# UNIT 10: MARKETING PROMOTION-I

## UNIT STRUCTURE


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## 10.1 LEARNING OBJECTIVES

After reading this unit you will be able to -

- define promotion
- describe different types of promotion
- differentiate between promotion and advertisement

## 10.2 INTRODUCTION

In the earlier units you have obtained a fairly good insight into marketing and its implications. We have been reading, watching, listening and looking at different promotion since our childhood. Promotion is one of the components of marketing mix (marketing mix-Product, price, promotion and place) which helps the marketer to promote the product in the market. Its main purpose is to inform, persuade and influence people towards the product or services. Promotion is a basic ingredient in non-price competition and it is an essential element in modern marketing. This unit introduces you to the different promotional strategy of marketing.

## 10.3 DEFINING PROMOTION

Generally, promotion is communicating the benefit of the product or service to the target customers in an attempt to influence them toward buying the products services on offer.

The marketers should provide information to the customers about its products and services and motivate customers to buy. Advertising, personal selling, publicity and other sales promotional programes are the various promotional activities. All these activities increase the volume of sales by expanding as well as retaining the market share for the products. Basically, promotion deals with no price competition in the market. Promotion is done for three purposes – (a) informing, (b) persuading and (c) influencing consumers.

Promotional techniques are used by both Industrial as well as Consumer marketers. Different marketers use different advertising Media (newspaper, magazine, television, hoardings, radio etc.).For example, a machine tool marketer can use magazine advertising, dealer sales – incentive contest, trade shows, and press release to promote the products. IBM, Apple and other computer supplier combine extensive personal selling with advertising and public relations. For expensive, complex products and systems, close interaction between buyer and seller is often required, which lead to a lot of personal selling in such markets.

Marketers' selection of advertising media reflects their overall promotional strategy for a product.

## 10.4 PROMOTION MIX

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

Businesses use various promotional methods to communicate with individuals, groups and organizations. Just as product, price, distribution, and promotion make up the marketing mix, so four components make up the promotion mix. The promotion mix is the specific combination of these four promotional methods-advertising, personal selling, sales promotion, and publicity or public relation that an organization uses for a specific product.

## 10.5 FACTORS AFFECTING PROMOTIONAL MIX AND STRATEGIES

There are many factors which influence promotional mix and they are known as product market factors.

1. **Nature of the product:**

   Different product requires different promotional mixes. Consumer goods and industrial goods require different strategies. Consumer goods are sold through advertising, personal selling and displays. But industrial goods require more personal selling. Based on the following attributes, the promotional strategy may vary.

   **(a)** **Product complexity:** If a product is technically sound and complex in nature then it requires personal selling. For example, Industrial products. On the other hand if the product is simple we can go for advertising. For example, most of the FMCG products.

   **(b)** **Brand differentiation:** Promotional mix is affected by brand differentiation and the degree to which the brand is differentiated from competitor's brand.

   **(c)** **Purchase frequency:** If buyers buy frequently a product, such as soap, tooth paste etc. the marketer will invest a good amount on advertising to push competition brands.

2. **Nature of the market:** Different markets require different promotional mixes and strategies. In industrial market, advertising plays a more informative role then the persuasive role for industrial buyers. Personal selling emphasizes on two roles, i.e. information and persuasion in the industrial and consumer's market.

3. **Stage in the product life cycle:** The promotional product mix varies within stage in the product life cycle. The nature of demand varies according to the stages in the life cycle. During the introductory stage, the customers do not realize the qualities of the product. Here, information about the product and its benefits are made known to the buyers. In this stage, more importance must be given to personal selling and trade shows. In the growth stage, customers know the qualities of the product. Hence to stimulate demand, advertising must be increased. In the maturity stage, sales and profits decline and hence all the promotional activities should be cut down.
4. **Market penetration:** Here the product is already known to the buyers. In that situation, a sustaining promotional strategy is suitable. A brand has insignificant market penetration means it has a small market or struggling market.
5. **Market size and location:** Product's market size and location also influences the promotional mix. In narrow market, where the numbers of potential buyers is small, direct mail is used. In a broad market advertising is used.
6. **Characteristics of buyers:** The characteristics of prospective buyers strongly influence the promotional mix. Experienced professional buyers such as industrial purchasing agents need personal selling. Inexperienced buyers need advertising. Some buyers give importance to time, some to purchase of products, buyers act according to the influence of friend, relatives etc.
7. **Distribution strategy;** Companies fighting more through distribution for establishing their brands, invest more money on personal selling and advertising. Companies which have already established their brand in the market have to invest only a small amount in personal selling and advertising.
8. **Pricing strategy:** Pricing strategy influence the promotional mix strategy. If the brand is priced higher than the competition, more personal selling is needed to get a middleman to stock and push the brand. If the brand is priced lower, little promotion is needed.

**CHECK YOUR PROGRESS:**

**Q.1:** Give the definition of promotion.

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**Q.2:** State any two factors which influence promotional strategies.

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## 10.6 FORMS OF PROMOTION

In this section we will discuss about different promotional forms and corresponding marketing strategies. Different forms of promotion are as follows:

- Advertising
- Personal Selling
- Sales promotion
- Publicity and public Relation

  Direct Marketing

In this unit we will briefly discuss advertising as a fomr of promotion, other promotional mixes will be discussed in the next unit.

### 10.6.1 Advertising

Advertising provides information about product and services to the customer. It is a medium of mass communication to convey the benefits about the products and services. Advertising can enhance sales only if they promise a benefit to the customer.

**Definition:** Advertising is a paid form of non- personal communication about an organization, its products, or its activities that is transmitted through a mass medium to a target audience.

The mass medium could be television, radio, newspaper, magazine, direct mails, sign, outdoor displays, handbills, catalogues or directories. Advertising can be used to build up a long term image for a product trigger quick sales.

Advertising is one of the most cost efficient methods because it can reach a large number of people at a low cost per person. Advertising also helps in creating brand image about a company. Advertisement permits the seller to repeat a message for many times, which will help the customer to remember the product. Advertising also has several drawbacks. Even though the cost per person may be low, but the total cost can be very high. These high cost can limit, and sometimes eliminate advertising as an element of the promotion mix. As advertising is a one way of communication (generally), the feedback from advertising is generally slow, if it occurs at all, and measurement of the effect of advertising on sales is difficult.

**Developing the advertising strategy:**

**1. Identify and understand the target audience:**

The target audience is the group at which the advertising is aimed for. The target market should be selected very carefully and it should comprise the best prospects that would buy the product. The target market may be defined in terms of the socio economic group, age, gender, buying frequency and lifestyle for consumer markets. In business markets, the target market may be defined in terms of the industry, order size, product specifications and buyer seller relationships.

After the identification of the target audience, next step is the analysis of the buyers' choice. Different factors based on which buyers make their purchase decisions are : external factors (such as income, social class, reference group influence, culture, buy situations) and psychological factors ( such as perceptions, attitude, involvement levels).

**2. Advertising objectives:**

All advertisement should enhance sales. Some may induce purchase action immediately, while some may stimulate demand for a later period. The objective of the advertising can be framed under following headings:

- **Position the offering:** Advertisements are primarily used for positioning products in the mind of target audience.
- **Create awareness:** When awareness is created, it legitimizes a company, its representatives and products in the eyes of customers.
- **Stimulate trial:** Advertising stimulates trial purchase among the target customers.
- **Remind and reinforce:** After the customers have become aware of the brand, its advertisement should keep reminding the customers of its existence until the brand image sticks to the minds of the targeted customers.
- **Provide support for sales force:** Advertising helps the sales force in convincing the customers.
- **Correcting misconceptions:** Advertisements can also be used to correct misconceptions which consumers hold against brands.

**3. Methods of setting the advertising Expenditure**

The advertising expenditure is a part of the total communications spends of a company. The company must therefore decide the percentage of advertising spend as one of the components of its integrated communication campaign.

Though there are several methods of arriving at the budget, the individual brand budget will depend upon several factors such as profitability, marketing objective and competitor's position. The various methods, which are used, for setting advertising budgets are:

- **Percentage of Sales Method**: The percentage of sales method is the most widely used method of setting the appropriation. The percentage is based on the past years' sales or on

estimated sales for the coming year or on some combination of these two. This is simplest method, as it requires little decision making. But this method suffers from a basic drawback in that it does not take into account any specific need of the market situation which may change rapidly.

- **Unit Sales Method**: In this approach, a percentage of the price of each unit of the item sold is allocated to advertising. This approach is useful as it links the price of a brand with its advertising expenditure. This approach is simple to plan and execute. However, it does not lead to efficient marketing since past sales determine how much a firm should spend on advertising, when in fact advertising is a tool to create sales and expand markets.
- **Task Objective Method**: The objective task method concentrates on the marketing/advertising objectives that are pre-decided. Thus under this method a company launching a new product will decide to spend more money as it has to create immediate awareness amongst consumers.
- **The Competitive Parity Method**: In this approach an advertiser bases his budget decision primarily on the expenditures of competitors. That is they try to keep pace with their competitor's advertising budgets. This method could be useful in deciding individual brand ad expenditures. It has the advantage of recognizing the importance of competitors and ensures that the competitors do not increase their ad expenditure to a level that affects the advertiser's sales.
- **Affordability Method**: This approach means that the advertising budget will be decided on the basis of whatever money is left after all other fixed and unavoidable expenses have been allocated.
- **The Break Even Method**: The break even or the marginal analysis method attempts to quantify the advertising spending level that will offer an organization the highest additional

gross profits. That is the firm continues to spend on the advertising as long as the incremental expenditure are exceeded by the marginal revenue they generate, thus maximizing the gross profits of the firm.

This method has an advantage because it helps in diagnosing any problem, that is when the company is overspending or under spending. But it suffers from the disadvantage of limited research techniques that cannot isolate the effect of advertising on marginal revenues and gross profits.

Some specific factors that should be considered when setting the advertising budget are:

- Stage in the product life cycle: New products typically need large advertising budgets compared to matured products.
- Market share: High-market share brands usually need more advertising.
- Competition and clutter: More advertising is usually required in a market with many more competitors and their advertising clutter.
- Product differentiation: When a brand closely resembles other brands in its product class, more advertising (and therefore budget) is needed

**4. Message decisions:**

Advertising strategy consists of two major elements:

**a) Creating advertising messages**

**b) Selecting advertising media**

**a) Creating advertising messages:** No matter how big the budget, advertising can succeed only if commercials gain attention and communicate well. Good advertising messages are especially important in today's costly and cluttered advertising environment.

The first step in creating effective advertising messages is to decide what general message will be communicated to consumers—to plan a message strategy. Developing an effective message strategy begins with identifying customer benefits that can be used as advertising appeals. Ideally, advertising message strategy will follow

directly from the company's broader positioning strategy. Message strategy statements tend to be plain, straightforward outlines of benefits and positioning points that the advertiser wants to stress.

