

REFERENCES

1) Kotler P., Keller KL, Koshy A, and Jha M (2007), *'Marketing Management'*, Pearson Education

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

3) Valarie A. Zeithaml and Mary Jo Bitner,Service Marketing, Tata Mc Graw Hill, 3rd Edition.

4) Satish K Kapoor and Purva Kansal (2003), Basics of Distribution Management, Prentice Hall of India, New Delhi.

5) D. K Agarwal (2003),Textbook of Logistics and Supply Chain Management Published by Macmillan India Ltd.

GBA S2 06-02

MARKETING MANAGEMENT

SEMESTER - 2

BACHELOR OF BUSINESS ADMINISTRATION

BLOCK - 2



KRISHNA KANTA HANDIQUI STATE OPEN UNIVERSITY

Subject Expert

Prof. Nripendra Narayan Sarma, Maniram Dewan School of anagement.,KKHSOU

Prof. Munindra Kakati, VC, ARGUCOM

Prof. Rinalini Pathak Kakati, Dept. of Business Administration, G.U.

Course Coordinator

Dr. Smritishikha Choudhury, Assistant Professor, Management, KKHSOU

Dr. Chayanika Senapati, Assistant Professor, Managemennt, KKHSOU

SLM Preparation Team

Units	Contributors
7, 8	Prof. Nripendra Narayan Sharma, Dept of Management, KKHSOU
9 & 11	Dr. Smritishikha Choudhury, Dept of Management, KKHSOU
	Gauhati Commerce College
10	Dr. Arpita Sharma Nath, BBA,Gauhati Commerce College
12 & 13	Dr. Arup Goswami, Centre for Management Studies, Dibrugarh University
14	Mr. Arinjit Hazarika, Dibrugarh University

Editorial Team

Content : Dr. Chandan Goswami, Dept of Business Administration, Tezpur University, Napaam

Language : Retd Prof. Robin Goswami, Cotton College, Guwahati

October, 2017

© Krishna Kanta Handiqui State Open University

This Self Learning Material (SLM) of the Krishna Kanta Handiqui State Open University is made available under a Creative Commons Attribution-Non Commercial-Share Alike 4.0 License (international): http://creativecommons.org/licenses/by-nc-sa/4.0/

Printed and published by Registrar on behalf of the Krishna Kanta Handiqui State Open University

Head Office : Patgaon, Rani Gate, Guwahati-781 017

City Office : Housefed Complex, Dispur, Guwahati-781 006; Web: www.kkhsou.in

The University acknowledges with thanks the financial support provided by the Distance Education Bureau, UGC for the preparation of this study material.

profile events like Olympics or the World Cup, as well as donations to or participation in charity events.

- Branding – a strong and consistent brand identity differentiates the product and helps consumers to understand and trust the product. This aims to keep consumers buying the product long-term.
- Sales promotions encourage consumers to buy products in the short-term.

NIVEA realizes that a 'one way' message, using TV or the press, is not as effective as talking directly to its target group of consumers. Therefore NIVEA does not plan to use any above-the-line promotion for NIVEA VISAGE.

Summary

NIVEA VISAGE is a skincare range in the UK market designed to enhance the skin and beauty of the teenage consumers rather than being medicated to treat skin problems. As such, it has created a clear position in the market. This shows that NIVEA understands its consumers and has produced this differentiated product range in order to meet their needs.

To bring the range to market, the business has put together a marketing mix. This mix balances the four elements of product, price, place and promotion.

The mix uses traditional methods of place, such as distribution through the high street, alongside more modern methods of promotion, such as through social networking sites. It makes sure that the message of NIVEA VISAGE reaches the right people in the right way.



ACTIVITY 3

(1) In your opinion, what are the factors responsible for the success of NIVEA brand?

(2) What, according to you, are the likely challenges that Beiersdorf might face in the near future?

Distribution Channels

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

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

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

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

Promotion

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

Promotional Activities

Promotional activities include:

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

BLOCK INTRODUCTION:

This is the *Second Block* of the course '***Marketing Management***'. After completing this block, which consists of seven units, you will be able to get a fair idea on the different concepts in marketing management.

This block comprises of the following seven units :

The eighth unit introduces us to the concepts of Logistic and Supply chain Management

The ninth unit gives us a broad overview of the concepts promotion and promotion mix.

The tenth unit gives us an idea on the concept of Selling functions in Marketing.

The elevth unit gives us an idea on the concept of product.

The twelfth unit will help us in understanding the concept of International Business and Marketing.

The thirteenth unit gives us a broad overview of International Marketing Promotion.

The fourteenth unit is about case studies in marketing management.

The structure of Block-II is as follows :

UNIT 8 : Logistic and Supply Chain Management

UNIT 9 : Promotion

UNIT 10 : Selling functions in Marketing

UNIT 11 : Service Marketing

UNIT 12 : International Business and Marketing

UNIT 13 : International Marketing Promotion

UNIT 14 : Case Studies in Marketing

BACHELOR OF BUSINESS ADMINISTRATION

MARKETING MANAGEMENT

BLOCK-II

DETAILED SYLLABUS

UNIT 8. Logistics and Supply Chain Managment **145-159**

Physical distribution, marketing logistics and supply chain management.

UNIT 9. Promotion **160-183**

Meanining and its importance , types, promotion mix, sales promotion, push versus pull, factors affecting promotional mix and strategies, Advertising.

UNIT 10. Selling functions in Management **184-198**

Personal Selling-nature,importance and process, direct marketing, , e-commerce and e-business, concept of ECRM

UNIT 11. Service Marketing **199-210**

Basic Concepts of Service Marketing, Service Marketing mix, Growth of services, difference between goods and service marketing, characterestics of sercie marketing

UNIT 12. International Marketing **211-222**

Meaning and scope of international marketing, Difference between domestic and international marketing, Indian Export and Import policy.

UNIT 13. International Marketing Promotion **223-251**

4P's of international marketing, product, pricing in international marketing, international distribution and international promotion mix.

Each of these changes helped to strengthen the product range in order to meet the needs of the market in a better way.

Price

Lots of factors affect the end price of a product, for example, the costs of production or the business need to maximize profits or sales.

Pricing strategies

On re-launch the price for NIVEA VISAGE was slightly higher than previous one. This reflected its new formulations, packaging and extended product range. However, the company also had to take into account that the target market was both teenage girls and mothers buying the product for their daughters. This meant that the price had to offer value for money or it would be out of reach of its target market.

Price leader

As NIVEA VISAGE is one of the leading skin care ranges meeting the beautifying needs of this market segment, it is effectively the price leader. This means that it sets the price level that competitors will follow or undercut. NIVEA needs to regularly review prices because if a competitor enters the market at the 'market growth' point of the product life cycle then it is ensured that its pricing remains competitive.

It sells products to retailers at one price. However, retailers have the freedom to use other strategies for sales promotion. They may use:

- Loss leader: the retailer sells for less than it cost to attract large volume of sales, for example by supermarkets.
- Discounting – alongside other special offers, such as 'Buy one, get one free' or 'two for one'.

Place

Place refers to:

- How the product arrives at the point of sale. This means a business must think about what distribution strategies it will use
- Where a product is sold. This includes retail outlets like supermarkets or high street shops. It also includes other ways in which businesses make products directly available to their target market, for example, through direct mail or the Internet.

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

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

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

How research improved the product

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

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

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

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

UNIT 8: LOGISTIC AND SUPPLY CHAIN MANGEMENT

UNIT STRUCTURE

8.1 Learning Objectives
8.2 Introduction
8.3 Physical distribution
8.4 Marketing Logistics
8.5 Supply Chain Management
8.6 Different Channels of Direct Marketing
8.7 Advantages and Disadvantages of Direct Marketing
8.8 Let Us sum Up
8.9 Further Reading
8.10 Answers To Check Your Progress
8.11 Model Questions

8.1 LEARNING OBJECTIVES

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

- describe the concept of physical distribution
- discuss about marketing logistics
- explain supply chain management
- design and manage marketing channel

8.2 INTRODUCTION

Based on target market analysis and other considerations, the marketers must decide about channel management and physical distribution related activities so as to reach the target customers. Not only the traditional modes of distribution through intermediaries, the marketers have to consider the options of new age tools like direct response internet site, virtual malls, tele-marketing, direct mails etc. In this Unit, we are going to discuss about aspects of direct marketing, physical distribution, market logistics and supply chain management.

8.3 PHYSICAL DISTRIBUTION

Physical distribution is the process of making the movement of the product to the consumers. It encompasses all the activities involved in

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

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

The following are the functions of the physical distribution:

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

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

We will discuss some of these factors below :

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

The firm should continue with the present brand name and package. Instead of going for several changes at a time, they should take each and every step gradually. The following measures can be taken for increasing preference levels for the "Bharat" brand:

- Advertising
- Door-to-door selling

The media mix, therefore, should comprise of advertising and sales promotion. Of these two, advertising is more effective as the same message reaches effectively to a larger audience. When there is some offer/price-off, during that time door-to-door selling will be more effective.

CASE STUDY 2

Nivea and The 4 P's of Marketing

NIVEA is an established name in high quality skin and beauty care products. It is a part of a range of brands produced and sold by Beiersdorf. Beiersdorf, founded in 1882, has grown to be a global company specializing in skin and beauty care.

Beiersdorf's continuing goal is to have its products as close as possible to its consumers, regardless of where they live. Its aim is to understand its consumers in its many different markets and delight them with innovative products for their skin and beauty care needs. This strengthens the trust and appeal of Beiersdorf brands. The business prides itself on being consumer-led and this focus has helped it to grow NIVEA into one of the largest skin care brands in the world.

