycle. Purchasing power
rs, price level, supply of money etc., are such economic factors which
f the product.

Patent: Registration and protection by patent of a product also affect its
atural that the life of a product will be longer which has been provided
tent.

tegy: Marketing strategy is also an important factor which affects product
management is efficient, the decline of the product may be reversed and
ed by some innovation or modification in production or innovation in
ding or marketing techniques. The product can be successfully marketed
has reached the stage of its decline.

SUM UP

have discussed the following aspects-

um of the physical and psychological satisfaction which a buyer expects.
t can be offered to a market and which has satisfying capacity of needs,
es of purchasers. A product may be tangible, intangible or a service, an
nation of all the features.

e classified into different groups on the basis of certain common
such as use, durability and tangibility. These classifications are essential
mplement appropriate marketing strategy.

anning means an attempt to establish the product in line with market
planning covers all activities which enable producers and middlemen to
should constitute a company's line of products.

oment includes the technical activities of product research, engineering
e development of product is the way for expansion of business activities
competitors efficiently.

ication, standardization and simplification are the marketing strategy to
er growing effectively and efficiently. With these strategies the firm can

Q 7: State whether the following statements are True or False.

(a) Product diversification is essential to meet ch
and desires of consumers.

(b) An electric bulb producing company starts producing fan al
product diversification.

(c) Standardization includes various elements
packaging, labeling, branding etc.

(d) The run-out strategy is a product simplification strategy.

4.10 CONCEPT OF PRODUCT LIFE CYCLE

Every product passes through certain different or distinct stage
Hence, the concept product life cycle denotes the stages through wh
from its introduction to the market, to its disappearance (obsolescenc
product usually passes through six stages: introduction, growth, maturi
and obsolescence. These are the stages of time through which a produ
of the life cycle, the duration of each phase and the shape of the curve va
products. But in every instance, obsolescence eventually occurs when
more convenient product may suit the same need or a competitive prod
marketing strategy suddenly gains a decisive edge. The product life cy
that a particular product is born or introduced, grows, attains maturity a
of saturation in that market and then sooner or later it is bound to enter it
finally reaches the stage of obsolescence – the stage when the product lo
and dies out in terms of both sales and profit margin.

Different authors have defined product life cycle concept in dif
are giving few important definitions of product life cycle:

(i) According to Philip Kotler, "The product life cycle is an attempt
stages in the sales history of the product".

(ii) According to Arch Patton, "The life of a product has many points
human life cycle; the product is born, grows, attains dynamic mat

N PRODUCT LIFE CYCLE

through a life cycle having the following six stages:

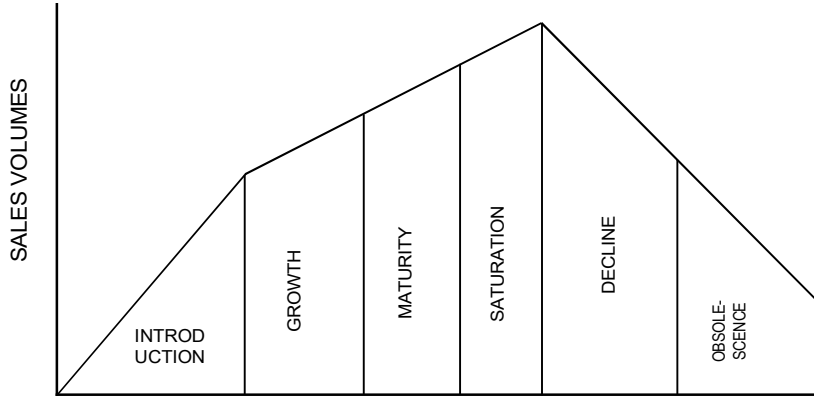
t is the first and the most important stage in the life of a product. The ntroduced in the market. In this stage the product is absolutely new and s stage is characterized by slow rise in sales and profit margins, few h production and marketing costs, narrow product line, greater emphasis nt and sales promotion, high prices, limited distribution, frequent product tc. The customers purchase the product very cautiously on a trial basis. he product is introduced in the market, the product enters its second stage. In this stage, the product achieves considered and widespread rket. The demand and sales increase very rapidly due to promotional creases at an accelerated rate. In spite of competitions, we may have profits. In this stage effective distribution, advertising and sales promotion s key factors.

s stage, the maturity of product is reflected in terms of its capacity to n. The product has to face keen competition which brings pressure on the sales of the product rise at a comparatively lower rate; profit margins, e due to keen competition. The product covers mass markets. Marketers neasures to stimulate demand and face competition through additional sales promotion.

s the fourth stage of the product life cycle. In this stage, the market is he product and is dominated by the replacement sale. The competition Prices may fall rapidly and profit margins may also reduce unless the s substantial improvements in the product and realizes cost economies. the peak or saturated point is reached, product inevitably enters the fifth e gradually displaced by some new innovation or change in consumer es drop severely. At this stage price becomes the primary weapon of st control becomes the key factor.

. It is the last stage of the product life cycle. In this stage, the product tiveness and dies out in terms of both sales and profit margins. The s permanent and disappears from the market. At this stage, it is advisable duction of the product and switch over to other products. Some of the oducts in the obsolescence stage include electric radios, gramophones

The stages of the product life cycle can be illustrated by the diagram g



STAGES OF PRODUCT LIFE CYCLE

Factors Affecting Product Life Cycle

There are number of factors which affect the product life cycle. The r product life cycle are given below:

(1) ***Rate of Technological Changes:*** Rate of technological change life cycle. As a result of technological changes, the need of a pro Faster the techalogical change, shorter will be the life cycle of the p the product life cycle in developed countries like Germany, America is small because the rate of technological changes in these cou the contrary, the length of the product life cycle in underdevelo because the rate of technological changes in these countries is last few years, in India, the rate of technological changes has inc that the life cycle of certain products has shortened and new p specially in the field of automobiles, electronics and communicat

(2) ***Rate of Market Acceptance:*** Market acceptance means the tende to accept new products. Rate of market acceptance affect the case the rate of market acceptance is fast, the product life span contrary, if the rate of market acceptance is slow, the product life Rate of market acceptance depends on a number of factors eco consumers, their standard of living, level of education, religious a etc.

(3) ***Rate of Market Competition:*** Competition in the market also a

R PROGRESS

false for the following statement

f the two elements of the marketing mix that produce

t is largely a one-sided tool that benefits buyers, but

anies, pricing is typically set by top management.

TRATEGIES

of pricing will differ from organisation to organisation and from product to rlier, internal cost structure and environmental forces will also affect the service. For new products, the strategy for pricing could be either to maximizing the profit margin or to maximizing market share. To meet ket skimming or penetration pricing strategies are often adopted.

icing attempts to skim the cream of the market by setting a high price rget those customers who are less price sensitive. Skimming is a strategy objective of profit maximization in the short- run. Skimming is most mand is expected to be relatively inelastic i.e. customers are not highly

pricing pursues the objective of market share maximization by means most appropriate when demand is expected to be highly elastic i.e. sensitive and the quantity demanded increases as price decreases e of increases in volume there may be decreases in the cost also. managers may make use of several pricing methods. These **methods**

ng: Cover the cost and add a certain profit margin.

pricing: Set the price to achieve a target return on investment.

ricing: Under this method, price is fixed on the basis of the effective duct to the customer relative to alternative products.

pricing: Pricing may be decided on the basis of product quality, price n competing products and customer perception on price.

UNIT 5: PRICING

UNIT STRUCTURE

5.1 Learning Objectives

5.2 Introduction

5.3 Meaning of Pricing

5.4 Importance of Pricing in Marketing

5.5 Factors Affecting Pricing Decision

5.6 Pricing Strategies

5.7 Let Us Sum Up

5.8 Further Reading

5.9 Answers To Check Your Progress

5.10 Model Questions

5.1 LEARNING OBJECTIVES

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

- state the meaning and importance of pricing in marketing
- discuss the factors that affect pricing decisions
- discuss the different pricing strategies adopted by the compani

5.2 INTRODUCTION

In this unit we are going to discuss about pricing of a product. Pr important elements of marketing mix. Price and sales volume together any business. The sales volume depends to a great extent on price. If compared to competing products, customers will not buy enough whic valume. Pricing really becomes the key to the revenue of the business profits as well. Pricing becomes a vital decision area on account of besides its crucial role in bringing revenues and profits to the business. understand the significance of pricing before we proceed with a disc issues relating to pricing.

OF PRICING

considered as the exchange value of a product or a service. In fact, d two elements - utility and value. Utility is the generic property of the ed or want of the consumer. Value is the quantitative worth the consumer ct, for which he or she is interested to pay some money. Price remains ails about it are spelt out. For instance, it is essential to know whether the ***rice***, ***wholesale price*** or ***maximum retail price***. The price may be for dit purchase or installment purchase. The price could be for the product essories put together as a package. One option could be to price the he marketer may decide about a price which may include or exclude ails also calls for examining whether the price mentioned is applicable e consumer; whether it is applicable for a small quantity of purchase or ibed bulk, and so on. You may observe that the marketer has to be quite ts of pricing. Pricing decisions affect the economics of operations of the holesalers and retailers.

t a number on a tag or an item. Price comes in many forms and performs

actice for setting price is through negotiation between buyers and sellers. e for all buyers is a relatively modern idea. Prices tend to be different for at different locations.

ce has operated as the major determinant of buyer choice. While taking ecisions, the buyers normally place a great deal of importance on prices

one of the most important elements determining market share and sales volume does not give the whole picture always. The sales value gained after selling a number of units, only gives the right picture.

pricing in a variety of ways:

ises, prices are often set by the entrepreneur.

panies, pricing is handled by division and product-line managers

nies, top management sets general pricing objectives, policies.

signing and implementing pricing strategies requires a thorough

5. **The stage of the product on the product life cycle :** When a for the first time it carries a higher price. Gradually with increasing c and competition, price decreases. .

B: External Factors

In addition to the internal factors mentioned above, any business a set of external factors while formulating its pricing decisions. An e environment and is influenced by environmental factors. The external f

1. **Market characteristics** – Some markets are having very stiff c are having less. The number of players in a market could be leadership factors also may be different. Different characteristics bearing on price.
2. **Buyer behaviour in respect of the given product** - Value c likely to be interested in low prices. Image conscious buyers may product image rather than low price of the product.
3. **Bargaining power of major customers** - In case of industrial have a bargaining power. They are in a better position to negotiat
4. **Bargaining power of major suppliers** - Similar is the case with are in a better position to supply bulk quantities. They are also negotiate terms.
5. **Competitors' pricing policy** – Firm's decision to set a price is hea price set by the competitors. In case of highly unique product hav firm can have its own price. In most of the cases, competitive rea by the firm have to be seriously studied for future programmes.
6. **Government controls/regulations on pricing** – as stated earli measures like import duties, excise, subsidy, sales tax etc. influe
7. **Societal(or social) consideration** - Firms have a responsibility customers. Firms are not expected to exploit consumers by un high prices.

As discussed above pricing decisions are complex. For pricing the firm has to consider its overall objectives, prices set for other produ are internal factors. In addition, the pricing decisions are influenced h factors as stated above.

AFFECTING PRICING DECISION

ing pricing may be categorized into two categories- internal factors and ach of these categories some may be economic factors and some may rs. Some factors may be quantitative and some others may be qualitative. ese factors below.

icing, the firm has certain objectives -long term as well as immediate. m has certain costs of manufacturing and marketing; and it seeks to rough the price and thereby earning a profit. In respect of all the products, asic philosophy on pricing. The pricing decisions of the firm have to be hilosophy. Pricing also has to be consistent with the overall objectives of ctives could be achieving market share, short term or long term profit. ested in seeking a particular public image through its pricing policies. All nternal factors that influence pricing. From the above, it appears that y objectives and marketing strategy of the enterprise, pricing philosophy, d policy. More specifically, the internal factors are:

marketing objectives of the firm : The pricing policy depends on the marketing objectives of the firm. A business firm will have a number of e area of pricing. Some of these objectives are long-term, while others Profit is one of the major objectives in pricing. Firms may not be interested zation as such, they may be more interested in long term survival and

ght by the firm through pricing : If a firm offers high quality goods at firm will develop a premium image.

istics of the product : Sophisticated, complex and new products igh prices. Products having more features carry higher prices.

of demand of the product : According to the law of demand, if price and decreases and if price decreases demand increases. Marketers pricing based on 'what the traffic can bear'. The marketer takes the which the customers are willing to pay for the product under the given

understanding of competition, consumer psychology and a sys setting, adapting, and changing prices. Prices are not set for once need to be continually reviewed.

5.4 IMPORTANCE OF PRICING IN MARKETING

To face competition in the market, companies can resort to two - the price and the non-price routes. The non-price route concentrates on distribution, advertising, personal selling and sales promotion in framin Companies adopting non-price strategy try to meet the competitors rather than on price. On the other hand, some other firms attach great and believe that they can always break customers' brand loyalty by a that the other elements of the marketing mix are not that important wh highly selective of price. The interesting point is that pricing remains as area, whether the firm takes to the price route or the non-price route in i In today's marketing environment, we find large scale proliferation of bran products. For day to day requirement of consumer goods, consumers w goods at an acceptable quality. But for a gift item, consumers would pr where high price becomes significant. However, in the current context n no doubt, acquired increasing importance in marketing over the yea indicate lesser importance of pricing in marketing.

As a matter of strategy, sometimes some products are kept out Even when a product or brand is kept outside of price competition through and other strategies, the pricing decisions still remain crucial. Even i strategies the decision relating to price affects the sales volume and pr A company marketing different products may go for different pricing for moving the price upward or downward, the firm can adjust the level functions like advertising, sales promotion and distribution, which are th of a non price marketing strategy.

The marketers have to perform in a highly competitive environ important instrument to fight competition in the market. It is the compe maximum to the importance of pricing. Pricing is a highly dynamic fun immense competition and in meeting competition, pricing decisions acq

es its importance on account of yet another consideration - it is a risky
arketing management. It is difficult to predict the results of changes in
may reduce price in anticipation of higher sales volume, but the market
he opposite. Low price alone may not attract customers. Similarly, higher
bar customers from purchasing. Mistakes in pricing decisions seriously
fits, growth and future.

o not usually set a single price, but rather a pricing structure. Pricing is
It has to reflect variations in geographical demand and costs. In addition
quirements of different market-segments, purchase timing, order levels
ered.

ng pricing strategies, firms often face situations in which they need to
decrease might be brought about by additions in plant capacity, declining
ire to dominate the market through lower costs. Challenges are different
recession. The firms have to think of increase in prices in certain
rease might be brought about by increase in cost or excess in demand.
t situation, the competitors influence pricing decisions. Firms must
price changes and prepare contingent response. A number of responses
of maintaining or changing price or quality.

ng a competitor's price change must try to understand the motive of
kely duration of the change. Strategy often depends on whether a firm is
ous or non-homogeneous products. The leaders in the market may be
iced competitors. Then the leaders may ignore them or may seek to
elf, introduce its own low-cost brand to compete with competitors' low
rm itself more completely.

ent of Internet, the practices are changing fast. In a website called
ou may observe that consumers can choose their own prices. Here,
ntly depending on product availability and customer demand. You may
resting trend. The price tends to be fixed; there may be differences in
he Internet is partially reversing the fixed pricing trend.

tant role in marketing communication. High price may indicate higher
icates value to the consumer. Customers are basically value-maximizes.
e maximum value from a given purchase. They form an expectation of

and the buyer's expectations. So, if the product meets the expectatio
their value definitions at the given price point, price is seen as acceptable.
tend to be dissatisfied. They may say that the product is overpriced an
offer.

The above discussion indicates that pricing is a critical eleme
marketing plan, because it directly affects revenue and profit goals. Effec
must consider costs as well as customer perceptions and competitor re
highly competitive markets. Today, many firms are trying to follow the l
same time, many marketers have been successful in selling more exp
services by combining unique product formulations with engaging mar

CHECK YOUR PROGRESS

Q 1: Fill in the blanks with appropriate words.

(i) _____ communicates to the market the company's intended value positioning of its product or bran

a. Packaging b. Price c. Place d. Promotion e. Product features

(ii) Traditionally, _____ has operated as the majo of buyer choice.

a. Promotion b. packaging c. placement d. distribution e. price

(iii) Today, _____ is partially reversing the fixed pricing trend.

a. volume discounting b. big-box retailing c. the Internet d. high-margin niching e. all of the above

(iv) Executives state that pricing is difficult. Becau consider prices _____.

a. too low b. too high c. intimately d. independently e. concurrently

(v) Many consumers use price as an indicator of _____.

a. status b. quality c. ability d. capability e. size

erience of a brand, if positive, gives consumers reassurance and
g even if expensive. Trust is one of the most important factors why
echnology products . Brands build trust, and hence great brands are
ol.

a means of self expression

portunities for people to express themselves in different ways. They
express their socio-psychological needs like:

endship

e to express themselves what they think, what they value, and what
les, and their dreams. Brands exist in people's minds, and sometimes
e words do. An individual consumer has a personality. Likewise a
rsonality. When both the personalities match a compatibility platform
uation, consumers develop emotional relationship with the brand.

QUITY

earlier, brand is a name, term, sign, symbol, or design, or some
e elements, intended to identify the goods and services of one seller
nd to differentiate them from those of competitors. Generally brand
easy to spell and related to the product. The different components of
es, logos, symbols, package designs, and so on—are brand elements.
ned in terms of marketing effects uniquely attributable to a brand.
to the fact that brand has a power to make a difference. Brand
ble value added to brand name in the market and/or in the consumers
s that contribute to brand equity are: brand awareness, brand
ved quality and brand loyalty. Now we will discuss these factors-

s

products, but customers buy brands. People buy brands if only they

of the organisation and its customer as well.

U 5.7 LET US SUM UP

In this unit we have discussed the following aspects-

- Price is the one element of the marketing mix that produces revenu
produce costs. Pricing decisions are strategic in nature. These
term effects for the firm.
- Various factors affect the pricing decisions. These factors can be c
factors or external factors. Costing of the product, nature of compe
the firm over a period of time may be cited as some of the imp
affect pricing decisions.
- Price also communicates to the market the company's intended v
product or brand. 'A well-designed product can command a premi
the marketers would be in a position to set a high price.
- Pricing decisions are clearly complex and difficult. Holistic mark
account many factors in making pricing decision— the company, cu
and marketing environment. Pricing decisions must be consi
marketing strategy and its target markets and brand positionings.
- Despite the increased role of non price factors in modern marke
critical element of the marketing mix.