**b) Selecting advertising media:** In order to decide the media vehicle the marketers choose from the following: Print media (news paper, magazine, Hoardings, posters etc), Broadcast media (Television, Radio and online media). More than creativity considerations of cost per thousand customers reached is more dominant. This requires readership and viewership figures.

Different types of media are discussed as follows:

**(i) Print Media:** Print advertising includes advertisement in newspaper, magazines, brochures, posters etc. Print media provides more detail information, rich imagery and longer message life. But the drawback is that many readers do not read the advertisements. In case of a news paper, the readers will read the news not the advertisement.

Different forms of print advertising are discussed below -

- **News paper advertising:** The news paper may be daily, weekly or fortnightly and can also be of different languages. When we consider the news paper as an advertising medium, we have to asses the advantages of the news papers as it provides more flexibility than other media do. News paper conveys messages very rapidly to the mass media. Cost of advertising is also low in case of local news papers. But the drawback here is that it has short life span and many readers do not read the advertisements.
- **Magazine Advertising:** A magazine is a periodical publication, consisting of specific information to the target group (e.g. business magazine for businessman, health magazine for health concerned people etc.). Advertisers can easily target their audience and give advertisement on specific magazines. The presentation of material in a magazine is better than news paper. Both printing and paper

qualities are good in magazines. Magazines have the longest life span in all media.

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

**(ii) Broadcast media:**

**Radio advertising:** The radio is a major and one of the most popular media vehicles of advertising. Its coverage area is more than 90% of India's total land mass. The radio ads rate structure depends upon the day, date and time. There are different radios systems through which one can listen to radio. FM is an emerging example. Radio allows the listener to imagine and it has high acceptance at the local level. But the drawback is that it cannot give the visual impact.

**Television advertising:**

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

**Online advertising:**

Internet is another media that is being used by advertisers. With the advent of the internet, distance is no longer an obstacle for commerce. It is inexpensive, but getting the attention of the viewers is difficult.

**5. Message Execution**

The advertiser now has to turn the big idea into an actual ad execution that will capture the target market's attention and interest. The creative people must find the best style, tone, words, and format for

executing the message. Any message can be presented in different execution styles, such as the following:

**Slice of life:** This style shows one or more "typical" people using the product in a normal setting.

**Lifestyle:** This style shows how a product fits in with a particular lifestyle.

**Fantasy:** This style creates a fantasy around the product or its use.

**Mood or image:** This style builds a mood or image around the product, such as beauty, love, or serenity. No claim is made about the product except through suggestion.

**Musical:** This style shows one or more people or cartoon characters singing about the product.

**Technical expertise:** This style shows the company's expertise in making the product.

**Scientific evidence:** This style presents survey or scientific evidence that the brand is better or better liked than one or more other brands.

**Testimonial evidence or endorsement:** This style features a highly believable or likable source endorsing the product

**6. Evaluating advertising effectiveness:**

Effective advertisements have a positive impact on the sales of a product. The three relevant questions about measuring effectiveness are what, when and how to evaluate advertising. There are different tests and several techniques in each of the test to evaluate advertising effectiveness. Based on Philip Kotler's views, let us discuss different measures to evaluate advertising effectiveness.

**Pre-test and Post Test:**

Pre-test implies testing advertising message before it is sent to specific media. Post test implies testing impact of advertising message after it is published in any of the media.

**Communication and Sales Effect Test:** Communication test measures communicability (ability to communicate) of the message,

whereas sales-effect test measures advertising impact on sales volume.

**Laboratory and Field Test:**

Clearly, a laboratory test is conducted in a controlled environment in a limited scale. Respondents are invited in a laboratory to state their response. Quite opposite, a field test is conducted in original setting, artificial climate is not created. It is similar as conducting survey to measure what customers think about company's advertisement.

**Experimental and Survey Test:**

Experimental test involves testing advertising effect by conducting test by manipulating independent variable (i.e., advertising efforts) and measuring the effect of the manipulation on other dependent variables like sales, profits, consumer satisfaction, etc. Experimental test may be laboratory or field test. Survey test involved knowing consumers' view's through a survey method.

**Message and Media Effect Test:**

While message test involves measuring clarity, contents, believability, action ability, etc., of the message, the media test measures effectiveness/ suitability of one or more media.

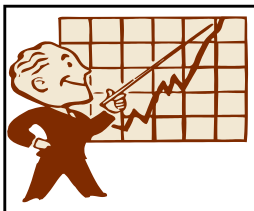
**7. Organising campaign development:**

An advertiser has four options when organizing for campaign development. These include:

- One can tie up with different agencies to develop an advertisement. Small companies develop the advertising in cooperation with people from the media.
- The companies may have their own advertising team. Thus advertising function is conducted in house by creating an advertising department staffed with copy writers, media buyers and product personnel.
- The company can involve a reputed advertising agency for developing its advertising campaign. The professionally run agencies have varied experience of working with different

companies, therefore, a company can expect good results from these agencies.

- Some companies organizes their advertising campaign by using a mix of services from in house personnel and those from specialized agencies because of their experience in some of the particular activities.



**CHECK YOUR PROGRESS**

**Q.3:** Define advertising.

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**Q.4:** State two methods for setting advertising budgets.

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**Q.5:** State two measures for evaluating advertising effectiveness.

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## 10.7 LET US SUM UP

In this unit we have discussed different promotional strategies, which can be summarized as follows:

- Promotion is communicating the benefit of the product or service to the target customers in an attempt to influence them toward buying your products or services.
- The promotion mix is the specific combination of four promotional methods-advertising, personal selling, sales promotion, and publicity or public relation that an organization uses for a specific product.
- An advertising strategy involves identifying a target audience, defining the objective, the budget and the message, depending on this the media through which the message will be communicated is decided.

## 10.8 FURTHER READINGS

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

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

3) Alan R. Andreasen and Philip Kotler (2006), Strategic Marketing for Non Profit Organizations, 6th Edition, Pearson Education, pp 10-12

## 10.9 ANSWERS TO CHECK YOUR PROGRESS

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

**Ans. to Q. No.2:** Two factors which influence promotional mix are:

1. Nature of the product
2. Market size and location

**Ans. to Q. No.3:** Advertising is a paid form of non- personal communication about an organization, its products, or its activities that is transmitted through a mass medium to a target audience.

**Ans. to Q. No.4:** Two methods for setting advertising budgets are:

1. Percentage of sales method
2. Unit of sales method

**Ans. to Q. No.5:** Two measures for evaluating advertising effectiveness are:

1. Pre-test and Post Test:
2. Communication and Sales Effect Test

## 10.10 MODEL QUESTIONS

1. Define Promotion. Do you think promotion is necessary to sell a product?
2. Explain promotional mix and its strategies in different marketing conditions.
3. Explain different forms of promotion.
4. Elaborate the steps to be followed for developing an advertising strategy.
5. Explain how the effectiveness of an advertisement can be measured.
6. Discuss different techniques of sales promotion.
7. Discuss the functions of public relations.

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# UNIT 11: MARKETING PROMOTION- II

## UNIT STRUCTURE

11.1 Learning Objectives
11.2 Introduction
11.3 Forms of Promotion
11.3.1 Sales Promotion
11.3.2 Personal Selling
11.3.3 Public Relations
11.3.4 Direct Marketing
11.4 Let Us Sum Up
11.5 Further Readings
11.6 Answers To Check Your Progress
11.7 Model Questions

## 11.1 LEARNING OBJECTIVES

After reading this unit you will be able to -

- explain different forms of promotion
- explain sales promotion, personal selling and publicity
- explain the need for promotional strategy

## 11.2 INTRODUCTION

In the earlier units you have obtained a fairly good insight into promotion and promotion mix. Promotion is a basic ingredient in non-price competition and it is an essential element in modern marketing. Promotion tries to communicate the company's message to customers in different forms. The four main forms of promotion are advertising, sales promotion, personal selling and publicity or public relation. This unit introduces you to the different forms of promotional strategy of marketing. Most of you must have heard about various promotional strategies like advertising, sales promotion (offer), personal selling (face to face interaction) and publicity , direct marketing etc. In this unit, we will discuss these in detail.

## 11.3 FORMS OF PROMOTION

As we know that there are four types of promotionnal mixes in marketing, in this section we will discuss about different promotional forms and corresponding marketing strategies. Different forms of promotion are as follows:

- Advertising
- Personal Selling
- Sales promotion
- Publicity and public Relation

  Direct Marketing

In the earlier unit, we have discussed in detail about advertising. In this unit we will discuss other three forms of promotion, namely personal selling, sales promotion and publicity and direct marketing.

### 11.3.1 Sales Promotion

Sales promotions are incentives to consumers or traders that are designed to stimulate purchase. Consumer sales promotion is a marketing technique that is used to entice customers to purchase a product. The promotions typically last for a set period of time and are used to achieve a specific purpose, such as increasing market share or unveiling a new product.

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

Different sales promotional tools are- coupons, contests, premiums, sweepstakes, refund, demonstration or display. Some classic examples are 25% off, buy one get one free, money back offer etc. Companies use sales promotion tools to draw a stronger and quicker

buyer response. Sales promotion can be used for short run effects such as to dramatize product offers and boost sales. In contrast to advertising and personal selling, which are generally used on a continuous or cyclical basis, sales promotion devices get more irregular use. They are used mainly for short term gains.

Some of the important ***consumer sales promotion*** techniques are as follows :

**(1) Rebate:** Under it in order to clear the excess stock, products are offered at some reduced price.

**(2) Discount:** Under this method, the customers are offered products on less than the listed price. For example, giving a discount of 30% on the sale of certain products.

**(3) Refunds:** Under this method, some part of the price of an article is refunded to the customer on showing proof of purchase. For example, refunding an amount of 5/- on showing the empty packet of the product priced 100/-.

**(4) Product Combination:** Under this method, along with the main product some other product is offered to the customer as a gift. The following are some of the examples:

**(5) Quantity Gift:** Under this method, some extra quantity of the main product is passed on as a gift to the customers. For example, 25% extra toothpaste in a packet of 200 gm tooth paste etc.

**(6) Instant Draw and Assigned Gift:** Under this method, a customer is asked to scratch a card on the purchase of a product and the name of the product is inscribed thereupon which is immediately offered to the customer as a gift. For example, on buying a car when the card is scratched such gifts are offered – TV, Refrigerator, Computer, Mixer, Dinner Set, Wristwatch, T-shirt, Iron Press, etc.

**(7) Lucky Draw:** Under this method, the customers of a particular product are offered gifts on a fixed date and the winners are decided by the draw of lots.

