Lecture Notes

On

Marketing Management

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UNIT-1

Marketing Management- Introduction, objectives, Scope and Importance

In today's world of marketing, everywhere you go you are being marketed to in one form or another. Marketing is with you each second of your walking life. From morning to night you are exposed to thousands of marketing messages every day. Marketing is something that affects you even though you may not necessarily be conscious of it.

After reading this post you'll understand – What exactly the marketing is, to whom it is beneficial for, and what are the nature and scope of marketing.

Definition of Marketing

According to **American Marketing Association (2004)** – "Marketing is an organisational function and set of processes for creating, communicating and delivering value to customers and for managing relationships in a way that benefits both the organisation and the stakeholder."

AMA (1960) – "Marketing is the performance of business activities that direct the flow of goods and services from producer to consumer or user."

According to **Eldridge (1970)** – "Marketing is the combination of activities designed to produce profit through ascertaining, creating, stimulating, and satisfying the needs and/or wants of a selected segment of the market."

According to **Kotler (2000)** – "A societal process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others."

Nature of Marketing

1. **Marketing is an Economic Function**

   Marketing embraces all the business activities involved in getting goods and services, from the hands of producers into the hands of final consumers. The business steps through which goods progress on their way to final consumers is the concern of marketing.

2. **Marketing is a Legal Process by which Ownership Transfers**

   In the process of marketing the ownership of goods transfers from seller to the purchaser or from producer to the end user.

3. **Marketing is a System of Interacting Business Activities**

   Marketing is that process through which a business enterprise, institution, or organization interacts with the customers and stakeholders with the objective to earn profit, satisfy customers, and manage relationship. It is the performance of business activities that direct the flow of goods and services from producer to consumer or user.

4. **Marketing is a Managerial function**

   According to managerial or systems approach – “Marketing is the combination of activities designed to produce profit through ascertaining, creating, stimulating, and satisfying the needs and/or wants of a selected segment of the market.”

   According to this approach the emphasis is on how the individual organization processes marketing and develops the strategic dimensions of marketing activities.

5. **Marketing is a social process**

   Marketing is the delivery of a standard of living to society. According to Cunningham and Cunningham (1981) societal marketing performs three essential functions:-

- Knowing and understanding the consumer’s changing needs and wants;
- efficiently and effectively managing the supply and demand of products and services; and
- Efficient provision of distribution and payment processing systems.

6. Marketing is a philosophy based on consumer orientation and satisfaction
7. Marketing had dual objectives – profit making and consumer satisfactio

Scope of Marketing

1. **Study of Consumer Wants and Needs**

   Goods are produced to satisfy consumer wants. Therefore study is done to identify consumer needs and wants. These needs and wants motivates consumer to purchase.

2. **Study of Consumer behavior**

   A marketer performs study of consumer behavior. Analysis of buyer behavior helps marketer in market segmentation and targeting.

3. **Production planning and development**

   Product planning and development starts with the generation of product idea and ends with the product development and commercialization. Product planning includes everything from branding and packaging to product line expansion and contraction.

4. **Pricing Policies**

   Marketer has to determine pricing policies for their products. Pricing policies differs form product to product. It depends on the level of competition, product life cycle, marketing goals and objectives, etc.

5. **Distribution**

Study of distribution channel is important in marketing. For maximum sales and profit goods are required to be distributed to the maximum consumers at minimum cost.

6. **Promotion**

Promotion includes personal selling, sales promotion, and advertising. Right promotion mix is crucial in accomplishment of marketing goals.

7. **Consumer Satisfaction**

The product or service offered must satisfy consumer. Consumer satisfaction is the major objective of marketing.

8. **Marketing Control**

Marketing audit is done to control the marketing activities.

Marketing Management: objectives and Importance

The basic purpose of marketing management is to achieve the objectives of the business. A business aims at earning reasonable profits by satisfying the needs of customers.

Objectives of marketing management as follows:

1. **Creation of Demand**

The marketing management's first objective is to create demand through various means. A conscious attempt is made to find out the preferences and tastes of the consumers. Goods and services are produced to satisfy the needs of the customers. Demand is also created by informing the customers the utility of various goods and services.

2. **Customer Satisfaction**

The marketing manager must study the demands of customers before offering them any goods or services. Selling the goods or services is not that important as the satisfaction of the customers' needs. Modern marketing is customer- oriented. It begins and ends with the customer.

3. **Market Share**

Every business aims at increasing its market share, i.e., the ratio of its sales to the total sales in the economy. For instance, both Pepsi and Coke compete with each other to increase their market share. For this, they have adopted innovative advertising, innovative packaging, sales promotion activities, etc.

4. **Generation of Profits**

The marketing department is the only department which generates revenue for the business. Sufficient profits must be earned as a result of sale of want-satisfying products. If the firm is not earning profits, it will not be able to survive in the market. Moreover, profits are also needed for the growth and diversification of the firm.

5. **Creation of Goodwill and Public Image**

To build up the public image of a firm over a period is another objective of marketing. The marketing department provides quality products to customers at reasonable prices and thus creates its impact on the customers.

The marketing manager attempts to raise the goodwill of the business by initiating image-building activities such a sales promotion, publicity and advertisement, high quality, reasonable price, convenient distribution outlets, etc.