Beiersdorf's continuing programme of market research showed a gap in the market**.** This led to the launch of NIVEA VISAGE in 2005 as part of the NIVEA VISAGE range offering a comprehensive selection of products aimed at young women. It carries the strength of the NIVEA brand image to the target market of girls aged 13-19.

Market orientation and product orientation

The market can be developed by creating a good product/range and introducing it to the market (product-orientated approach) or by finding a gap in the market and developing a product to fill it (market-orientated approach).

Alternative 3: Appoint a new agency

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

Conclusion

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

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

PROMOTION

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

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

stage of advanced civilization”. Transportation helps the growth and distribution of wealths.Transportation choices of a company affect product and pricing decisions, on time delivery performance and condition of goods at the time of delivery. All these affect IN customer satisfaction. While shipping goods, the company can choose various modes of transportation as shown below.

i. Roadways
ii. Railways
iii. Waterways
iv. Airways, and
v. Pipelines

Shippers consider such criteria as speed, frequency, dependability, capability, availability, traceability and cost etc. For speed- air, rail and truck are the prime contenders. If the goal is low cost, then the choice is water or pipeline. Shippers are increasingly combining two or more transportation modes. This has been possible because of containerization. Containerization implies putting the goods in boxes or trailers that are easy to transfer between two transportation modes. For example, Tea produced in gardens can be put into containers in the inland container depot; and then can be shipped to foreign countries through inland water and via sea routes.

We shall now discuss the advantages and disadvantages of various modes of transportation.

Roadways : It is the oldest system. There are different categories of road transport. To deliver any product to the remote area, road transportation is the best mode.

Advantages of road transport :

(1) It is more flexible than any other mode of transportation.
(2) It is less costly than railways or airways.
(3) It has got wider coverage.
(4) Motor transport has minimum handling in loading and unloading operations and can be locally conducted.

Disadvantages –

(1) It is unsuitable for very long distance.
(2) It can not carry bulky goods.

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

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

Advantages-

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

Disadvantages –

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

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

Advantages -

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

Disadvantages –

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

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

Advantages –

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

For	Against
(2) If sales go up considerably, then maintaining its own sales force will be favourable because of economies of scale.	(2) The firm may have to hike the price of its products in order to compensate for the costs incurred in managing its sales force.

Conclusion

Although the points mentioned above on both sides have equal importance, but going on its own, needs meticulous planning and risk-taking attitude, as far as the firm is concerned.

Alternative 2: Marketing on its own in the urban areas and deploy the services of the agency in the rural areas

For	Against
(1) As the urban areas are easily accessible the risk of the firm's marketing operations will be reduced to a great extent.	(1) The marketing agency might not prefer to go only for the rural areas, as it will not be economically viable to them also. In that case, the firm will have to look for other agency.

Conclusion

This alternative looks good. The firm and the marketing agency need to sit together to finalize a working agreement for coverage of urban market at this stage.

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

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

(2) Develop a plan of action.

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

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

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

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

The first two alternatives are analyzed as follows:

Alternative 1: Marketing on its own in the entire market

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

(3) It is more suitable for perishable and expensive goods.

Disadvantages –

(1) It is the costliest mode of transportation.
(2) It cannot serve all the area.
(3) It has got limited carrying capacity.

Pipelines : For the transportation of gas and liquid commodities like, crude oil, petroleum etc. pipeline are used.

B) Storage and Warehouses

Storage can be defined as one of the marketing functions, involving preservation of goods between the time of production and the time of consumption.

A warehouse or godown is a room or a building for the storage of goods, possessing facilities to perform other marketing functions.

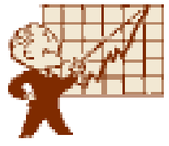
Every company must store finished goods until they are sold. Production and consumption cycles rarely match. Things produced may not be consumed immediately after production. This requires more of stocking locations. More stocking locations imply goods can be delivered to customers more quickly. However, this will imply higher cost in warehousing and stock handling. In order to reduce this cost, the company may think of centralizing its inventory in one place and use fast transportation to fill orders.

Following are different kind of warehouses.

i. ***Storage warehouse***: store goods for moderate to long periods of time.

ii. ***Distribution warehouse*** : receive goods from various plants and suppliers and move them out as soon as possible

iii. ***Automated warehouse***: employ advanced material handling systems under the control of a central computer. This is increasingly becoming popular.



CHECK YOUR PROGRESS

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

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

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

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

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

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

8.4 MARKET LOGISTICS

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

The Council of Logistics Management defines logistics as follows:

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

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

The points are favourable for the "Bharat" brand as found out during the market survey:

- The brand has got a good image among the consumers.
- Awareness level is very high.
- Retailers are also favourable for the brand.
- Brand preference is high.

The four P's of marketing mix and for the "Bharat" brand can be explained as below:

Product	Price	Promotion	Place
Strong, Tasty, Attractive colour, Good fragrance	Competitive Economical	No	Marketing agency

"Bharat" brand is operating under the following PEST environment:

Political	Economic	Social	Technological
Indicates patrotism	Rising incomes, Competition from Himalaya	Growing health consciousness among the consumers	Latest processing technology

Current growth rate of Shreya Beverages is very low as against the market growth rate of 17 percent:

Year	Sales Value (Rs. Lakh)
2002	12.28
2003	12.30
2004	20.73
2005	6.82
2006	2.2
2007	2.1

UNIT 14: CASE STUDIES IN MARKETING

CASE STUDY 1

BRIEF OF THE CASE– SHREYA BEVERAGES

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

(1) Analyze the situation faced by Shreya Beverages.

Organization: Shreya Beverages

Partners: Ashutosh and Shreya

Line of business: Tea products

Major brand: Bharat Tea

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

Current situation:

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

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

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

a firm refers to an integrated effort towards generating the highest value to customers while delivering the highest value to its shareholders. The basic function of logistics management is making available the required quality of products at the point of use as and when required at the least cost. The major logistics components which come under this function are inventory management of products, transportation, distribution, warehousing, order processing, protective packaging, etc. Market logistics includes planning the infrastructure to meet demand, implementing and controlling the physical flow of materials and final goods from points of origin to points of use to meet customer requirements at a profit. Market logistics implies the following.

i. Deciding what value to be delivered to customers?
ii. What should be the channel design and network strategy to reach to the customers?
iii. What products to be sourced from which manufacturing facilities?
iv. How many warehouses should the company have? Where should they be located?
v. What should be the information system? What will be the requirement of equipment, policies and procedures?

Understanding market logistics helps managers to find the most efficient way to deliver value. Think about a software company which produces and packages software discs and manuals. These discs and manuals are shipped to wholesalers, which ship them to retailers for ultimate sale to customers who may bring the same to their home for downloading onto their PCs. Understanding and applying the tools of market logistics may help the company in finding out superior delivery systems. In case of the given example, two options could be:

i. Let the customer download the software directly onto his or her computer
ii. Allow the computer manufacturer to download the software onto the product.

Both of the above solutions eliminate the need of the following.

i. Printing

ii. Packaging

iii. Shipping

iv. Stocking lakhs of disks and manuals

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

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

i. Shortened order cycle time

ii. Reduced clerical labour

iii. Reduced errors

iv. Improved control of operations

Market logistics encompasses several activities as given below.

i. Sales forecasting on the basis of which the company schedules distribution, production and inventory levels

ii. Saving cost and eliminating every unnecessary cost from the system

iii. Lower market logistics cost will permit lower prices, yield higher profit margin or both.

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

8.5 SUPPLY CHAIN MANAGEMENT

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

13.11 ANSWER TO CHECK YOUR PROGRESS

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

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

13.12 MODEL QUESTIONS

1. 'Branding, labelling, packaging, warranties and services play a crucial role in international marketing'- Discuss.
2. Discuss the parameters a marketing manager use for arriving at a price of a product.
3. Discuss the factors involved in selecting distribution channel members in international marketing.
4. Discuss the measures adopted to motivate channel members in case of international marketing.
5. Discuss the importance of advertising and sales promotion in international marketing.

*** ***** ***



13.9 LET US SUM UP

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



13.10 FURTHER READING

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

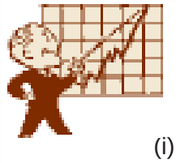
finished products and dispatching them to final destinations. An even broader perspective looks at how the companies' suppliers themselves obtain their inputs.For example, it is not all about the factory of Maruti Udyog Ltd., but also about the vendors to the factory. In a broader sense, it will include the quality of supplies to be made to the vendors of Maruti vehicles. Because, the quality of Maruti cars will depend upon the quality of supplies to be made to the vendors of the company.

A supply chain consists of various stages which take part in conversion of raw material into final products and its delivery to end consumers. It not only includes suppliers and manufacturers, but also the distributors, transporters, retailers and customers. Within each organization it includes all the important functions i.e. order management, planning, shop floor operations etc.

A supply chain consists of various stages which take part in conversion of raw material into final products and its delivery to end consumer. It not only includes suppliers and manufacturers, but also the distributors, transporters, retailers and customers. Within each organization it includes all the important functions i.e. order management, planning, shop floor operations, inspection packaging and dispatch etc. Supply chain is the approach to regulate the flow of material, information and finances.

Supply chain management encompasses the planning and management of all activities and all logistics management activities. Importantly it also includes coordination and collaboration with channel partners which can be supplier, intermediaries, third party service providers and customers. In essence, supply chain management integrates supply and demand management within and across firms.

The supply chain perspective can help a company identify superior suppliers and distributors and help them improving productivity and reduce costs. Nestle, P&G, PepsiCo etc. are companies which are admired for their supply chain. Some of the companies are also striving to improve the environmental impact and sustainability of their supply chain by shrinking their carbon footprint and using recyclable packaging.