**(8) Usable Benefits:** Under this method, coupons are distributed among the consumers on behalf of the producer. Coupon is a kind

of certificate telling that the product mentioned therein can be obtained at special discount. It means that if a customer has a coupon of some product he will get the discount mentioned therein whenever he buys it.

**(9) Full Finance @ 0%:** Under this method, the product is sold and money received in installment at 0% rate of interest. The seller determines the number of installments in which the price of the product will be recovered from the customer. No interest is charged on these installments.

**(10) Samples or Sampling:** Under this method, the producer distributes free samples of his product among the consumers. Sales representatives distribute these samples from door-to-door.

**(11) Contests:** Some producers organise contests with a view to popularizing their products. Consumers taking part in the contest are asked to answer some very simple questions on a form and forward the same to the company. The blank form is made available to that consumer who buys the product first.Result is declared on the basis of all the forms received by a particular date. Attractive prizes are given to the winners of the contest.

**(12) Free Trial:** A free trial is a way for a consumer to try a new product while eliminating risk. It may be used when a product is unique to the marketplace, which can make consumers leery of trying it out.

**Trade Sales Promotion**

While consumer sales promotions help pull a product through a marketing channel by increasing the consumer's demand for a product, trade sales promotions have the opposite effect. They work to push a product through the channel by increasing a retailer or other intermediary's demand. **Trade sales promotion** is a promotional incentive directed at retailers, wholesalers, or other business buyers to stimulate immediate sales.

Some of the important trade-oriented promotion tools are as follows:

**Cash bonuses**: It can be in the form of cash discounts or straight

cash payments to encourage volume sales, product display, or in support of a price reduction to customers.

**Stock return:** Some firms take back partly or wholly the unsold stocks lying with the retailers, and distribute it to other dealers, where there is a demand for such stocks.

**Credit terms:** Special credit terms may provide to encourage bulk orders from retailers or dealers.

**Dealer conferences:** A firm may organize dealer conferences and dealers may be given information of the company's performance, future plans, and so on.

**Push incentives:** It is a special incentive given to the dealer in the form of cash or in kind to push and promote the sale of a product, especially a newly launched product.

**Objectives of sales promotion:**

Sales promotion aims at enhancing sales by giving customers an extra value. Some of the objectives of sales promotion are:

- Fast sales boost.
- Encourage trial purchase
- Encourage repeat purchase
- Stimulate purchase of larger stocks
- Gain distribution and shelf space

**Evaluating sales promotion:**

The evaluation of an effective sales promotion program is generally divided into three phases:

1. **Pre-testing:** Before a sales promotion is offered.
2. **Monitoring and Follow Up:** When the sales promotion is operational i.e. when it is going on.
3. **Post-testing:** At the end of the sales promotion event.

**Pre-testing**

We can pre-test what a sales promotion would be communicating and how it would communicate with the target group of customers.

We would like to know whether the customer here is at risk of buying an unfamiliar brand. Using "Focus Groups" and "Consumer Panels", we can conduct a pre-test to analyze these factors.

At times, it is advisable to gather and assess the responses of resellers before launching a promotion program. The best way is to visit certain retailers, dealers and wholesalers, discuss the program with them and ask for their valuable suggestions. This is of paramount importance when the reseller's support is very important in making the promotional campaign a success.

**Concurrent testing**

This phase of testing takes place during the promotion program i.e. when it is in progress. It allows the manager to make necessary changes to the program whenever and wherever requires. Sales data is used to carry out this kind of test; this data should be collected on a weekly or monthly basis. For e.g. the promotional tool used is a "Contest". In that case, the promotional response can be assessed on the basis of entries received and requires the manager can also extend the contest period. We can have another example here. If "Coupons" are being used, the response can be evaluated on the basis on number of coupons redeemed by customers.

**Post-testing**

Post-testing is conducted after the promotion program has come to an end. Here, customers are contacted telephonically, questionnaires are also mailed to them, and personal interviews are also conducted to evaluate any change in their attitude towards or awareness of the brand. Personal Interview is the most expensive method here. Mail is the least expensive one.

To assess the affect of sales, one must take into account the sales level prior to the promotion period and compare it with the sales level that exist at the end of the promotion period. It must also be compared with the sales figure of the period one month after the promotion has ended.

### 11.3.2 Personal Selling

Personal selling is the most effective tool at later stages of the buying process, particularly in building up buyer preference, conviction, and action. Personal selling has three distinctive qualities:

1. **Personal confrontation**: Personal selling involves an immediate and interactive relationship between two or more persons. Each party is able to observe the other's reactions.
2. **Cultivation**: Personal selling permits all kinds of relationship to spring up, ranging from a matter of fact selling relationship to a deep personal friendship.
3. **Response**: Personal selling makes the buyer feel under some obligation for having listen to the sales talk.

In the early part of this unit, we saw how marketers can use advertising and sales promotion reach a large number of customers. While these methods of promotion offer many advantages, they each share one major disadvantage; they are a non-personal form of communication. And whether a company is in retailing or manufacturing, sells goods or services, is a large multi-national or a local startup, is out to make a profit or is a non-profit, in all probability at some point they will need to rely on personal contact with customers. In other words, they will need to promote using personal selling.

Personal selling holds a key role in the promotional activities of a large number of organizations. Personal selling is more costly and time consuming method compared to the other methods of promotion.

### 11.3.3 Public Relations

Of the four promotional mix options available to marketers' public relations (PR) or publicity is probably the least understood and, consequently, often receives the least amount of attention. Many marketers see public relations as only handling rudimentary communication activities, such as issuing press releases and

responding to questions from the news media. But in reality, public relation offers powerful methods for convincing the customer.

**Functions of Public relations:**

- **Facilitates company's overall operations:** It leads to the development of an image for the organization which can be exploited to gain advantages in the field of sales and marketing.
- **Aids promotion:** Public relations may also contribute towards generation of awareness and interest in the company's products which will help in promoting the products.
- **Helps in tackling social and environmental issues:** It helps in handling social and environmental issues and ensures that they are settled to the mutual benefits of all parties involved. If the company has a good record of fulfilling its societal obligations and safeguarding the environment, its occasional fault may be spared by customers.
- **Ensures that customers are treated well:** Public relations also play a role in ensuring that the customers are not just treated well by the company but also they are presented with useful information.
- **Develops reputation as a good supplier and customer:** It helps in building the overall reputation of a company not just as a good as well as trustworthy manufacturer and marketer for its customers and suppliers but also as a good customer for its suppliers.

**Publicity:**

One of the methods of public relation is publicity. It generally involves communication about an organization or any of its products in the media. Publicity is a non paid form of non personal communication about an organization or its products that is transmitted through a mass medium in the form of a news story. Publicity can be done in the form of news releases, news conferences, publishing feature articles, setting up interviews, conducting seminar and conferences etc. Publicity differs from other promotion mix in that it does not

directly facilitate exchanges instead, its purpose is to provide information to the general public and to create and maintain a favorable public image of the organization.

### 11.3.4. Direct Marketing

Now a days direct marketing is also considered as one of the component of promotion mix. Direct marketing is a form of communication that involves directly communicating a marketing message to a potential customer, usually through mail, email, telemarketing, or door-to-door visits. There are many forms of direct marketing tools. Some of these tools are discussed in the later part of the SLM, like social media marketing, mobile marketing etc. The succes of direct marketing is high as it directly targets the potential customers.

### CHECK YOUR PROGRESS

**Q.1:** State any two techniques of sales promotion.

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.....

**Q.2:** Define Personal Selling.

.....

.....

**Q.3** Define Publicity

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.....

## 11.4 LET US SUM UP

In this unit we have discussed different forms of promotions other than advertising, which can be summarized as follows:

- Sales promotions are incentives given to consumers to make them believe that they are getting more value for the money they are spending. It also encourages trial and repeat purchases.
- Personal selling is the most effective tool at later stages of the buying process, particularly in building up buyer preference, conviction, and action.
- Public Relations are a strategic communication process that builds mutually beneficial relationships between organizations and their publics."

At the end of the unit we have discussed the concept of direct marketing and how this promotional comunication helps in marketing.



## 11.5 FURTHER READINGS

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

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

3) Alan R. Andreasen and Philip Kotler (2006), Strategic Marketing for Non Profit Organizations, 6th Edition, Pearson Education, pp 10-12



## 11.6 ANSWERS TO CHECK YOUR PROGRESS

**Ans. to Q. No.1:** Two techniques of sales promotion are Rebate and Discount.

**Ans. to Q. No. 2:** Personal selling implies no. of salesmanship in building up buyer preference, conviction, and action towards purchase.

**Ans. to Q. No. 3:** Publicity is not directly paid form of non-personal communication about an organization or its products that is



transmitted through a mass medium in the form of a news story.

## 11.7 MODEL QUESTIONS

1.. Explain different forms of promotion.

2. Discuss different techniques of sales promotion.

3. Discuss the functions of public relations.

4. State the concept of Direct Marketing.

*** ***** ***

# UNIT 12: CUSTOMER RELATIONSHIP MANAGEMENT

## UNIT STRUCTURE


12.1 Learning Objectives

12.2 Introduction

12.3 Relationship Marketing Vs. Relationship Management

12.4 Definitions of Customer Relationship Management (CRM)

12.5 Forms of Relationship Management

12.6 Managing Customer Loyalty and Development

12.7 Reasons behind Losing Customers by Organisations

12.8 Significance of Customer Relationship Management

12.9 Let Us Sum Up

12.10 Further Readings

12.11 Answers to Check Your Progress

12.12 Model Questions


## 12.1 LEARNING OBJECTIVES

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

- explain the meaning of Customer Relationship Management
- distinguish between Relationship Marketing Vs. Relationship Management
- know the various forms of Relationship Management
- discuss the tips of managing Customer Loyalty and Development
- identify the possible reasons behind losing customers by organisations
- realize the significance of Customer Relationship Management

## 12.2 INTRODUCTION

Customer Relationship Management (CRM) is an integrated approach in identifying, acquiring and maintaining customers. It is a process which allows companies to coordinate their approach across customers, channels and departments. Relationship Management is an integrated

approach to identifying, acquiring and maintaining customers. It allows companies to coordinate their approach across channels, departments and also other entities geographically. Customer Relationship Management is the strongest and the most efficient approach in maintaining and creating relationships with customers. The features of CRM system are as follows.