O 5.8 FURTHER READING

1) Kotler P. Keller K. L. Koshy A. Jha M (2009).Marketing Manage
Perspectives. New Delhi: Pearson Education Ltd.
2) Pillai R.S.N. and Bagavathi (2007). Modern marketing: Principle
Delhi: S. Chand & Company Ltd.
3) Sarangi S. K. (2006). Marketing management. Guwahati: Asian E

K 5.9 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: (i) b (ii) d (iii) c (iv) d (v) b

Ans to Q No 2: a. False b. False c. True

QUESTIONS

portance of pricing.

ious factors affecting pricing decisions.

ce competition?

icing strategies adopted by the marketers?

fferences between skimming price and penetration price?

*** ***** ***

As we shall discuss, brands hold a lot of potential to
making a rational choice and on having satisfaction fro
competitive environment just for the purpose of branding
exploit customers.

Let us see the positive aspects of brand.

i. Brands provide choice

Consumers prefer to have choice, and brands give them the lib
example, consumers do not want bath-soaps as such, they want bat
markets segments are more and more, companies are finding i
different choices to different consumer segments. Brands can prov
consumers to distinguish between the various company offerings
shop, the amount of variation in each product range is as surprisin
companies offering the products. In such a situation, people move
they provide them with clear choice.

ii. Brands simplify decisions

The decision to buy is made easier by brands. A person may not kn
product he/ she is interested in, but a brand makes it easier for him to
can decide more quickly if they recognize brands. Brand recognition is
to technology products, as people do not usually understand all the te
computers. As product parity increases, brands simplify the decision
to buy. Popular brands get more attention than relatively unpopula
familiarity and trust.

iii. Brands give quality assurance

Consumers are likely to choose quality products and services whe
they can. Once they experience a brand, they automatically equate
a certain degree of quality. A good experience makes for a good bra
consumers will move towards brands that they know provide hig
Experiencing various brands help consumers to compare quality sta
what value they are getting for their money. Based on these experie
decide on the brands.

iv. Brands facilitate risk avoidance

Most consumers even with slightest doubt about the performance o

Structure: Individual brand name alone dominates with identity and
x: *Liril, Close up*

Branding: Product is given exclusive name to acquire a distinct
n the customers' mind. Ex: *ITC (Wills, Gold Flake* etc.)

nding: All related products of product line are given common brand
improve brands' market power. Ex: *Lux, Pond's*

Branding: Many products not necessarily complimentary products,
core competence of the company are given common name. Ex:
, Hero Honda

Branding: All products of the company are given same name. If
d name is popular among customers and their quality is also
zed then company adopts umbrella branding for different products.
ocon, Bajaj, Amul

cative list. In the matter of branding, a manufacturer has a number
opt for any one of the following:

a family brand name for all his products.

individual brand names for each individual product.

multiple brand names for the same product with a view to catering
g segments of the market.

his product for branding by a middleman or a distribution house

ecision is not easy, because all the alternatives have merits and
different approaches to branding when a company has a number of
ortfolio. A company may promote its name in all the products or it
brands. The company may decide on a combination or on a variation
stated above.

CE OF BRAND

two issues on product versus brand:

without brand name cannot meet the customer requirements.
rs attach a priority on brand.

me time, there is a feeling that in the name of the brands, companies

UNIT 6: BRANDING

UNIT STRUCTURE

6.1 Learning Objectives
6.2 Introduction
6.3 Defining Brand
6.4 Basic Concepts
6.5 Importance of Brand
6.6 Brand Equity
6.7 Trade Marks and Its Importance
6.8 Role of Packaging in Marketing
6.9 Role of Labelling in Marketing
6.10 Let Us Sum Up
6.11 Further Reading
6.12 Answers To Check Your Progress
6.13 Model Questions

6.1 LEARNING OBJECTIVES

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

- explain the nature and importance of brand-name
- describe the nature and importance of trade marks
- explain the role and functions of packaging in marketing
- explain the role and functions of labelling in marketing.

6.2 INTRODUCTION

In the earlier units we have discussed about product and p
going to discuss one of the important features of product i.e. brand
of consumer goods in the last few decades has led to the develop
an important tool for competitive differentiation. Brands help in s
sustainability of enterprises. Brands are strategic assets. Brand b
today has long been acknowledged as the key to wealth creatio

ing related decisions go a long way in developing the power of the
we will discuss the fundamental concepts of brand, brand name,
g and labeling related decisions.

ature of business today is causing a strategic problem for companies
n today's emerging competition, size no longer matters and location
al condition for retailing. With the emergence of internet and alternative
branding decisions have become complex. Standing out from the
gger challenge than before as more and more players' crowd onto
field.

commercial revol ution takes place, enterprises are trying to hold
ough different strategies. The key to standing out from the crowd is
werful brand. But the nature of branding also has been undergoing
s emerging from this metamorphosis is a new kind of brand experience
ering hi-tech and hi-touch brand interaction. For example, the banking
s have changed. Likewise marketing practices regarding banking
changed. ATMs, internet banking etc. has emerged.

ely a product; it is a dynamic phenomenon, a revolution and a

Karasanbhai Patel, Chairman, Nirma Ltd.

BRAND

ery comprehensive term. Brand is not just trademark, product, logo,
it is a concept of marketable product to which relevant and unique
nd benefits are attached. These benefits can be both functional and
unt companies spend on corporate identity projects are often wasted
brand strategy behind them. Thus, consumers experience the same
rvice, mediocre or sub-quality products and a less-than-satisfactory
. Having a good name does not guarantee success, as companies
discovered by their experiences.

said: *"A product is something that's made in a factory, a brand is*
y consumers. A product can be copied by a competitor, a brand is
be timeless."

6.4 BASIC CONCEPTS

i. Brand

The American Marketing Association defines a brand as "a name, te
design, or a combination of them, intended to identify the goods or s
or group of sellers and to differentiate them from those of competit
and *Pond's* etc.

A) A brand is thus a product or service that adds dimensi
it in some way from other products or services designed
need.

B) These differences may be functional, rational, or tangible-r
performance of the brand.

C) They may also be more symbolic, emotional, or intangibl
brand represents.

ii. Brands versus products

A brand is associated with product or service with additional dimen
it in some way from other products or services designed to sati
These differences may be rational and tangible-related to proc
performance. These differences are likely to be more symbolic, emo
The image of Parker pen is different from an ordinary pen available
difference may not be related to product performance but the b
something more.

iii. Brand architecture

It is a branding approach that explains the relationship of corporate
products. The types of architecture are:

a. ***Monolithic Structure:*** The corporate brand name appe
Ex: *Nirma, Samsung*

b. ***Fixed Endorsed Structure:*** Powerful brand name wit
name. Ex: *Maruti 800, Tata Indica*

c. ***Flexible Endorsed Structure:*** Corporate name appears

means putting identification marks on the package.

might also grade the product wherever required. Grading means dividing efined categories having uniform characteristics based on standardization. s marketers may be offering different varieties of the same product. In the marketers may decide about grading products based on quality. might describe the product information like, date of manufacture, nts, expiry date etc. The label provides all these information. In addition lso gives information on quality standardization. (ISI, ISO, AGMARK etc. applicable)

e label might promote the product through attractive graphics and usage .

lly become outmoded and need freshening up. You may observe that ularly change their labels to adjust to the changing requirements of the so to give new appeals.

n labels that have become icons need to be very serious when they in their labels. A bath soap emphasizing on freshness and flavour may harp colours. They may instead decide on white or pink etc.

Act sets mandatory labeling requirements, and allows regulatory agencies ementation of packaging regulations in specific industries. These are n case of food products and medicines. Here the date of manufacturing, etc should be clearly mentioned.

VITY 1

t out the branded products which you are using at me.

R PROGRESS

ks with approriate words.

s have contributed to the growing use of packaging as a marketing

de all of the following EXCEPT _____.

ce

r affluence

familiar is probably reliable and reasonable. The brand equity is par awareness it evokes-how many people throughout the world recog product category, and conscious of the promise given by the bran

ii. Brand associations

Brand is not just a name; it is also a carrier of marketer's commitmer includes attributes, symbols and images attached with the brand. M to link right association to the brand so that the customers develop leads to loyalty and perceived quality of the product features. Brand upon proper product positioning strategy.

Colgate Brand is associated with SURAKSHA CHAKRA, which gives a from all dental problems to the customers.

iii. Perceived quality

Perceived quality has always been a deceptively difficult area for m important asset for a brand, it becomes a major component of tremendous power to affect all other elements of brand equity-bran loyalty, brand association. Marketer's task of right identity of the p market is possible only through perceived quality.

The quality of the product is different from perceived quality. For *Samsung, LG, Sansui* have been able to develop a favourable dispo of Indian consumers towards the brand.

iv. Brand loyalty

The brand loyalty of the customer base is often the core of brand are indifferent to the brand and buy with respect to features, price, a little concern to the brand name, brand equity will not be high. On th continue to purchase the brand even in the face of competitors' pr features; brand equity may be considered as high.

In any business, gaining new customers is quite difficult and expens of marketing effort with uncertainty. Retaining existing customers is inexpensive. Loyal customers are price insensitive by nature, which re of any competitive action. It also reduces the intensity and nature in the industry. Branding is challenging. Perhaps the most distinctive marketers is their ability to create, maintain, enhance, and protect bra

hree main factors: (1) the initial choices for the brand elements or
the brand; (2) the way the brand is integrated into the supporting
and (3) the associations indirectly transferred to the brand by linking
her entity (e.g., the company, country of origin, channel of distribution,
Brand equity needs to be measured in order to be managed well.
e "where the brand has been," and tracking studies measure "where
and whether marketing programs are having the intended effects.
and challenging area. It requires investment and constant monitoring.

R PROGRESS

ks-

a successful brand is a great _____ backed by creatively
ted marketing.

n

or service

logan

concept

Marketing Association defines a _____ as "a name, term, sign,
esign, or a combination of them, intended to identify the goods or
he seller or group of sellers and to differentiate them from those of

roduct concept

concept

oncept

age

s endowing products and services with the power of

age

ding concept

and take several months to complete, companies must pay atter
environmental and safety concerns about packaging. In India, there are
on the environmental degradation caused by excessive use of plastic
state governments have taken the decision to ban the use of ce
shopping bags. Some companies are showing increasing sensitivity
are using more environment friendly alternatives and packaging mat
with the companies, the intermediaries and the consumers also
towards environment friendly packaging.

6.9 ROLE OF LABELLING IN MARKETING

A label provides written information about the product. Labe
to understand the nature of the product, its distinctive features,
performance, etc. Labelling may include different dimensions. There
descriptive labels. In grade labeling, product classifications are based
may be classified into A, B, C or 1, 2, 3 categories based on quality.
products, mostly descriptive labeling is used, furnishing detailed inform
attributes, qualities and usage related information.. For several produc
requirements are laid down and marketers are bound to follow these
important aspects of labeling are discussed below.



A) Sellers must label the products. Without it, the consumers wil
inconveniences making purchase and usage difficult will becom

The diagram given below shows an example of labelling.

B) Labels perform several functions

1) The label identifies the product or brand. In the absence

brand.
scriptive and persuasive information.
ome storage.
t consumption.
he marketing objectives for the brand and satisfy the desires of
s must consider the aesthetic and functional components of packaging
onsiderations relate to a package's size and shape, material, usage
graphics. The meaning and interpretation of colour, however, is
cant extent by culture. In India, the color green tends to be associated
saffron with divinity etc. From a functional point of view, the structural
is critical. For example, poor packaging design causes high wastage
orting and storing fruits and vegetables in many countries. Packaging
save costs. Innovative packaging solutions, through better structural
of appropriate materials, are needed to reduce damages and
sure the longevity of fruits and vegetables. The packaging elements
n each other and with pricing, advertising, and other parts of the
Packaging changes can have immediate impact on sales. A good
k publishing industry, where customers often choose a book by its
diram's, the brand of *namkeens* or Indian ready- to-eat savories,
nal standards in packaging by investing in an advanced processing
This has helped the brand to consistently maintain its leading position
nd ready-to-eat snack market The changes in packaging helped the
n roads in more than 50 countries with about 60 different products.
e cooking oil from National Diary Development Board's subsidiary, is
packages and this gives the brand a distinctive image of being
ence free from any adulteration. The distinctiveness and visibility of
ese brands functions as advertisement for the brand.
pany designs its packaging, it must test it. *Engineering tests* ensure
nds up under normal conditions; *visual tests,* that the script is legible
armonious; *dealer tests,* that dealers find the packages attractive and
consumer tests, that buyers will respond favorably. Eye tracking by
n assess how much consumers notice and examine packages.

d. Brand positioning
e. Brand partitioning

4. Brand _____ is the added value endowed t
services.
a. loyalty
b. equity
c. preference
d. satisfaction
e. benefits

5. The challenge for marketers in building a strong brand is _
a. ensuring that customers have the right type
with products and their marketing programs to create
knowledge
b. pricing the product at a point that maximizes sales volu
c. minimizing the number of people to whom the product i
to provide consumers with a personalized experience
d. retain as many customers as possible in order to minir
pressure associated with continually generating new lea
e. maximizing customer value

6.7 TRADE MARKS AND ITS IMPORTANCE

Trade mark is a legal term. It refers to a brand which is
Government under the Trade and Merchandise Marks Act, 1958. Th
or marks cannot be termed as trade marks. Only those brand nar
are registered with the Government are known as trade marks. A trad
as a form of property. A trademark is a visual symbol in the form
or a label applied to the articles of commerce, with a view to indicat
public) that the goods bearing visual symbol are the goods manufac
enterprise as distinguished from similar goods manufactured by other
brand/trademark is grouped with patent, design, and copyright as
differs from them because the subject-matter with which the monopo

ark Bill, 1993 and The Trade Mark Bill, 1995 enlarge the definition of nclude a mark capable of being represented graphically and to include ir packaging and combination of colours. It covers both goods and des any abbreviation of a name. Further, the use of a mark is constituted use of a printed or other visual representation of the mark. The use ose of indicating a connection, in the course of trade, between the on who has the right to use the mark either as proprietor or as the

the American Marketing Association, a trademark is a brand or part ven legal protection. It protects the seller's exclusive rights to use the d mark. 'Brand name' is that part of a brand which can be vocalized- e Videocon, HMT, USHA, ORTEM, etc. 'Brand Mark' is that part of a e recognized, but is not utterable, such as a symbol, design, or r lettering as logo of Philips, Maruti, and letter style of Luxor, Godrej, ncludes a name, term, sign, symbol, or design, or a combination of entify the goods of one seller or group of sellers and to differentiate competitors. Successful brands are imitated by other marketers. The essful brand due to imitation is definitely very high. The invisible loss s it damages the corporate image. No company can afford the loss n. Imitation is a crime. In order to protect the loss of the society and d, it is essential that there should be a definite control on iitation and Along with Trademark Act, there are some laws like Copyright Act, The Prevention of Food Adulteration Act etc.

PACKAGING IN MARKETING

products must be packaged and labeled. Packaging is very important ucts i.e. Amul Taaza, Harpic toilet cleaner etc. Packaging has made roducts quite convenient. Considering its importance many marketers g as the fifth P, along with price, product, place, and promotion. Most treat packaging and labeling as an element of product strategy. rantees can also be an important part of the product strategy, which

and accordingly attribute very high importance to packaging. Packa as all the activities of designing and producing the container for a might include up to three levels of material. Primary packaging is fo of the product like the tube holding toothpaste with the Colgate brand a Secondary packaging is the paperboard container holding the tube related information; Shipping or transportation packaging is done to d to distributors and large retailers. A brand of mineral water may con *package),* in a cardboard box *(secondary package)* and *in* a corru *package)* containing six dozen boxes.

Well-designed packages can build brand equity and drive sa the buyer's first encounter with the product and is capable of turning Packaging influences consumers' product experiences. Various fact to the growing use of packaging as a marketing tool are discusse

- ***Self-service.*** In today's retailing formats an increasing num sold on a self-service basis. In an average supermarket, v items, the typical shopper passes by some 300 items per mi to 70% of all purchases are made in the store, the effective pa many of the sales tasks: attract attention, describe the produ consumer confidence, and make a favorable overall impres
- ***Consumer affluence.*** Rising consumer affluence means co to pay a little more for the convenience, appearance, depen of better packages. Consumers prefer buying branded and
- ***Company and brand image.*** Packages contribute to insta company or brand. In the store, packages for a brand can c
- ***Innovation opportunity.*** Innovative packaging can bring large b and profits to producers. Companies are incorporating unique n such as resalable spouts and openings. You may observe h to maintain its freshness. Calcium Sandoz bottles, targeted at have been designed to make them attractive to the target

From the perspective of both the firm and consumers, pack a number of objectives:

1. Protecting the product during transportation

goods in small quantities to retailers as per their requirement. And finally ell the same to the ultimate consumers.

r to Wholesaler to Consumer – In this channel the manufacturer sells wholesalers and the wholesalers directly sell them to the consumers. In he wholesaler may bypass the retailer. This is mostly practiced when s are institutional buyers such as government and educational institutions, sumer co-operative stores, sports clubs and like. This option though is panies manufacturing consumer durable goods but it can also be used non-durables.

r to Agent to Wholesaler to Retailer to Consumer – This is the nel of distribution option. In this channel the manufacturer uses the he agent who has greater contacts. The agent sells the goods to nd the wholesalers in turn sells to the retailers. And then the retailers to the ultimate consumers. Since the agent has wide distribution network as the sole selling agent of the manufacturers. So, the marketing does not rest on the manufacturers as the whole supply is purchased Agricultural and large scale manufactured products goes for this channel

Conventional (Integrated) Channels

Conventional or Integrated channel of distribution work with coordination . They never work in a loose manner. These non-conventional channels es: ' vertical 'and 'horizontal'.

nnels: - Vertical Integrated Channels are those which are being managed and centrally programmed networks which are designed to achieve nagerial and promotional economies through integration of marketing ace of production to the place of consumption.

nel are of three types namely, 'administered', ' contractual', 'corporate'. is one which is mostly followed by two, three and four wheeler s who directs its dealer guarantee coordinated display and merchandising ealer support. Contractual is one where the independent channel ntegrate their programme on contractual lines to attain the economies

c. consumer indifference
d. company and brand images
e. innovation opportunities

2. Packaging may be defined as all the activities of designing container for a product. This includes up to three levels o package, secondary package, and _____.
a. retailer package
b. design package
c. shipping or transportation package
d. consumer package
e. none of the above

3. State true or false
a. Consumers may evaluate identical products differently they are branded.
b. Physical goods, services, and stores can be branded, bu cannot.
c. One of the selection criteria for creating a successful bra it should be *protectible.*

6.10 LET US SUM UP

In this unit we have discussed different aspects of branding, pa The concept of branding is very vital for marketing managers. B important key element for success at the market place. Brands benefits to customers and firms. Brands are valuable intangible as managed carefully. The physical products must be packaged and la very important in marketing. Labeling provides us detailed informatio its manufacturing and expiry date, etc. Packaging is one of the most customer. A trade mark gives a legal protection to the manufactur

6.11 FURTHER READING

1) Kotler P. Keller K. L. Koshy A. Jha M (2009).Marketing Manage

d Bagavathi (2007). Modern marketing: Principles and practices. New
l & Company Ltd.
2006). Marketing management. Guwahati: Asian Books Pvt. Ltd.