CHECK YOUR PROGRESS

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

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

(ii) Logistics comes from the Greek word _____

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

8.6 DIFFERENT CHANNELS OF DIRECT MARKETING

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

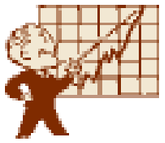
The various channels or methods are discussed below:

1. **Direct mail:** It means sending an announcement, offer, reminder etc. to individual customers. The marketer should have a mailing list. Letters, reminders, multimedia DVDs etc. can be sent to prospects and customers. This is a popular medium. Because, it can reach to target market. It can be personalized. It allows early testing and measurement. So many marketers are sending out direct mail pieces that many customers perceive it as junk mail.

2. **Telemarketing:** In case of telemarketing, marketers contact consumers by phone. In telemarketing the salesperson uses telephone to attract new customers, to give information to its existing customers or to take orders.The call centres are used

product is first introduced in the market. It can also work with existing products which are of low unit value, have high turnover and are highly competitive and standardized. Under these conditions, sales promotion can gain that 'extra' competitive advantage for the firm. However, sales promotion has to conform to the restrictions—legal or otherwise—which are exist in the respective international markets. Hence, international marketers should consult legal experts before launching a promotional campaign in any country to avoid legal hassles.

Examples of restrictions regarding sales promotion prevalent in some countries are as follows: In France, it is illegal to offer premium that are conditional on the purchase of another product. In Finland, premiums are allowed as long as the word "free" is not used with them. Compared to United States and the United Kingdom, Belgium, Germany and Scandinavian countries have strict laws concerning promotion owing to their desire to protect consumers from being distracted from the true value of a given product or service. In India and certain developing countries, premiums and gifts to volume buyers are very common and there are hardly any laws that restrict such trade practices.



CHECK YOUR PROGRESS

Q.2. State true or false for the following statement—

i. In France, door to door selling is prohibited. (True/False)

ii. Prospecting is the process of identifying a suitable customer in International market. (True/False)

iii. Belgium, Germany and Scandinavian countries have strict laws concerning sales promotion so as to protect customers. (True/False)

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

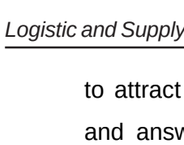
13.8.4 Sales Promotion

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

Sales promotion is temporary and not self-sustaining. It can be used to supplement other elements of promotion mix viz. advertising, personal selling and publicity. It is effective when a

to attract prospects, sell to existing customers, provide service and answering customer questions and queries.

3. **E-mail Marketing:** E-mails are inexpensive and flexible as they can deliver text, videos, audios etc.
4. **Direct Response Television Marketing:** Direct Response Television Marketing which is also known as DRTV has two basic forms: (a) long form which is usually ½ hr or 1 hr long segments which explains a product in detail and (2) short form which refers to typical 0:30 second or 0:60 second commercials that ask viewers for an immediate response which means they ask their viewers to call immediately to the number given or to log on to the website.
5. **Direct selling:** Direct selling is the oldest medium of direct marketing which means the sale of products by face-to-face contact with the customer. Now-a days many companies, go for professional salespersons to locate the prospective customers and develop and grow their business. Direct selling is more used by the insurance companies, stockbrokers and the direct sales organizations such as Amway, Avon etc.



CHECK YOUR PROGRESS

Q3: Define direct mail.

.....

.....

.....

Q4: State True / False

(a) Direct marketing is also known as 'Trunk mail'. (True/False)

(b) Videos and audio can be delivered through email. (True/False)

(c) In telemarketing, the salesperson uses Telephone. (True/False)

(d) Insurance company is where direct selling is used as a medium of direct marketing. (True/False)

8.7 ADVANTAGES AND DISADVANTAGES OF DIRECT MARKETING

Advantages of Direct Marketing:

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

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

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

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

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

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

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

is one tactic required to win an order in the United States; however, persistence often means endurance, a willingness to patiently invest months or years before the effort results in an actual sale. For example, a company wishing to enter the Japanese market must be prepared for negotiations to take from 3 to 10 years.

Prospecting is the process of identifying potential purchasers and assessing their probability of purchase. Successful prospecting requires problem solving skills, which involve understanding and matching the customer's needs and the company's products in developing a sales presentation.

The next two steps, the approach and the presentation, involve one or more meetings between seller and buyer. In international selling, it is absolutely essential for the sales person to understand cultural norms and proper protocol. In some countries, the approach is drawn out as the buyer gets to know or takes the measure of the salesperson on a personal level with no mention of the pending deal. In such instances, the presentation comes only after rapport has been firmly established.

During the presentation, the salesperson must deal with objections. Objections may be of a business or personal nature. A common theme in sales training is the notion of active listening; naturally, in international sales, verbal and non-verbal communication barriers present special challenges for the salesperson. When objections are successfully overcome, the salesperson moves on to the close and asks for the order. A successful sale does not end there, however; the final step of the selling process involves following up with the customer to ensure his or her ongoing satisfaction with the purchase.

13.8.3 Public Relations

A company's public relations effort should foster goodwill and understanding among constituents both inside and outside the company. PR practitioners attempt to generate favourable publicity, which by definition, is a non paid form of communication. PR

marketing: (a) attract potential customer towards the product and (b) help hold them as loyal customers to the product. The advertising challenges are different in different countries as the culture and languages are different.

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



LET US KNOW

Case example:

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

13.8.2 Personal Selling

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

6) **Relationship Building:** Direct marketing is very effective in developing a good relationship with new customers. For example the marketer of a tourism resort can continually inform the customers about the launching of new schemes, new packages etc.

7) **Targeting of Messages:** Direct marketing can be used to target different messages to different customers.

8) **Geographic Targeting:** Direct marketing can be used for any level of geographic targeting, whether it's the local area surrounding a restaurant or a wider geographical area by a hotel or a tourism resort.

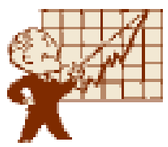
Disadvantages of direct marketing:

1) In case of direct mail some people do not like receiving offers in their mail, and throw them immediately without opening the mail.

2) Resources need to be allocated in the maintenance of lists, as the success of this kind of promotional campaign depends on the quality of mailing list.

3) It needs long time for creative printing and mailing

4) Direct marketing can be expensive at times, depending on the target market, quality of the list and size of the campaign i.e the direct marketing process.



CHECK YOU PROGRESS

Q 5. State the benefits of Direct Marketing.

.....

.....

.....



8.8 LET US SUM UP

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

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



8.9 FURTHER READINGS

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

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



8.10 ANSWERS TO CHECK YOUR PROGRESS

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

performance of channel members is appraised and controlled. Constant monitoring, periodic review, regular communications and intermittent suggestions help a marketer to control its channel members. Adverse impact on the reputation and legal requirements should be taken into consideration before terminating the services of a channel member.

13.8 INTERNATIONAL PROMOTION MIX

Promotion plays a vital role in providing information of the product to the foreign customers. It also creates the desirability of the product among foreign potential buyers. Foreign companies desire to communicate with their marketing intermediaries and potential buyers to ensure favourable sentiment toward themselves and their products. Promotion is more culture bound than other P's of marketing. Therefore, in international marketing, the foreign companies must take special care in promoting their product in the host country.

The promotion mix includes:

i. Advertising
ii. Personal Selling
iii. Public Relations, and
iv. Sales Promotion

13.8.1 Advertising

Most people must be motivated to want a product before they buy it. Advertising is an important motivator in internal marketing also. Advertising is a paid form of non-personal presentation of ideas, goods or services by the sponsor. It is a non-personal method of selling a product. The primary role of adverting is to inform, educate, to motivate and to persuade people to buy a product, a brand or a service. Advertising must also be able to overcome people's resistance and inertia to change and counter competitive claims to draw consumer's attention to the advertiser's products. Once consumers are won, they must be held and made loyal to the advertiser's products. Advertising thus plays two basic roles in

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

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

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

13.7.3 Motivation of Channel Members

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

13.7.4 Control of International Distribution Channel Members

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

Ans. to Q No 2: (i) raw material customer (ii) Logisticos (iii) Need

Ans. to Q No 3: Direct mail marketing involves sending offer, reminder etc to the customers at a particular address.

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

Ans. to QNo 5. Flexible Targeting, Multiple Uses, Cost-Effectiveness, Easy to Manage, Rapid Delivery, Testing Capability, Relationship Building, Targeting of Messages, Geographic Targeting etc are the benefits of Direct Marketing



8.11 MODEL QUESTIONS

1. State the importance of physical distribution in effective marketing.
2. What are the different kinds of warehouses in respect of their functions?
3. Distinguish between physical distribution and supply chain management.
4. Discuss the advantages and disadvantages of various modes of transportation.
5. How can companies conduct direct marketing for customer advantage?

*** ***** ***

UNIT 9 : PROMOTION

UNIT STRUCTURE

9.1 Learning Objectives

9.2 Introduction

9.3 Defining Promotion

9.4 Promotion Mix

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

9.5 Factors Affecting Promotional Mix and Strategies

9.6 Types of Advertising

9.7 Advertising Media

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

9.8 Advantages and Limitations of Advertising

9.9 Sales Promotion

9.10 Publicity

9.11 Let Us Sum Up

9.12 Further Reading

9.13 Answers To Check Your Progress

9.14 Model Questions

9.1 LEARNING OBJECTIVES

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

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

13.7.1 Determinants of Distribution Channel

A country may have specific laws that rule out the use of particular channels or middlemen. France, for example, prohibits door to door selling whereas it is encouraged in India. Although private importers in Iraq may choose to deal through commission agents, Iraqi legislation prohibits state enterprises from dealing with third party intermediaries in operating foreign supplies. Saudi Arabia requires every foreign company working there to have a local sponsor. In China, foreign firms cannot fully own retail outlets and they cannot engage in wholesale activities. These are some of the examples only. There are different legal provisions in different countries which have to be followed by the international marketer.