1. CRM system consists of a historical view and analysis of all the acquired or to be acquired customers. This helps in reduced searching and correlating customers and to foresee customer needs effectively and increase business.
2. CRM contains each and every bit of details of a customer, hence it is very easy for tracking a customer accordingly and can be used to determine which customer can be profitable and who is not.
3. In CRM system, customers are grouped according to different aspects according to the type of business they do or according to physical location and are allocated to different customer managers often called as account managers. This helps in focusing and concentrating on each and every customer separately.
4. A CRM system is not only used to deal with the existing customers but is also useful in acquiring new customers. The process first starts with identifying a customer and maintaining all the corresponding details into the CRM system which is also regarded as an 'Opportunity of Business'. The Sales and Field representatives then try getting business out of these customers by sophistically following up with them and converting them into a winning deal. All this is very easily and efficiently done by an integrated CRM system.
5. The strongest aspect of Customer Relationship Management is that it is very cost-effective. The advantage of decently implemented CRM system is that there is very less need of paper and manual work which requires lesser staff to manage and lesser resources to deal with. The technologies used in implementing a CRM system are also very cheap and smooth as compared to the traditional way of business.

6. All the details in CRM system is kept centralized which is available anytime on fingertips. This reduces the process time and increases productivity.
7. Efficiently dealing with all the customers and providing them what they actually need, increases the customer's satisfaction. This increases the chance of getting more business which ultimately enhances turnover and profit.
8. If the customer is satisfied they will always be loyal to the marketer. This will help the marketer to remain in business resulting in increasing customer base and ultimately enhancing net growth of business.

In this Unit we are going to discuss the aspects related with relationship marketing and relationship management.

## 12.3 RELATIONSHIP MARKETING Vs. RELATIONSHIP MANAGEMENT

While Relationship Marketing is a sales and marketing concept, Relationship Management refers to the tools used to carry out the concept. Relationship Marketing is implemented as a strategy and includes activities such as identifying long-term sales and retention of goals, maintaining public relations, marketing and advertising campaigns. Some of the techniques which businesses use in relationship marketing include providing consistently excellent customer service, getting to know the individual and anticipating their future needs and offering discounts and special perks through loyalty programs for repeat customers.

In brief Relationship Marketing seeks to increase sales by building trust and engaging customers. On the other hand a Customer Relationship Management System allows a salesperson to quickly and consistently deliver what customers are looking for with each and every interaction, because their preferences and buying history are recorded. Relationship Management systems coordinate, automate and deliver marketing activities which help to build the long-term customer relationships that are crucial to a successful relationship marketing strategy.

## 12.4 DEFINITIONS OF CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

The literal and original meaning of the expression "Customer Relationship Management" was simply managing the relationship with customer. Today it is used to describe information technology systems and software designed to help and manage relationship with customers.

Customer relationship management is not only pure business but also ideation of strong personal bonding amongst people. Development of this type of bonding drives the business to new levels of success. Once this personal and emotional linkage is built, it is very easy for any organization to identify the actual needs of customer and help them to serve them in a better way. It is a belief that more the sophisticated strategies involved in implementing the customer relationship management, the more strong and fruitful is the business.



**CHECK YOUR PROGRESS**

**Q.1:** Distinguish between relationship marketing and relationship management.

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## 12.5 FORMS OF RELATIONSHIP MANAGEMENT

Customer Relationship Management systems have evolved over the years from virtually being a contact book to a holistic all-encompassing solution to enhance and nurture relationships with customers. There are various forms of Relationship management. It concentrates basically on three areas i.e. (i) Operational CRM (ii) Analytical CRM & (iii) Collaborative CRM. A brief discussion of each one of them is given below.

***1. Operational CRM***

In this role, the primary aim of the CRM system is to automate and integrate three backbone functions of any business: Sales, Marketing and Support.

Such system generally consists of a dashboard that provides a snapshot view of all three functions in a single page for any given customer. Operational CRM systems basically aim to streamline the business itself in three ways:

**(i)** ***Sales force automation*****:** This feature deals with all the stages in the sales cycle, beginning from entering all the information of a contact, through the contact's journey from being a prospect to lead to client. This deals with sales forecasting, opportunity and lead management, sales quota allocation and monitoring sales performance to dole out the right incentives. Sales force automation basically handles all sales responsibilities.

**(ii)** ***Marketing automation*****:** This feature concentrates primarily on automating the marketing processes. Campaign management helps in planning, creation and execution of multi-touch, multi-channel campaigns. Data obtained from analytics is used here to create finely targeted segments. Today's latest CRM systems also work on customer engagement through social media.

**(iii)** ***Service automation*****:** This part of the system is all about customer service, exception handling and support. Customers are supported through multiple channels like email, phone, ticketing portals, knowledge bases, FAQs and more.

***2. Analytical CRM***

In Analytical CRM, the primary aim of the CRM system is to critically analyse customer data obtained through multiple sources and present findings so as to enable the management to make better informed decisions. Analytical CRM systems make use of techniques such as data mining, correlation and pattern recognition. These analytics help ameliorate customer service by discovering minor issues which, if undetected, have the potential to blow out of proportion and hamper brand image. This proactive study will help in building customer trust and loyalty. It also helps to find gaps in the execution of business strategy so that corrective measures can be taken to steer the business in the right direction. Basically, Analytical CRMs are all about data analysis and reporting.

***3. Collaborative CRM***

In Collaborative CRM, the primary aim of the CRM system is to incorporate external stakeholders like suppliers, vendors and distributors as well as share any information gleaned from customer interactions across the organization. The primary objective of collaboration is to enhance the quality and levels of customer service being offered, ultimately leading to enhanced customer satisfaction, retention and loyalty. Today, social media is a new dimension of Collaborative CRM as it increases customer engagement on a number of platforms helping businesses gain customer mind share and build brand awareness. Customer issues resolved on social media also helps to improve trust in the organization and adds to learning curve of the support structure.

## 12.6 MANAGING CUSTOMER LOYALTY AND DEVELOPMENT

Loyalty programs are offered by both retailers and manufacturers to stimulate continued patronage among consumers through discounts, cash, free goods, or special services (such as free magazines on specialized topics of interest to loyalty program members). Retail cooperatives pioneered loyalty programs through giving members allowances based on their annual purchases. Modern loyalty programs offer consumers points based on purchases; these points are redeemable for a broad selection of merchandise. In case the business is done directly the relationship is direct so also the loyalty. But if the selling is through two or more intermediaries then the loyalty has to be measured at different levels. In that case the end customer loyalty is influenced by the loyalty of the intermediate customers. Then the supplier has to focus his loyalty retention plan accordingly and has to judge and analyse the loyalties of the intermediaries. This process depends on what amount of importance he gives to each of the intermediaries and how much to the ultimate customer.

***There are four broad categories of loyalty programs:***

***Type 1:*** In this type of program, any customer receives a discount on selected items on the basis of swiping his/her membership card at a

point-of-sale terminal. In many instances, store clerks are trained to swipe a card kept at the register if customers forget their card or are not a member. While this format may be viewed as a loyalty program by some merchants and consumers, it is not a true loyalty program since membership is open to all customers and each member receives the same discount regardless of his/her purchase history. Many of these programs are able to enrol a large number of participants due to ease of registration and low members concern for privacy.

***Type 2:*** In this type of program, consumers get one item free, after they have purchased a selected number of items at full price. These programs resemble a quantity discount that is based on a member's total purchases, not the purchase frequency**.** Type 2 programs are typically self-managed by consumers. The consumer keeps a detailed account of his/her purchases (often on a card), which gets marked at every qualifying purchase. When the number of qualifying purchases is reached, the consumer becomes eligible for a free good or service.

***Type 3:*** In this type of programs reward points are awarded to members based on their past purchases. Unlike Type 1 and Type 2 programs, marketers of Type 3 programs require a comprehensive database that can track a member's purchases and points. Some Type 3 programs encourage consumers to increase their purchases or reward heavy purchasers by having program tiers. Many Type 3 programs involve partnerships with complementary marketers (such as an airline, hotel chain, and car rental firm) to facilitate a member's accumulating points and to increase the variety of reward options.

***Type 4****:* In this type of program, though most of the rules are based on points (like Type 3 programs), these programs are able to offer individual members specialized communications, promotions, and rewards based on their purchase history. The best Type 4 programs go beyond offering discounts based on past purchases. Type 4 merchants have a major commitment to loyalty programs and use these programs as an important element in their marketing strategy. Merchants that use this type of program need to develop and maintain a complex database, be adept at data mining, and be able to administer a complex communication and reward program.

### 12.6.1 Developing and Maintaining the Loyalty Program Database

Unlike direct marketers, many store-based retailers generally collect and analyse data based on products, not customers. Retailers need to see the role of loyalty programs as an important source of customer-based data. Without a database that tracks member behaviour and offers different rewards to each major consumer group, a firm cannot achieve the full potential benefits of its Type 3 or Type 4 loyalty program. The loyalty program database needs to reflect purchase data from each of the firm's channels, as well as its loyalty program partners. Firms also need to integrate members' demographic and credit history data into their loyalty program database. This enables marketers to build an integrated profile of its members.

**Managing an Internal Data Warehouse and Data Mining Capacity:** In addition to developing and maintaining the loyalty program database, a Type 4 loyalty program provider needs to manage its data warehouse and data mining capability to enable the data to be used for promotional, marketing research, and segmentation purposes. The best loyalty programs gather information on product usage, purchasing habits, and attitudes and use this information to tailor products to the specific needs of consumers. The best loyalty programs also use enrolment forms to capture demographic, usage frequency, and preference-related data.

**Evaluating the Success or Failure of the Loyalty Program:** The success or failure of the loyalty program has to be evaluated. Many firms use multiple measures to assess a loyalty program's success. The success or failure of a program needs to reflect multiple activities beyond increased sales. A loyalty program's profitability can also vary significantly by market segment. In determining the cost effectiveness of any loyalty program, a manager needs to select the proper time horizon. The time interval should be sufficient to realize the program's goals based on the time necessary to

communicate the new program, enrol members, and for members to accumulate sufficient points.

**Enhancing Customer Loyalty:** It is necessarily required for an organization to interact and communicate with customers on a regular basis to increase customer loyalty. In these interactions and communications it is required to learn and determine all individual customer needs and respond accordingly. Following are some important aspects which suppliers should always keep in mind to increase customer loyalty:

**Emotional attachment**: Emotional and sentimental attachment plays a vital role in increasing customer loyalty. Hence it is important for the suppliers to identify the factors which force the customers to get emotionally attached with them and should mould this information accordingly to enhance this emotional relationship.

**Supplier's credibility:** Supplier's credibility helps to elevate customer loyalty. Credibility provides confidence and comfort to the customers regarding the reliability, durability, quality and performance of products and services. In industrial sector, the products provided by suppliers are actually used by customers for production purpose. Hence unavailability, malfunctioning or low performance of these products could highly affect the profitability in business.

**Customer satisfaction:** Customer satisfaction is the measure of how the needs and responses are collaborated and delivered to excel customer expectation. It can only be attained if the customer has an overall good relationship with the supplier. In today's competitive business marketplace, customer satisfaction is an important differentiator of business strategies.