RS TO CHECK YOUR PROGRESS

3. c, 4. b, 5. a

3. True

IODEL QUESTIONS

ole of brands from a customer perspective.
ncept of brand equity.
ng. What are the functions of packaging?
ory notes
b. Trade mark c. Brand Architecture
ctions of labeling.
rtance of branding from marketer's point of view.

*** ***** ***

In conventional marketing channel there are two types ***direct and indirect*** channels. The direct channel is one whe directly to the consumer without engaging the intermediaries in case of mail-order sales, sales by traveling salesman and mul channel is generally seen and here the title of the goods immedi from the manufacturers to the consumers.

On the other hand, indirect channel involves the interme its products to the consumers. In this channel design, since th choices so the transferred title gets delayed. The length of th goes on increasing.

The ***different direct and indirect channels*** are discussed be

- **Manufacturer to Consumer**- This is the oldest, simplest and sh of distribution. No intermediary is involved as the goods are producer to consumers. Manufacturers, industrial and consume this channel choice. The methods used by manufacturers und door to door sales, mail order selling, sale through multiple shops mechanical devices.
- **Manufacturers to Retailer to Consumer**- This is also a si most popular type of channel of distribution. This distribution intermediary namely retailer through which the manufacturer ultimate consumers. This channel option is preferable by the chain stores, super bazaars, and co-operative stores etc. where retailers. Ready garments, shoes, textiles, automobiles, hom directly sold by the manufacturers to the retailers. This channel c when the product is perishable physically, when wholesaler promotional efforts needed by the producer, when the retailers to finance the producer, when the retailers can individually ca task, when product demand is constant.
- **Manufacturer to Wholesaler to Retailer to Consumers**- In t distribution, two intermediaries are involved, wholesaler and manufacturer and the consumer. Under this channel, the manufa in large quantities to wholesalers. The task of the wholesale

R PROGRESS

oints of importance of Distribution Channel

.....

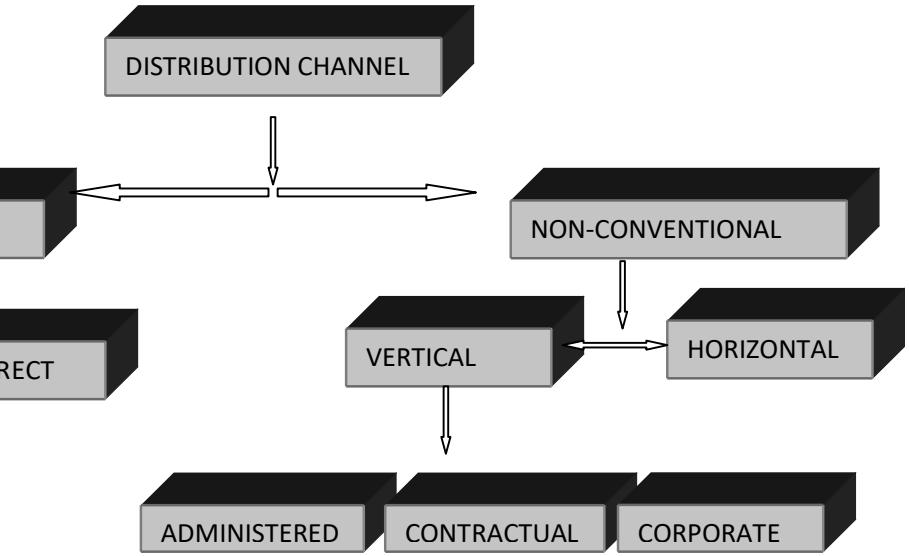
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DISTRIBUTION CHANNEL

distribution can be classified into non- integrated (conventional) and entional).



entional (non-integrated) Channels

s channel the manufacturers and the consumers are linked by s in the exchange process and each enterprise operates separately and ately. The various alternatives of conventional channel can be:

urer to Consumer

urer to Retailer to Consumer

urer to Wholesaler to Retailer to Consumers

urer to Wholesaler to Consumer

urer to Agent to Wholesaler to Retailer to Consumer

UNIT 7 : DISTRIBUTION CHANNEL

UNIT STRUCTURE

7.1 Learning Objectives

7.2 Introduction

7.3 Concept of Distribution Channel

7.4 Importance of Distribution Channel

7.5 Types of Distribution Channel

- 7.5.1 Conventional Channel
- 7.5.2 Non- Conventional Channel

7.6 Factors Affecting the Selection of Distribution Channel

- 7.6.1 Product factors
- 7.6.2 Market factors
- 7.6.3 Company factors
- 7.6.4 Middlemen factors
- 7.6.5 Environmental factors

7.7 Channel Design Decisions

7.8 Channel Management Decisions

7.9 Let Us Sum Up

7.10 Further Reading

7.11 Answer to Check Your Progress

7.12 Model Questions

7.1 LEARNING OBJECTIVES

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

- explain the meaning of distribution channel
- discuss the importance of distribution channel
- explain the different types of distribution channel
- explain the factors affecting the selection of distribution channe
- discuss the channel design decisions
- discuss the channel management decisions

CTION

are going to discuss about the channel of distribution. You are aware rketing mix and distribution channel refer to one of the 'P' i. e. Place. at the point of production (producer) and it should reach the point of mer). However, both these two points are geographically separated and n the point of consumption, from where revenue moves backward to the Channel of distribution is instrumental in sending the goods to different n. Wholesalers, dealers, retailers etc. are the main players in the channel ver, the producer considers different factors in selecting a particular es the company the competitive advantage in distributing the goods. All cts will be discussed in this unit.

OF DISTRIBUTION CHANNEL

onomic system, most manufacturers and producers sell their goods mediaries, who performs a variety of functions to make the movement es profitable and possible to reach out to the final users. These ute the pipelines for the flow of goods and services called as **distribution** trade channel or marketing channel). After production, the goods and ways to make it available to the final end user. It is a significant task to egular flow of goods and services to avoid delay in supply. In fact, most sions are being influenced by the channel decisions.

annel 'is derived from the French word 'canal'. Thus channel is a route and services are being transferred from the place of production to the n. A channel of distribution includes various agencies and institutions nected in an organized manner to perform the activities, to link the in order to accomplish a marketing task.

American Marketing Association, "Channel of distribution is the structure anization units and extra company agents and dealers, wholesale and a commodity, product or service is marketed".

William J. Stanton, "A channel of distribution for a product is the route he goods as they move from the producer to the ultimate customers or

Thus, it is clear from the above discussions that the involvemen important for the producers to make possible the smooth flow of good ultimate consumers and in order to achieve the marketing objectives o

7.4 IMPORTANCE OF DISTRIBUTION CHANNEL

The decisions as regards to channel of distribution are very critica for a firm. In fact the success of a business very much depends on the c it. They are the lifelines of a marketing system. The value of any produ enhanced by its trade channel. As manufacturing creates value uti distribution system creates time and place utilities.

The trade channels must not only serve markets but should also m marketing decisions are being highly influenced by the channel decis pricing, the firm sales force and advertising decisions etc. all has a stu channel decisions. Thus converting potential buyer into profitable orders is roles of the channel of distribution.

The distribution channel has a huge importance in a business as the middlemen involved have innumerous roles to play such as:

- To find out the buyers and sellers and to find out the requiren match the goods with.
- To find out the forms of offering the goods in the market su assortments or packages.
- To influence the prospective buyers towards a particular product e selling or sales promotion.
- To find out the effective pricing policy for the buyers acceptanc
- To provide sales forecasting services, marketing intelligence and to the respective suppliers of the regions.
- To have proper vigilance in the distribution process at the nece
- To establish a market for the new product.
- To provide pre and post sales service to the consumers.
- To elaborately explain the usability of the product to the user.
- To provide credit to retailers and consumers.
- To transfer the title of goods from producer to the ultimate cons

UM UP

e have discussed the following aspects-
distribution consist of various intermediaries like wholesalers, retailers

ries perform a variety of functions to make the movement of goods and
ble and possible to reach out to the final users.
e of distribution channel are-
t the buyers and sellers and to find out the requirement of the market.
t the forms of offering the goods in the market such as in the form of
nts or packages.
ce the prospective buyers towards a particular product either through
selling or sales promotion.
t the effective pricing policy for the buyers acceptance; etc
pes of channel of distribution are-
urer to Consumer
urer to Retailer to Consumer
urer to Wholesaler to Retailer to Consumers
urer to Wholesaler to Consumer
urer to Agent to Wholesaler to Retailer to Consumer
rces that influence the selection of distribution channel may be grouped
uct Factors, Market Factors and Company Factors.
anagement decision need a careful consideration of the following factors-
Channel Members
Channel Members
g Channel Members
g Channel Members

R READING

1992). Marketing Management. New Delhi. Kalyani Publishers
Keller K.L. (2007).Marketing Management . New Delhi. Prentice Hall of
mited.

and enhance market impact. Corporate channel is one where the
are owned and operated by the same organization.

- ***Horizontal Channels:-*** In this non-conventional channel c
companies join their hands to exploit the marketing opportunitie
creating a separate unit. The ever changing markets, cut-throat
in consumer demand, changing pace of technology have le
horizontal channel.

CHECK YOUR PROGRESS

Q.2: Mention two conventional channels

1. ……
2. ……

Q.3: Mention two non-conventional channels

1. ……
2. ……

7.6 FACTORS AFFECTING THE SELECTION OF DISTRBUTION CHANNEL

There are number of factors which govern the choice of channe
may be both objective and subjective. They can be classified as to –produ
and environmental.

7.6.1 Product Factors

While selecting a particular channel of distribution the
variables which needs to be considered

i. Nature of product- In case of industrial products direct cha
useful because the size of customers is small. However,
product indirect channel is useful, such as wholesalers, retail
ii. Perish ability-Durable products can be distributed by a long c
but perishable products must use relatively short channel.
iii. Unit value- Products with low unit value must use indire
product with high unit value must use direct channel.

frequency- Products which are frequently purchased must use the
f wholesaler, retailer etc. in order to make it available at all time.
ity- When the product is subject to seasonal variation, sole selling agent
appointed (woolen textiles in India).
zation- Indirect channel is suitable for standardized and ISI marked

et Factors

llowing market factors should be considered in channel selection.
abits- The channel selection depends to a great extent on the buying
the consumer. The consumer prefers credit facilities or they prefer
ervices of the salesmen will have a great influence on channel selection
r it will be long or short.
of consumers- The channel of distribution has to be long or indirect
wholesalers-retailers-consumers, if the size of consumers is large in

ders- When purchasing quantity is large then direct channel is preferred
quantity is small then indirect channel is preferred.
of the market- In case of local market direct selling is preferred but if the
s are spread over wide geographical area then long channel is most

the market- Direct channel is preferable for industrial market and indirect
long channel) is preferable for consumer market.

pany Factors

hannel of distribution is also influenced by the company's own
s.
strength- A company with strong financial position will prefer direct selling,
a company with weak position will prefer intermediaries.
e company – A small sized company will prefer indirect selling and a
d firm will prefer direct channel as they handle wide range of products.
g policies- The marketing policies formulated has significant role to play

It is highly significant to motivate the channel members and
understanding their needs and wants. To improve the performance
some training programs, market research programs, capacity buil
be provided. The producers must have the ability to alter channe
Co-operation should be elicited among the channel mem
manufacturers can draw some channel power. For most of th
intermediaries' cooperation is a big challenge and for this they use
motivators.

- ***Evaluating Channel Members***

  The responsibility of the producer is to periodically evaluate interm
  against the standards set such as sales-quota attainment, aver
  customer delivery time, treatment of damaged or lost goods
  promotional and training programs. While evaluation many loophole
  as in paying too much than deserved, manipulation in work, etc. I
  intermediaries who can be termed as underperformers should be
  motivated, terminated.

- ***Modifying Channel Arrangements***

  The channel arrangements must be periodically reviewed and
  times the distribution channel may not be working as being plann
  pattern may change, the expansion of the market may take pla
  may arise, innovative distribution channel may emerge.
  Every stage in product life cycle will demand differently designed
  because no marketing channel will remain effective in the whole proc
  analysis is important to be done in order to add or drop individual
  effective outcome in both the situations. Revising the whole channel st
  and difficult task which requires proper evaluation.

CHECK YOUR PROGRESS

Q.5: Mention five channel management decisions

1. ……
2. ……
3. ……
4. ……

Criteria: A sales agency is an independent firm and so they will always
aximize its profits and which may pose a control problem. The agents
on customers who buy the most rather than who buy manufacturer's
and might not know the technical details of the product or handle the
materials effectively.

Criteria: Since the present product market is rapidly changing and is
it is necessary for the producer to develop proper channel structure
es that provide high adaptability.

MANAGEMENT DECISIONS

mpany has chosen a channel alternative, the next step is to go for
n, their training, and to see that the channel members are properly
ted.

nnel Members

f the channel members need to be done carefully by the companies
e customers, the channel members act as the companies. Inefficient,
dirty services give a wrong impression to the customers. So, it is of
nce to select efficient channel members.

task for the producers to determine what characteristics actually makes
tween regular and better intermediaries, which would in a way facilitate
mber selection. They should find out their number of years in business,
fit record, financial strength, service reputation, etc.

nel Members

channel members is the most important task in channel management
training programs for the intermediaries should be properly planned
ed by the companies. The success of a company depends on the work
e channel members.

annel Members

embers and the end users must be viewed equally by the company.
must understand the needs of the intermediaries and try to design the
ning in such a way that it fulfills or provides superior value to the

consumers may prefer direct selling and eliminate the servi
speedy transport system.

iv. Product Mix – If the product mix of a company is wider, then t
with the customers directly is greater.

7.6.4 Middlemen Factors

The middlemen considerable factors include the following-

i. Availability of middlemen- This factor has great influence in
right type of middlemen is not available then it is better to wa
it has an important impact on selection of channel of distrib

ii. Services provided by the middlemen- If the nature of pr
demands after sales service, repair service etc. then the r
should be able to provide such service.

iii. Cost of channel- An efficient channel with least expenses
delivering the goods.

iv. Sales volume potential- In selecting the channel of distrib
should consider the capability of the middlemen to ensure a ta
which can be estimated through market surveys.

7.6.5 Environmental Factors

Among the environmental factors the most significant fac
economic, legal and fiscal.

i. Economic- During the period of boom in the economy, it i
indirect channel of distribution as everyone is willing to coo
returns. Whereas, during the period of slum, short channel

ii. Legal- The legal restrictions imposed by the state and centr
impact in choosing channel of distribution. For example,
distributed only through authorized dealers having license f

iii. Fiscal- Fiscal structure influences the choice of channel t
instance, in India in every state the sales rate varies which
price and also the choice of channel of distribution.

R PROGRESS

ing factors.

	nature of market
	sales volume potential
	perishability
rs	*marketing policies*
ctors	*legal*

ESIGN DECISIONS

narket channel system involves analyzing customer needs, establishing dentifying major channel alternatives, and evaluating major channel

stomer's Desired Service Output Level

ve service outputs:

naximal permissible limit of units a channel permits to a typical customer. household wants a channel that permits buying a lot size of one.

elivery time- Customers always prefer the channel which takes less ry so it is important to analyze the average time customers wait for s.

nience- The degree of convenience provided to customers in purchasing r instance Chevrolet helps customers save on transportation and search ave more dealers and great market decentralization.

y- Customers generally prefer more assortments because more choices ances of finding what they need.

p- Service backup are the add on services like credit, delivery, installation, elps in increasing the service quality by the channel.

bjectives and constraints

bjectives should be set in terms of service output levels. The channel uld arrange the functional tasks to minimize total channel costs and at provide desired service outputs. A planning will be effective if properly gments are determined and proper channel is being served for each

Channel objectives vary with the product characteristics. Perish direct marketing. Bulky products prefer channels that minimize s amount of handling. Likewise non-standard products (custom built requiring installation and maintenance (heating and cooling sys products (generators, turbines) requires the preferable channel Channel design must consider the strong points and weak p intermediaries and must also be able to adjust to the larger environm also affect channel design.

- ***Identifying Channel Alternatives***

  There are a wide variety of channels that companies can choose to d the customers. Every channel has its own strong and weak points companies' uses mix of channels which makes it more complicated requirement is not fulfilled then it leads to channel conflict and high

A channel alternative is described by three elements- ***types of availa the number of intermediaries needed and terms and responsibilit member.***

Companies should find out innovative marketing channels and the ty available to carry on its channel network. Then they should searc intermediaries needed to be used at each channel level. Here tree str **exclusive distribution** (limiting number of intermediaries), **selective** more than a few but less than all intermediaries), and **intensive di** outlets as possible). For each channel member the producer must det responsibilities and each channel member must be given due respect a policies, conditions of sale, territorial rights, and mutual services are 'trade-relations mix'.

- ***Evaluating Channel Alternatives***

  Each channel alternative should be evaluated against **economic, criteria.**

  - **Economic Criteria:** Different level of sales and costs will be channel alternatives. Sellers would generally try to replac with low-cost channels. When the sellers discover a con low-cost , they try to switch their customers to that chann

emerged as a dominant contributor to the nation's economy. In India,
ond largest employer after agriculture. Due to advanced technology the
mselves beyond the walls of a store. So, nowadays retailer need not be
, telephone, vending machines, etc. are the different forms which has
ess to another level.