LET US KNOW

Case example:

McDonald's allows countries and regions to customize its layout and menu staples. In China, corn is replaced by fries. In India, the mutton based Maharaja Mac replaces the beefy Big Mac. Potato patties are offered to vegetarians.

13.7.2 Selecting Distribution Channels and Channel Members

The factors involved in choice of distribution channels are:

i. capital requirement;
ii. level of distribution costs;
iii. desired extent of control over distribution channel;
iv. depth of market coverage;
v. product-market distribution pattern;
vi. competitive practices;
vii. legal requirements; and
viii. short-term versus long-term involvement of the firm in international marketing.

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

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

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

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

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

9.2 INTRODUCTION

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 a 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 strategies of marketing. Most of you as customers must have experienced the outcome various promotional strategies like advertising, sales promotion (offer), personal selling (face to face interaction) and publicity etc. We are going to discuss the academic and mangerial implications of these promotional strategies.

9.3 DEFINING PROMOTION

Promotion is the aspect of communicating the benefit of the product or service to the target customers in order to persuade them to purchase such product or services. Basic components of promotion are advertising, sales promotion, personal selling and publicity.

Promotional techniques are used by both industrial as well as consumer marketers. Different marketers use different advertising media (news paper, 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 marketers 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.



LET US KNOW

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



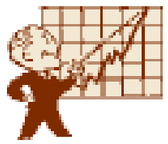
ACTIVITIES

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

.....

.....

.....



CHECK YOUR PROGRESS

Q1. Give the definition of promotion.

.....

.....

.....

.....

.....

9.4 PROMOTION MIX

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

to market and firm to firm. The information usually necessary for facilitating export pricing decision are:

i. Product Information such as cost of production, cost of distribution, cost of promotion etc.

ii. Market Information such as market structure, level of competition, import duties, fiscal charges, restrictions etc.

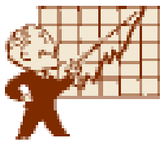
From the above discussion, we may say that a company has choices as shown below for setting prices in different countries.

i. Set uniform price everywhere in the world earning different profit in different countries

ii. Set a market based price in each country based on what a country can afford ignoring differences in actual cost

iii. Set a cost based price in each country. This strategy may be risky in countries where costs are high.

Each of the pricing alternatives as mentioned above has advantages and disadvantages. The marketer needs to consider several aspects before deciding on the price.



CHECK YOUR PROGRESS

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

i. The phrase 4P's was originally presented by E.Jerome McCarthy. (True/False)

ii. A warranty is a guarantee of the product performance as stipulated by the marketer. (True/False)

iii. A very high price of a product is normally perceived as a high quality product (True/False)

13.7 INTERNATIONAL DISTRIBUTION

Place, i.e., placing the product, is one of the four P's of marketing and it refers to the distribution of the product covering channels of distribution and physical distribution. Distribution is the course that goods take between production and the final consumer. This course often differs on a country by country basis and MNCs (multinational company) will spend a

13.6.1 Costs

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

13.6.2 Demand and Supply

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

13.6.3 Economic, Legal and Political conditions

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

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

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

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

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- i) advertising, ii) personal selling, iii) sales promotion, and iv) publicity-that an organization uses for a specific product.

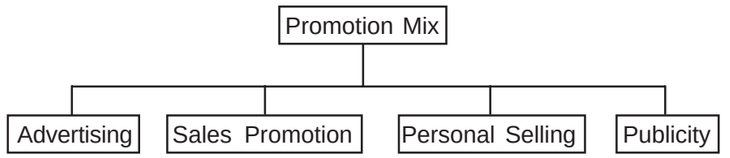


LET US KNOW

How does promotion differ from advertising?

Promotion is the broader, all inclusive term. Advertising is just one specific action you could take to promote your product or service. Promotion, as a general term, includes all the ways available to make a product or service known to and purchased by customers and clients.

The word promotion is also used specifically to refer to a particular activity that is intended to promote the business, product or service. Different forms of promotion are as follows:



We will be discussing about Personal Selling in next unit. Other forms of promotion mix are as follows :

9.4.1 Advertising

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, news paper, magazine, direct mails, sign, outdoor displays, handbills, catalogues or directories.

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

Advertising is persuasive, informative and it is designed to influence the mass population. Advertising may cost a lot of money but that cost is justified if it works effectively and economically. Some of the examples of advertisements for different products are shown below.



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

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

efficiency of the product as well as that of customer, the formulation of the service policy requires an assessment of customer expectations and needs, competitive practices, and the quality of servicing infrastructure and network in existence in the host country. Where the host country’s service infrastructure has been found to be of satisfactory level, international marketers (such as General Motors and Tata Motors etc.) have preferred to have tie-ups with local services for provisions of services and have supported them with regular supply of spares, manuals and the training of their personnel.

13.6 PRICING IN INTERNATIONAL MARKETING

Pricing decisions are complex in international marketing. A firm might have to follow different pricing strategies in different markets. Pricing should reflect the proper value of the product in the eyes of the consumer

Pricing is a very critical decision in international marketing management because it is a major factor influencing a firm’s total revenue from export and its profitability. The marketing manager is concerned with the revenue function of the firm. An important variable of the revenue function is price (the other is quantity). This variable possesses the capacity to influence the other variable i.e., the quantity sold. It is important for the marketing manager to manage this variable.

Price forms an integral part of the product. A product cannot exist without a price. While fixing price we should be very careful because too high price for a product may turn away customers since its value in the eyes of the customers diminishes. On the other hand, a low price may also turn away consumers, since according to them it lacks value.

There is no rule of thumb or any scientific or mathematical/statistical formula that can be applied in pricing a product correctly. The marketing manager uses the parameters suggested by the economists for arriving at a price. These parameters may be enumerated as under:

- Costs
- Demand and supply
- Legal, economic and political constraints

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

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

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

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

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

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

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

12. It is a salesmanship in print in case of print media.
13. It is an essential form of communication for introducing a new product in the market.

9.4.2 Objectives of Advertising

The following are the main objectives of advertising:

- **Promoting new product:** Advertising is most essential, when a new product is introduced in the market. In this way advertisement may be used for preparing a ground for sale of new product.
- **Creating awareness:** Advertisements help in building awareness about new product or services.
- **Generating Demand:** Advertising creates a favourable atmosphere for maintaining or improving sales. The prospective customers may be induced to buy a product, by informing them about the comparative quality, price and other attributes of that product.
- **Educate the consumer and users:** Advertising provides information to the consumers and educates them about the product.
- **Helps in building brand image and brand loyalty:** Through repetition of advertisement brand image can be built in the mind of customers, which helps in creating brand loyalty.
- **Forming attitude:** Advertisement helps in forming positive attitude and disposition towards any product or service.
- **Facing competition:** The producer informs the consumer about the price, quality and availability of the product, which helps in combating competition.
- **Informing about the changes to the consumers:** It informs the consumers about the changes in quality, packing, design, size, price etc.
- **Forcing middlemen to handle the product:** The objective of advertising is to force the middlemen to handle a particular product by creating popularity among customers.

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

9.4.3 Functions of Adverting

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

1) Primary Functions:

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

2) Secondary Functions: The secondary function of advertising is

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

13.4.1 New Product Development

Attractive market opportunities and/or competitive pressures prevailing in the market may invite the exporters to develop new products for the host country markets. Such a new product could be developed internally in the exporter's own R&D set up, by acquisition or be the result of joint venture with another organisation. While the process of new product development for global markets is similar to that for the domestic market, greater emphasis is needed on legal requirements, customs and findings of market research and test market aspects of the process in the target market. Owing to substantial environmental differences across different countries, new product development and marketing in foreign markets is a high risk area and hence needs systematic planning and management.

13.5 BRANDING, LABELLING, PACKAGING, WARRANTIES AND SERVICES

Branding, labelling, packaging, warranties and services play a crucial role in international product planning. The issues that need consideration in branding are:

i. Whether to have one brand name worldwide (e.g., Coke); or modify the brand name in each market (e.g., Nescafe Instant in India, Nescafe Gold in Germany, and Nescafe Gold Blend in Great Britain); or to have different brand names in different markets;
ii. Whether to use separate product names as brand names or make use of company name or a combination of the two (e.g., Levi's, Phillips, ICI, Bata); and
iii. Whether to seek legal protection (trade mark) for the brand names and mark of the company.

Like in the branding decision, the informational and promotional contents of the product label are influenced as well by the legal requirements as by the exporting firm's product and promotion policy. While the aspects concerning name of manufacturer, date of manufacture, shelf-life, weight,

planning include: international product life cycle, standarisation vs. adaptation of products, new product development, consistency of product line, width and depth of product-mix, branding, labeling, packaging and organisation of product warranties and services.

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

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

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

9.5 FACTORS AFFECTING PROMOTIONAL MIX AND STRATEGIES

There are many factors which influence promotional mix and they are known as product market factors. These factors are discussed as follows–

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 good require more personal selling.
   - (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 a product frequently, such as soap, tooth paste etc. the marketer will invest a good amount on advertising to push competitior brands.
2. **Nature of the market:** Different market requires different promotional mixes and strategies. In industrial market, advertising plays a more informative role them 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 advertisement personal selling and trade shows.



FMCG **—**

Fast moving consumer goods

e.g. Toothpaste, Soap, Oil etc.

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

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

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

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

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

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

local cultural differences. For example, the word 'Diet' does not do well on products in Europe as it is viewed as too feminine, so Coca-Cola had to change Diet Coke to Coca-Cola Light.

Sometimes the product itself has to change entirely as well, and this is called product invention. Another change is called product adaptation, and this is when a marketer alters a product slightly to suit different cultures.