7 Major Importance of Marketing Management

(1) Marketing Helps in Transfer, Exchange and Movement of Goods

Marketing is very helpful in transfer, exchange and movement of goods. Goods and services are made available to customers through various intermediaries' viz., wholesalers and retailers etc. Marketing is helpful to both producers and consumers.

To the former, it tells about the specific needs and preferences of consumers and to the latter about the products that manufacturers can offer. According to Prof. Haney Hansen "Marketing involves the design of the products acceptable to the consumers and the conduct of those activities which facilitate the transfer of ownership between seller and buyer."

(2) Marketing Is Helpful In Raising and Maintaining The Standard Of Living Of The Community

Marketing is above all the giving of a standard of living to the community. Paul Mazur states, "Marketing is the delivery of standard of living". Professor Malcolm McNair has further added that "Marketing is the creation and delivery of standard of living to the society".

By making available the uninterrupted supply of goods and services to consumers at a reasonable price, marketing has played an important role in raising and maintaining living standards of the community. Community comprises of three classes of people i.e., rich, middle and poor. Everything which is used by these different classes of people is supplied by marketing.

In the modern times, with the emergence of latest marketing techniques even the poorer sections of society have attained a reasonable level of living standard. This is basically due to large scale production and lesser prices of commodities and services. Marketing has infact, revolutionised and modernised the living standard of people in modern times.

(3) Marketing Creates Employment

Marketing is complex mechanism involving many people in one form or the other. The major marketing functions are buying, selling, financing, transport, warehousing, risk bearing and standardization, etc. In each such function different activities are performed by a large number of individuals and bodies.

Thus, marketing gives employment to many people. It is estimated that about 40% of total population is directly or indirectly dependent upon marketing. In the modern era of large scale production and industrialization, role of marketing has widened.

This enlarged role of marketing has created many employment opportunities for people. Converse, Huegy and Mitchell have rightly pointed out that "In order to have continuous production, there must be continuous marketing, only then employment can be sustained and high level of business activity can be continued".

(4) Marketing as a Source of Income and Revenue

The performance of marketing function is all important, because it is the only way through which the concern could generate revenue or income and bring in profits. Buskirk has pointed out that, "Any activity connected with obtaining income is a marketing action. It is all too easy for the accountant, engineer, etc., to operate under the broad assumption that the Company will realise many dollars in total sales volume.

However, someone must actually go into the market place and obtain dollars from society in order to sustain the activities of the company, because without these funds the organization will perish."

Marketing does provide many opportunities to earn profits in the process of buying and selling the goods, by creating time, place and possession utilities. This income and profit are reinvested in the concern, thereby earning more profits in future. Marketing should be given the greatest importance, since the very survival of the firm depends on the effectiveness of the marketing function.

(5) Marketing Acts as a Basis for Making Decisions

A businessman is confronted with many problems in the form of what, how, when, how much and for whom to produce? In the past problems was less on account of local markets. There was a direct link between producer and consumer.

In modern times marketing has become a very complex and tedious task. Marketing has emerged as new specialized activity along with production.

As a result, producers are depending largely on the mechanism of marketing, to decide what to produce and sell. With the help of marketing techniques a producer can regulate his production accordingly.

(6) Marketing Acts as a Source of New Ideas

The concept of marketing is a dynamic concept. It has changed altogether with the passage of time. Such changes have far reaching effects on production and distribution. With the rapid change in tastes and preference of people, marketing has to come up with the same.

Marketing as an instrument of measurement, gives scope for understanding this new demand pattern and thereby produce and make available the goods accordingly.

(7) Marketing Is Helpful In Development Of An Economy

Adam Smith has remarked that "nothing happens in our country until somebody sells something". Marketing is the kingpin that sets the economy revolving. The marketing organization, more scientifically organized, makes the economy strong and stable, the lesser the stress on the marketing function, the weaker will be the economy.

Types of Market

The types of market you are in determine the type of business strategy you need to have. Strategies for consumer markets are completely different from that of industrial markets. Industrial markets deal in bulk product selling whereas consumer products generally involve breaking the bulk. Costing and marketing is a critical function for both types of markets.

Furthermore, with the rise of globalization, companies have themselves gone global and thus their marketing strategies have adapted accordingly. There are several factors which are added to normal business strategies when you are considering going global. And last but not the least, the Government and Institutional business which are the real revenue generators because of their huge orders. Lets discuss each of these type of markets one by one.

Types of market

(1) Consumer Markets

As the name suggests, the consumer market involves marketing of consumer goods such as Television, Refrigerator, Air conditioners etc. As awareness and knowledge of consumers rises, marketing of consumer goods gets tougher. Today a lot of focus has shifted to consumer goods marketing because a consumer has a lot of choices. The brand loyalty is at its lowest and the worst fear a brand can face now is a high rate of brand defection.

Along with the branding part, the costing part too needs to be considered in the consumer market. The cost of operations is too high with various departments and specialties coming together to form a consumer goods companies. There is inventory management, logistics, manufacturing, promotions, strategies and whatnot. The presence of a tangible product increases the importance of proper planning without which a consumer goods company is sure to fail. Consumer durable market is characterized by the presence of high competition, penetration pricing, dynamics of channel management and finally a high expense on manufacturing and distribution.