CE OF RETAILING

n important contributor to a nation's economy. Therefore, its role in the
vironment is tremendously important. The importance of retailing are

Retailing has a huge impact on the economy. Organized retailing leads
P growth and it also helps in generating employment. It also helps in
t changes in inefficiency in distribution, in improving productivity by
sumers with right product, at right price, at right place and at the right

bound Shopping- A properly developed shopping environment is an
ment which helps in attracting tourists towards a place. Cities can be
o tourists destinations through an organized retailing, which would also
cing government revenues.

opportunities- Outsourcing opportunities are also pretty big along with
ailing. Opportunities like supply chain management to pilferage control
anagement, every task has tremendous potential. Along with retailing
tation, all added services have been restructured in order to cope with
changes and be the catalyst for generating and boosting country's

F RETAILERS

ons can be classified into following types:

AILING

etailing is done by setting up stores in different locations to reach out the
customers and priority customers. Store retailing thus has physical
his form of retailing, the customers can physically assess the product's

K 7.11 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1:

1. To find out the buyers and sellers and to find out the requirement o
   the goods with.
2. To find out the forms of offering the goods in the market su
   assortments or packages.
3. To influence the prospective buyers towards a particular product ei
   selling or sales promotion.
4. To find out the effective pricing policy for the buyers acceptance.

Ans to Q No 2:

Two conventional channels

1. Direct channel
2. Indirect channel

Ans to Q No 3: Two non-conventional channels

1. Vertical channel
2. Horizontal channel

Ans to Q No 4:

Product factors - perishability
Market factors - nature of market
Company factors - marketing policies
Middlemen factors - sales volume potential
Environmental factors - legal

Ans to Q No 5:

1. Selection of channel members
2. Training of channel members
3. Motivating channel members
4. Evaluating channel members
5. Modifying channel arrangements

QUESTIONS

oncept of distribution channel and its importance.

factors affecting the selection of distribution channel?

arious channel design decisions.

*** ***** ***

enough stock; up-to-date market, customer and competitive informa
wholesalers; high-caliber managers are not hired and they charge too m

Even direct-buying programs were designed by the large manuf
for which the wholesalers had a significant decline. In order to meet th
the customers and suppliers the successful wholesalers had to adapt t
value to it. The constant changes and the latest trends compelled the w
the operating costs and invest in advanced materials, handling technology
and the internet.

The latest trend of increase in price and absorbing the compete
cost and quality, the position of wholesaling industry is at risk. The manu
strong by controlling their intermediaries and in owning them too.

CHECK YOUR PROGRESS

Q. 1: Mention the types of wholesalers

1. ……..
2. ……..
3. ……..
4. ……

8.8 CONCEPT OF RETAILING

Retailing is the term derived from the French word “retaillier” w
of” or “to cut up”. It includes all those activities which involves in bu
supplier and selling it to the final consumer directly in smaller units. It e
the final destination i.e. the final consumer for their personal, family or h
any organization can be said to be involved in retailing when it sells to
who can be the manufacturer, wholesaler or retailer. How (by mail, perso
and where (in a store, on the street, consumer’s home) the goods are

One of the important concerns in retailing is that it tries to ensur
needs are fulfilled in convenient and cost-effective manner. Whether t
available in right quantity, at right time, in right condition and at right pri
the efficiency of retailing.

nufacturers to place orders on them and making special purchase in
onal products.

g- Wholesalers hold inventories as there is always a gap between time
duction and consumption. In order to reduce risks and inventory costs,
sing by wholesalers helps the retailers and the producers a lot.

g- Wholesalers can provide the quicker delivery to buyers as they are
n. This transportation is done either through their own fleet or through
n carriers. In the activities of assembling, warehousing and resale the
ndertake the transportation tasks.

y granting credit to the customers and financing the suppliers by ordering
ing bills on time the wholesalers undertake financing tasks.

- Risks are unavoidable in business which needs to be borne and shifted.
ss of change in prices, of damage, quality deterioration, pilferage, theft,
re borne by the wholesalers. They also bear the risks of under payment
ent by the retailers.

ckaging and Packing- Grading is an important tasks of wholesalers
tocks are sorted in terms of different sizes, qualities, shapes, and so
he small lot requirements of the retailers bulk breaking is done and also
he consumers as per retailer's order.

nd Selling- Wholesaler's sales forces help the manufacturers to reach
ness customers at a relatively low cost. The assembled goods and the
s are meant for dispersing and selling. The retailers buy from the

arket Information- Information regarding competitor's activities, new
e developments and so on are supplied by wholesalers to suppliers
rs.

RENDS IN WHOLESALING

s often have some issues or problems with wholesalers for which they
or replace with some better and efficient ones. Major complaints against
manufacturer's product lines are not aggressively promoted by the
er's orders are not filled fast enough as the wholesalers do not carry

UNIT 8 : WHOLESALING, RETAILING AND LOGISTIC MANAGEMENT

UNIT STRUCTURE

8.1 Learning Objectives
8.2 Introduction
8.3 Concept of Wholesaling
8.4 Importance of Wholesaling
8.5 Types of Wholesalers
8.6 Functions of Wholesalers
8.7 Latest Trends in Wholesaling
8.8 Concept of Retailing
8.9 Importance of Retailing
8.10 Types of Retailers
8.11 Functions of Retailers
8.12 Latest Trends in Retail
8.13 Concept of Logistic
8.14 Logistic Management System
8.15 Decision Areas in Logistic Management
8.16 Let Us Sum Up
8.17 Further Reading
8.18 Answer to Check Your Progress
8.19 Model Questions

8.1 LEARNING OBJECTIVES

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

- explain the concept of wholesaling
- discuss the importance of wholesaling
- discuss the types of wholesalers
- explain the functions of wholesalers
- explain the latest trends in wholeselling

portance of retailing
pes of retailers
nctions of retailers
test trends in retailing
concept of logistic
gistic management system
ecision areas in logistic management

TION

ve are going to discuss the concept, importance and functions of ilers. We will also discuss the concept of logistic and decisions areas of t. The unit will cover the importance of wholesalers and retailers as bution channel and their functions. The wholesalers purchase the goods the distributors in large quantities and the retailers purchase in small holesalers and in turn sell it to the final consumer in smaller quantities nsumer. The whole network of wholesalers and retailers spread over to al areas helps the producing company to reach its goods to the final aspects will be discussed in this unit.

OF WHOLESALING

refers to all those activities which involve selling the goods or services reselling or for other business purposes. Wholesaling excludes the acturers as they are involved in production most importantly. The n business customers rather than final consumers so they pay least n, location and the atmosphere. The transactions involved in wholesale ail and also the trade area is large. Also the legal regulations and taxes sale and retail. So, wholesalers (also known as distributors) and retailers r in a number of ways.

CE OF WHOLESALING

s an important aspect of distribution. It has a significant impact on the

relation with suppliers and customers. In USA, the wholesalers gene
revenues from foreign markets.

Operating costs for wholesalers include inventory charges, sale
charges, advertising costs etc. So, from the cost perspective the impa
prices is high. The profit of wholesalers depends on inventory turno
products, the functions performed etc.

Institutional buyers make considerable purchases from the w
revenue increases.

8.5 TYPES OF WHOLESALERS

The major types of wholesalers are as follows:-

1. ***Merchant Wholesalers***- Their businesses are independently
taken to the merchandise they handle. Full-service and lim
distributors and mill supply houses come under this category.
2. ***Full- service Wholesalers –*** They carry stock, maintain a sal
make deliveries, and provide management assistance. Wholes
retailers and industrial distributors sell to manufacturers and prov
services.
3. ***Limited -service Wholesalers- Cash and carry*** wholesalers
moving goods to small retailers, ***truck wholesalers*** sell and
semi perishable goods to supermarkets, grocery stores ,hospital
drop shippers provide services to bulk industries such as he
etc., ***mail-order wholesalers*** helps to send catalogs to retail, indu
customers by mail, rail, plane or truck.
4. ***Specialized Wholesalers-*** Agricultural assemblers, petrole
terminals and auction companies fall under specialized wholes

8.6 FUNCTIONS OF WHOLESALERS

In the process of marketing of goods, the wholesalers perform a
which are mentioned below:-

a) ***Assembling and Buying***- The wholesalers assembles or
scattered agricultural production for economic bulk buying. A

ponse inventory planning – The retailer orders more frequently and in
t sizes, which benefits the retailer because it requires to hold less
and for the supplier it leads to better inventory turnover and improved
upply matching.

ly merchandise – It refers to the retailer receiving merchandise in such
n so that it can be put in display without any preparation at the retail

Data Interchange - It refers to exchange of information between the
nd supplier through computer so as to optimize inventory levels and
me.

g: A retailer may opt for a number of regional distribution centers.
from supplier is received at these warehouses and thereby shipped to
et. However, it leads to higher warehousing and inventory costs, extra
erishables and potential ordering delays. An alternative could be a
arehouse and fast transportation. Retailers can also go for Direct Store
DSD).

ng: It is used to decrease inventory storage by streamlining the flow
supplier and the manufacturer. It is a practice in logistics of unloading
n an incoming semi-trailer truck or rail car and loading these materials
ailer or rail cars, with little or no storage in between.

on: The medium and quality of transportation used greatly influences
nd delivery of merchandise, which in turn, affects the customers'
The various decisions related to transportation are-

y of shipping

order size to be accepted by the supplier

ion of transportation mode to be used

nagement: Inventory management is defined as the process of acquiring
ng an optimum level of merchandise assortment at an optimum cost.
r's perspective, inventory refers to the merchandise assortment, it offers
her for display or in stock.

quality before buying it. They use mass-media advertising and ha
of merchandise to attract the customers. They serve persona
and institutional clients. Store based retailing are as follows:-

I. ***Department stores-*** Department stores are those whic
departments such as juniors, men's wear, women's wea
etc. They are large retailers offering more customer servic
merchandise competitors with wide variety of product li
minimum 50 employees should be employed as store staff.
are related to FMCG and daily use items. The success o
depends upon expanded customer service, sales training
and elimination of slow-selling and non-productive items.

II. ***Supermarkets-*** These are stores with large, low-cost, low-
self-service facilities designed to meet total needs of food and
Its success depends on high inventory turnover. Their
convenience stores, warehouse stores, superstores. In ord
customers they develop intensive programmes that offer
coupons, advertisements, free samples, customer affinity
can be seen in private and co-operative sectors in India in t

III. ***Convenience stores-*** Convenience stores are small retailer
They carry large number of product lines. They mainly inclu
to-eat snacks, groceries, confectionaries, milk, eggs, etc.
are also known as "mom-and-pop" stores. They are often op
products purchased here are consumed within few hours a

IV. ***Discount stores-*** Discount stores are standard and specia
price, low-margin, high-volume stores. It is the modified v
stores. The customer service in discount stores are limited bu
priced below department stores.

V. ***Catalogue stores-*** Brand selection of high-markup, fast
goods, sold by catalog at discounts. Customers pick up mer

VI. ***Malls-*** Malls include a number of stores owned and mana
retailers. They also include cinemas, dining etc. They are
spread over an area of more than 2, 00,000 sq.ft. It opera

and is designed to accommodate department stores, hypermarkets, stores, variety stores and several other formats.

RETAILING

ailing is a form of retailing in which no physical stores are involved during le to customers. Consumers who are not able to go to stores non-store referable for them. These stores offer consumers the convenience of heir required goods anytime from anywhere. Due to the advanced has become possible to reach out to the customers without having to be sent. The major forms of non-store retailing are as follows:-

rketing- Direct marketing is a form of business which does not include ediaries. Distribution of products, information and promotional benefits ustomers is done through interactive communication to achieve direct from the customers. Television, newspaper, internet and mail are the sonal communication medium through which the customers are ed in ***direct marketing.***

c Vending- This is a form of marketing in which products are placed in e and dispensed (distributed) to customers after they deposit the cash ir debit or credit cards (plastic money). It offers customers 24 hours of cluding the human interface. It can be placed inside or outside a store, n, an airport, hotel corridor, street corner. In automatic vending machines cts must be of uniform size and weight, the customers must be aware oduct, should include pre-packed and branded low priced products. nt, quick service, self help and round the clock service are the main f the vending machines.

r Business- Mail order business or direct mail marketing is a convenient f sending information to individual customer by a marketer. An offer, ment, reminder, or other item can be sent through mail order business. elective mailing lists, the direct marketer send out millions of mail pieces r in the form of letters, foldouts, CDs, DVDs, etc. At first mailing list is then advertising is given in newspapers and magazines, orders are by mail, then goods are dispatched from the warehouse with proper written on the parcels and sent through Registered Parcel/Book Post or

- Physical movement of merchandise so as to meet customer de cost.

MANAGING MARKET LOGISTICS

According to Kotler, Market Logistics involves planning, implementin physical flow of materials and final goods from points of origin to points of requirements at a profit.

Some of the function are their flows are stated in following

Function	Flow of Material
Forecasting	
Finished Product Transport to distributor.	
Finished Product Inventory oder properly	
Transportation from plant to warehouse centre	
Packaging	
Production	
Raw Material Storage at plant	
Raw Material Transportation to plant	
Raw Material Procurement	

Fig: Physical Distribution Process

8.15 DECISION AREAS IN LOGISTIC MANAGEMEN

The four major decisions that a retail outlet as to take with rega are as follows:

1. ***Order Processing:*** It is the process by which retailer places t its processing at the supplier's office and finally delivery of the me order transmission, inventory and production scheduling, order and receipt of payment. The retailers are using various advanced more efficient order processing-

R PROGRESS

ur functions of Retailers

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.....

.....

.....

OF LOGISTIC

istic" is derived from the French word "loger" which means `to supply
e supplied through a supply chain to the end users. The components in
ain are the supplier, manufacturer, wholesaler, and retailer. The target
ons are satisfactorily fulfilled when there is a better working relationship
ents. Right from planning the infrastructure, implementing them and
al flow of merchandise from the point of origin to the point of use are the
t logistics. An effective market logistic should try to reduce inventory
ain, improve customer service, develop strong links, etc.

MANAGEMENT SYSTEM

efined as the process of strategically managing the procurement,
ge of merchandise through the marketing channel so as to reach the
effective and cost efficient manner.

an use either the push or pull logistics strategy. Push logistics strategy
merchandise is allocated to stores on the basis of historical demand,
at the distribution centre and the stores' needs. Pull logistics strategy is
rders for merchandise are generated at the store level on the basis of
or data obtained at the point of sale (POS) terminals.

se (QR) Delivery systems are inventory management systems designed
rs' lead time for receiving merchandise, resulting in lower inventory
g customer service levels and thus reducing logistics expenses.

stics system carries out the following functions:

hrough which orders are accepted and merchandise is delivered to the
effectively managed and administered.

the post office who sent the amount to the seller or mail or
rail service, Railway Receipt (R/R) is sent to the custome
bank and given to customer only after payment of the amou

IV. ***Tele-Shopping-*** Teleshopping is a form of marketing in whic
for order by the customer after watching the demonstration o
me. It is alternatively known as home shopping. The mark
on air through which the customers place the order after wat
call, e-mail and buys the requirement.

V. ***Mobile Retailing-*** Mobile retailing is a form of non-store re
is done through mobile phones. The customers don't need a c
information but only a mobile phone/cell phone/Personal
present trend has seen a fast growth of internet-connected
most convenient way of retailing is mobile retailing. Most of
chains, pizza outlets, and travel agencies rely on mobile reta
of marketing is fast emerging one globally.

VI. ***E-Marketing-*** E-Marketing is also known as online marketing
In this form of marketing the retailer and the customer com
internet. No queues, no geographic barriers, low prices, unli
features of e-marketing. More and more companies switch t
it is user-friendly, updated information, interactive medium,
interesting than other forms of non-store retailing.

8.11 FUNCTIONS OF RETAILERS

The main task of a retailer is to reduce the time, place and poss
the product and the customer. Direct interaction between the manufactu
would help to reduce the price of the product. Thus, it is the duty of th
existence in the marketing channel by performing its retailing functions

i. ***Sorting-*** Sorting is a process of collection of assortment of
sources in large quantities and providing the same to end users
provides greater convenience to the customers. This helps the
all their products are displayed collectively at a retail outlet w

g- The manufacturer supplies the products in bulk to the retailer to verall ordering cost. The retailer breaks the bulk into smaller units for onvenience and the manufacturers are also benefitted due to reduced costs. The customer's needs are appropriately met at an optimum

e products are displayed on shelves of the stores and keep stock of entory to meet the changing demands in the market. The manufacturer e burden of stocking and frequent transportation. While the customers efitted for they need not have to stock the products as they are assured ity in the retail shops whenever required.

ting- The retailer generates a two way communication between the and the customer. For the manufacturer it is the retailer who provides n regarding customers' feedback, product performance, sales forecast, he customer it becomes easy to know about the product availability, es, company credibility etc. from the retailer. Thus, this generates trust nding between the manufacturer and the customers.

rvice- A customer needs to have full satisfaction from a retail service. erience beyond expectation by a customer from a retailer is of utmost n order to provide better customer service the retailer need to introduce ices like home delivery at nominal charges, free gift wrapping, installation required etc.

and PoP display- PoP (Point of Purchase) display plays an important ing the customer about the product, while purchasing inside the retail lps the retailer and the manufacturer in increasing the sales.

g- At the time of scarcity of resources at the disposal of manufacturer, ility of transportation of products is taken care by the retailer. This helps e investment cost in distribution and the retailer is benefitted because are timely delivered at their outlets.

RENDS IN RETAIL

ustomers used to get benefit by getting convenient location, unique better services than competitors, etc. But the present retail environment is totally different in which retail store assortments have grown more al manufacturers who place their branded goods in more and more plac

Some of the developments in the retail environment are as foll

a. ***New retail and combinations:*** Many of the supermarkets toda branches in their premises, book stores include coffee shops, food stores, and malls, bus, and train stations include peddlers In order to keep the customers attracted towards their stores services are also included.

b. ***Growth of intertype competition-*** Different types of store catalogue showrooms, department stores compete for the carrying same type of merchandise. The biggest winners are thos to be economically cautious, simplify their increasingly busy a and provide emotional connection.