Another type of change is promotion adaptation, and this occurs when the marketer decides to keep the product exactly the same but alters the promotional strategy.

Many countries do not have the same retail environment or the same distribution structure. Then making new distribution and transportation strategies will be necessary.

In case of price, the transportation cost, tariffs and taxes will come up with the end retail price. The exchange rate is a huge factor, because it depends on the demand for and supply of each currency.

The Internet also exerts effect on international marketing mix. The increasing growth of Internet shopping has led to a drop in barriers to growth internationally. Most companies can now reach much larger target markets by using the Internet.

13.4 PRODUCT

The uniqueness of product in the marketing mix is that all the other elements of the marketing mix, viz., price, promotion and place are designed to achieve successful performance of the product for consumer satisfaction and income.

One of the fundamental decisions for successful international marketing relates to product policy and planning. An international marketer has the option of exporting the home market product to foreign markets, adapting the home market product to meet the needs of the foreign customers more closely, or developing new products to meet the specific needs of the customers in foreign markets. The selection process need a careful analysis of the foreign market needs, appraisal of the market opportunity and detail product planning. The important aspects of international product

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

13.2 INTRODUCTION

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

13.3 4P'S OF INTERNATIONAL MARKETING

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

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

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

The marketer may face a question whether a company will keep their product same and follow the global marketing standardization. Sometimes products work well overseas, but sometimes unaltered product fail due to

9.6 TYPES OF ADVERTISING

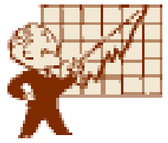
Following are the major types of advertising:

- **Product Advertising:** When advertising promotes the sale of a product, it is known as product advertising. It is the most common form of advertising. Suppose to sell a "Maruti- A Star" car, the promoter will give product advertisement on A-Star.



- **Institutional Advertising:** Institutional advertising are also called corporate advertising. These messages focus on establishing a corporate identity through building goodwill. Institutional advertising is done to build a good public relation image in the market for the marketer and a patronage for its products.
- **Consumer and Industrial Advertising:** When advertising is directed to attract the consumers who buy for ultimate consumption, it is called consumer advertising. For example biscuit, tea etc falls under this type of advertising. Again industrial advertising is one which is directed to attract the industrial users to purchase the product advertised.
- **National and local advertising;** National advertising is sponsored by the manufacturer or the producer and is intended to cover a wide market. On the other hand local advertising is sponsored by the retailer and it covers only local market.

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



CHECK YOUR PROGRESS

Q 2. State true or false:-

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

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

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

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

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

9.6 ADVERTISING MEDIA

Advertising media can be classified under three broad categories:

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

UNIT 13: INTERNATIONAL MARKETING PROMOTIONS

UNIT STRUCTURE

13.1 Learning Objectives
13.2 Introduction
13.3 4P's of International Marketing
13.4 Product
13.4.1 New Product Development
13.5 Branding, labelling, warranties and services
13.6 Pricing in International Marketing
13.6.1 Cost
13.6.2 Demand and Supply
13.6.3 Economic , legal and political conditions
13.7 International Distribution
13.7.1 Determinants of distribution channels
13.7.2 Selecting distribution channels and channel members
13.7.3 Motivation of channel members
13.7.4 Control of international channel members
13.8 International promotion mix
13.8.1 Advertisement
13.8.2 Personal selling
13.8.3 Public relations
13.8.4 Sales promotions
13.9 Let Us sum up
13.10 Further Reading
13.11 Answer To Check Your Progress
13.12 Model Questions

13.1 LEARNING OBJECTIVES

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

- discuss the product policy options available to international marketer

policy decisions with respect to import and export from the country. SEZs have been set up. Various measures have been initiated to promote export.



12.7 FURTHER READING

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



12.8 ANSWERS TO CHECK YOUR PROGRESS

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

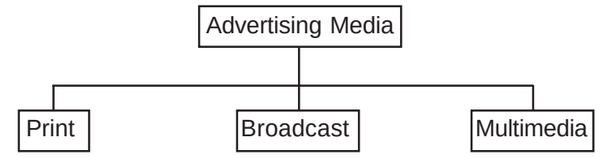
Ans to Q 2: (i) True (ii) True (iii) False



12.9 MODEL QUESTIONS

1. Define international marketing. Discuss the scope of international marketing.
2. Distinguish between domestic and international marketing.
3. What do you understand by SEZ? Discuss its distinctive features.
4. Discuss the changes in Import-Export policy of India since 1991.

*** ***** ***



9.6.1 Print Media

Print advertising includes advertisement in news paper, 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 raders 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 very 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 advertisement.
- **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.).There are magazines for sports, differnt age groups and profession. 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.Moreover , magazines facilitates passlong readership.

The picture given below shows a magazine advertisement.

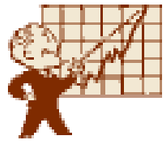


- **Packaging:** In todays marketing environment, a package is both a container and a communication vehicle. The package serves as a critical reminder of the product's important benefits at the moment the consumer is choosing among several competing brands.
- **Direct mail advertising:** Direct mail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

concessions for building infrastructure by way of 10-year tax holiday to the developers of SEZs.

A number of tax benefits have also been announced for the three integral parts of the 'convergence revolution' the Information Technology sector, the tele communication sector, and the Entertainment Industry.

The Foreign Trade Policy 2015-2020 has made the procedures more simplified for ease of doing business of export and import.



CHECK YOUR PROGRESS

Q.2. State true or false for the following statement—

i. Till Third Five Year Plan, India's export was almost non-existent. (True/False)

ii. The Government of India announced sweeping changes in the trade policy in 1991.(True/False)

iii. The 1997-2002 Exim policy introduced a new category of trading houses called Super Star Trading Houses. (True/False)



12.6 LET US SUM UP

In this unit, we have discussed about international marketing. International marketing is the marketing of goods, services, and information across political boundaries. The difference between international and domestic marketing lies in the environment in which the two take place. As each country has to protect its own interests, it has to put certain restrictions on foreign trade. Restrictions are also there in domestic marketing, but the procedures, systems and the rules and regulations are well known to the traders concerned. With the advent of WTO, substantial simplification and reforms have been carried out. The Quantitative Restrictions have been reduced to a great extent The foreign trade of India is guided by the Export-Import policy of the Government of India. This policy contains various

viii. Agriculture Export Zones

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

ix. Market Access Initiative Scheme

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

x. Focus On Service Exports

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

xi. Concession and Exemptions

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

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

These include reduction in the peak rate of customs duty to 15 percent, significant reduction in duty rates for critical inputs for the Information Technology sector, which is an important export sector; grant of

- **Out of home advertising:** It includes everything from billboards to hot air balloons, posters on walls, hoardings, shopping mall displays, etc. Out of home advertising can target specific people with specific messages at a time when they are most interested.

9.6.2 Broadcast media

Most prominent broadcast media vehicles are radio and television advertising.

(i) **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 radio 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. If a product needs demonstration to deliver the ad message to its target audience, radio is not the perfect medium for that product.

Merits

- It has a wide coverage.
- It easily catches the attention of the people.
- It gives message of the advertiser at the door of the prospects.
- It is quite flexible as it can be used on a national or local level according to need.

Demerits

- The message given by radio advertising is short lived.
- It is costly for national coverage at high frequency.
- There is no possibility of demonstration in case of radio advertising.
- It is a selective media of advertising.

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

Merits

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

Demerits

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

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

a) Straight Advertising Films.

b) Documentary Films.

c) Sponsored Advertising Films.

iv. Devaluation and Convertibility of Rupee on Current Account

Substantial capital account liberalisation measures have been announced in the post reform period. The exchange rate of the rupee is now market-determined. Thus exchange rate policy in India has evolved from the rupee being pegged to a market related system (since March 1993).

v. Trading House

The 1991 policy allowed export houses and trading houses to import a wide range of items. The government also permitted the setting up of trading houses with 51 percent foreign equity for the purpose of promoting exports.

The 1994-1995 policy introduced a new category of trading houses called Super Star Trading Houses. These houses are entitled to membership of apex consultative bodies concerned with trade policy and promotion, representation in important business delegations, special permission for overseas trading and special import licences at enhanced rate.

vi. Special Economic Zones

A scheme for setting up Special Economic Zones (SEZs) in the country to promote export was announced by the government in the Export and Import policy of March 31, 2000. The SEZs are to provide an internationally competitive and hassle free environment for export and are expected to give a boost to the country's exports.

The policy has provided provisions for setting up SEZs in the public sector, joint sector or by State governments. It was also announced that some of the existing Export Processing Zones (EPZs) would be converted into Special Economic Zones with better facilities.

vii. EOU Scheme

The export oriented units (EOUs) scheme introduced in early 1981 is complementary to the SEZ scheme. It offers a wide option in locations with reference to factors like source of raw materials, ports of export, hinterland facilities, and availability of technological skills, existence of an industrial base and the need for a larger area of land for the project. The EOUs have put up their own infrastructure.

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

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

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

i. Free Import and Export

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

ii. Rationalisation of Tariff Structure

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

iii. Decanalisation

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

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

Merits

- It has quite wide coverage.
- It is able to explain and demonstrate the use of a product quite conveniently.
- Appeal is made to all sections of the society.

Demerits

- Production cost of a film is quite high.
- The audience may not like to waste time in seeing such films repeatedly.
- The films are too short and need changes frequently.

9.6.3 Interactive Multi Media

(a) Transit media: It is also known as "vehicle advertising" or "mobile advertising". It refers to moving advertisement. It consists of placing posters or play cards inside or outside vehicles, such as trams, buses, taxies, delivery vans or any other public transport.

Merits

- It is lowest cost media.
- It gives geographic selectivity and seasonal selectivity.
- It has high readership/viewership..