(2) Business Markets

Similar to consumer markets, nowadays even the organizational buyer has numerous options in his kitty. Just at the number of software and hardware services providers in the Market. For software there's IBM, Accenture, Oracle and several other top brands. For hardware there's Microsoft, Dell, and others. The competition is increasing. Furthermore, the organizational buyer will think 4–5 times before purchasing a product because of the cost involved. An order for computers for a multinational company's office will probably go in crores.

Because of the cost involved, Organizational buyers make it a point to be much more knowledgeable than any average customer. Organizational buyers have a group of dedicated people who form the "Purchase department". These people are responsible for buying at the lowest possible price they can. The other characteristics of business markets are the time taken to close the deal. Business markets involve selling of projects too. Projects take time to be analyzed and to fix up a price as they consider the cost of inflation while the project is in progress. Thus they need proper planning else the cost of the project would take a hit on the profits for the company.

Finally, In case of business markets, the sales force, the price and the product have a much upper value than the promotions. This is absolutely opposite to consumer markets where promotions make a huge difference to the consumer buying process. Some services such as Accenture and Intel hardly advertise their products nowadays. They just advertise their presence in the market. The rest is done by the quality of products they have. Same goes for Microsoft. Of the 4 P's of the marketing mix, promotions are the most ignored in case of business markets.

(3) Global Markets

The changes in the cost of transportation, government policies and the overall need for expansion have given an impetus to globalization. The strategies of global market companies may differ from each other but the core concept is the same. Most global marketing companies work on one fundamental. "Think local, act global". The company which comes at the top of my mind is McDonalds and Coca Cola. Both known for their global presence as well as for the way they customize their message based on the country they are in.

Companies may be global on the basis of both – business to business as well as business to consumers. The challenges faced by global companies are much more than those faced by local companies. Firstly lets look at the options they have for modes of entry. How do they enter a country? Do they partner with some local company? Do they export their product? Or they shift a part of their operations in the country to directly establish their presence? Multiply these questions with the cost of operations involved as well as the amount of information which needs to be accessed. Now you know the difficulties!!

Nonetheless, Global expansion is an excellent option for any company provided it has deep pockets to sustain the initial expenditure required to establish yourself in another country.

(4) Government or Non profit Market

The government market mainly involves Government offices, ordnance factories, army, navy and other government departments. The non profits on the other hand may involve groups based on different beliefs some of which really have an excellent brand name and are recognized by several companies. Both of these entities have a limited purchasing budget and hence the price of products is important. Accordingly the purchase process is organized.

Most government and non profit organizations involve the issuance of tenders and bids. The one to bid the lowest is known as L1 and the one to bid the highest is known as H1. Naturally, L1 wins the bid. There are several companies which have modified their products specifically for the government markets to come L1 in these tenders and bids. The products may be a bit inferior, nonetheless they do meet the government's requirement and that is what matters in the end.

Each of these markets can be tapped separately by companies. In fact, some consumer durable companies have different departments for corporate sales and government sales. Tapping each of these markets provides an avenue for the company to expand their market share and overall revenue generated by the company.

Functions of Marketing

12 Important Functions of Marketing

Marketing is related to the exchange of goods and services. Through its medium the goods and services are brought to the place of consumption. This satisfies the needs of the customers.

The following activities are undertaken in respect of the exchange of goods and services:

1. **Gathering and Analyzing Market Information**

Gathering and analyzing market information is an important function of marketing. Under it, an effort is made to understand the consumer thoroughly in the following ways:

(a) What do the consumers want?

(b) In what quantity?

(c) At what price?

(d) When do they want (it)?

(e) What kind of advertisement do they like?

(f) Where do they want (it)?

(g) What kind of distribution system do they like?

All the relevant information about the consumer is collected and analysed. On the basis of this analysis an effort is made to find out as to which product has the best opportunities in the market.

2. **Marketing Planning**

   In order to achieve the objectives of an organization with regard to its marketing, the marketer chalks out his marketing plan. For example, a company has a 25% market share of a particular product.

   The company wants to raise it to 40%. In order to achieve this objective the marketer has to prepare a plan in respect of the level of production and promotion efforts. It will also be decided as to who will do what, when and how. To do this is known as marketing planning.

3. **Product Designing and Development**

   Product designing plays an important role in product selling. The company whose product is better and attractively designed sells more than the product of a company whose design happens to be weak and unattractive.

   In this way, it can be said that the possession of a special design affords a company to a competitive advantage. It is important to remember that it is not sufficient to prepare a design in respect of a product, but it is more important to develop it continuously.

4. **Standardization and Grading**

   Standardization refers to determining of standard regarding size, quality, design, weight, colour, raw material to be used, etc., in respect of a particular product. By doing so, it is ascertained that the given product will have some peculiarities.

   This way, sale is made possible on the basis of samples. Mostly, it is the practice that the traders look at the samples and place purchase order for a large quantity of the product concerned. The basis of it is that goods supplied conform to the same standard as shown in the sample.

   Products having the same characteristics (or standard) are placed in a given category or grade. This placing is called grading. For example, a company produces commodity – X, having three grades, namely A'. 'B' and 'C', representing three levels of quality; best, medium and ordinary respectively.

   Customers who want best quality will be shown 'A' grade product. This way, the customer will have no doubt in his mind that a low grade product has been palmed off to him. Grading, therefore, makes sale-purchase easy. Grading process is mostly used in case of agricultural products like food grains, cotton, tobacco, apples, mangoes, etc.