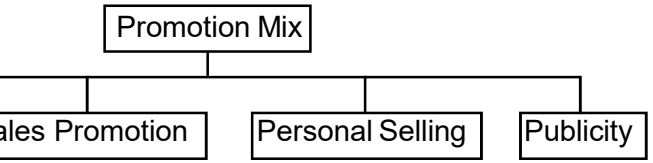
c. ***Competition between store and non-store retailing***- In recen retailing are taking over the store-based retailing. As most of t go for purchasing through online store, by ordering through mail etc. thereby acting as a definite threat for the store based retaile retailers have starting developing their own websites and also retailers.

d. ***Growth of giant retailers***- Most of the small manufacturers often quantity and lack in effective and efficient decision as to what t and promote, when and how to ship, how to improve productio Due to these drawbacks the giant retailers are able to capture the immense volumes of product at appealing prices to masses o

e. ***Growing investment in technology***- The retailers nowaday produce better forecasts, control inventory costs, order electron send e-mail, even sell to customers within stores. Even techn from other industries with great success.

f. ***Decline of middle-market retailers-*** Opportunities are scarces retailers who have struggled or gone out of business. They are consumers are shopping here as better places have come up

d consumers and persuade them to act positively towards the specific
A company may have a well designed product offering with a price and
ppropriate to its target market. But if it is unable to inform the customers,
ave been in vain. Promotion is responsible for awakening and stimulating
r the product.
x is a combination of strategies framed by the manufacturers to influence
y their products or services. These strategies aimed at persuading,
cing the present and the prospective customers in order to increase the
fitability.
s use various promotional methods to communicate with individuals,
tions. The promotion mix is the combination of the four promotional
personal selling, sales promotion, and publicity- that an organization
oduct.



n differ from advertising?

he broader, all inclusive term. Advertising is just one specific action you
e your product or service. Promotion, as a general term, includes all the
ake a product or service known to and purchased by customers and

motion is also used specifically to refer to a particular activity that is
he business, product or service. A store might advertise that it's having
rtain items, for instance, or a business person may refer to an ad as a

omotion are as follows:

g
n
blic relations

W CHECK YOUR PROGRESS

Q.3: Mention the decision areas in logistics management

1. ……..
2. ……..
3. ……..
4. ……..
5. ……..

2 8.16 LET US SUM UP

The following aspects have been discussed in this unit –

- Wholesaling refers to all those activities which involve selling the
  those who buy for reselling or for other business purposes.
- Wholesalers have significant impact on the economy and plays
  the distribution channel and creates a strong relation with suppli
- The different types of wholesalers are -
  - Merchant Wholesalers
  - Full- service Wholesalers
  - Limited -service Wholesalers- Cash and carry , etc.
- The different functions of wholesaler are -
  - Assembling and Buying
  - Warehousing
  - Transporting
  - Financing, etc.
- The retailer tries to ensure that the customer's needs are fulfille
  cost-effective manner.
- The different types of retailers are-
  - Department stores
  - Direct Marketing
  - Convenience stores
  - Mobile Retailing
  - Tele-Shopping, etc.

f retailers are-

king

icating

r service, etc.

gement is defined as the process of strategically managing the
novement and storage of merchandise through the marketing channel
the customer in a timely, effective and cost efficient manner.

reas in logistic management are-

ocessing

sing

ocking

tation

Management.

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RS TO CHECK YOUR PROGRESS

Wholesalers

ice Wholesalers

service Wholesalers

ed Wholesalers

2. **Nature of the market:** Different market requires different pro
strategies. In industrial market, advertising plays a more infor
persuasive role for industrial buyers. Personal selling emphasiz
information and persuasion in the industrial and consumer's mar
3. **Stage in the product life cycle:** The promotional mix varies wit
product life cycle. The nature of demand varies in different stag
cycle. During the introductory stage, the product is unknown to t
stage, importance should be given to advertising, personal sellin
the growth stage, customers know the qualities of the product
demand, advertising must be increased. In the maturity stage, sales
should to increased to attrack more and more customers from com
stage, the company will cut expenses on advertising and sales p
4. **Market penetration:** Here the product is already known to the bu
a sustaining promotional strategy is suitable. A brand has insignifica
means it has a small market or struggling market.
5. **Market size and location:** Product's market size and location
promotional mix. Where the number of potential buyers is smal
Where number of customers is large, advertsement is used.
6. **Characteristics of buyers:** The characteristics of prospective buy
the promotional mix. Experienced professional buyers such as
agents need personal selling. Inexperienced buyers need adver
decisions are influenced by their friends, relatives, culture, religio
7. **Distribution strategy;** Companies fighting more through distrib
their brands, invest more money on personal selling and advertisi
have already established their brand in the market have to invest c
personal selling and advertising.
8. **Pricing strategy:** Pricing strategy influence the promotional mix s
priced higher than the competition, more personal selling is need
If the brand is priced lower, little promotion is needed.

9.5 PROMOTION MIX

ACTIVITY

motion is necessary to sell a product? Give reasons in support of

.....
.....
.....
.....

R PROGRESS

nt by promotion?

.....
.....
.....
.....

S AFFECTING PROMOTIONAL MIX AND GIES

ny factors which influence promotional mix and they are known as product

roduct: Different product requires different promotional mixes. Consumer strial goods require different promotional strategies. Consumer goods n advertising, personal selling and displays. But industrial good require selling.

omplexity: If a product is technically sophisticated and complex in nature quires personal selling. For example, industrial products. On the other e product is simple and is requlary used by consumers then the company r advertising. For example, most of the FMCG products.

fferentiation: Promotional mix is affected by brand differentiation and e to which the brand is differentiated from competitor's brand.

frequency: If buyers buy a product, frequently such as soap, tooth the marketer will invest a good amount of money on advertising to promate

3. Stocking
4. Communicating

Ans to Q No 3:

1. Order processing
2. Warehousing
3. Cross Docking
4. Transportation
5. Inventory Management

M 8.19 MODEL QUESTIONS

Q 1: Explain the functions of wholesalers.

Q 2: Explain the importance of retailing and the latest trends of retailir

Q 3: What is logistic management system? Explain.

*** ***** ***

OTION

URE

Objectives
on
Promotion
ffecting Promotional Mix and Strategies
n Mix
Advertising
Sales Promotion (Push versus Pull)
Personal Selling
Publicity
m Up
eading
o Check Your Progress
estions

OBJECTIVES

rough this unit, you will be able to :

ion
rent types of promotion
etween promotion and advertisement
eaning of advertising, sales promotion, personal selling and publicity
tween Pull and Push Policy of sales promotion.
ed for promotional strategy.

TION

units we have discussed the different aspects of marketing. You are
ortance of marketing in the present day business, different bases of
elements of marketing mix etc. In the units 4, 5 and 7 we have discussed
f marketing mix- Product, Price and Place (Distribution). In the present
unit we will concentrate on the fourth element of the marketing mix i.e.

The importance of promotion in marketing arises on the ground
communication even a well designed product will fail in the market.
aware about the product, its features, uses, price etc. Promotion mix is
all the information. It means that promotion is as important as the c
marketing mix in the success of the marketing plan of a company.

As we are going to discuss the importance of the promotion mi
this unit, it will help you in designing the promotion mix of a product. Yo
how to blend the different elements of the promotion mix to reach the
generate revenue for the company.

9.3 DEFINING PROMOTION

Promotion is one of the aspect of selling and advertising or comm
of the product or service to the target customers in order to persuade th
product or services.

Generally, promotion is communicating with the public in an atte
toward buying your products or services.

Promotional techniques are used by both industrial as well as c
Different marketer uses different advertising medias (news paper, m
hoardings, radio etc).The industrial goods manufacturers promote produ
advertising, promoting dealer sales by conducting incentive contest , tr
release in different locations. IBM, Apple and other computer supplier
personal selling with advertising and public relations. For expensive a
and systems, close interaction between buyer and seller is inevitable req
in such cases. Marketers' selection of advertising media reflects thei
strategy for a product.

υLET US KNOW

Industrial marketing is the marketing of goods and services from one b
the industrial marketing, goods are produced for the purpose of reproduc
marketing is the marketing which focuses on the needs and wants

SUMER BEHAVIOUR

URE

Objectives
on
nd Scope of Consumer Behaviour
ce of Consumer Behaviour
fluencing Consumer Behaviour
r Research
r Need and Motivation
r Personality
r Perception
r Learning
r Decision Making Process
um Up
eading
To Check Your Progress
estions

G OBJECTIVES

rough this unit, you will be able to :

- mer behaviour and its importance in business
- orces that influence consumer behaviour
- consumer decision- making process
- consumer personality, perception influence consumer behaviour.

CTION

t we have come across the definitions and importance of marketing in also discussed the evolution of different marketing concepts from the o the holistic concept of marketing. From the study of these marketing t that in business activities the importance of consumers has increased

9.5.1 Advertising

Definition: Advertising is a paid form of non-personal comm organization, its products, or its activities that is transmitted thro to a target audience. The mass medium could be television magazine, direct mails, sign boards, outdoor displays, hand directories.

Television advertisements are more attracting because it representation about the product. e.g.-Tata Sky (Isko Laga Dala

For Radio advertisements the voice should be clear and (e.g. Radio Oolala 94.3 FM).

For News paper and Magazine advertisements the head The size of the advertisement also matters, whether the adverti or full page coverage. Big and colorful advertisement gains m customers.

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

Advantages: Advertising is one of the most cost efficient me reach a large number of people at a low cost per person. Adver to transmit a message a number of times. Advertising also he image about a company. Advertisement permits the seller to r many times, which will help the customer to remember the pro

Limitations: Advertising has several drawbacks. Even though may be low, but the total cost can be very high. Organization lik and Gamble may spend millions of rupees to advertise a single cost can limit, and sometimes eliminate advertising as an elem mix. As advertising is a one way of communication (generally advertising is generally slow, if it occurs at all, and measure advertising on sales is difficult. Finally advertising normally has l over customers than other forms of promotion, such as pers discuss in detail on advertising in next unit.



This is a print advertisement of Omega Watch with sales promotion of 10% off displaying.

Note

al representation, we can see as well as listen to the advertisement
f audio representation we can only listen to the advertisement (Radio).In
representation, we can only see the advertisement (Hoardings, news
agazine ads etc.)

Promotion (Push Versus Pull)

Sales promotion is an activity or material that offers consumers,
, or retailers a direct inducement for purchasing a product.

ent sales promotional tools are- coupons, contests, premiums,
refund, demonstration or display. Some classic examples are 25% off,
ne free, money back offer etc.

Companies use sales promotion tools to draw a stronger and quicker
e. Sales promotion can be used for short run effects such as to dramatize
s and boost sales.

n contrast to advertising and personal selling, which are generally used
ous or cyclical basis, sales promotion devices get more irregular use.
d mainly for short term gains.

US PULL POLICY:

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

ing advertising and promotional strategies are formulated that geared
and distribution channels to entice them in promoting the product or

9.7 FURTHER READING

1) Kotler P. Keller K. L. Koshy A. Jha M (2009).Marketing Manage
Perspectives. New Delhi: Pearson Education Ltd.

2) Rajput and Neeru (2008). Advertising and personal selling. N
Publishing House

3) Sarangi S. K. (2006). Marketing management. Guwahati: Asian E

9.8 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: Promotion is the one of the aspect of selling
communicates the benefit of the product or serv
customers

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

Ans to Q No 3: (a)__(iii) (b)__(vi) (c)__(i)

9.9 MODEL QUESTIONS

Q 1: Define Promotion. Do you think promotion is necessary to sell a

Q 2: Explain promotional mix and its strategies in different marketing c

Q 3: Explain different forms of promotion.

Q 4: What is push and pull marketing?

Q 5: What is the importance of publicity in business?

*** ***** ***

(vi) coupon

(vii) online marketing

W

ation: One way communication is a form of communication where one he message.

ations: Two-way communication is a form of transmission in which both mit information.

ommunication: The process by which messages are communicated to ople by a mass medium.

UM UP

ave discussed the following aspects–

its various types and how it is important for business.

e of promotion.

f promotion mix.

y provides the summary of the key characteristics of promotional mix—

Advertising	Sales Promotion	Personal Selling	Publicity
Mass and Targeted	Mass and Targeted	Targeted	Mass
One & wo way	One & two way	Two way	One way
Paid Limited	Paid	Paid	Non paid
Non personal	Personal & non personal both	Personal	Non Personal
Good	Good	Very good	Poor

With a **PUSH POLICY** the marketer promotes the pro member down in the marketing channel. In a consumer ma wholesalers and retailers, the producers focuses its prom wholesalers, who are the members below the producers in th Each channel member, in turn, promotes or pushes the produ marketing channel. Marketers employing a push policy genera selling efforts, although sales promotion and advertising may b with personal selling to push the product down through the cha

Pull marketing In advertising and promotional strategies are people towards the product or service.

A business firm using a **PULL POLICY** promotes its consumers to stimulate strong consumer demand for the produ learn, through promotional activities, about a product that they b needs and wants, they ask for the products in retail stores. T demand retailers in turn try to purchase the product from the proc A pull policy is, therefore, intended to pull products down through t by stimulating demand at the consumer level. To stimulate stron a marketer focuses promotional efforts on intensive advertisin sales promotion. Many pharmaceutical companies use a pull poli to consumers and encouraging them to ask their doctors abou drugs.

9.5.3 Personal Selling

Personal selling is the most effective tool in building u conviction, and action. Personal selling has three distinctive qu

1. **Personal confrontation:** Personal selling involves an imm relationship between two or more persons. Each party is other's reactions.
2. **Cultivation:** Personal selling permits all kinds of relationshi from a matter of fact selling relationship to a deep persona
3. **Response:** Personal selling makes the buyer feel unde

early part of this unit, we saw how marketers can use advertising and ion to reach a large number of customers. While these methods of er many advantages, it has disadvantage also like it is a non-personal nunication. Whether a company is in retailing or manufacturing; sells ices; is a large multi-national or a local startup;is out to make a profit or ; in all probability at some point they will need to rely on personal contact rs. In other words, they will need to promote using personal selling.

unately, personal selling is widely misunderstood. For instance, many nk sales people possess traits that include being manipulative, arrogant, nd greedy. While many marketers believe sales people are only out to sale intended to increase their income and that they often do this by upulous deals undermining the marketer's attempt to build strong brands. there are some sales people that fit these descriptions, today the most les people are those who work hard to understand their customers' e ultimate goal of ensuring that customer's needs are satisfied at a More importantly, personal selling holds a key role in the promotional large number of organizations.

is more costly and time consuming method compared to the other romotion.

city

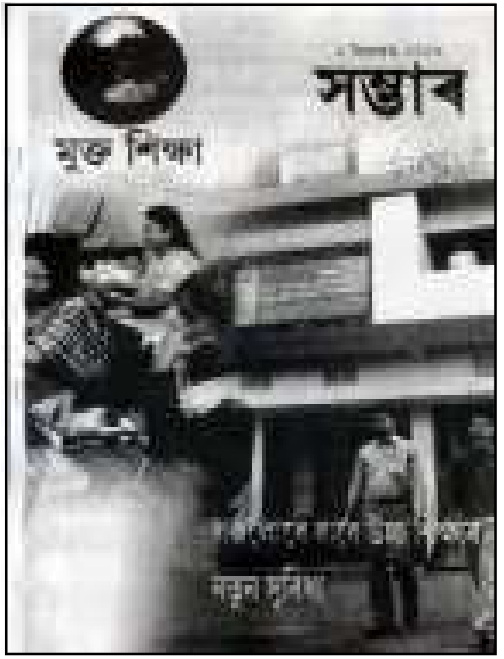
four promotional mix options available to marketers public, relations ity is probably the least understood and, consequently, often receives unt of attention.

reality, public relations offers powerful methods for convincing the

ity is a non paid form of non personal communication about an r its products that is transmitted through a mass medium in the form of Examples of publicity include magazine, newspaper, radio and TV news new retail stores or products, firm's personal changes or special activities. s from other promotion mix in that it does not directly facilitate exchanges

maintain a favorable public image of the organization.

Other forms of promotion are packaging, direct mail, trade sho



This is an example of publicity in News Magazine

CHECK YOUR PROGRESS

Q 2: State true or false for the statement –

i. Advertising is a non- paid form of non- personal prese organization or its product or service.

ii. Personal selling involves an immediate a relationship between two or more persons.

iii. Coupons, contest, premiums are tools for pe

Q 3: Match the following:

(a) advertising	(i) face to face interaction
(b) sales promotion	(ii) channel members
(c) personal selling	(iii) mass media
	(iv) attracting customers

s like, colour, size, flavour, price, brand image etc.

ER LEARNING

arning is the process by which individuals acquire the purchase and dge and experience they apply to future related behaviour. Although entional, much learning is incidental. Basic elements that contribute of learning are motivation, cues, response and reinforcement.

ER DECISION MAKING PROCESS

cision to purchase or not to purchase plays an important role for entify whether a marketing strategy can be effective or not. Thus ularly interested in the consumer's decision making process. For a a decision, more than one alternative should be available, and then t the best alternative. An overview of consumer decision making the psychological, social, and cultural concepts. This decision model iables, which are given as follows:

: These variables include external influences like, firm's marketing o-cultural environment. The firm's marketing activities are directed to and persuade consumers to buy their product. To promote these ters offer different promotional strategy like, sales promotion, personal sing etc.

process factor is concerned with how consumers make decision. To s process, we should consider the psychological concept of human nsumer decision making process consists of three stages:

tion: When consumer faces any requirement then this stage arise. cakes and candles for birth day party are the need which arises ular time.

gradually. Now, consumers are treated as the king around whom all b volve. As a result of this, companies are emphasizing on the behaviou are putting more importance in finding out the factors that influence the c take a decision to purchase a product or service. Therefore, unde behaviour has become a necessity for the companies.

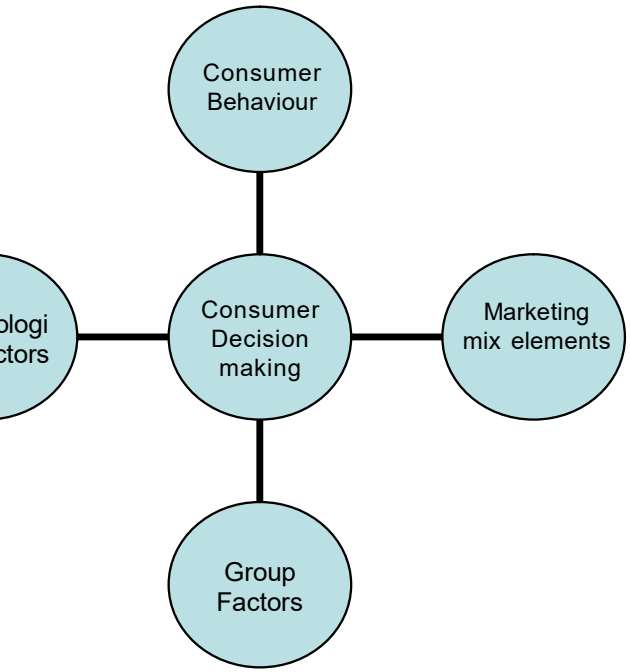
The marketers should know the tastes, preferences, buying consumers, and then only marketers can deliver satisfaction to the co the study of consumer behaviour helps marketers to understand a behaviour in the market place. It is concerned not only with what cor with why, when, where, how and how often they buy it. Consu methodology which is used to study consumer behaviour and takes of the consumption process. In this unit we are going to discuss t of household consumers or personal consumers, institutional cons consumers. Generally, personal consumers buy goods and ser consumptions and institutional and industrial consumers buy goods a to run their business.