## CHECK YOUR PROGRESS

**Q.2**: Why is suppliers' credibility important in CRM?

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## 12.7 REASONS BEHIND LOSING CUSTOMERS BY ORGANISATIONS

Without customers, it is not possible to do business. With the onset of online retailing, the competition for the customer has never been greater. The demand for an exceptional shopping experience has never been higher from customers. But too often, retailers have practices in place that work against an exceptional buying experience. Some of the reasons for which customers are lost are stated below.

1. ***Wrong Product Pricing***: Besides cost, some of the things to consider when choosing the best strategy for retail business are the market, the channels of distribution and the competition.
2. ***Terrible Customer Service:*** It's inevitable that there will be the occasional disgruntled customer. No matter how wonderful the products are or how committed the marketer is to provide the best customer service, problems do occur.
3. ***Poor Store Atmosphere****:* A retailer cannot afford to turn off a single customer due to poor store atmosphere.
4. ***Not Knowing the Competition:*** It is important for new businesses to complete a competitive analysis during the business planning stage, but competitive intelligence can also be useful for marketing, pricing, managing and other strategic planning for retailers.
5. ***Lack of Product Knowledge:*** It is difficult to effectively sell to a consumer if one cannot show how a particular product will address a shopper's needs. A retailer has to be well versed with some of the benefits of the products which he sells.

## 12.8 SIGNIFICANCE OF CUSTOMER RELATIONSHIP MANAGEMENT

Customer Relationship management is the strongest and the most efficient approach in maintaining and creating relationships with customers. Customer relationship management is not only pure business but also facilitates strong personal bonding. Development of this type of bonding

drives the business to new levels of success. Looking at some broader perspectives given as below we can easily determine why a CRM System is always important for an organization.

1. A CRM system consists of a historical view and analysis of all the acquired or to be acquired customers. This helps in reduced searching and correlating customers and to foresee customer needs effectively and increase business.
2. CRM contains each and every bit of details of a customer, hence it is very easy for track a customer accordingly and can be used to determine which customer can be profitable and which not.
3. In CRM system, customers are grouped according to different aspects according to the type of business they do or according to physical location and are allocated to different customer managers often called as account managers. This helps in focusing and concentrating on each and every customer separately.
4. A CRM system is not only used to deal with the existing customers but is also useful in acquiring new customers. The process first starts with identifying a customer and maintaining all the corresponding details into the CRM system which is also called an 'Opportunity of Business'. The Sales and Field representatives then try getting business out of these customers by sophistically following up with them and converting them into a winning deal. All this is very easily and efficiently done by an integrated CRM system.
5. The strongest aspect of Customer Relationship Management is that it is very cost-effective. The advantage of decently implemented CRM system is that there is very less need of paper and manual work which requires lesser staff to manage and lesser resources to deal with. The technologies used in implementing a CRM system are also very cheap and smooth as compared to the traditional way of business.
6. All the details in CRM system is kept centralized which is available anytime on fingertips. This reduces the process time and increases productivity.

7. Efficiently dealing with all the customers and providing them what they actually need increases the customer satisfaction. This increases the chance of getting more business which ultimately enhances turnover and profit.
8. If the customer is satisfied they will always be loyal to you and will remain in business forever resulting in increasing customer base and ultimately enhancing net growth of business.

Installing a CRM system can definitely improve the business and help in challenging the new ways of marketing in an efficient manner. Hence in the era of business, every organization should be recommended to have a full-fledged CRM system to cope up with all the business needs.



## 12.9 LET US SUM UP

- The literal and original meaning of the expression "Customer Relationship Management" was simply managing the relationship with customer. Today it is used to describe information technology systems and software designed to help and manage relationship with customers.
- Customer Relationship Management (CRM) is an integrated approach in identifying, acquiring and maintaining customers. It is a process which allows companies to coordinate their approach across customers, channels and departments. Relationship Management is an integrated approach to identifying, acquiring and maintaining customers.
- Customer Relationship Management systems have evolved over the years. There are various forms of Relationship management. It concentrates basically on three areas i.e. (i) Operational CRM (ii) Analytical CRM & (iii) Collaborative CRM.
- Loyalty programs are offered by both retailers and manufacturers to stimulate continued patronage among consumers through discounts, cash, free goods, or special services (such as free magazines on specialized topics of interest to loyalty program members). There

are four broad categories of loyalty program. They are (i) Type 1 (ii) Type 2 (iii) Type 3 (iv) Type 4:

- Customers may be lost for (i) Wrong Product Pricing (ii) Terrible Customer Service (iii) Poor Store Atmosphere (iv) Not Knowing Your Competition and (v) Lack of Product Knowledge
- We have learnt that Customer Relationship management is the strongest and the most efficient approach in maintaining and creating relationships with customers. Customer relationship management is not only pure business but also facilitates strong personal bonding within people.



## 12.10 FURTHER READINGS

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

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

3) Alan R. Andreasen and Philip Kotler (2006), Strategic Marketing for Non Profit Organizations, 6th Edition, Pearson Education, pp 10-12



## 12.11 ANSWERS TO CHECK YOUR PROGRESS

**Answer to Q.No. 1:** Relationship Marketing is a sales and marketing concept. Relationship Management refers to the tools used to carry out the concept. Relationship Marketing is implemented as a strategy and includes activities such as identifying long-term sales and retention of goals, maintaining public relations, marketing and advertising campaigns. On the other hand a Customer Relationship Management System allows a salesperson to quickly and consistently deliver what customers are looking for with each and every interaction, because

their preferences and buying history are recorded. Relationship Management systems coordinate, automate and deliver marketing activities which help to build the long-term customer relationships that are crucial to successful relationship marketing strategy.

**Answer to Q.No. 2:** Supplier's credibility helps to elevate customer loyalty. Credibility provides confidence and comfort to the customers regarding the reliability, durability, quality and performance of products and services. In industrial sector, the products provided by suppliers are actually used by customers for production purpose. Hence unavailability, malfunctioning or low performance of these products could highly affect the profitability in business.



## 12.12 MODEL QUESTIONS

1. Explain the importance of Customer Relationship Management in an organization.
2. Distinguish between Relationship Marketing and Relationship Management
3. Define Customer Relationship Management (CRM)
4. Describe the various forms of Relationship Management
5. How can Customer Loyalty Programs be mearged in airline services?
6. Identify the possible reasons behind losing customers by organizations
7. Write a note on the significance of Customer Relationship Management

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# UNIT13: EMERGING TRENDS IN MARKETING

## UNIT STRUCTURE


13.1 Learning Objectives

13.2 Introduction

13.3 Customer Relationship Management

13.4 E-commerce

13.5 Green marketing

13.6 Social Marketing

13.7 Rural and Developmental Marketing

13.8 Services Marketing

13.9 Let Us Sum Up

13.10 Further Readings

13.11 Answers to Check Your Progress

13.12 Model Questions


## 13.1 LEARNING OBJECTIVES

After going through this unit you will be able to

- explain the emerging trends in CRM
- explain the emerging trends in E-commerce
- know the emerging trends in green marketing
- know the emerging trends in social marketing
- know the emerging trends in rural and developmental marketing
- state the emerging trends in services marketing

## 13.2 INTRODUCTION

The first two decades of 21st century have changed the ways and means of conducting marketing activities. There have been paradigm shifts in marketing mainly because of the advent of the digital modes and the changes in the environmental forces. The changes have been all pervasive. The product life cycles are getting shorter. The rate of introducing new products in the market has gone up. Prices have become more competitive.

Even the buyers are in apposition to decide on the prices that they will pay. In the distribution and logistics scenario lot of changes have taken place because of the advent in ICT and supply chain management. Likewise, digital advertising and out of home advertising etc. have changed the landscape of marketing. All the emerging trends in all the areas cannot be discussed in one unit. In this Unit we shall discuss about the indicative trends in marketing with a sectoral approach. The sectors identified are CRM, e marketing, green marketing, social marketing, rural marketing, developmental marketing and services marketing.

## 13.3 CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

CRM is the process of carefully managing detailed information about individual customers and all the interaction points (touch points) to maximize loyalty. It has been stated that CRM trends will give marketing and sales professionals all the required data inside their inbox.

CRM software helps businesses to manage customer relationship and enhance customer loyalty. With the help of CRM, marketing programs can be optimized. There is a new trend in CRM which exploits the power of internet. Electronic Customer Relationship Management (ECRM) aims at developing and integrating all CRM functions with the use of digital communication tools. These tools are Email, chatrooms, instant messaging, forums, etc. ECRM is facilitated by the ease of internet access from various computing devices such as desktops, laptops, tablets, and smartphones.

### 13.3.1 FEATURES OF ECRM

- It enables the businesses to interact with their customers and employers using internet.
- ECRM offers seamless integration of CRM processes.
- ECRM is speedy and reliable.
- It is highly secured from threats.

### 13.3.2 DIFFERENCE BETWEEN CRM AND ECRM

The differences between CRM and ECRM can be understood with the help of the following table.

| CRM | ECRM |
|---|---|
| Conventional CRM uses telephone, fax, and retail store for contacting customers. | ECRM uses internet with Personal Digital Assistant (PDA) devices. |
| It takes care of the customers via Internet. | The customer is able to take care of himself using internet. |
| It needs the user to download supporting Apps to access web-enabled applications. | In ECRM environment, there is no such requirement. |
| CRM system design is products and functions oriented. | ECRM system is customer oriented. |
| Cost of maintenance is high. | Cost of maintenance is lesser. |
| Time taken for maintenance is long. | Maintenance time is lesser. |

***Table 12.1 : Difference between CRM and E-CRM***

### 13.3.3 FUTURE CRM TRENDS

Some of the upcoming trends in CRM are listed below

*i. Integrating Data from Multiple Channels*: The CRM solution providers are working on moving social media data to more secure communication channel. Unstructured data coming from multiple channels such as Email and mobile smartphones can also be integrated.

*ii. Handling Big Data:* CRM solution providers are also exploring how big data can be managed well to be able to use effectively.

*iii. Shifting to Cloud-based CRM:* The cloud-based CRM lessens the burden of business for investing in infrastructure and its use are being explored.

*iv. Social CRM*: The social media presence of marketers is increasing. All major marketers like Lakme, P&G etc. have presence in Facebook. The new age customers read reviews, recommendations, and judge the product or service before deciding to purchase. Social CRM tools are in use in the CRM software of marketers as the social media brings new insights.

v. The Mobile CRM is emerging powerful. CRM solution providers are investing heavily in the mobile platforms of CRM applications.

vi. User friendliness: CRM solution providers are also working on providing simpler and easier ways of handling customer data using all forms of devices.