5. **Packaging and Labelling**

Packaging aims at avoiding breakage, damage, destruction, etc., of the goods during transit and storage. Packaging facilitates handling, lifting, conveying of the goods. Many a time, customers demand goods in different quantities. It necessitates special packaging. Packing material includes bottles, canister, plastic bags, tin or wooden boxes, jute bags etc.

Label is a slip which is found on the product itself or on the package providing all the information regarding the product and its producer. This can either be in the form of a cover or a seal.

For example, the name of the medicine on its bottle along with the manufacturer's name, the formula used for making the medicine, date of manufacturing, expiry date, batch no., price etc., are printed on the slip thereby giving all the information regarding the medicine to the consumer. The slip carrying all these is details called Label and the process of preparing it as Labelling.

6. **Branding**

Every producer/seller wants that his product should have special identity in the market. In order to realise his wish he has to give a name to his product which has to be distinct from other competitors.

Giving of distinct name to one's product is called branding. Thus, the objective of branding is to show that the products of a given company are different from that of the competitors, so that it has its own identity.

For instance, if a company wants to popularise its commodity – X under the name of "777" (triple seven) then its brand will be called "777". It is possible that another company is selling a similar commodity under AAA (Triple 'A') brand name.

Under these circumstances, both the companies will succeed in establishing a distinct identity of their products in the market. When a brand is not registered under the trade Mark Act, 1999, it becomes a Trade Mark.

7. **Customer Support Service**

Customer is the king of market. Therefore, it is one of the chief functions of marketer to offer every possible help to the customers. A marketer offers primarily the following services to the customers:

(i) After-sales-services

(ii) Handling customers' complaints

(iii) Technical services

(iv) Credit facilities

(v) Maintenance services

Helping the customer in this way offers him satisfaction and in today's competitive age customer's satisfaction happens to be the top-most priority. This encourages a customer's attachment to a particular product and he starts buying that product time and again.

8. **Pricing of Products**

It is the most important function of a marketing manager to fix price of a product. The price of a product is affected by its cost, rate of profit, price of competing product, policy of the government, etc. The price of a product should be fixed in a manner that it should not appear to be too high and at the same time it should earn enough profit for the organization.

9. **Promotion**

Promotion means informing the consumers about the products of the company and encouraging them to buy these products. There are four methods of promotion:

(i) Advertising

(ii) Personal selling

(iii) Sales promotion

(iv) Publicity.

Every decision taken by the marketer in this respect affects the sales. These decisions are taken keeping in view the budget of the company.

10. **Physical Distribution**

Under this function of marketing the decision about carrying things from the place of production to the place of consumption is taken into account. To accomplish this task, decision about four factors are taken. They are: (i) Transportation, (ii) Inventory, (iii) Warehousing and (iv) Order Processing. Physical distribution, by taking things, at the right place and at the right time creates time and place utility.

11. **Transportation**

Production, sale and consumption-all the three activities need not be at one place. Had it been so, transportation of goods for physical distribution would have become irrelevant. But generally it is not possible. Production is carried out at one place, sale at another place and consumption at yet another place.

Transport facility is needed for the produced goods to reach the hands of consumers. So the enterprise must have an easy access to means of transportation.

Mostly we see on the road side's private vehicles belonging to Pepsi, Coca Cola, LML, Britannia, etc. These private carriers are the living examples of transportation function of marketing. Place utility is thus created by transportation activity.

12. **Storage or Warehousing**

There is a time-lag between the purchase or production of goods and their sale. It is very essential to store the goods at a safe place during this time-interval. Godown is used for this purpose. Keeping of goods in godown till the same are sold is called storage.

For the marketing manager storage is an important function. Any negligence on his part may damage the entire stock. Time utility is thus created by storage activity.

Selling Concept

Selling concept was developed after production and product concepts of marketing. The product concept could not be fully successful in the business sector. Despite production of quality goods, there appeared serious problem in selling. As a result, selling concept was developed. This concept believes that the consumers do not buy the product until they are motivated through sales promotion efforts. In other words, the consumers do not buy products with their own initiative rather they should be motivated. More quantity of products can be sold to the consumers by creating need and arousing interest in them through different promotional activities.

Selling concept of marketing focuses attention on the needs of seller but not on consumers'. It aims to increase sales volume and earn profit through different promotional activities. This concept became very popular during 1930-1950. That period is called 'Ideal Sales Era'. During that period, except during the second World War period, supply became more than demand. The premise of the product concept that the ' customers easily buy quality goods of low price' could not work. As a result, many firms appointed sales employees, and focused attention on advertisement and sales promotional activities. On order to attract customers' attention, the techniques such as advertisement, decoration and display of goods, publicity, exhibition or trade fair etc were started. Even then the management would give more emphasis to the product rather than to the customers' need.

Some firms are found to believe in selling concept even today. Life Insurance companies, Encyclopedia Publications etc. gives emphasis to selling concept. Such companies give arguments that use of 'hard sell techniques' can help to identify needs of customers and motivate them to buy. This technique believes that efforts should be made the customers realize needs and so that they can buy products. Selling concept emphasis to sell products but does not care for the after-sale services.