Demerits

- The space available is small and they can carry only short message.
- It is limited in quantity by the number of public vehicles available for promotion. Private vehicles are not used for this kind of promotion.

(b) Web advertising: Advertisements on web sites also gains popularity among customers.

9.8 ADVANTAGES AND DISADVANTAGES OF ADVERTISING

Advertising is widely used. Not only the print and broadcast media, advertising is being increasingly used in internet, exhibitions and fairs,

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



LET US KNOW

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

Advantages of Advertising:

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

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

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

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

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

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

the liberal import policy followed by the government.

In 1982-83 the government announced an integrated export-import policy. Prior to this the government had been announcing the export and import policies separately. But after 1982-83 it decided to announce it as a single integrated annual policy. Later the term of the import-export policy was extended to three years and then to five years. The government policy has given considerable emphasis to promoting exports.

The central government announced sweeping changes in the trade policy on 4th July 1991 & 13th August 1991. The Import Export policy which has come into force w.e.f. 1st April 1992 is a step forward in the direction of these trade policy reforms. For the first time, the duration of the policy has been made as 5 years in order to give a stability enabling the business community to make their plans effectively. This policy was in force till 31st March 1997.

The principal objectives of this policy are as follows:

i. To establish the framework for globalisation of India's foreign trade;

ii. To promote the productivity, modernisation and competitiveness of Indian industry and thereby enhance its export capabilities;

iii. To encourage the attainment of high and internationally accepted standards of quality and thereby enhance the image of India's products abroad;

iv. To augment India's exports by facilitating access to raw materials, intermediates, components, consumables and capital goods from the international market;

v. To promote efficient and internationally competitive import substitution and self-reliance under a deregulated framework for foreign trade;

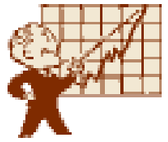
vi. To eliminate or minimise quantitative, licensing and other discretionary controls in the framework of India's foreign trade;

vii. To foster the country's Research and Development (R&D) and technological capabilities; and

viii. To simplify and streamline the procedures governing export and imports.

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

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



CHECK YOUR PROGRESS

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

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

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

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

12.5 INDIAN EXPORT AND IMPORT POLICY

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

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



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

Limitations of Advertising:

Advertising has several drawbacks. Even though the cost per person may be low, but the total cost can be very high. Organization like Coca cola, Proctor and Gamble may spend millions of rupees to advertise a single product. These high cost can limit, and sometimes eliminate advertising as an element of the promotion mix. As advertising is a monologue, i.e one way of communication, the feedback from advertising is generally slow, if it occurs at all, and measurement of the effect of advertising on sales is difficult. Finally advertising normally has less persuasive power over customers than other forms of promotion, such as personal selling.

Note

In audio visual representation, we can see as well as listen to the advertisement(TV).In case of audio representation we can only listen to the advertisement(Radio).In case of visual representation, we can only see the advertisement(Hoardings, news paper ads, magazine ads etc.)

9.9 SALES PROMOTION

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 examples are 25% off, buy one get one free, money back offer etc.

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

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

PUSH VERSUS PULL:

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

***Entice* —**

Provoke someone to do something through promises or presuasion.

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

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

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

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

goods imported. But, in some cases, exchange control and quantitative controls are put together along with the grant of import licence.

iv. Imposition of more local taxes on imported goods with an object to make the imported goods costly is one of the restrictions in international marketing.

2. ***Different Legal System***: Different countries operate under different legal systems and they all differ from each other. Most countries follow the English Common Law as modified from time to time. Japan and Latin American countries are important exceptions to this rule. The existence of different legal systems make the task of businessmen more difficult as they are not sure as to which particular system will apply to their transactions. This difficulty does not arise in domestic trade, as laws are the same for the whole country.
3. ***Different Monetary Systems***: Each country has its own monetary system and the exchange rates for each country's currency are fixed under the rules framed by the global financial organizations likeInternational Monetary Fund (IMF) and, therefore, they are more or less fixed. However, in recent years, the exchange rates have been fluctuating and are being determined by demand and supply forces. Some countries operate multiple rates i.e. different rates are applicable to different transactions.
4. ***Differences in Market Characteristics***: Market characteristics in each segment are different, i.e. demand pattern, channels of distribution, methods of promotion, etc. are quite different from market to market. If we treat each country as a separate market, we can assume different market characteristics there. These differences are accentuated due to the existence of government controls and regulations. Even in one single country, for example India and America, these differences in market patterns may be found from state to state, region to region..
5. ***Differences in Procedure and Documentation***: The laws of countries and customs of trade in each country demand different procedures and documentary requirements for the import and export

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

12.4 DIFFERENCES BETWEEN INTERNATIONAL AND DOMESTIC MARKETING

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

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

is therefore intended to pull products down through the marketing channel by stimulating demand at the consumer level. To stimulate strong consumer demand, a marketer focuses promotional efforts on intensive advertising and sometimes on sales promotion. Many pharmaceutical companies use a pull policy, advertising directly to consumers and encouraging them to ask their doctors about certain prescription drugs.

9.10 PUBLICITY

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.



Rudimentary —

Being or involving basic facts or principles.

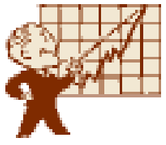
But in reality, public relation offers powerful methods for convincing the customer.

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. Examples of publicity include magazine, newspaper, radio and TV news stories about new retail stores or products, firm's personnel changes or special activities. 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.It acts as an offguard. For example, many readers do not read the advertisement in the news paper, but they read the news items. Company message published as news items are likely to read this group or reading.



This is an example of publicity in a Magazine

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



CHECK YOUR PROGRESS

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

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

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

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

iii. The distribution of products through channels that provide the services or conveniences demanded by purchasers;

iv. The promotion of products and services—including advertising and personnel selling—to inform and educate consumers about those products and services, or persuade consumers to try new, improved, or different ways of satisfying their wants and needs;

v. The setting of prices that reflect both a reasonable value (or utility) of products or services to the consumers, as well as a satisfactory profit or return on investment;

vi. The technical and non-technical support given to customers—both before and after a sale is made—to ensure their satisfaction, and thus pave the way for possible future sales that are necessary for company survival, growth, and perpetuation.

The terms international, multinational, and global are sometimes used interchangeably when referring to international operations in general or international marketing specifically. But these terms imply differences in approaches to marketing.

i. ***International marketing*** refers to any marketing activity that is carried out across national boundaries. Thus it could include anything from exporting one product to one other country in response to an order, to a major effort to market a number of products to many countries.

ii. The term ***multinational marketing*** came into use to describe the approach used by companies with a strong commitment to international marketing. Additionally, it is associated with companies that treated each foreign market as separate and distinct, developing, differentiated products and marketing strategies specifically for each of the markets.

iii. The term ***global marketing*** originally came into use as a result of Theodore Levitt's discussion of the move toward global corporations that would operate as if the entire world, or a major region of the world, were a single entity (Levitt, 1986[1]). Such companies would sell the same product(s) in the same way everywhere. He noted that people all over the world were

12.3 MEANING AND SCOPE OF INTERNATIONAL MARKETING

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

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

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

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

i. The analysis of markets and potential markets;

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

Q.4 Match the following:

(a) advertising	(i) face to face interaction
(b) sales promotion	(ii) channel members
(c) personal selling	(iii) Mass media
(d) publicity	(iv) attracting customers
(e) push policy	(v) non paid
(f) pull policy	(vi) coupon

Q.5 Which is the most costly method of promotion per person?

(a) Advertising (b) Sales Promotion

(c) Personal Selling (d) Publicity

Q.6 In which promotional method face to face interaction is possible?

(a) Advertising (b) Sales Promotion

(c) Personal Selling (d) Publicity



LET US KNOW

One way communication: One way communication is a form of communication where one party is transmitting the message.

Two way communications: Two-way communication is a form of transmission in which both parties are involved in sharing information.

Mass media/mass communication: The process by which messages are communicated to a large number of people by a mass medium.



9.11 LET US SUM UP

After going through this unit you have learnt to define promotion and its various types and how it is important for business. You have also learnt about its importance in the marketing and the different promotional mix and how to apply this promotional mix in different markets. You have also learnt which promotional tool is most cost effective and which

promotional tool is applicable for mass media communication. This unit also focuses on the importance of advertising and its use to promote the product in the market.

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

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



9.12 FURTHER READINGS

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

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



9.13 ANSWERS TO CHECK YOUR PROGRESS

Ans. to QNo 1 Promotion is the aspect of selling and advertising on communicating the benefit of the product or service to the target customers

Ans. to QNo 2 (i) False (ii) True (iii) True (iv) True (v) False

Ans. to QNo 3 (i) False (ii) True (iii) False

UNIT 12: INTERNATIONAL MARKETING

UNIT STRUCTURE

12.1 Learning Objectives
12.2 Introduction
12.3 Meaning and Scope of International Marketing
12.4 Difference between Domestic and International Marketing
12.5 Indian Export and Import Policy
12.6 Let Us sum up
12.7 Further Reading
12.8 Answer To Check Your Progress
12.9 Model Questions

12.1 LEARNING OBJECTIVES

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

- discuss the premise for international marketing
- outline the difference between domestic and international marketing
- describe the concept of the Export Import Policy of India

12.2 INTRODUCTION

With faster communication, transportation, and financial flows, the world is rapidly shrinking. Products and services developed in one country are finding enthusiastic acceptance in other country. So, managers around the globe are recognising the increasing necessity for their companies and organisations to develop the skills, aptitude and knowledge to compete effectively in international markets.

The study of International Marketing will not be complete unless we understand what Marketing is. Marketing is the management process responsible for identifying, anticipating and satisfying customer requirement profitably. The same concept holds good in case of international marketing also. But the process of identifying customer needs and satisfying them in international context poses intimidating challenges. We have already discussed the concept of 'Marketing' in Unit 1. In this unit we are going to get a fair idea on the concept of International Marketing and Export/Import Policy.