Understanding consumer behaviour has become a necessity has become an integral part of strategic market planning. In this unit y the various factors that influence the consumer behaviour, consumer cess etc.

10.3 NATURE AND SCOPE OF CONSUMER BE

Consumer behaviour deals with the psychological process o consumers in a social context which also exerts group pressures o Walter and Paul, "Consumer behaviour is the process whereby indivi what, when, where, how and from whom to purchase goods a process, the consumer deliberates within himself before he makes any The buying behaviour involves several psychological factors like: indivi (motivation, personality, perception and attitude), decision making p interaction of the consumer with several groups like friends, family a oriented concepts) and selection of the brand and outlet depending o and emotional appeal (marketing mix elements in a given envir

nfluenced by both internal and external forces. Internal forces are: hographics (lifestyle), personality, motivation, knowledge, attitudes, s. Again external forces are: culture, ethnicity, family, social class, nd market mix factors.



s of consumer behaviour – what the consumer buys, how, when is understood by the interaction of different factors associated with . These are shown in the diagram below:

mer behaviour:

ns are generally influenced by different variables, such as-

most important determinant of consumer behaviour is culture. When he is normally influenced by his surrounding culture. Marketers try variances, so that they can target their customers according to their ences.

Within a cultural group, there is a smaller group, which has been culture. For example, north Indian, south Indian, communal groups, re some of the examples of Indian subculture. For example, assamese mphasizes the purchasing of new dresses on “Rongali Bihu”, so, eat demand of clothes on the eve of Bihu. These are variables within

select to fulfill their needs. Needs and goals are constantly chang response to an individual’s physical condition, environment, interact experiences. As individuals attain their goal, they develop new ones. their goals they continue to strive for old goals or they develop su unsatisfied needs can motivate people to act in a certain way.

10.8 CONSUMER PERSONALITY

To analyse the consumer purchase behaviour it is important to personality. Personality can be defined as, those inner psychologica both determine and reflect how a person responds to his/her envi

Three distinct properties of personality can be found which

1. Personality reflects individual differences, which states that no exactly alike.
2. Personality is consistent and enduring, which states that pers
3. Personality can change. Although personality tends to be cons it may still change under certain circumstances. For exam personality may change by major life events.

Marketers are interested in understanding how personality infl behaviour, because these enable them to understand consumer This will help them to segment and target those consumer respond positively to their product or service communications

10.9 CONSUMER PERCEPTION

Perception is the process by which individual select, organize into a meaningful picture. Perception has strategy implications for consumers make decision based on what they perceive.

Products and services that are perceived distinctly and favou have better chance of purchase then unclear images. In case o sector, marketers face several problems in positioning and prom because of its intangible character.

Consumers often judge the quality of a product or service on

R PROGRESS

nks with appropriate words:

er behaviour is related to ———————— of goods and

nd subculture are ———————— of consumer behaviour.

———— consumer buys goods and services for their own use.

——— consumer buys goods and services in order to run their

ion.

of consumer market is constantly ————.

ER RESEARCH

d the need and motivation of consumer, marketer should know the

consumer. Consumer research enables marketers to study and

ers' needs and wants, and how they make consumption decisions.

arch may be either qualitative or quantitative form.

tive research method consists of experiments, survey technique,

ere data can be analyzed through statistical techniques.

ve research method includes depth interviews, focus groups, college

tive techniques. Qualitative research is concerned with probing deep

's psychology to understand the motivations, feelings and emotions

behaviour. Qualitative research findings cannot be projected to larger

sed to provide new ideas for the development of positioning strategies.

ER NEED AND MOTIVATION

the driving force within individuals that forces them to action. This

uced by a state of tension which exists as the result of an unfulfilled

ourses of action that consumers pursue and their special goals are

s of their thinking process and previous learning. So, marketers who

onal theory attempt to influence the consumer's cognitive process.

s their own needs and wants. Marketers are more concerned with

- **Social Class:** It refers to several homogeneous groups that
  Different caste group, different income group, etc constitute dif
- **Personal Factors:** According to Philip Kotler, personal factors
  decision of the consumers. Personal characteristics such
  occupation, life style and personality also plays an important
  any product varies depending on the age and income level o

The term consumer is generally used to describe three different
entities: the personal or household consumer, institutional cons
consumer.

The **personal consumer** buys goods and services for their own us
purchase shaving cream or toothpaste etc for our own consumptio

The **Institutional consumers** are those who purchases goods and s
institutes like hotels, educational institutes, hospitals etc.

The **Industrial consumers** include profit and non profit business, g
(local, state and national) etc. All these industries should buy goods
to run their organization. Manufacturing companies must buy the raw
components needed to manufacture and sell their own product
companies must buy the office products needed to operate their a

The marketer should decide at whom to direct their promotional effo
user. For some products they must identify the most influential pe

10.4 IMPORTANCE OF CONSUMER BEHAVIOUR

(i) The study of consumer behaviour enables us to become a be
help consumer to take more precise consumption related de

(ii) It helps marketers to understand consumer buying behavio
marketing decisions.

(iii) The size of the consumer market is constantly expanding a
were also changing and becoming highly diversified. So without
cannot predict the future of their business.

Marketing managers regarded consumer behaviour discip
marketing science, if they could predict consumer behaviour, they co

with predicting consumer behaviour are known as positivists.

eting research began to study the buying behaviour of consumers, at many consumers rebelled at using the identical products everyone ple in case of purchase of house, interiors, car, and dress material unique products. Consumer preferred differential products that they wn special needs, personalities and lifestyles.

need of consumers, marketers adopt market segmentation policy. al techniques to vary the image of their products so that they would ter fulfilling the specific needs of certain target segments.

he development of consumer behaviour includes the rate of new ent, growth of consumer movement, public policy concerns, erns and the growth of both nonprofit marketing and international

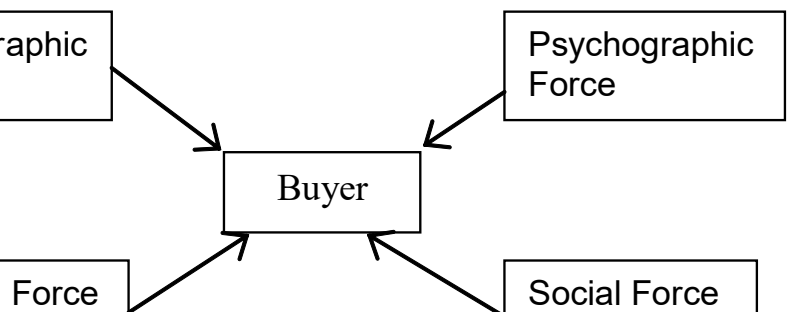
NFLUENCING CONSUMER BEHAVIOUR

erent forces which influence consumers in taking consumption related rces are

Force

Force

e: Under demographic force, consumer behaviour varies between ustomers on the basis of demographic variables, such as age, sex, status, educational level etc. For example, buying behaviour of a uying behaviour of an old person varies.



Cultural Force: People from different cultural background also p behaviour. For example the buying behaviour of foods for a north Indian varies.

Psychological Force: Under psychological force, population differs in life style, self image etc. Customer's buying behaviour also change these variables.

Social Forces: Social forces like, income, caste, communities, religio in buying behaviour.

ULET US KNOW

A **buying center**, in marketing, procu organizational studies, is a group of employees, family members, type of organization responsible for purchasing an item for the business setting, major purchases typically require input from va organization, including finance, accounting, purchasing, inform management, and senior management. Highly technical purchases, systems or production equipment, also require the expertise of te

In some cases the buying center is an informal ad hoc group, bu is a formally sanctioned group with specific mandates, criteria, an employees that constitute the buying center will vary depending purchased.

In a generic sense, there are typically six roles within any buying

1. **Initiator** who suggests purchasing a product or service.
2. **Influencers** who try to affect the outcome decision with their opinio
3. **Deciders** who have the final decision.
4. **Buyers** who are responsible for the contract.
5. **End users** of the item being purchased.
6. **Gatekeepers** who control the flow of information.

R PROGRESS

records are useful for marketing information system?

.....

.....

up a marketing intelligence system?

.....

.....

S OF MARKETING RESEARCH

earch is not conducted in a haphazard manner. In this regard, we may mple of research for marketing of toys in India. With the changes in , India has a great potential to increase production of quality toys to needs of the young couples having small children. The toy industry acturers from the unorganised sector and organised sector. In this d be a research study to examine consumers' purchase pattern and to ns about toys in general and their views about branded toys. The types n will be required are: purchase frequency, occasion of purchase, brands, features sought for, perception.

mple of toy marketing indicates that marketing research is conducted show in Figure 11.1.

ep 1: Define the Problem and Research Objectives

⇩

ep 2: Develop the Research Plan

⇩

ep 3: Collect the Information

⇩

ep 4: Analyze the Information

⇩

ep 5: Present the Findings

⇩

ep 6: Make the Decision

Figure 11.1The Process of Marketing Research

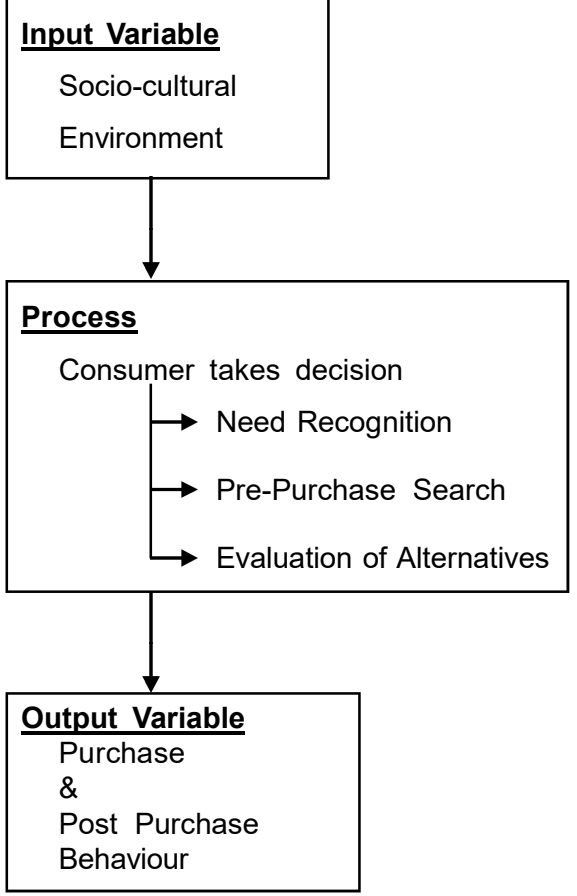


Fig: 10.1 Consumer Decision-making Proces

- **Pre-purchase Search:** It begins when a consumer perceives a satisfied by the purchase and consumption of a product. Cons information from different sources like, their past experiences, pe internet, and other commercial and non commercial informati
- **Evaluation of Alternatives:** Consumer selects the most suita the set of available alternatives.

3. **Output Variable:** Output variables are purchase and post pu the consumer. In trial purchasing, customer tests the product they are satisfied with the trial purchase, then they will go fo

A simple model of consumer decision making process is sh

R PROGRESS

umer's perception?

.....

.....

input variables of consumer decision making process?

.....

.....

S SUM UP

ve have discussed about consumer behaviour. Study of consumer dy of how individual makes their purchase decision with respect to rces.

ehaviour deals with the psychological process of decision making by ial context which also exerts group pressures on them. Consumer fluenced by both internal and external influences.

sumer is generally used to describe three different kinds of consuming al or household consumer, institutional consumer and industrial

anagers regarded consumer behaviour discipline as an applied Consumer preferred differential products that they felt reflected their ersonalities and lifestyles. To meet the need of consumers marketers entation policy. Other reasons for the development of consumer he rate of new product development, growth of consumer movement, s, environmental concerns and the growth of both nonprofit marketing rketing.

d the need and motivation of consumer, marketer should know the consumer through consumer research. To analyse the consumer it is also important to study the consumer personality. Personality ferences. Marketers are interested in understanding how personality ion behaviour, because these enable them to understand consumers erception has strategic implications for marketers because consumers

procedures and sources from which marketers can collect e
The marketers can collect everyday information by watching t
reading newspapers and trade publications. They can continu
engaged in talking with customers, distributors, wholesalers a
closely monitor the social media on the Internet. They can networ
and managers of other companies.

The sales force of the company and the intermediaries
the distributors, wholesalers, retailers etc. should be encourage
information in a continuous manner for effective decision m
feedback sites and combo sites are available on the Internet whi
reviews and expert opinions. The marketers can gather usefu
marketing intelligence on the Internet. In addition to the above, th
advantage of government data sources and other secondary s
Outline of India, Economic Survey, The Marketing Whitebook c

11.4.3 Marketing Research System

The marketing research system implies formal marketi
problems and opportunities. For example, a company may co
effectiveness study after release of a new advertisement. A compa
to know out of five brands, which brands are preferred by the c
order to gain insights about the customer's attitudes and buyi
marketing research is required. Marketing intelligence system w
marketers in this regard.

Marketing research may be defined as the systematic d
reporting of data and findings relevant to a specific marketing
business organization. It is not limited to large companies with
companies also can design and execute marketing research s
accurate, relevant and actionable marketing information for effec
It requires a systematic approach. In the next section, we sh
process.

or interacting with customers, resellers and others concerned. The
dopt a systemic effort to organise and distribute continuous flow of
rketing managers.

nformation system (MIS) may be defined as a system which consists of
and procedures to gather, sort, analyze and distribute needed, timely
tion to marketing decision makers.

ENTS OF MARKETING INFORMATION

ng information system relies on internal records of the business
ng intelligence activities and marketing research.

nal Records

usiness organisations have internal records and data. Based on these,
reports on sales, prices, costs, stocks, receivables, payables etc. They
reports geographic area wise, product wise, division wise or any other
its their requirements. For example, when an order is received from a
e order needs to be executed with payment received. From receipt of an
eceipt of payment, there is a cycle. Detailed information and data on
payment cycle" provide a lot of useful insights to the marketers. For
marketers can assess how many orders could not be executed and for
. Likewise, marketers can generate lots of useful information about the
entory and pattern of sales. Data bases, data warehousing and data
emerging applications in today's business houses. The internal records
es the result data about what has happened in the market.

eting Intelligence

arketers would also like to know what is happening in the market rather
s happened in the market, which is normally provided by the internal
m. In order to enable the marketers to have everyday information about
s in the marketing environment, there is a requirement of a set of
nd sources. The marketing intelligence system comprises this set of

Consumer learning is the process by which individuals acqui
consumption knowledge and experience they apply to future relate

O 10.13 FURTHER READING

1. Marketing Management by Philip Kotler, Tenth Edition
2. Consumer Behaviour, Leon G. Schiffman, Laslie Lazar Kanuk

K 10.14 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1:

(i) purchase (ii) variable (iii) personal
(iv) industrial (v) expanding.

Ans to Q No 2: Perception is the process by which individual s
interpret stimuli into a meaningful picture. Products and service
distinctly and favourably by a consumer have better chance of p
images. Consumers often judge the quality of a product or se
variety of informational cues like, colour, size, flavour, price,

Ans to Q No 3: These variables include external influences like, fi
and socio-cultural environment.

M 10.15 MODEL QUESTIONS

Q 1. Define consumer behaviour. Why it is important for marketer
Q 2. What is meant by consumer research?
Q 3. "Study of consumer personality is important to know the co
Give your comment on this statement.
Q 4. Explain the consumer decision making process.

*** ***** ***

KETING RESEARCH

URE

Objectives
on
Information System
nts of Marketing Information System
nternal Records
Marketing Intelligence System
Marketing Research System
f Marketing Research
ting the Research Plan
g and Reporting the Findings
Research and Ethics
m up
eading
o Check Your Progress
estions

G OBJECTIVES

rough this unit, you will be able to :

- cept of marketing information system.
- onents of marketing information system.
- process of marketing research.
- e importance of interpreting and reporting of research findings.
- le of ethics in marketing research.

CTION

g to be effective, the marketers should have the right type of information
rces about the needs and preferences of consumers. The consumer's
es keeps on changing. The marketers should have access to reliable,

timely and relevant information about the market forces. Not only abo
marketers have relevant and up-to-date information about the forces ar
(distributors, wholesalers, and retailers), competitors and other actors/ fo
In today's context, the marketers need information on the happenings i
i.e. online marketing and e-commerce etc. To that extent, marketing inf
marketing research is very important.

In this Unit, we shall first discuss about marketing informa
components. Then, we shall discuss the process of marketing research,
component of marketing information system. We shall also discuss a
findings from marketing research in terms of interpretation of data and
shall discuss about the role of ethics in marketing research.

11.3 MARKETING INFORMATION SYSTEM

The business environment in the 21st century is changing very
to predict about the future happenings based on ongoing trend. The
acronym VUCA, to indicate the current business environment. In VUCA
U stands for Uncertain, C stands for Complex and A stands for Am
business environment is volatile, complex, uncertain and ambiguous
that information is quite essential for successful performance of any b
the current context, getting right type of relevant, reliable and timely infor
Proactive marketing decisions require close monitoring of macro and
business. The business organisations have to have right type of info
about their consumers, suppliers, competitors, products and their acce
The information gathered from the market needs to be accurate and a
making. As regards information system, the marketers should:

- understand the importance of having continuous information.
- understand the marketing implications of the insights gathered
  assessing market opportunities and challenges.

In order to collect relevant, timely, reliable and actionable mark
marketers have to continuously look for and monitor the changes in the r
or offline market) and market space (online market). To this extent,

enting marketing research plan, the marketers have to look for meticulous
cution in terms of sampling, contact etc.

ng the data, the report should follow a structured pattern so that research
e spelt out in light of research needs. The findings need to be presented
nner that it serves the information requirements of marketing decision

arketing researcher should conduct the marketing research process in
nner. There should not be any immoral and dishonest practice while
he marketing research.

R READING

outh Indian Perspective by Kotler, Keller, Koshy and Jha; 14th Edition,
tion, 2013, Chapter 3, pp. 55 to 99.

earch- Text, Application and Case Studies by Ramanuj Mazumdar, New
al (P) Limited, New Delhi, 1997, Chapter 11, pp. 246-249.