Features of Selling Concept of Marketing

1. **Selling-orientation**

   Selling concept of marketing gives emphasis to fulfillment of needs of the sellers, it believes that product must be sold out.

2. **Aggressive Selling and Promotion**

   Aggressive sale promotional activities should be conducted to attract customers. Only care is taken to increase sales quantity in the market.

3. **No Concern with Consumers' Needs**

   Selling concept is not concerned with the consumers' needs. It lays emphasis on how to sell goods but not on what kind of goods should be produced for the customers.

4. **Customer Persuasion**

   It persuades customers to buy goods convincing them about the high quality and price of the products.

Modern Marketing Concept

Modern approach to marketing is referred to as the marketing concept which has developed gradually passing through different stages called Marketing Management Philosophies

1. **The Production Concept**

   This concept lays emphasis on production and assumes that consumers will always respond to products that are made available to them. This concept developed when there was a period of manufacturing dominance and there was no competition. It was producers market and hence production problems were of more importance than anything else.

   The major task of the management was to strive constantly to increase production and there were no selling or marketing problems. The production concept may boost the sales in the initial stages but it invites the criticism that it is impersonal in its approach and ignores the interests of the consumers.

2. **The Product Concept**

   With the passage of time, it was realized that it is not only the quantity of production but also the quantity of the product that is important. The product concept assumes that the consumers will respond favourably to the best quality products that are reasonably priced and hence the major task of the management is to improve the quality of the product it offers to successfully attract and hold customers. Enterprises which rely too much upon the product concept may face difficulties due to the tendency on the part of such enterprises "to look to often in a mirror when they should be looking out of the window."

3. **The Sales Concept**

   With the development in technological field, the competition had grown and the market had become more complex. During 1920's and 30's the selling activity became more important and marketing was regarded merely as a selling activity, giving rise to the sales concept. The selling concept assumes that the consumers will generally not buy enough of the firm's products unless their interest is stimulated in its products through substantial selling and promotional activities. In this concept the focus is on the product, the means are selling and promoting and the objective is maximization of profits through sales volume. The drawback of the sales concept is that it ignores the customer's interest and a firm which follows this concept may face difficulties in the long run.

4. **The Marketing Concept**

The modern approach to marketing is referred to as the marketing concept. The essence of the marketing concept is that the customer and not the product is the centre of entire business activity. It is also referred to as the customer-oriented approach to business. This concept explains the rationale for a firm's existence in terms of its ability to satisfy some aspects of consumer needs and recognizes the purpose of the business as to 'create a customer'.

In the words of Stanton, "the marketing concept is a philosophy, an attitude, or a course of business action. The customers want satisfaction in the economic and social justification of a company's existence. Consequently all company's activities in production, engineering and finance, as well as marketing, must be devoted to, first, determining what the customers wants are and then, satisfying these wants while making a reasonable profit.

According to the marketing concept, the main task of the enterprise is:

(i) To determine the actual needs, wants and preferences of customers, and

(ii) To adopt the enterprise in such a way so as to deliver the desired satisfaction more effectively and efficiently than its rivals.

In this concept, the focus is on the customer needs, the means are integrated marketing and the objective is maximization of profits through customer satisfaction.

5. **The Social Marketing Concept**

In the words of Philip Kotler, the social marketing concept is a management orientation that holds that the key task of the organization is to determine the needs and wants to target markets and to adopt the organization to delivering the desired satisfaction more effectively and efficiently than its competitors in a way that preserves or chances the consumer's and society's well being.

The societal marketing concept aims at serving the target markets in such a way as to deliver not only maximum customer satisfaction, but also long-run individual and social benefits. It must concentrate on customer's needs and interests in addition to their wants and desires. Thus, this concept lays more emphasis on the social responsibilities of business as the latest trend in marketing.

Societal Marketing

Societal Marketing emphasizes on social responsibilities and suggests that to sustain long-term success, the company should develop a marketing strategy to provide value to the customer's to maintain and improve both the customers and society's well being better than the competitors.

Societal marketing concept that holds that a company should make good marketing decisions by considering consumer's wants, company's requirements, and society's long-term interests.

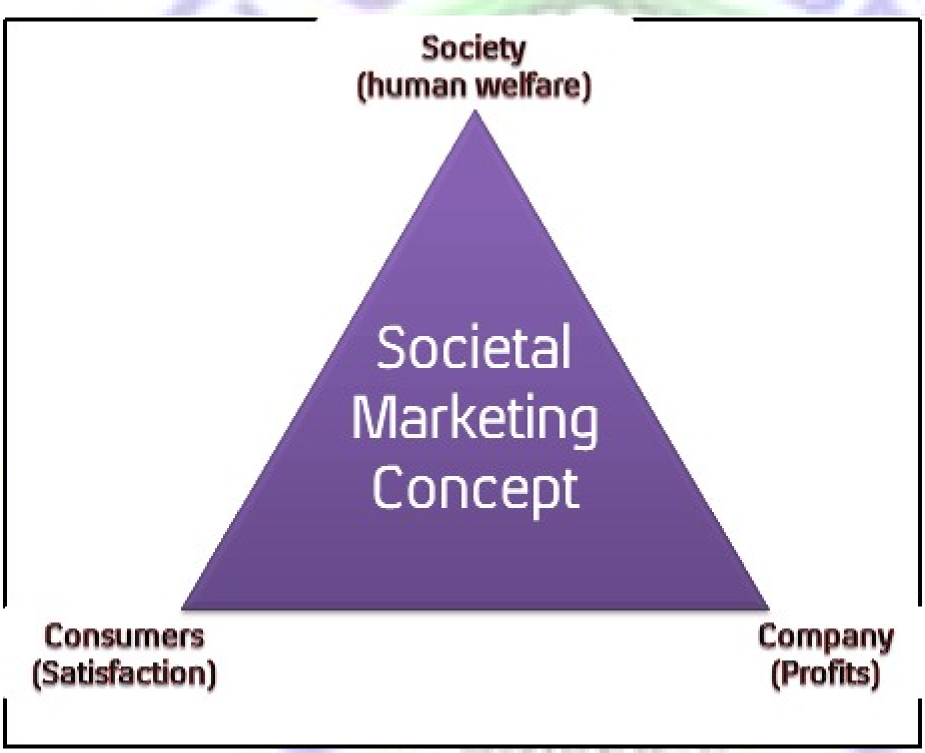
Societal Marketing creates a favorable image for the company increases the sales. It is not the same as the terms social marketing and social media marketing. It is a term closely related to CSR and sustainable development.