Ans. to Q.2:

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

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



11.11 MODEL QUESTIONS

1. Define services.
2. What are the additional 3P's of service marketing?
3. Discuss the reasons for the growth of service sector.
4. Describe the basic differences between goods and services.
5. Explain the characteristics of service marketing.
6. "Intangibility of services is a significant problem and service providers must be sensitive to this"-Elaborate the statement.

*** ***** ***

Ans. to QNo 4 (a)__(iii) (b)__(vi) (c)__(i) (d)__(v) (e)__(ii) (f)__(iv)

Ans. to QNo 5 (c) Personal Selling

Ans. to QNo 6 (c) Personal Selling



9.14 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. What is push and pull marketing?
5. What is the importance of publicity in business?

*** ***** ***

UNIT 10: SELLING FUNCTIONS IN MARKETING

UNIT STRUCTURE

10.1 Learning Objectives

10.2 Introduction

10.3 Meaning of Personal Selling

10.4 Objectives of personal selling

10.5 Importance of personal selling

10.6 Marketing conditions favoring personal selling

10.7 Process of personal selling

10.8 Concept of e-commerce

10.9 Advantages and disadvantages of e-commerce

10.10 Concept of Electronic business

10.11 Concept of E-CRM.

10.12 Let Us Sum Up

10.13 Answers to check your progress

10.14 Further Reading

10.15 Model Questions

10.1 LEARNING OBJECTIVES

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

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

developed countries, service sector contribute maximum to the gross domestic product. In India also, we are experiencing continuous growth in the service sector. In this unit we have broadly discussed different aspects of service marketing.

Services are intangible in nature, so marketing of services are difficult to explain compared to marketing of physical goods. The growing complexities in the service environment demand a higher emphasis on the marketing aspects of services. The service product must meet customers' requirements. In case of service marketing mix, it has got 7P's instead of 4P's. Here the additional three P's are people, process and physical environment. Services have become popular in all sector of the business. Some of the factors which influences in the expansion of services are increase in income, urbanization, women in work force etc. Some of the basic characteristics of services which we have discussed in this unit are intangibility, inseparability, heterogeneity, ownership, perishability etc.



11.9 FURTHER READINGS

1) Philip Kotler, Kevin Lane Keller, Abraham Koshy, and Mithileshwar Jha (2013), *'Marketing Management' : A South Asian Perspective*, Pearson Education

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

3) Zeithaml VA. and Mary JB, '*Service Marketing*' 3rd Edition, Mc Graw Hill.

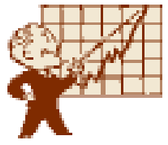


11.10 ANSWERS TO CHECK YOUR PROGRESS

Ans. to Q.1: (i) Performance, (ii) growth, (iii) process, (iv) 7P's, (v) expectancy

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

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



CHECK YOUR PROGRESS

Q2. Write any two differences between goods and service.

.....

.....

.....

.....

Q3.What is the intangible characteristic of service marketing?

.....

.....

.....

.....



11.8 LET US SUM UP

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

10.2 INTRODUCTION

In this unit, we will discuss about personal selling- its short term and long term objectives, importance and process. It also throws light on the various marketing conditions favouring personal selling. Electronic commerce, commonly known as e-commerce is the trading in goods and services using computer networks such as internet. The underlying merits and demerits of e-commerce are presented. The concept of e-business and E-CRM is highlighted. ECRM strategies result in greater efficiency, cost reduction, increased business revenue and enhanced customer satisfaction and loyalty. Its popularity is increasing day by day.

10.3 MEANING OF PERSONAL SELLING

Personal selling is a form of promotion. It is an important element of promotion mix and an effective promotional tool. It is a two way form of communication which involves direct face to face contact between the salesman and the prospect. It involves individual and social behaviour which influences buyers to buy a product. Personal selling reaches the goal of marketing effort ie., to increase profitable sales. The purpose of personal selling is to bring the right products into contact with the right customers, and to make certain that transfer of ownership takes place. This method of promotion creates product awareness, stimulates interest, develops brand preferences, negotiates price etc.

According to **American Marketing Association**, "Personal selling is the oral presentation in a conversation with one or more prospective purchasers for the purpose of making sales; it is the ability to persuade the people to buy goods and services at a profit to the seller and benefit to the buyer."

Professor William Stanton says, "Personal selling consists of individual, personal communication, in contrast to relatively impersonal mass communication of advertising. It is different from sales promotion and other promotional tools."

10.4 OBJECTIVES OF PERSONAL SELLING

The following are some of the objectives of Personal Selling:

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

Intangible services are difficult to sell because they can not be produced and displayed ahead of time. They are therefore harder to communicate to prospective customers. Marketers of services can reduce the risk of intangibility by stressing tangible cues to the product.

- **INSEPARABILITY:** A physical item is first produced in a factory then sends to different places and we purchase it from different shops. But in case of service we cannot separate the place of production from the place of consumption. Suppose for example, if we go to parlor for hair cut, we cannot separate the barber's service and our hair cut. They are produced and consumed in the same place. Thus, service production often requires the presence and active participation of the customer. The inseparability of service production and consumption necessarily brings the service provider and the customer together.
- **HETEROGENEITY:** Service cannot be produced in advance and stored, because of these, service varies in quality. The customer experience with a service firm tends to vary though he may be buying the same service product. For example, if we go for a hair cut, the service in each case will vary. Again humans are involved in service creation and consumption; so, their performance can not be controlled in a machine like manner. As the production and consumption takes place in the same time, it is difficult to control the quality. A poor service can not be returned. So, a service provider should take minutest care while dealing with a customer. The service provider must find ways to reduce the perceived risk due to variability. One method is to design services to be as uniform as possible- by training personnel to follow closely defined procedures, or by automating as many aspects of the service as possible. Another way to deal with perceived risk from variability is to provide satisfaction guarantees or other assurance that the customer will not be stuck with a bad result.
- **PERISHABILITY:** Some products can be produced and stored

11.6 DIFFERENCE BETWEEN GOODS AND SERVICE MARKETING

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

11.7 CHARACTERISTICS OF SERVICE MARKETING

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

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

6. **To increase the volume of sales:** The objective of a sales person is to increase the volume of sales through its customers.

The above objectives can be achieved across a time span. From the following perspective also we can think of personal selling objectives. Personal selling has two types of objectives i.e., long term and short term. The long term objectives are broader and also known as qualitative objectives. On the other hand, short –term objectives are termed as quantitative objectives.

The qualitative objectives (long term) are stated below:-

- To serve the existing customers by staying in touch with them, taking orders etc.
- To search out new customers,
- To seek customers opinion, views and cooperation in stocking and promoting the product line,
- To create awareness and education among the customers regarding product use, product features, segmented product lines and other aspects of marketing strategy,
- To assist customers in selling the product line.
- To extend technical advice and assistance to customers for enhanced satisfaction.
- To assist with the training of middlemen's sales personnel.
- To provide assistance to middlemen on various management problems.
- To collect market information and report for use to management executives.

The quantitative objectives (short term) are mentioned below:-

- To secure sales volume in such a way that it contribute to profit objectives.
- To keep personal selling expenses within certain limits.
- To retain certain share of the market.

10.5 IMPORTANCE OF PERSONAL SELLING

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

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

10.6 MARKETING CONDITIONS FAVOURING PERSONAL SELLING

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

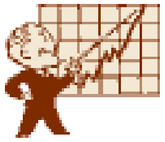
- Personal selling is adopted by companies when customers are concentrated at a point though the market is wide-spread,

- **Advancement in information technology:** We all have observed the growth of ***BPO*** sector. Convergence of computers with telecommunication, greater bandwidth, faster and more powerful software, growth of the internet are some of the forces which are highly influencing the growth of the service sector.

***BPO* —**

Business Process Outsourcing.

These forces, among others can be cited as reasons for the growth of the service sector world wide.



CHECK YOUR PROGRESS

Q1. Fill in the blanks with appropriate words:

(i) A service is an act or _____offered .....by one party to another.

(ii) Urbanization is another important factor for the ————————of services.

(iii) The actual procedure through which service is delivered is known as _____.

(iv) Service marketing has _____instead of traditional 4 P's of marketing.

(v) One of the most important demographic changes is that the life _____has increased.



LET US KNOW

Case example:

Located near the railway station in Palanpur in western India. Guptaji Ka Dhaba is a small service organization. But it renders excellent service by providing food packets to travellers in the Ahmedabad- Delhi route. Passengers can call Guptaji on his mobile and order the food packets. Food along with accompaniments like salad and pickle are delivered when the train stops at the station. Guptaji sends SMS to thank the passengers after the service transaction is over. It requires meticulous planning, detailed operation and customer friendliness to offer this kind of services.

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

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

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

- Where the firm sells in a small local or government market,
- Where the company product is in introductory stage of product life-cycle warranting generation of core demand,
- Where the product needs personal attention to meet specific consumer demands,
- Where the product demands personal demonstration,
- Where the product enjoys no brand loyalty,
- Where customers need immediate answers to their queries,
- When the customer requires persuasion due to existing competition,
- When the company cannot afford ambitious and consistent budget.