*vii. CRM Software Systems with Wearables*: It is another emerging trend. Wearable are the devices worn by the consumers to track their health and fitness and to get real time information of customers. The businesses can then engage with their customers effectively and discover opportunities of selling and enhancing customer relationships.

*viii. CRM to xR*M **: x**RM is eXtreme Relationship Management, or Any (replace X with any value) Relationship Management. The scope of XRM includes any entity, not only customers. For example, a business has to managing contracts, grievances, policies, assets, taxes, employees, provident fund, etc. With xRM, a business can manage the relationship of any entity within itself.



## CHECK YOUR PROGRESS

**Q.1:** What are the features of ECRM?

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**Q.2:** What is the main difference between CRM and ECRM?

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## 13.4 E-COMMERCE

E-commerce uses a Web site for transaction and facilitation of sale of products and services online. As we all know, online sales have exploded in the last few years. Because of online marketing, different types of consumers can avail convenient, informative and personalized experiences. Cost of retail floor space, staff and inventory can be reduced. The widespread penetration of cell phones and smart phones allows people to connect to the Internet and do online shopping. In India, where financial inclusion is not there to the desired extent, mobile phones may serve as an alternative. Prominent service providers are partnering with various banks and financial institutions to provide such services. ICICI iMobile is a mobile phone based banking application. It allows users to access a host of banking services like fund transfer and shopping like booking air tickets. Because of the personalized approach, there are some privacy issues. Location based services may enable a company using GPS technology to know the private matters of the customers. M-commerce has a strong foothold in many countries. Millions of Japanese teenagers carry DOCOMO phones to engage in multifarious transactions. In the United States also, mobile marketing is becoming widely prevalent. Retailers like Amazon.com, Sears etc. have launched m-commerce sites that allow buyers to buy books, medicines and even services like lawn mowing from their smart phones. Consumers are also sharing their use experiences of products and services.

Companies like Procter & Gamble, which used traditional physical channels of distribution for years has embraced e marketing. They are selling some big brands like Tide, Pampers Olay etc. online. This enables them to track online habits of customers. With the traditional big players in physical distribution, managing online and offline channels has become a big priority. In today's context, the emerging question is how to sell both through intermediaries and online.

No business is restricted to one place, one city or even one country anymore. Everything is global. E-commerce industry has taken a ride and has come to become the need of the hour. There are new trends emerging in this space, such as:

i. **Moving to Mobile Commerce:** E- commerce stores must fit in all screens in order to enhance customer experience. As per recent Forbes study, 87 % of the gen-X people spend most of their time on digital devices every day than ever.

ii. **Options in payment:** New payment modes are emerging to enhance online shopping experience with increased payment security for both buyers and sellers. Many new models and gateways have emerged like e-wallets, Chip card readers, magnetic cards, EMV and cashback services.

iii. **Multi-Channel Model: I**t has been observed that many customers may surf net all day but at the end do need a brick and mortar store to make the final purchase. In store digital services are emerging to make the physical store experience better. Marketers need to strike the balance between online and offline presence.

iv. **Seamless Shopping experience:** Easy wallets with discounts and coupons or unique store debit cards, recharge vouchers etc. facilitate smooth experiences in shopping.

v. **Social E-commerce:** Social media is increasingly being used as lead sales medium.

vi. **Quality rather than quantity: C**ustomised shopping experiences are being enhanced by introducing new features. The emphasis is now being laid on unique online features like virtual trial rooms, zoom in pictures, 360-degree image view.

vii. **Customer Relationship:** It requires well integrated technology supporting easy payments and high tech shopping experience. The focus is now being shifted from discounts to better integrated technology services.

viii. **Customer service:** With the increasing online shopping, customers can choose amongst great variety at the comfort of their own space anywhere, anytime 24/7. new facets of customer service are emerging.

With more shopping and payment options than ever, customers have become more informed and empowered. The marketers are facing the

need to merge online and offline systems to facilitate easy working. It is the need today to stay upbeat with the changing trends and technology to stay long.

## 13.5 GREEN MARKETING

Green marketing is an emerging trend in modern market. Consumers' environmental concerns are real. Global warming has been an emerging threat. Converting this concern into concerted actions by marketers and consumers is an emerging challenge.

The environmentalists are targeting the industrial sectors as the major contributors for depleting natural resources and environmental destruction. Production and marketing divisions of industries are stressed more for the environmental concerns and fulfilling the market demands as well. The new concept of green marketing addresses the issues of production, consumption and marketing of the products to ensure environmental safety. Green marketing is the marketing of products that are presumed to be environmentally safe. Green marketing incorporates a broad range of activities, including product modification, changes in the production process, packaging changes as well as modifying advertising.

Consumer expectations as regards corporate behavior with the environment have been changing in a significant manner. Consumers characteristics vary with regard to their environmental sensitivity. The consumers can be categorized as follows based on their degree of commitment.

**Genuine greens:** These consumers think and act green to a great extent

**Not-me greens:** These consumers are pro-green, but moderately exhibit green behaviors

**Go-with-the-flow greens:** These consumers are engaged in green some green behaviours

**Dream greens:** these customers seem to care a lot about the environment, but they do not seem to have the required knowledge or resources to something about green

**Business first greens:** For this category, the environment is not a huge concern

**Mean greens:** This category of consumers claims to be aware of environmental issues but does not express pro-green behaviours.

The categories as outlined above indicate that concern for green marketing is there but the responses are not that uniform. Some marketers may assume that the new age young customers are more concerned about the green issues. However, there are research evidences which show that older consumers take their eco-responsibilities more seriously. It is difficult to generalize issues on green marketing.

Companies like Toyota, HP, IKEA, P&G etc. have linked themselves to environmental and sustainability programmes. Some marketers keep a low profile as regards their green marketing initiatives. For example, Nike uses recycled sneakers in its soles of new shoes. But, Nike chooses not to publicize that fact. They want to keep their focus on performance,

The practices in green marketing are changing rapidly. Both the consumers and marketers have started responding to the issues, problems and proposed solutions to the environmental problems. That green marketing has been a concern of marketers and stakeholders of marketing is an important emerging trend of marketing.



**CHECK YOUR PROGRESS**

**Q.3:** What is the difference between genuine greens and mean greens?

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.....

## 13.6 SOCIAL MARKETING

Social marketing is an application of generic marketing to a specific class of problems. In this sense it is similar to retail marketing, political marketing or industrial marketing. What, then, distinguishes social marketing from other types of marketing? Social marketing differs from other areas of

marketing only with respect to the objectives of the marketer and his or her organization. Social marketing seeks to influence social behaviours not to benefit the marketers but to benefit the target audience and the general society. Social marketing programmes, by definition, are generic marketing programmes carried out to change behaviours that are in the individual's or society's interests. It can be carried out by anyone: individuals, informal groups, or formal organizations.

Marketing is a pervasive societal activity that goes considerably beyond the selling of toothpaste, soap and other consumer goods. The election campaigns and political contests remind us that candidates are marketed as well like any other marketing entities. Recruitment in colleges and universities remind us that higher education is marketed; and fundraising for some socially desirable activities reminds us that "causes" are marketed. A number of different types of organizations conduct social marketing exercises. The organizations include government departments, autonomous institutions supported by foundations, political parties, religious groups, business houses, NGOs etc.

Behaviours are always the focus. It is this focus and commitment that distinguishes social marketing from education. The social marketing aims at modification of behavior of the target participants on a regular basis. Advertising alone cannot move people from awareness to interest and then, to action. In the area of health, social marketing efforts have been used to reduce tobacco use, exercise regularly, prevent and control diabetes and heart attack, curb the spread of HIV/AIDS, improve oral health, defect concerns early by self-examination etc. All these require changes in individual behaviours. For a variety of reasons, this is one of the toughest of all marketing assignments, because this asks people to-

i) Give up pleasure (save water)

ii) Be uncomfortable (wear a helmet)

iii) Be embarrassed (take a colonoscopy)

iv) Develop new habits (take the pool car)

v) Learn a new skill (compost food waste)

In the 21st century, we have to gear ourselves to many changes; changes interact with time – whether demographic changes, political changes, technological changes or simple changes of any kind. Most of these changes will come any way – it we do not manage them, they will overwhelm us. To that extent, productivity will always have to be in focus. Banks in India have a developmental role. A marketing and service orientation in this regard can go a long way in improving the effectiveness.

## 13.7 RURAL AND DEVELOPMENTAL MARKETING

In the context of a rural economy how a service product is defined and offered has a great significance. Let us take the example of banking services. Accepting deposits and extending credit is no longer the only core product the banks have to offer. The product has been augmented and the augmented product embraces several dimensions. Banks have initiated credit plus services such as setting up rural training centres for small enterprises, farmers' clubs, knowledge centres and credit counseling centres for educating the semi urban and rural population with respect to minimizing yield risk and price in agriculture.

To address the last mile challenges in rural areas, marketers are adopting innovative solutions like cloud computing. Cloud computing refers to internet based computing where the delivery of services is through servers; storage and other resources are served from the web rather than on-premise assets. Dependence on hard elements is reduced significantly. Branchless banking uses cloud computing to take banking services to the un-banked.

The huge un-banked population presents a great opportunity for marketers to tap the rural market. Rural customers need credit not only for productive purposes but also for their consumption needs. To meet the credit needs of rural people, loans to MFI (Micro Finance Institutions) for relending purposes have evolved as effective instruments. SHG Bank linkage model has been a successful micro finance approach. All these experiments indicate a huge scope for rural, social and developmental marketing in the context of an emerging economy.

The organizations in the corporate sector need to go way beyond simply selling to the rural masses at the Bottom of the Pyramid (BoP). They should look at the poor not only as consumers, but also as producers/ suppliers of goods and services. This kind of an approach offers the promise of adding economic value to the goods and services contributed by the poor and can therefore impact poverty positively. This approach is called inclusive marketing. ITC's e-choupal is an example of inclusive marketing. The business model ensures that farmers as producers get better value for their produce. Once their incomes are enhanced, the model then uses the same channel created for procuring produce to push the relevant goods and services needed by the farmers as consumers. The government and the private sector need to come together to promote inclusive marketing and grow the size of the rural pie through the development of reverse distribution channels.

The share of rural wallet has been rapidly shifting from food to nonfood items over the last decade, primarily in favour of education, travel recreation and personal care. The rural consumers are evolving and cannot be simply categorized as ones like the poverty stricken who is illiterate, stereotyped with a fear of change and a reluctance to spend.