It emphasizes social responsibilities and suggests that to sustain.

It calls for sustainable marketing, socially and environmentally responsible marketing that meets the present needs of consumers and businesses while also preserving or enhancing the ability of future generations to meet their needs.

The global warming panic button is pushed and a revelation is required in the way we use our resources. So companies are slowly either fully or partially trying to implement the societal marketing concept.

Three Considerations of Societal Marketing Concept



Companies should balance three considerations in setting their marketing strategies: company profits, the consumer wants, and society's interests.

1. **Society (Human Welfare)**

   Companies must make sure the products, services, actions, investments innovations servers the society first.

2. **Consumers (Satisfaction)**

   Products and services should be satisfying the consumer's needs.

3. **Company (Profits)**

Building long-term customer relationship, being socially responsible, and providing satisfactory products are important for profit-making and wealth maximization.

Objectives of Societal Marketing Concept

- To maintain a long-term relationship with customers.
- To create a better image in the society for the company than it's competitors.
- To carry out its social responsibilities.
- Developing community awareness towards its brands.
- To carry out its social responsibilities.
- To increase the consumer base and market share.

Importance of Societal Marketing Concept

Societal Marketing is very important to society, environment, and businesses. This concept was developed in order to tackle the consumerism and profit only the motive of business.

The societal marketing concept helps to maximize profits for the organization and creates a long-term relationship with customers.

It encourages developing products that benefit society in long run and satisfies consumers.

Examples of Societal Marketing

Most recent examples of societal marketing are the super bowl 2017 ads of several companies.

Most ads took on issues like environment and immigration. These come after president Donald Trump implemented executive orders that raised controversies.

- Kia's the "Hero's Journey" commercial starring Melissa Mccarthy is the prime example of societal marketing.
- CocaCola release an ad that shows people of different ethnicity and singing "America is Beautiful" in different languages.
- Airbnb's #WeAccept super bowl 2017 ad.
- Budweiser ad showing how a company founded by its immigrant founder.

The societal marketing does not stop there.

Societal marketing policies are what making companies actively trying to change social policy, taking part in social activities, investing time and money in corporate social responsibility.

Societal marketing concept questions whether the pure marketing concept overlooks possible conflicts between consumer short-run wants and consumer long-run welfare.

The societal marketing concept holds "marketing strategy should deliver value to customers in a way that maintains or improves both the consumer's and society's well-being".

Marketing Mix

The marketing mix refers to the set of actions, or tactics, that a company uses to promote its brand or product in the market. The 4Ps make up a typical marketing mix – Price, Product, Promotion and Place. However, nowadays, the marketing mix increasingly includes several other Ps like Packaging, Positioning, People and even Politics as vital mix elements.

4P's of marketing Mix

(i) Price

It refers to the value that is put for a product. It depends on costs of production, segment targeted, ability of the market to pay, supply – demand and a host of other direct and indirect factors. There can be several types of pricing strategies, each tied in with an overall business plan. Pricing can also be used a demarcation, to differentiate and enhance the image of a product.

(ii) Product

It refers to the item actually being sold. The product must deliver a minimum level of performance; otherwise even the best work on the other elements of the marketing mix won't do any good.

(iii) Place

It refers to the point of sale. In every industry, catching the eye of the consumer and making it easy for her to buy it is the main aim of a good distribution or 'place' strategy. Retailers pay a premium for the right location. In fact, the mantra of a successful retail business is 'location, location, location'.

(iv) Promotion

It refers to all the activities undertaken to make the product or service known to the user and trade. This can include advertising, word of mouth, press reports, incentives, commissions and awards to the trade. It can also include consumer schemes, direct marketing, contests and prizes.

Importance

All the elements of the marketing mix influence each other. They make up the business plan for a company and handled right, can give it great success. But handled wrong and the business could take years to recover. The marketing mix needs a lot of understanding, market research and consultation with several people, from users to trade to manufacturing and several others.

Segmentation Concept, Basis of Segmentation

Segmentation means to divide the marketplace into parts, or segments, which are definable, accessible, actionable, and profitable and have a growth potential. In other words, a company would find it impossible to target the entire market, because of time, cost and effort restrictions. It needs to have a 'definable' segment – a mass of people who can be identified and targeted with reasonable effort, cost and time.