RS TO CHECK YOUR PROGRESS

al records constitute an important part of marketing information system.
and reports on orders, sales, prices, costs, inventory levels, receivables,
all provide very useful insights for marketing decision making.

keting intelligence system comprises of a set of procedures and sources
managers use to obtain information about development in the market
basis. Theses provide the happening data rather than the results data.

ary data are freshly gathered data for a specific purpose. Secondary
hat were collected for another purpose. Census of India reports are
econdary data. Based on the census report, if we conduct a sample
f family welfare methods in a particular locality, that will be an example
.

s group research implies research with a small number of people (6 to
spend a few hours discussing a marketing problem, product etc. under
f a skilled moderator. It can address many issues of research in a

Step 1: Define the Problem and Research ObjectivesStep 2: Develop
PlanStep 3: Collect the InformationStep 4: Analyze the InformationStep
FindingsStep 6: Make the Decision

We shall now discuss briefly each of the steps followed in c
research.

a) Problem Definition and Formulation of Research Objec

Marketing research cannot be panacea (i.e. remedy for a
marketing problems. The exact problem needs to be unde
should not be defined too broadly or too narrowly. Why
particular product cannot be the purpose of a research. Lik
retailers are engaged in a particular business also cannot
be undertaken for carrying out research. If the problem i
manner, it will lead to wastage of resources. If the problem
the data and information gathered will be inadequate for dec
to be researched and why that needs to be researched a
requirements that needs to be addressed at this step.

b) Developing the Research Plan

In order to gather the required information, there should be a
should have detailed provisions regarding sources of info
collecting the information, sampling and contacting the targe
the desired responses so as to address the research probl
the details in Section 11.6.

c) Collecting the Information

This phase of marketing research process is generally th
the same time, this phase is prone to committing mistakes
research design is implemented in the field, the research
problem of achieving consistency. Some respondents requ
help from the invigilators. Some respondents may prefer to f
administered questionnaire. We shall discuss more about t
implementing the research plan in Section 11.6.

g the Information

data are collected from the customers, resellers etc., the data needs to ssed to extract the findings. For that purpose, the data needs to be The averages need to be calculated. The pattern needs to be identified. ple, whether sales are increasing in a territory year wise or not can be from a data set if that is presented in a chronological year wise distribution. techniques and models should be used to arrive at the findings, which marketing decision-making.

ng the Findings

needs to be presented with relevant findings for the marketing decisions nagement. The raw data collected from the field needs to be translated nts, critical findings, and recommendations. If sales are fluctuating the uld indicate whether there are seasonal fluctuations.

he Marketing Decisions

tep implies the practical utility of conducting the research process. The should be able to close the information gaps. Based on the findings, the should initiate the required changes for improving effectiveness in decisions.

ENTING THE RESEARCH PLAN

oing and implementing marketing research, marketers should look into alities in a meticulous manner. We shall consider the implementation omplexities) of marketing research from the following aspects:

urces

y data are data that were collected for another purpose and already e marketing research process calls for investigation by examining y data to see whether the research problem can be partly or wholly hout collecting primary data. Primary data implies freshly gathered data ific purpose or for specific research problem. Let us take an example. A of mustard oil wants to have the data regarding consumption of mustard ahati City in an average month. If the marketer decides to conduct a

follow the same. The data collected from the respondents are private information needs to be respected. In this regard some guidelines cou

i. Personal data will be obtained and processed fairly and lawfull
ii. Personal data will be held for only for specified and lawful purp
iii. Personal data will be accurate and will be kept correct.
iv. Data users must take appropriate security measures against u alteration, disclosure, destruction or loss of personal data.

While carrying sampling plans, researchers may not contact tho whom desirable responses could have been obtained. Some inv conveniently meet the target respondents. Rather they may adopt dish in the data on false premises. Illegal practices are not permitted by law. govern all practices. Rules may not be available for all. In this regar practices with ethical implications are indicated.

1. It has been generally held that offering a gift or token amo respondent will help in improving the response rate. Should it be Should it be offered after some time? Should it be offered at all
2. In case of telephonic research, should we record the conversa
3. Should we install eye-tracking equipment without the knowled customers?

In the absence of rules, the researchers should frame their c Cadbury told, “Ethical mangers make their own rules”. This holds researchers also.

2 11.9 LET US SUM UP

In this unit we have discussed the following:

- Marketing information system implies use of tools and techniqu information for the organisations. In order to solve their informat the business organisations may use internal records, intel marketing research.
- Marketing research involves systematic process to address sp marketing problem. It implies a specific process. In this Unit, w marketing research process in terms of its design and implem

Marketing Research Objectives: The objectives of the research are
arify the issues covered in the research.
thodology: It states how the research study is undertaken. This includes
ta, sampling, analytical procedures etc.
Findings: These are basically the outcome of the study. The data is
h the help of tables and graphs with some commentary through texts
tion of data.
and Recommendations: It shows opinions on the issues examined and
e courses of action based on the results of the study.

R PROGRESS

tween primary data and secondary data.

.....

.....

cus group research mean?

.....

.....

NG RESEARCH AND ETHICS

encompass every citizen of the world. Unethical practices are immoral.
inciples about what is good, right and defensible. Moral values such as
rness etc. are important construct of ethics.
s of money is spent on marketing research alone worldwide. The money
projects and activities that help in satisfying following objectives:
ormation to the marketers on market, competition etc.
rketing problems and opportunities in order to priorities area for action.
arketing opportunities.
reats from competition.
uts into new products launch.
searchers have ethical responsibilities. In each stage of the marketing
e stakeholders (users of research, researchers, respondents and public)
and respect their responsibilities to another. Research findings should

based on per capita consumption of mustard oil data which is
Handbook or National Sample Survey Repository, the market
the consumption multiplying by the population of Guwaha
Guwahati is also available in public sources.

b) Research Approaches

Marketing research can be based on survey, observation e
entire population or a part of it through sampling. There are
collecting information. In this regard, we can take the exa
Research. A focus group research is a gathering of six to
invited to spend a few hours for discussion regarding
organisation or any other marketing entity. This requires th
moderator who needs to be objective, knowledgeable,
dynamics. The 'focused' discussion provides very useful m

c) Sampling Plan

While implementing research plan, the researcher has to l
sampling.

The researcher has to be concerned about the following a

i. Sampling Unit: Whom should we survey? Suppose a hos
sample survey. Should it include the current patients, past p
patients? Should it include the attendants? Should it include
Should it include the young patients? Once the sampling
marketer has to decide a sampling frame so that everyone in
has an equal or known chance of being sampled.

ii. Sample Size: How many people should we survey? Small s
the actual picture. Large samples give more reliable resu
costly. It is not necessary to sample the entire target popula
of resources. Samples of less than one percent of a popula
reliable data, if sampling is carried out in a scientific manne

iii. Sampling Procedure: How should we choose the respon
should be representative.

iv. Contact Methods: The samples may be contacted by e-m
online or offline through postal mails. In case of interviews, th

ses getting biased or distorted by the interviewers. In case of telephonic
the marketers can get information quickly and can clarify doubts.
sonal interviewing, the interviewer can ask more questions and record
servations. But personal contact method is highly expensive compared
vey. While implementing personal contact method, it requires detailed
at the right respondents are approached at the right time. The Bangalore
rporation Limited (BMRCL) used the Internet to conduct research for
metro stations. It launched design competition among students and
ideas from the students for interiors. In today's context, online presence
is essential. Marketers sponsor chat room, blog etc. They introduce
om time to time and track customer responses. There are some
f online research as follows:
search is inexpensive.
search is fast.
search is versatile.
rmally apply their mind while participating in online research.
he customers may not have access to Internet and may not be interested
g. There could be technological problems or inconsistencies also. The
n phase of marketing research requires extensive details. It is generally
ve. Implementation involves high cost. Implementation is prone to error

earchers may contact the respondents and conduct the survey in different
be homes, over the phone, via the Internet or at point of purchase like
all. In this regard, there could be some problems in implementing the
.
spondents may be away from home or may be otherwise inaccessible
roachable.
spondents may be required to be replaced or to be contacted again.
pondents may refuse to cooperate. They may be motivated to participate.
they may not provide the required information.

d. Some respondents may give biased or dishonest answers. A
in research is one of the biggest obstacles. Use of right la
important while conducting interview and questionnaire bas

11.7 INTERPRETING AND REPORTING THE FIND

Conduct of surveys in the field provides lots of raw data. The raw
required insights if they are not processed. The data needs to be tab
measures need to be developed. When we conduct the frequency dist
the averages, we get a picture of the set of data. Suppose, for a rese
collected data from the consumers on how much they spent on differe
we categorize these data and arrive at findings like how different cor
different strata of income spent on food items, non food items, services, e
information. We may compute the measures of dispersion for the m
study. We may apply statistical techniques and decision models. This will
additional findings. In research, we are concerned about answering th
and testing hypotheses. When the raw data is processed in terms of o
and research questions, we get the required insights to address the re

While presenting the findings, the researcher should see that
are presented. There could be lots of irrelevant details if the raw data ar
The findings should be presented in such a manner that it addresses t
for marketing decisions facing management. The data and information
into useful findings, conclusions and recommendations.

There are different preferences for reports. Some prefer a short
only. Some prefer additional reporting on how the results were arrived a
research methodology and results must be presented adequately. Althou
format for all marketing research reports but still the following format is

i. Title Page: It should indicate the subject of the report, for whom
whom it is prepared, and the month and year of submission.
ii. Table of Content: It should indicate how the study is organise
chapters and sections which will facilitate locating different com
iii. Introduction/ Research Brief: It presents the background of th
highlight major issues. The major purpose is to provide the per

munication e.g. the logistics industry, pharmaceutical industry, metal
construction materials industry etc. It facilitate quick disposal of products,
mation, reduces hassles from facing sales people, reducing expanses
etc. The e-mail and e-commerce increase the efficiencies of ordering,
edures by providing on-line catalogue access and process automation.
is done with the help of electronic means which reduces time,
s well as increase accuracy in doing the business. It is more flexible
panies set up the Web Site and promote their products and services

four E-Business Models are in use in Indian Business Organisation:
Business models connects the company with suppliers.
Customers is meant for customer relationship.
Dealers.
Employees communicates company activities and other information to

SUM UP

we have discussed on the various aspects of direct marketing.
ng is one to one activity and targets the individual customers or

ng is becoming an important direct channel of distribution for many

rent channels of direct marketing they are direct mail, Telemarketing,
ng, Direct response Television Marketing and Direct selling.
ny benefits of direct marketing like flexible targeting, multiple uses,
ess, easy to manage, rapid delivery, testing capability, relationship
ing of messages and geographic targeting.

R READING

arketing Management, Tenth Edition, Prentice Hall India Pvt Ltd.

er, Marketing Management, Third Edition, Pearson Education.

M 11.12 MODEL QUESTIONS

Q 1. "Marketing research is a valuable tool for marketing managers
the uncertainty typically associate with situations calling for a de
this statement with how marketing research can help in marketi

Q 2. Define marketing information system.

Q 3. Define marketing research.

Q 4. Describe the component of marketing information system.

Q 5. Write a note on role of ethics in marketing research.

Q 6. Describe the steps in marketing research process.

Q 7. Describe the measures to be taken while implementing a marke

Q 8. How can the findings of marketing research be presented for ease
making?

*** ***** ***

CT MARKETING

URE

Objectives
on
of Direct Marketing
rketing Process
Channels of Direct Marketing
es and Disadvantages of Direct Marketing
of E-Commerece and E-Business
m Up
eading
To Check Your Progress
estions

G OBJECTIVES

rough this unit, you will be able to :

aning of direct marketing
enefits and drawbacks of direct marketing
ocess of direct marketing
different channels of direct marketing
aning of E-Commerece and E-Business

CTION

going to discuss direct marketing. The unit states its benefits and as the process of direct marketing. We will go through the various marketing. Besides this, through this uint you will know about the nerece, E-Business.

T OF DIRECT MARKETING

generally seen as the task of creating, promoting and delivering to consumers and business. Direct marketing is a sub-field of

7) **Targeting of Messages:** Direct marketing can be used messages to different customers.

8) **Geographic Targeting:** Direct marketing can be used for an targeting, whether it's the local area surrounding a restaurant or area by a hotel or a tourism resort.

Disadvantages of direct marketing:

1) In case of direct mail some people do not like receiving offe throw them immediately without opening the mail.

2) Resources need to be allocated in the maintenance of lists this kind of promotional campaign depends on the quality o

3) It need long times for creative printing and mailing

4) Direct marketing can be expensive at times, depending on quality of our list and size of the campaign i.e the direct m

W CHECK YOUR PROGRESS

Q.5 What are the benefits of Direct Marketing?

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.....

.....

12.7 CONCEPT OF E-COMMERECE AND E-BUSIN

The term electronic commerce describes a wide verity of electr reduces paper work, give scope to access different information transmission of messages. It is two way phenomenon viz digitalizat The process of converting text, sound, data etc to bites from one lo incredible speed is digitalization. On the other hand, the building of net transmission of messages all over the world is connectivity. It again m the connectivity done within a company or called extranet as it connec customers. But, it is called internet when connectivity done to a large nu e-commerce has two channels as commercial channel and internet.

emarketing, the salesperson uses Telephone. se)

ce company is where, direct selling is used as a of direct marketing. (True/False)

es and Disadvantages of Direct Marketing

of the advantages or benefits of direct marketing:

geting: In Direct Marketing the salesman talk directly to the target d communicate with well-defined target markets. Because of which, son has a higher conversion and success rate than communicating n the mass market.

s: Direct marketing is not only meant to sell products or services, used to (i) test new markets and trial of new products by customers, existing customers to build loyalty, (iii) to collect information for future tc.

nage: Direct marketing is easy to mange and has a greater control er marketing methods. In direct marketing it is easy to measure the use the salesperson knows exactly how many customers he has nd also direct marketing makes it easier to plan, forecast and budget ect marketing campaigns.

ry: Direct marketing is very flexible. Especially for telemarketing, (as sec12.9), as the results of a conversation can be logged immediately lems and queries can be handled immediately.

ability: Direct marketing allows us to test again and again in order he most successful combination of direct marketing tools. Any of the ted with direct marketing such as timing, list, message, mailer and adjusted, tested again, and measured to find the optimum direct position.

Building: Direct marketing is very effective in developing a good with new customers. For example the marketer of a tourism resort ly inform the customers about the launching of new schemes, new

Marketing. Direct marketing is aimed directly at the customer, s product straight to the target customers. There are two main cha marketing. The first is that, it sends its messages directly to the cu interference of media. Some examples are direct mail, e-mail, te based marketing. The second characteristic is that it is focused o this involves an emphasis on trackable, measurable responses from of medium.

According to, Direct Marketing Associations (DMA), "Direct marketi **marketing** system that uses one or more advertising media to a **response** and/or transaction at any location"

Direct marketing targets the individual people or organisation a in short – run responses like sales promotion.

12.4 DIRECT MARKETING PROCESS

Following are some of the steps for developing a direct ma



1. **Setting a goal or objective:** First, we need to set up a goal of sales, number of new customers etc
2. **Selecting the target market:** Secondly, we should select the ta direct marketing requires determining which customers are

medium/media: After selecting the target market, we need to select or the media through which we are going to sell our product or

t: In direct marketing, a list of the targeted customers is required. o sources of list: (a) internal list and (b) external list. We can get the om the customer records only and external list are purchased from rs or the companies that sell their own customer list.

e list: After getting the list, we need to analyse the customers buying d to get the best prospects for the target audience.

t of the offer: The 'offer' is the text message of direct marketing. age, various offers are developed to attract the customers.

offer: After developing the offer, it needs to be tested with alternative xample, many companies experiment with different catalogs to test uts and product mixes.

e result: At the end, it is important to analyse the result with the ch was set at the beginning of the process.

R PROGRESS

marketing.

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.....

ks:

rketing is a .....of marketing.

rketing targets .....people.

sources of list of direct marketing are a).....and .....

n .....is the first step to direct marketing

IT CHANNELS OF DIRECT

manager can choose his method that allows customers to be targe level. The various channels or methods are discussed below:

1. **Direct mail:** The most common form of direct marketing is also known as junk mail. Direct mail marketing involves ser etc to the customers at a particular address. It is normally who send mail to all postal customers in an area or to all
2. **Telemarketing:** The second form of direct marketing is tele marketers contact consumers by phone. In telemarketing th telephone to attract new customers, to give information to it or to take orders.
3. **E-mail Marketing:** E-mail is again a medium of direct ma inexpensive and flexible as they can deliver text, HTML, vid
4. **Direct Response Television Marketing:** Direct response which is also known as DRTV has two basic forms: (a) usually ½ hr or 1 hr long segments which explains a prod short form which refers to typical 0:30 second or 0:60 seco ask viewers for an immediate response which means they call immediately to the number given or to log on to the we
5. **Direct selling:** Direct selling is the oldest medium of dire means the sale of products by face-to-face contact with th days many companies, go for professional salespersons to lo customers and develop and grow their business. Direct sell the insurance companies, stockbrokers and the direct sales as Amway, Avon etc.

W CHECK YOUR PROGRESS

Q3. What is meant by direct mail?

.....

.....

Q4. State True / False

(a) Direct marketing is also known as 'Trunk mail'. (True/F

(b) E-mail can be delivered through videos and

understanding prospect responses

e product

rospect- to gauge the prospect's understanding and acceptance of

ussed.

JECTIONS

when a salesperson does not receive objection from a prospect. By

erring to a cause of concern prospect has regarding the product (or

it will work for their situation.

on, salespeople are trained to make sure that they clearly understand

rn. Salespeople are rarely able to make the sale unless objection is

bjection

lly to the objection (don't interrupt or anticipate).

on to completely understand the issue.

s, restate or clarify the objection.

response carefully and keep it short.

resolution to overcome the objection

the answer or proposed solution will satisfy the objection.

SALE

ed the objections that the customer presents, we must ask for their

mer will have given us signals along the way. Sales people's job is

signals and ask for their business. There are many techniques that

closing the sale, and we need to find the techniques that we can

salespeople's, understanding when it is time to close a sale what

e used takes experience. The close is not the end of the selling

eginning of building a relationship.

final activity in the selling process. It is maintaining relationship and

t sale cycle by repeat purchasing. Following up with a customer is

long-term relationship.

work hard to ensure that customer is satisfied with the purchase and

K12.10 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: "Direct marketing is an **interactive marketing** sy
or more advertising media to affect a **measurable response**
any location"

Ans to Q No 2: a) sub-field b) individual
c) internal list and external list d) goal/objectives

Ans to Q No 3: Direct mail marketing involves sending offer,
customers at a particular address.