The rural economy has changed from a slow growth, subsistence agriculture economy to a fast growth economy. Economic liberalization and government led infrastructure development have opened up the rural economy. Better access to goods, markets and funds has kick started the more resilient non-farm sector towards growth. The farm earnings have increased. The rural economy has undergone a favourable transformation in terms of rising income and aspiration levels fueling consumption growth. The importance of the rural economy can be gauged from the fact that nearly 70 percent of India's population, 56 percent of its income, 64 percent of its expenditure and 33 percent its savings come from rural India. Rapid increase in rural literacy levels, improvement in health indicators, increase in per capita expenditure, improvement in housing, decline in poverty levels, increase in life expectancy etc. are factors that have resulted in the improvement of human development indicator in India despite the daunting

challenges. For all these aspects, rural and developmental marketing is an emerging phenomenon.

## 13.8 SERVICES MARKETING

The share of services sector to the gross domestic products of many countries exceeds the share of manufacturing in many countries today. The government sector with hospitals, schools, courts, military, fire departments etc.; the nonprofit sector like zoos, museum, foundations, business sector like airlines, private hospitals, motion picture companies etc.- all provide a variety of services. Many workers like accountants, lawyers etc. in the manufacturing organizations are service providers. Service firms once lagged behind manufacturers in their use of marketing because they were small and did not face much competition. The scenario has changed in late 20$^{th}$ and early 21$^{st}$ century. The future trend is also towards more and more of services only. Service marketers are recognizing the new service realities like

i. Newly empowered customer because of enhanced competition and digital facilitation
ii. Customer coproduction i.e. customers are taking active part in service design and delivery making it a customized/ mass customized approach
iii. Employee engagement in service touchpoints and customer contact positions as the service quality of a firm is tested at each service encounter.

Consumers value convenience in services. An emerging trend in marketing of services is to facilitate the use of self-service technologies (SST) replacing many persons to persons' interactions. Not only the traditional vending machines, we find ATMs, self-updating of bank pass books, self-check in at airports, self-check-out at hotels and a variety of other activities on the Internet. Investment trading, air ticketing, customization of products are the new things which are emerging.

The services sector is the lifeline for the socio economic growth of a country. As stated earlier, today it is the largest and fastest growing sector.

This sector has witnessed a major boom and recently it has been one of the major contributors to both employment and national income in many countries. It contributes 57 percent of the GDP and employs 34 percent of the workforce in India. This growth is also reflected in the rural economy, which has moved from farm to non-farm. In rural markets, services primarily comprise of retail trading, transportation and communication, financial services, healthcare, housing, construction, education and community/social services. Among services, sectors like telecommunication, finance, healthcare and entertainment have witnessed an impressive growth in rural markets and marketers have used innovative ways to take these services to rural markets. For example, launched in Maharashtra in 2008, Nokia Life Tools aims to provide users with direct access to information that can change how they do business. It delivers agricultural information along with other educational resources and entertainment to users over SMS. The agricultural part of the service is provided in conjunction with Reuters Market Light. Information provided in the localized context includes weather conditions, advice about crop cycles and general tips and techniques as well as market prices for crops, seeds, fertilizers and pesticides.



## 13.9 LET US SUM UP

In this Unit we have discussed that marketing has changed a lot. In the late 20th century and the first two decades of the 21st century, the marketers have to be more focused on customer relationship management. Not only with customers, the new reality is any stakeholders. In this context we discussed xRM. The marketers have to be highly concerned with the green issues. As we have discussed rural marketing is changing rapidly. Developmental marketing is the call of the day. Likewise, in social marketing also, marketers have to be more focused with the new age issues. We have also discussed that marketing of services faces new realities in the 21st century due to customer empowerment, customer coproduction and the need to satisfy employees as well as customers.



## 13.10 FURTHER READINGS

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

2) Alan R. Andreasen and Philip Kotler (2006), Strategic Marketing for Non Profit Organizations, 6th Edition, Pearson Education, pp 10-12

3) https://www.tutorialspoint.com/customer_relationship_management/crm_emerging_trends.htm



## 13.11 ANSWERS TO CHECK YOUR PROGRESS

**Answer to Q.No. 1:** The features of ECRM are as follows

a) It enables the businesses to interact with their customers and employers using internet.

b) ECRM offers seamless integration of CRM processes.

c) ECRM is speedy and reliable.

d) It is highly secured from threats.

**Answer to Q.No. 2:** The main difference between CRM and ECRM is conventional CRM uses telephone, fax, and retail store for contacting customers, whreas ECRM uses internet with Personal Digital Assistant (PDA) devices and web based applications

**Answer to Q.No. 3:** The difference between Genuine Greens and Mean Greens are in two extremes.

In case of genuine greens consumers think and act green to a great extent. The Mean Greens represents the category of customers who claim to be aware of environmental issues but do not express pro-green behaviors.



## 13.12 MODEL QUESTIONS

1) What are the emerging trends in CRM?

2) Distinguish between CRM and ECRM.

3) What are the emerging trends in E-commerce?

4) What are the emerging trends in green marketing?

5) Discuss the emerging trends in social marketing.

6) Discuss the emerging trends in rural and developmental marketing.

7) Discuss the emerging trends in services marketing.

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# UNIT 14: CASE STUDIES

**An Introduction on Management Cases**

In simple terms, a case is a description of a management situation. The length of a case may vary from one page to several pages. In some cases to present quantitative and analytical data and information, exhibits and figures are provided. All these information provide the required inputs for case analysis. While reading and analysing the case, the reader should try to find out the management problem in the case. The focus of the case should be identified. Cases may be prepared from field data or from published sources. The websites of the concerned business organizations or the published reports etc. provide the required information. Information related with some of the cases may be available in the public domain. Some cases may require analysis of interpersonal relations, disciplinary issues in an organization. In those situations, in house materials in the organization provide the required information and those information are presented in the case. A case is not written or analysed to illustrate correct or incorrect handling of an administrative situation. There is no bias towards a particular conclusion. The analysis should be rational, free from bias. A chronological series of cases based on a single organization is sometimes used to expose the learner to an organization's cumulative experience with a situation.

Cases are used to develop an analytical bent of mind and also for class discussion in a variety of educational programs. At the KKHSOU in the Master of Business Administration (MBA) Programme a few cases have been offered in this Unit for reading and analysis by the learners. The short cases (can also be said as case lets) offer the learners an experience in dealing with complex, realistic situations. The emphasis is on analysis and exposure to decision making in real life organizational situations.

In some cases questions are given at the end of the case. In those cases the learners should read the case and answer the questions with an analytical approach. In the cases, where information may be available in the public domain, the learner may update himself or herself accordingly before approaching the issues. In some cases, there may not be some

questions at the end. In those cases, while answering the questions the learners should try to identify the main problem and the key issues, search for the decision alternatives and should try to contemplate measures towards solving the management problem.

**Case Study 1: Hyundai**

The **Hyundai Motor Company** is a multinational automotive manufacture of South Korea with headquarters in Seoul, South Korea. The company was founded in 1967. Along with Kia Motors, (its 32.8% owned subsidiary) Hyundai is one of the world's largest automakers. In 2008, Hyundai Motor (without Kia) was ranked as the eighth largest automaker. Hyundai operates the world's largest integrated automobile manufacturing facility in South Korea which has an annual production capacity of 1.6 million units. The company employs about 75,000 people worldwide. Hyundai vehicles are sold in 193 countries through some 5,000 dealerships and showrooms.

Hyundai has six research and development centres, located in Korea, Germany, Japan and U.S. Hyundai has invested in manufacturing plants in U.S., India, the Czech Republic, Russia, China and Turkey. Hyundai has a manufacturing plant at Irungattukottai near Chennai, India. Hyundai Motor India Limited is one of the second largest auto exporters of India. It has a strategy of making India the global manufacturing base for small cars.

**India**

Hyundai sells several models in India, the most popular being the Santro Xing, i10, i20, Hyundai EON etc. On 3rd September 2013, Hyundai launched its much-awaited car, Grand i 10 in petrol and diesel variants. Other models include the Getz, Accent, Elantra, Verna, Santa Fe. The manufacturing plants in Tamil Nadu have a combined annual capacity of 600,000 units. In the year 2007, Hyundai opened its R&D facility in Hyderabad. Hyundai Motor India Engineering (HMIE) gives technical & engineering support in vehicle development and CAD and CAE support to

Hyundai's main R&D centre in Namyang, Korea. In mid-2014, Hyundai launched Xcent and Elite i20, based on success of Grand i10.

Kia motors Corp is likely to announce its plans for India entry in 2016 as it is finalising the finer details of the product mix, production, sales and marketing strategies. The car maker may set up a plant in India with an initial production capacity of 2.5 lakh per annum and option of scaling it up later.

**Japan**

Despite having growing sales worldwide, Hyundai struggled in Japan. Following an announcement on November 2009, Hyundai pulled their passenger car division out of the Japanese market and focused on their commercial vehicle division instead. The company is hopeful about the market potential in Japan.

**Egypt**

Hyundai cars are also manufactured in Egypt. They have a wide range of products including offers of sports models.

Once synonymous with cheap and unreliable cars, Hyundai motor Company has experienced a massive global transformation. In 1999, its new Chairman, Mong Koo Chung, declared that Hyundai would no longer focus on volume and market share but on quality instead. A number of changes were instituted: Hyundai began to benchmark industry leader Toyota, adopted six sigma processes, organised product development cross functionally, partnered more closely with suppliers, and increased quality improvement meetings. From a place near the bottom of JD Power's study of U.S. new vehicles' quality in 2001 – 32$^{nd}$ out of 37 brands – Hyundai zoomed to number four by 2009, surpassed only by luxury brands Lexus, Porsche and Cadillac. Hyundai also transformed its marketing and advertising campaigns.

The U. S. market was not the only one receiving attention from Hyundai and its younger, more affordably priced brand sibling Kia. Hyundai is the second largest car maker in India, it is supplying Europe with a new 1billion Euro factory in the Czech Republic, and a joint venture with Beijing Automotive Hyundai is targeting China also.

***Question:*** *What could be the reasons of success of Hyundai in some countries? What could be the reasons of Hyundai not doing well in some markets?*

*(The case is written from materials available in the book on Marketing Management by Kotler et al, 14 e, 2013, page 538,* web *materials from http://m.hyundai.co.in and* https://en.wikipedia.org/wiki/**Hyundai**_Motor_Company*, and The Business Telegraph dated 15th November, 2016 )*

**Case Study 2: Local Dynamos**

An extensive study by Boston Consulting Group (BCG) identified 50 firms in 10 emerging economies as 'local dynamos'. According to BCG, the characteristics of local dynamos are:

i. It is prospering in home market

ii. It is fending of multinational rivals

iii. It is not focused on expanding abroad

In Mexico, a retailer and financial corporation called Group Elektra is selling washing machines, refrigerators, televisions and other items on credit to people making less than 10 dollar a day. They have many stores where people can withdraw, deposit and transmit cash.

Brazilian budget airline Gol targeted thrifty Brazilian consumers willing to sacrifice convenience for price; planes often depart at odd hours and make multiple stops.