Once such a mass is identified, it has to be checked that this mass can actually be targeted with the resources at hand, or the segment should be accessible to the company. Beyond this, will the segment respond to marketing actions by the company (ads, prices, schemes, promos) or, is it actionable by the company? After this check, even though the product and the target are clear, is it profitable to sell to them? Is the number and value of the segment going to grow, such that the product also grows in sales and profits?

Description: Segmentation takes on great significance in today's cluttered marketplace, with thousands of products, media proliferation, ad-fatigue and general economic problems around the world markets. Rightly segmenting the market place can make the difference between successes and shut down for a company.

Segmentation allows a seller to closely tailor his product to the needs, desires, uses and paying ability of customers. It allows sellers to concentrate on their resources, money, time and effort on a profitable market, which will grow in numbers, usage and value.

Basis of Segmentation

Segmenting is dividing a group into subgroups according to some set 'basis'. These bases range from age, gender, etc. to psychographic factors like attitude, interest, values, etc.

Gender

Gender is one of the most simple yet important bases of market segmentation. The interests, needs and wants of males and females differ at many levels. Thus, marketers focus on different marketing and communication strategies for both. This type of segmentation is usually seen in the case of cosmetics, clothing, and jewellery industry, etc.

Age group

Segmenting market according to the age group of the audience is a great strategy for personalized marketing. Most of the products in the market are not universal to be used by all the age groups. Hence, by segmenting the market according to the target age group, marketers create better marketing and communication strategies and get better conversion rates.

Income

Income decides the purchasing power of the target audience. It is also one of the key factors to decide whether to market the product as a need, want or a luxury. Marketers usually segment the market into three different groups considering their income. These are

- High Income Group
- Mid Income Group
- Low Income Group

Place

The place where the target audience lives affect the buying decision the most. A person living in the mountains will have less or no demand for ice cream than the person living in a desert.

Occupation

Occupation, just like income, influences the purchase decision of the audience. A need for an entrepreneur might be a luxury for a government sector employee. There are even many products which cater to an audience engaged in a specific occupation.

Usage

Product usage also acts as a segmenting basis. A user can be labelled as heavy, medium or light user of a product. The audience can also be segmented on the basis of their awareness of the product.

Lifestyle

Other than physical factors, marketers also segment the market on the basis of lifestyle. Lifestyle includes subsets like marital status, interests, hobbies, religion, values, and other psychographic factors which affect the decision making of an individual.

Importance of Segmentation in Marketing

Benefits or importance of market segmentation can be better explained by below stated points:-

1. More Precise Definition of the Market

Segmentation improves company's understanding of why consumers do or do not buy certain products. Marketer can have very clear understanding of his consumers. He knows adequately about the market. He can formulate and implement marketing plan more successfully.

2. Maximum Customer Satisfaction

Marketer can cater needs of customers more effectively. Market segmentation is relevant to the modern marketing practices. It ensures both maximum satisfaction to consumers and maximum sales to the company. Maximum consumer satisfaction is the master key to solve any problem. Marketer can cater needs of customers more effectively. Customers can have products as per their needs; they can get better products or services at lower costs.

3. Effective Marketing Strategy

Market segmentation provides an opportunity to understand needs and wants of different segments of the market. This can help in formulating marketing mix/programme more meaningfully. Company can gain a maximum market response.

4. Essence of Modern Marketing

Market segmentation strategy fits with modern marketing philosophy. If the marketer wants to satisfy his valued consumers, market segmentation is the only option. It is an essential condition for the successful modern marketing practice.

5. Improved Profitability

On the basis of the study on needs of specific group of buyers, the products are manufactured. Company can attract distinct groups of buyers and can increase sales. An increased sale has positive impact on its profitability.

6. Optimum Use of Productive Resources

Market segmentation leads to effective use of the valuable resources. Resources are allocated and used exactly as per market needs, avoiding mismatching between what marketer offers and what the market needs. So, valuable resources like man, money, material, space, technology, time, etc., can be utilized more effectively.

7. Benefit of Specialization

It is easy to direct marketing efforts more clearly and specifically. Company designs its marketing programme for different products and for various groups of buyers. Specialization in production and marketing can offer a lot of benefits to the company.

8. High Competitiveness

As a result of market segmentation, a company can treat its consumers more effectively than competitors. It improves competitive strength of the company. Company can respond strongly to the competitor; can prevent the entry of competitors; or can defeat competitors. Company can create and maintain the loyal consumers for long period of time.

9. Collection of Valuable Information

Market segmentation process elicits a lot of valuable information for the company. Such information is instrumental for marketing research, product development, and evaluation of marketing activities. It is also useful for measuring effectiveness of sales and distribution facilities.

10. Identifying Market opportunity

Market segmentation helps establish close relations with specific groups of buyers. Close relations facilitate a continuous interaction between consumers and company. Consumers inform the company regarding changes in their needs, wants, and habits on a continuous basis or whenever asked. Thus, it is easy for a marketer to project the future trends. He can identify opportunities to be available currently or in the near future, and can plan accordingly.