Ans to Q No 4: a) False b) True c) True d) True

Ans to Q No 5: Flexible Targeting, Multiple Uses, Cost-Effectivene
Rapid Delivery, Testing Capability, Relationship Building, Tar
Geographic Targeting.

M 12.11 MODEL QUESTIONS

Q 1. What are the benefits of direct marketing? Explain.

Q 2. State the disadvantages of direct marketing.

*** ***** ***

SONAL SELLING

URE

Objectives
on
of Selling
Selling
Objectives of Personal Selling
Functions of Personal Selling
Advantages and Disadvantages of Personal Selling
rocess
Sales Person
um Up
eading
To Check Your Progress
estions

G OBJECTIVES

rough this unit, you will be able to :

ncept of selling
onal selling
objectives and functions of personal selling
vantages and disadvantages of personal selling
elling process

CTION

very important concept of marketing. Personal selling is one of the motion. So, in this unit, we are going to discuss the concept of e main aim of personal selling is to introduce a product or the wledge of the prospective buyers.

preparation before he meets the client, for example he may send telephone or post a letter. Make sure that you are on time.

- Before meeting with the client, set some objectives for the
- To save time, send some information before visit.
- Keep a set of samples at hand, and make sure that the condition.
- Within the first minute or two, the purpose of the call shou time with the customer gets maximized
- The salesperson should demonstrate to the client that they a her time.

3. Preparation for the Sales Call:

Now the next task is to prepare for an ultimate sales call. Before s has to learn more about the customer. More information about a salesperson to be more confident in his/her presentation and, across as more knowledgeable when meeting with the prospec Salesperson will use their research skills to learn about such

- who is the key decision maker
- what is the customer's organizational structure
- what products are currently being purchased
- how are purchase decisions made

Salesperson can attempt to gather this information through severa

1. Corporate research reports, information on the prospect's we
2. Conversations with non-competitive salespeople, who have dea

Gaining this information can help to prepare the salesperson for th that compares the seller's products against products being purchas Additionally, having more information about a prospect allows the sal confident in his/her presentation and, consequently, come across as when meeting with the prospect.

Meeting is not just about the seller discussing the product, rather mu during this part of the selling process including

- Establishing rapport with the prospect
- Gaining background information

PROCESS



ntial Customers:

ding potential customers. A potential customer or "prospect" is first s lead. Salespeople may receive a list of sales leads based on e company's website .However, sales leads can come from many

om previous customer
internet, corporate press release
tacting someone without pre-notification)
tabase
professional contacts.
ions and advertisement.

Prospect:

of personal selling, functions of personal selling, and selling proces

13.3 CONCEPT OF SELLING

According to Australian Institute of Sales and Marketing Execut has been defined as "Persuading people to want, what we have to s does this act, is called as the "Salesman", the result of this action as activities of the person, are supervised and controlled by "Sales-Mana of 'selling' is referred to as "Salesmanship".

Also we can say that selling is the art of convincing the cons product or service will benefit him or her. Whatever product or serv need to focus our selling efforts and tell about the benefits of our p the consumer. The benefits may be different for different product, but consumer is convinced he or she will not buy the product.

13.4 PERSONAL SELLING

Personal selling is a method in which salesperson uses his s for making personal relationships with the customer. According to *Association*, "Personal Selling is an oral presentation in a conversati prospective purchaser for the purpose of making sales".

Personal selling involves personal contact, face-to-face meeting conversation, internet including using video conferencing or text me chat).

Examples of personal selling are as follows:

1. **Retail selling:** Retail selling means selling in a retail counte
2. **Field selling:** Field Selling means selling of product by going c
3. **Telemarketing:** Use of the telephone as an interactive mediu sales is known as telemarketing.
4. **Inside selling:** Selling of product without going out in the ma

ctives of Personal Selling

Awareness: Building awareness using personal selling is most A common job of salespeople is to educate customers on product and discuss about new product launch and making aware of them new technologies and benefits.

Interest: Personal selling involves face to face communication and e customer feel and touch the product which result in building interest the product. It gives an experience of the product for the first time. nterest goes hand-in-hand with building product awareness as sales n often accomplish both objectives during the first encounter with a customer. For example, free test drive of a car.

nformation: In personal selling large part of the conversation focuses ct information. Marketing organizations provide their sales staff with unts of sales training and technical support through product brochures, reports, computer programs and many other forms of informational which should be provided to a customer.

Demand: Once customer is aware of the product, showing interest ufficient information then most important objective of personal selling vince customers to make a purchase.

ing the Brand: A strong relationship can only be built over time and egular communication with a customer. Personal selling is intended ng-term relationships with customers. Meeting with customers on a asis help salespeople to repeatedly discuss their company's products gthen customers' knowledge of what the company has to offer.

se the volume of Sales: The objective of a sales person to increase e of sales through its customers.

13.4.2 Functions of Personal Selling

1. To make sales to both old and new customers.
2. Service to customers and remove doubts.
3. Keep sales record.
4. To give presentations.
5. Develop goodiwill of the company.
6. To achieve sales target.

13.4.3 Advantages and Disadvantages of Personal S

Advantages of Personal Selling

1. It's a two-way form of communication which helps custome and clear doubts about the product or the services wit
2. Builds strong long-term relationship with customers.
3. Personal selling is the most effective promotional option fo who are not easily reached through other methods.
4. Personal selling helps in getting reference and building
5. Personal selling is more flexible.

Disadvantages of Personal Selling:

1. Personal selling is more expensive because cost of maint force is high.
2. Customer may misunderstand a sales person by his beh some bad experience with them.
3. Its not easy to recruit right kind of a salesman who has th to sell a product or service.
4. Once a salesperson leaves the jobs then all the good rela with which has been built gets along with him.

tas must be fixed with consultation with the salesperson.

The following are the different types of sales quotas:

Based on value or units, typically a breakdown of the sales forecast, growing markets without too much price competition.

as: Either in value or percentage of sales obtained, mature products can lead salesperson to cut expenses to the point of losing business

Incentive to sell profitable products or profitable customers.

quotas: It is the combination of sales, new customer, service.

activity: activities like demonstrations, road shows, calls, new

rtant elements in assigning Quotas:

entration in the territory

ze of territory

th in the territory

r's commitment to help the sales person

product

past performance

product line

mpensation

products in the product line

R PROGRESS

Correct Answer

g is a

l tool (b) prediction of future sale

(d) Demand analysis

not the factors influencing sales forecasting –

onditions (b) Changes within the firm

(d) Voter

the method of sales forecasting?

with the purchase.

13.6 TYPES OF SALES PERSON

1. Order Takers

Order takers are repeat sales seeker who does not require mor arrange displays, restock, and answers phone call. Order Takers c

- Inside Order Takers: Who receives orders by mail/phone, sal store.
- Field Order Takers: Who travel to customers place and close t person use laptop computers to improve tracking of inventory

2. Order Getters

Order getters sell to new customers and increase sales to present cu they are called creative

Generate customer leads, provide information, and convince custom

3. Support Personnel

Support personnel are those people who facilitate the selling func information regarding new goods or services, describe attributes and do not close sales. They spend much time helping customers, esp to promote the product. Restock the shelves, set up displays. Tec offer technical assistance to current customers. Service Salesp customers after sale is complete

CHECK YOUR PROGRESS

Q1. Define personal selling.

.....

.....

Q2. Write the functions of personal selling.

.....

.....

13.7 LET US SUM UP

In this unit, we have discussed on the various aspects of

g involves personal contact between buyers and sellers. The contact face to face, over telephone, through

g is two way communication, which is very flexible, convincing and

rent types of sales persons like order taker, order setters & support

R READING

arketing Management, Tenth Edition, Prentice Hall India Pvt Ltd.
er, Marketing Management, Third Edition, Pearson Education.

S TO CHECK YOUR PROGRESS

Personal selling is a conversation with one or more prospective purpose of making sales.
To make sales to both old and new customer.
o customers and remove doubts.
ve sales target

QUESTIONS

nal selling? Write advantage and disadvantage of personal selling.
lling process.
nt types of sales persons.

*** ***** ***

14.7 SALES TERRITORIES

A good sales planning is based on sales territory. The market is divided into sales territories or areas, and then each territory salesperson.

Sales territory is a particular group of customer assigned t sales territory is a geographical area consisting of present and pot efficient salesperson can achieve his sales targets if the territory suitable size. The territory size depends on the order size, customer The salespersons are appointed according to their capabilities and

Advantages of Sales Territories: The following are some of the ac the market into sales territories:

- Higher sales volume can be achieved with low sales expens
- Evaluation of the salesperson's performance can be easier.
- The activities of the salespersons can be controlled by the s
- The salesperson spends more time in customer call instead

14.8 SALES QUOTA

After discussing 'Sales Territories', now we will be discuss a days many companies use quota system to evaluate the targe salesperson.

Sales quota can be defined as the estimated volume of sa expects to achieve within a given period of time. Quota may be in ter which is fixed to the sales person. It is fixed for a definite period o a year or a month or a quarter. The quota is fixed on the basis of sa main aim of the sales persons is to achieve the sales quota or th them.

A sales quota should satisfy the following:

1. The sales quota should be scientifically calculated;
2. Incentives must be provided to the sales person for the ac quotas;
3. Sales quotas must be attainable and fair;

of time based on his experience and information. Like this each s his opinion and then the opinions are collected, analysed and er that a collective decision is made about the future.

hod: As the name suggests, in this method the sales forecasting is basis of historical records. Under this method, past data, records, . of the demand, production etc are collected, compiled, tabulated, l analysed and then the sales forecasting is done. As this method is past records, the results which are studied and analysed before the ing is determined, is more reliable.

Composite Method: Under this method, the sales executives are onsibility to forecast sales for his own territory. The sales person with onship with the customers gets the knowledge and information about and trend. Then the information are integrated and modified and a stimate is made for given period of time.

ying Plan Method: In this type of sales forecasting method, as a rmation the consumers are approached to know their purchases d of time. This method is most suitable, when there are very few is generally adopted by the industries which produce costly goods ber of customers.

n Method: Under this method, the organization collects the opinion xperts who are engaged in the field of business, management, sales ons given in the newspapers, journals etc. are also taken into The opinions are then collected, evaluated and analysed and then casting is done.

g Result Method: In this method, the products are introduced in a rea and then the result is analysed. Based on the result, sales made. This test is done as a sample in order to understand the se.

d Quantitative Method: The methods which are discussed above he personal judgments of the experts and may not be accurate. The quantitative methods are accurate and in recent years many statistical e methods are used for sales forecasting. These methods are based

UNIT 14: SALES FORECASTING

UNIT STRUCTURE

14.1 Learning Objectives
14.2 Introduction
14.3 Concept of Sales Forecasting
14.4 Importance of Sales Forecasting
14.5 Factors influencing Sales Forecasting
14.6 Methods of Sales Forecasting
14.7 Sales Territories
14.8 Sales Quotas
14.9 Let Us Sum Up
14.10 Further Reading
14.11 Answers To Check Your Progress
14.12 Model Questions

14.1 LEARNING OBJECTIVES

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

- explain the concept of sales forecasting
- discuss the importance of sales forecasting
- outline the factors influencing sales forecasting
- describe the methods of sales forecasting
- discuss about sales territories and sales quotas

14.2 INTRODUCTION

In marketing, selling is an important function. It generates r Therefore, it is very important for the firm to estimate the expected sales It is called sales forecasting. If this estimation shows a future decline company can take certain measures to improve the sales volume. consider a number of factors in forecasting the sales volume. Moreov methods of sales forecasting.

ou will get an idea regarding sales forecasting, its importance, factors
orecasting, different methods of sales forecasting etc.

OF SALES FORECASTING

rms, forecasting means “A statement made about the future”. So,
the estimation of sales made for the future. Sales forecast is an
rupees or in units for future period.

cast is the prediction of sales volume that a company can estimate
ed period of time in future.

some of the definitions given by different scholars:

American Marketing Association, “Sales forecast is an estimate of
pees in India) or physical units for a specified future period”.

Matthew, Buzzles, Lovitt, Frank, ‘A sales forecast is an estimate of
’s product that are expected to be achieved during a given future
ace’.

NCE OF SALES FORECASTING

sting is the basis of all business activities. All the business activities
s related matter, production related matter, finance, advertising, etc
recasting. Any business firm starts its plan with sales forecasting
a self-assessment tool for a company.

ecast reportanalyzes the pulse of any business. It is a vital basis of
. The future direction of the company depends on sales forecasting.
ce of sales forecasting can be stated as follows:

nd under stocking of materials can be maintained by a good inventory

of sales forecasting, sales opportunities can be found out on the
recast.

s in an organization are controlled on the basis of forecasting.

d sales promotion expenses are based on sales forecasting.

ng is also important in the field of personnel department. The number

sales forecasting.

- Sales forecasting is the basis for financial planning.
- In the field of production, with the help of sales forecasting the
adjust his production schedules and can utilise existing productio

8. Supply and demand of the products can be easily adjusted.
9. It helps in knowing when and how much to buy.
10. It helps in product mix decisions.

14.5 FACTORS INFLUENCING SALES FORECASTING

Following are some of the factors that influence sales forecasting:

1. **Business Conditions:** The sales manger should be aware
conditions in a country may it economic, political or legal condi
growth, government policies, changing consumers’ fashion a
sales forecasting. Moreover, the economic trends such as i
recession etc. influence sales forecasting.
2. **Internal conditions of business Enterprise:** The internal c
policy, advertising, promotion policy, selection of distribution ch
sales forecasting.
3. **Taste of consumers:** Different consumers have different ta
product like wearing apparel, vehicles, furniture etc. Sales de
consumers, gender, age, population etc.
4. **Period:** Sales forecasting is also influenced on the basis of sh
and long run forecast.

14.6 METHODS OF SALES FORECASTING

There are different methods of sales forecasting which are used fro
business enterprise to forecast sales. The methods can be discus

1. **Jury of Executive Opinion Method:** This is the oldest method
This method is also called Executive Judgment Method. Unde
or committee is formed. The jury consists of high ranking exec
departments such as marketing, finance, production etc. Her

(c) Standard Costing (d) Time period analysis.

Q2. What is Sales Quota?

.....

.....

.....

.....

2 14.9 LET US SUM UP

In this unit, we have discussed on the following aspects:

- A sales forecast is the prediction of sales volume that a co to achieve in specified period of time in future.
- The importance of sales forecasting for the business form.
- The diferent factors that influence sales forecasting like, Busines conditions of business enterprise, Taste of consumers etc.
- The different methods of sales forecasting like, Jury Execut Historical Method, Test Marketing Result Method etc.
- A sales territory is a geographical area consists of present and
- Sales quota can be defined as the estimated volume of sa expects to achieve within a given period of time.

O 14.10 FURTHER READING

1) Kotler P. Keller K. L. Koshy A. Jha M (2009).Marketing Manage Perspectives. New Delhi: Pearson Education Ltd.
2) Pillai R.S.N. and Bagavathi (2007). Modern marketing: Principle Delhi: S. Chand & Company Ltd.
3) Sarangi S. K. (2006). Marketing management. Guwahati: Asian E

K 14.11 ANSWERS TO CHECK YOUR PROGRES

Ans to Q No 1: i) (b) prediction of future sale

ii) (d) Voter

opinion method.

les quota is a estimated volume of sales that a company expects hin a given time period.

L QUESTIONS

t by sales forecasting?

portance of sales forecasting.

factors that influence sales forecasting? Explain.

different methods of sales forecasting. Explain any four methods.

t by sales territory and sales quotas?

*** ***** ***

REFERENCE LIST (FOR ALL UNITS)

1. Consumer Behaviour, Leon G. Schiffman, Laslie Lazar Kanuk
2. Brand Imitation by Dr. SS Kaptan and Dr. S Pandey, Himalay 2004
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Name of the Paper:
Course Code:

Centre for Internal Quality Assurance (CIQA)
Krishna Kanta Handiqui State Open University
City Office, Housefed Complex, Guwahati- 06

Learner's Feedback on Course

entioned above, we would like to know your opinions and comments so as to improve the aterials in future. Please respond to the following statements by ticking the number you nion. After completion of the additional comments, please detach the page and send/mail ss given below.

Internal Quality Assurance, KKHandiqui State Open University
ur, Guwahati- 781006
.in)

ow many hours did you spend for studying the units in the course? | | | |

opinions (by √ mark) to the following items based on your reading

Statements	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree
e fulfil the learning objectives set out in the					
d satisfy my academic needs and expectations					
llcnt knowlcdgc about thc coursc contcnts					
the units were presented at a level which I could					
ticipation in the activities provided in the units					
(Diagrams, tables etc.) for conceptual clarity					
ging, relevant, and up-to-date					
re very helpful					
ons and the answers to check my progress have					

Please feel free to provide your open comments)

the SLM, according to you, worked well?

---

nges/improvements do you feel KKHSOU could implement to improve the overall quality

---

Name of the Paper:
Course Code:

Centre for Internal Quality Assurance (CIQA)
Krishna Kanta Handiqui State Open University
City Office, Housefed Complex, Guwahati- 06

Learner's Feedback on Course

Dear Learner,

Regarding the course as mentioned above, we would like to know your opinions and comments quality of self learning materials in future. Please respond to the following statements by tic feel most reflect your opinion. After completion of the additional comments, please detach th the same to us at the address given below.

The Director, Centre for Internal Quality Assurance, KKHandiqui State Open University
Housefed Complex, Dispur, Guwahati- 781006
(E-mail id: ciqa@kkhsou.in)

1. Approximately how many hours did you spend for studying the units in the course?
2. Please give your opinions (by √ mark) to the following items based on your reading of the block:

Sl. No.	Statements	Strongly Agree	Agree
I.	The SLMs of the course fulfil the learning objectives set out in the beginning of each unit		
II.	The units of the SLM could satisfy my academic needs and expectations		
III.	Thc Unit writcrs havc cxccllcnt knowlcdgc about thc coursc contcnts		
IV.	Language and contents of the units were presented at a level which I could readily understand		
V.	Ample opportunity for participation in the activities provided in the units		
VI.	Used enough Illustrations (Diagrams, tables etc.) for conceptual clarity		
VII.	Quality of content is engaging, relevant, and up-to-date		
VIII.	The self check questions are very helpful		
IX.	The Possible/model questions and the answers to check my progress have benefited me a lot		

Additional Comments: *(Please feel free to provide your open comments)*

1. Which aspects of the SLM, according to you, worked well?

   ---

2. What sort of changes/improvements do you feel KKHSOU could implement to impro of the SLM?