10.7 PROCESS OF PERSONAL SELLING

The steps of personal selling process are discussed below:

a) Prospecting: - The process of searching prospects is called prospecting. Prospect may be a prospective buyer (individual) or an institution who is interested and likely to purchase the product that the salesman is offering for sale. Prospecting involves collecting the names and addresses of persons who are likely to buy the firm's products and services. The prospects may be called as leader also. Companies qualify the leads by contacting them by mail or phone to assess their level of interest and financial capacity. "Hot" prospects are handled by the sales people. The "warm" prospects are handled by the telemarketing unit for follow up. It normally takes about four calls on a prospect to consummate a business transaction.

b) Pre-approach:- This process is about collecting more detailed facts about a specific individual to have effective sales appeals on him/her. In pre-approach stage, the sales people collect details regarding the prospect such as his ability, need, authority, accessibility to buy etc. It presents a closer look of prospect's likes, dislikes, tastes, habits, financial status, social esteem, family background and the like. The main objective of pre-approach is to provide additional qualifying information on the prospect which helps in building an effective

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

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

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

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

- **People:** Here people mean all the human beings who take part in the service delivery process. Many services depend on direct interaction between customers and a firm's employees. These interactions strongly influence the customer's perception of service quality. For example getting a hair cut strongly influences customer's expectations from the barber.



Barber's shop

11.5 GROWTH OF SERVICES

Service industry is growing very rapidly. Services have become popular in all sectors of business. It creates business opportunity in both domestic and international arena. People are getting into different service business like- transportation, beauty parlour, hotel business, teaching, hospital business etc. Services have attracted the attention of the economist for their contribution to the gross domestic product of a country, employment generation and international trade.



LET US KNOW

Case example:

Shahnaz Hussain Group was founded in the 1970s. After her training in cosmetology and cosmetic therapy, Shanaz Hussain studied Ayurveda, set up herbal clinic and devised her own herbal treatments. She introduced the concept of 'care and cure'. She came to be known for her specialized clinical treatments and products for problems like scars, dandruff, hair loss, pigmentation etc. Her products are sold at leading international stores.

Following are some of the reasons for growth of services:

- **Increasing levels of income:** Consumption pattern undergoes change with a change in income. As income increases people spends more money on services. For example people of developed country enjoy more services like, entertainment, education, healthcare, traveling, hotel, restaurant etc. compared to underdeveloped countries.
- **Urbanization:** Urbanization is another important factor for the growth of services. The city structure of countries means a large

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



LET US KNOW

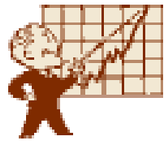
Case Example:

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

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

f) Closing: - This is the concluding stage of the selling process. The underlying point of the closing sale is to persuade the prospect to act right now than postponing or delaying the action. It is in this stage that the prospect is turned into a customer. A desire gets connected into a demand. Closing sale is a difficult task which requires tact, patience and spontaneity. It is the positive attitude and self-confidence that plays a decisive role in converting wish into desire and desire into demand. A salesman who cannot close well will have to close the line.

g) Follow-up and maintenance:-It is necessary to ensure customers satisfaction and repeat business. Necessary details like delivery time, purchase forms etc are to be followed up. Whenever required there should be proper installation instruction and servicing to detect any problem.



CHECK YOUR PROGRESS

Q1: State the steps in personal selling process.

.....

.....

.....

10.8 CONCEPT OF E-COMMERCE

E-Commerce is buying and selling of goods and services or the transmitting of funds and data over an electronic network, primarily the internet. These business transactions occur

a) business-to-business,
b) business-to-consumer,
c) consumer-to-consumer and
d) consumer-to-business.

The term e-commerce and e-business are often used interchangeably. Electronic commerce, commonly known as e-commerce is the trading in

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

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

10.9 ADVANTAGES AND DISADVANTAGES OF E-COMMERCE

The major advantages of electronic-commerce are as follows-

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

The following diagram explains service marketing mix



Fig—11.1: Service Marketing Mix

- **Product:** A product is anything that can be offered to a market for consumption that might satisfy a want or need. Generally when we talk about a product we consider physical objects. But a service product is different from a physical product. A service product refers to an activity that a marketer offers to perform, which result in satisfaction of a need or want of pre determined customers. Managers must select the core service and its supplementary service to create value for customers.
- **Price:** Price is one of the important marketing tools that a marketer controls and manages. In service marketing price is often used by the buyers in making pre purchase quality assessments. Therefore low priced services are often perceived to be low in quality and high price services are considered to be high in quality. Service marketing is not limited to the traditional pricing task of determining the selling price to customers. While setting price, service marketer should include not only monetary costs, but also time cost, physical effort, psychic cost i.e. the tension, agony etc. extended to avail the service offer.

11.3 BASIC CONCEPTS

Definition of Service Marketing

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

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

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



***Ephemeral* —**

Lasting a very short time.

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

11.4 SERVICE MARKETING MIX

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

can easily select products from different providers without moving around physically.

- E-commerce facilitates 24/7 buying and selling.
- Since there are no shelf size or store size limitations, e-commerce businesses are able to list many different items.
- It does not require physical set up for a company
- Customers love to shop online as they get multiple shopping search engines and comparison shopping websites that help them locate the best prices.

Disadvantages of e-commerce are listed below-

- Customers are not able to touch, feel and smell the product before purchase. It is not possible to inspect products in this mode of buying and selling. Hence, it is difficult to establish quality and guarantee.
- Mechanical failures can cause unpredictable effects on the total processes.
- As there is lesser scope of direct customer to company interactions, customer loyalty is always on a check.
- There are many hackers who look for opportunities and thus an e-commerce site, service, payment gateways are sometimes prone to attack.
- E-commerce can only be transacted with the help of an internet access device such as a computer or a smartphone.



LET US KNOW

Using social media: Social media allows consumers to become engaged with a brand at a deeper and broader level than ever before. Marketer should take advantage of this. They should encourage willing consumers to engage productively with social media. However, social media can never become the sole source of marketing communications.

10.10 CONCEPT OF ELECTRONIC-BUSINESS

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

Advantages of E-business

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

UNIT 11: SERVICE MARKETING

UNIT STRUCTURE

11.1 Learning Objectives
11.2 Introduction
11.3 Basic Concepts
11.4 Service Marketing Mix
11.5 Growth of Services
11.6 Difference between Goods and Service Marketing
11.7 Characteristics of Service Marketing
11.8 Let Us sum Up
11.9 Further Reading
11.10 Answers To Check Your Progress
11.11 Model Questions

11.1 LEARNING OBJECTIVES

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

- define service marketing
- explain the service marketing mix
- outline the growth of service marketing
- explain the characteristics of services
- differentiate between goods and service

11.2 INTRODUCTION

In the earlier units, we have discussed about different marketing strategies like personal selling and direct marketing. In this unit we are going to discuss on service marketing. Services are intangible in nature, so marketing of services are difficult to explain compared to marketing of physical goods. In simple words, we can define service as deeds, processes and performances. In case of service we cannot separate the place of production from the place of consumption. The service sector or non manufacturing sector is playing a vital role not only in domestic economy but also in international trade. In the last few years, service marketing is growing very rapidly and has created lots of job opportunities. In this unit we will discuss in detail about service marketing.

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

Ans to Q2:

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



10.15 MODEL QUESTIONS

1. Define personal selling.
2. Write a note on quantitative and qualitative objectives of personal selling.
3. Discuss the importance of personal selling.
4. Explain the process of personal selling.
5. State the various marketing conditions that demand adoption of personal selling technique.
6. Define e-commerce. What are its advantages and disadvantages?
7. What do you understand by e-business?
8. Write a note on E-CRM.

*** ***** ***

Hence orders can be placed at any time and the process of delivery is also not delayed.

- E-business model offers the possibility of eliminating many of communication and telephone costs.
- Internet offers exciting ways of reaching new markets that could only be dreamt of in the past. E-business helps to precisely target the customers.



LET US KNOW

Case Example: Banks were early adapters of social media marketing. Twitter is an effective service channel to monitor and address customer issues. Face book, LinkedIn and YouTube are more effective for affinity based targeting and brand building. Instagram gives financial institutions the opportunity to have softer communication. Instant messages apps like what's app and we chat are the new frontier.

Source: Brand Equity May- 11-17, 2016

10.11 CONCEPT OF E-CRM

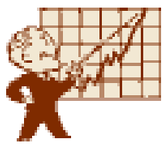
To improve effectiveness and efficiency, business suppliers and customers are exploring different ways to manage their relationships .cultivating the right relationship with the partners, customers and other stakeholders is very important for any holistic marketing programme. Companies are increasingly using online social media in the form of company blogs, online press releases, and forms or discussion groups to communicate with exciting as well as prospective customers.

Companies Electronic Customer Relationship Management (ECRM) is the application of internet based technologies such as emails, websites, chat rooms, forums and other channels to achieve CRM objectives. It is a well-structured and coordinated process of CRM that automates the processes in marketing, sales and customer service. An effective ECRM increases the efficiency of the processes as well as improves the

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

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

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



CHECK YOUR PROGRESS

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

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

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

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

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

e. E-commerce requires physical company set up for selling goods.

f. ECRM strategies result in increasing cost, decreased business revenue and lower customer satisfaction and loyalty.



10.12 LET US SUM UP

Personal selling is a two way form of communication which involves direct face to face contact between the salesman and the prospect. It involves individual and social behavior which influences buyers to buy a product.This method of promotion creates product awareness, stimulates interest, develops brand preferences, negotiates price etc.

E-commerce has allowed firms to establish a market presence or to enhance an existing market position, by providing a cheaper and more efficient distribution chain for their products and services Electronic business is the conduct of business processes on the internet.Electronic customer relationship management provides an avenue for interactions between a business, its customers and its employees through web based technologies.



10.13 FURTHER READINGS

1. C.N Sontakki (2003), "*Marketing Management*", Kalyani Publishers, New Delhi.

2. C.N Sontakki (2003), "*Advertising and Salesmanship*", Kalyani Publishers, New Delhi.



10.14 ANSWERS TO CHECK PROGRESS

Ans to Q1: The personal selling process has the following steps:

a. Prospecting