In India, Gujarat Cooperative Milk Marketing Federation (GCMMF), owner of Amul, with about 3 million farmer members, sells dairy products through a distribution network of dealers comprising more than 5000 and 1 million retailers. The brand is supported by one of the longest running and best loved ad campaigns in India. The ice cream and chocolate milk businesses have survived the entry of Unilever and Nestle.

Amul hit a top line of over Rs 20,000 crore for the first time in the financial year ended March 2015 equivalent to the combined revenue of the food businesses of its three closest rivals Nestle, Hindustan Unilever and ITC (based on their figures for FY14).

Speaking to Business Standard, R S Sodhi, GCMMF's MD, said, "Yes, we are ahead of these companies. But our top line growth for FY15 was 14.28 per cent over the previous year's. While this rate of growth was lower than what we had achieved in FY14, the domestic consumer business grew at the rate of 21 per cent during the period under review.

In FY15, milk prices crashed by as much as 20/25 per cent, as private dairies cut purchases resulting in excess supply to cooperatives such as GCMMF. This up and down movement of milk prices has prompted GCMMF in the last few years to shift its attention to value added products, which, according to industry sources, give the cooperative about 35 40 per cent of its top line today. The balance comes from liquid milk. Five years ago, liquid milk was 80 per cent to 90 per cent of the company's top line, say experts tracking the sector. However, categories such as as UHT milk (or milk in tetra packs), dahi, butter, milk based beverages and ice-creams have seen higher growth, Sodhi says, in the region of about 25 35 per cent per annum.

In contrast, liquid milk has been stagnant, growing in low single digits, experts say. Youth products, in specific, is something that the dairy major, Sodhi explains, has been focusing attention on aggressively this year. "Products such as Amul Cool, Epric icecream,a malted beverage called Amul Pro and an energy drink called Stamina are some of the products that we are counting on," he said. Of the above four, Epic ice-cream, Amul Pro and Stamina were launched in the last two months. While Epic ice-cream has been launched in metros such as Delhi and Mumbai, GCMMF is expected to take it to more cities and is expected to begin promoting Amul Pro and Stamina in the next few months. The cooperative will also launch Amul Cool in PET bottles shortly.

***Question**: What are the emerging trends in the business environment of Amul? Can Amul be considered as a local dynamo of India?*

***Note*** : The case is adapted from news material published in The Business Standard on May 5, 2015 (Topping the Chart with ease and Amul owner tastes Rs.20.k crore mark in annual turnover) and also from the

website of Amul.) In addition to these materials available on Local dynamos in the book on Marketing Management by Kotler et al, 14 e, 2013, page 541 has also been studied.

**Case Study 3: McDonald's**

McDonald's is the world leader in QSR (Quick Service Restaurants). Their presence in 118 countries with 33,000 restaurants glorifies its position as world leader and as a fast food giant. This huge network is not easy to manage where guest expectations in different countries are clean, hygienic, tasty and quick food every time. The credit of this successful availability goes to the unique supply chain management the company follows and control over its huge network.

McDonald's allows countries and regions to customize its basic layout and menu staples. In China, corn replaces fries in Happy Meals, some U.S. stores blend fruit smoothies, and Australia and France have Starbucks-like lounges. In India, the mutton based Maharaja Mac replaces the beefy Big Mac, and cottage cheese wraps and potato patties are offered for vegetarians. In cities plagued by traffic tie-ups like Manila, Taipei, Jakarta and Cairo, McDonald's delivers via fleets of motor scooters.

McDonald's is present in more than 40 cities of India with 250 eating outlets and adding more every now and then. The company outsources the huge supply chain. This supply chain is multi-layered but very well coordinated. McDonald's Supply Chain is quite uniquely handled with least number of employees on McDonald's payroll. The control on outsourced entities is commendable. With ever growing business of fast food, McDonald's has laid down its systems efficiently and the company is expanding at a fast speed.

For training their staff company takes all its measure through intensive programmes. Utmost care is taken for management of quality in all aspects of management functioning.

McDonald's being a limited menu restaurant is characterised by speed of operations, serving more than 67 million customers each day globally. In India, the first outlets of the chain threw open their doors to the

public in Delhi and Mumbai in. In India McDonald's serves 650,000 customers daily.

McDonald's Supply Chain is quite uniquely handled with least number of employees on McDonald's payroll. The control on outsourced entities is commendable. With ever growing business of fast food, McDonald's has laid down its systems efficiently. The chain is expanding at a fast speed.

***Question** : Can the model of McDonalds be replicated in global markets of other sectors as well?*

***Note***: The case let is adapted from the Case Study on the McDonald's Supply Chain in India, by Prof. Kshitiz Sharma, published in Asia Pacific Journal of Marketing & Management Review, Vol.2 (1), January (2013) Online available at indianresearchjournals.com. In addition to these materials available on McDonald's in the book on Marketing Management by Kotler et al, 14 e, 2013, page 549 has also been studied.

**Case Study 4: IKEA**

IKEA retailing started as an idea in Sweden more than 70 years ago. What today is the IKEA concept has evolved during many years of its functioning. The idea is still improving. Inter IKEA Holding B.V. (located in the Netherlands), is the holding company for all IKEA-related businesses that were previously part of Inter IKEA Group. A corporate restructuring was done with the ambition for planned transaction to simplify and improve the IKEA franchise system, creating better conditions for increased customer focus and future expansion.

Around the globe, a large number of companies operate under the IKEA trademarks. All IKEA franchisees are independent of Inter IKEA Group. A large group of franchisees are owned and operated by INGKA Group. Inter IKEA Group and INGKA Group have the same founder, and a common history and heritage, but have operated under different owners and management since the 1980s.

To improve the IKEA franchise system and clarify roles, IKEA range, supply and production activities were transferred to the new Inter IKEA Group headed by Inter IKEA Holding B.V. The ownership changes came into effect

on 31 August 2016. The Inter IKEA Group is now composed of three core businesses – franchising, range and supply and industry. The entities were designed to work together to build a stronger franchise system, to build an even better IKEA offer together with retailers and suppliers based on existing and new strengths in their value chain.

The IKEA Concept is a living concept. It was developed together with IKEA retailers and other contributors. Together they strive to stay in the forefront of global trends and changes in retailing. The company has a policy of listening to the needs of IKEA retailers based on real-life shop floor experience. And they work to get better insight into what many people need in order to improve their life at home. All these are likely to ensure that the IKEA Concept remains successful in a dynamic world.

Inter IKEA Systems business units are focused on the following key areas:

**Conceptualisation**

They continuously develop the IKEA Concept and ensure that the foundation of the IKEA Concept is always relevant, available and known. A team of individuals develops the IKEA Concept for customer participation, convenience and accessibility.

**Expansion**

The company always strive to ensure successful implementation and protection of the IKEA Concept in existing and new markets.

**Intelligence**

They inspire and enable IKEA people to make well-founded decisions based on relevant and actionable business and consumer knowledge.

**Competence**

They work to strengthen the IKEA culture and enable IKEA people to develop their competence to meet customer and business needs.

**The experience in China**

IKEA used market penetration pricing to derive the advantages in China's market for home furnishings. When the Swedish home furnishing giant opened its first store in Beijing in 2002, shops were selling copies of its designs at a fraction of IKEA's prices. The only way to attract price

sensitive and deal prone customers in China was to slash prices. The strategy of western brands was remarkable. These brands in China usually priced products such as makeup and running shoes 20-30 per cent higher than in their other markets. This was done to make up for China's high import taxes and to give their products added cachet. By stocking its Chinese stores with Chinese made products, IKEA had been able to slash prices as low as 70 per cent below their level outside China. IKEA maintained sizable stores in Beijing, Shanghai, Guangzhou, Chengdu, and Tianjin, opening one or two new locations each year.

***Question*** **:** Analyse the marketing strategy of IKEA. What precautions are required for success in markets like China?

**Note** : The case is developed from contents in the website of IKEA http://www.ikea.com. In addition to these, materials available on McDonald's in the book on Marketing Management by Kotler et al, 14 e, 2013, page 554 has also been studied.

**Case Study 5: L'Oreal**

For more than a century, L'Oréal has devoted itself solely to one business: beauty. It is a business rich in meaning, as it enables all individuals to express their personalities, gain self-confidence and open up to others. When it comes to globalizing beauty, no one does it better than L' Oreal. L'Oréal has set itself the mission of offering all women and men worldwide the best of cosmetics innovation in terms of quality, efficacy and safety. It pursues this goal by meeting the infinite diversity of beauty needs and desires all over the world.

Since its creation by a young chemist 100 years ago, the group has been pushing back the frontiers of knowledge. Its unique research arm enables it to continually explore new territories and invent the products of the future, while drawing inspiration from beauty rituals the world over. By drawing on the diversity of its teams, and the richness and the complementarity of its brand portfolio, L'Oréal has made the universalisation of beauty its project for the years to come. Their ambition for the coming years is to win over another one billion consumers around the world by creating the cosmetic products that meet the infinite diversity of their beauty needs and desires.

With a portfolio of 27 international brands and an organisational structure based on distribution channels, they have the ambition to meet the needs of every consumer according to his or her habits and lifestyle. In its own way, L'Oréal is pushing back boundaries and taking up the challenge of increasingly accessible innovation. Passion, Innovation, Entrepreneurial spirit, Open-mindedness, quest for Excellence: Our values are embedded in L'Oréal's genetic code. They continue to this day to express themselves in the daily actions of all the teams across the globe. The ethical principles are Integrity, Respect, Courage and Transparency.

L'Oreal focuses on five areas of expertise: skin care, hair care, makeup, hair coloring and perfume. Its brands fall into different groups like cosmetic products, luxury products, professional products and dermo-cosmetic products sold at pharmacies. The company believes in perfect target marketing for global success. Each brand is positioned on a very precise segment with little scope for overlapping. The company has built its portfolio by acquiring local beauty companies and developing them with strategic direction backed by its powerful marketing. The company also invests a lot on research and development. It spends about 3 per cent of its annual sales on research and development. Understanding the diversities of different customers in different countries with diversities in their daily routines and preferences is quite critical for the global success of L'Oreal. Hair and skin differ a lot in different parts of the world. They are as strong as locals backed by international image and strategy. This makes them stronger than locals.

***Question*:** Review the global marketing strategy of L'Oreal with respect to acquisition, brand portfolio, investment in research and development. If you were the CEO of L'Oreal how would you sustain the company's global leadership?

**Note** : The case is developed from contents in the website of L'Oreal www.**loreal**.co.in *and http://www.loreal.com.* In addition to these, materials available on L'Oreals in the book on Marketing Management by Kotler et al, 14 e, 2013, page 561 has also been studied.

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