11. Benefits to Society and Nation

Market segmentation, if taken objectively, can contribute to social welfare and national development. Basically, it is a consumer-oriented philosophy, and it results into a win-win-win approach, that is, company, society, and nation, all three, are benefited.

This can improve overall economic system by manufacturing the right products of the right quantity and quality for the right groups of consumers, made available continuously at the right price and place by the right distribution channel.

12. Benefits to Small Scale Industrial Units

We know that small-scale industrial units can function on a limited scale of operation. They can have only the limited manufacturing and marketing capacity. Industries working on a small- scale basis can take advantages of market segmentation. By concentrating on special demand of specific group of a limited number of consumers, they can afford products and get profitable market easily. They can compete with the large industrial units, too.

Requisites of Effective Market Segmentation

There are following criteria for an effective segmentation

(i) Measurable and Obtainable

The size, profile and other relevant characteristics of the segment must be measurable and obtainable in terms of data.

It has to be possible to determine the values of the variables used for segmentation with justifiable efforts. This is important especially for demographic and geographic variables. For an organisation with direct sales (without intermediaries), the own customer database could deliver valuable information on buying behaviour (frequency, volume, product groups, mode of payment etc).

(ii) Relevant

The size and profit potential of a market segment have to be large enough to economically justify separate marketing activities for this segment. If a segment is small in size then the cost of marketing activities cannot be justified.

(iii) Accessible

The segment has to be accessible and servable for the organisation. That means, the customer segments may be decided considering that they can be accessed through various target-group specific advertising media such as magazines or websites the target audience likes to use.

(iv) Substantial

The segments should be substantial to generate required returns. Activities with small segments will give a biased result or negative results.

(v) Valid

This means the extent to which the base is directly associated with the differences in needs and wants between the different segments. Given that the segmentation is essentially concerned with identifying groups with different needs and wants, it is vital that the segmentation base is meaningful and that different preferences or needs show clear variations in market behaviour and response to individually designed marketing mixes.

(vi) Unique or Distinguishable or Differentiable

The market segments have to be that diverse that they show different reactions to different marketing mixes. If not then there would have been no use to break them up in segments.

(vii) Appropriate

The segments must be appropriate to the organisation's objectives and resources.

(viii) Stable

The segments must be stable so that its behaviour in the future can be predicted with a sufficient degree of confidence.

(ix) Congruous

The needs and characteristics of each segment must be similar otherwise the main objective of segmentation will not be served. If within a segment the behaviour of consumers are different and that they react differently, then a unique marketing strategy cannot be implemented for everyone. This will call for a further segmentation.

(x) Actionable or Feasible

It has to be possible to approach each segment with a particular marketing programme and to draw advantages from that. The segments that a company wishes to pursue must be actionable in the sense that there should be sufficient finance, personnel and capability to take them all. Hence, depending upon the reach of the company, the segments must be selected.

UNIT-2

Consumer Buying Behavior: Introduction, Characteristics

According to Engel, Blackwell, and Mansard

'Consumer behaviour is the actions and decision processes of people who purchase goods and services for personal consumption'.

According to Louden and Bitta

'Consumer behaviour is the decision process and physical activity, which individuals engage in when evaluating, acquiring, using or disposing of goods and services'.

Consumer buying behavior

Consumer buying behavior is the sum total of a consumer's attitudes, preferences, intentions, and decisions regarding the consumer's behavior in the marketplace when purchasing a product or service. The study of consumer behavior draws upon social science disciplines of anthropology, psychology, sociology, and economics

CHARACTERISTIC OF CONSUMER BEHAVIOR

1. **PROCESS**

Consumer behaviour is a systematic process relating to buying decisions of the customers. The buying process consists of the following steps;

- Need identification to buy the product .
- Information search relating to the product.
- Listing of alternative brands.
- Evaluating the alternative (cost-benefit analysis)
- Purchase decision.
- Post-purchase evaluation by the marketer.

2. **INFLUENCED BY VARIOUS FACTORS**

Consumer behaviour is influenced by a number of factors.

The factors that influence consumers are : marketing, personal, psychological, situational, social, cultural etc.

3. **DIFFERENT FOR ALL CUSTOMER**

All consumers do not behave in the same manner. Different consumers behave differently. The difference in consumer behaviour is due to individual factors such as nature of the consumer's life style, culture, etc.

4. **DIFFERENT FOR DIFFERENT PRODUCTS**

Consumer behaviour is different for different products. There are some consumers who may buy more quantity of certain items and very low/no quantity of some other items.

5. **REGION BOUNDED**

The consumer behaviour varies across states, regions and countries. For instance, the behaviour of urban consumers is different from that of rural consumers.

Normally, rural consumers are conservative (traditional) in their buying behaviour.

6. **VITAL FOR MARKETERS**

Marketers need to have a good knowledge of consumer behaviour. They need to study the various factors that influence consumer behaviour of their target customers. The knowledge of consumer behaviour enables marketers to take appropriate marketing decisions.

7. **REFLECTS STATUS**

Consumers buying behaviour is not only influenced by status of a consumer, but it also reflects it. Those consumers who own luxury cars, watches and other items are considered by others as persons of higher status.

8. **SPREAD – EFFECT**

Consumer behavior has a spread effect.

The buying behaviour of one person may influence the buying behavior of another person. For instance, a customer may always prefer to buy premium brands of clothing, watches and other items etc.

This may influence some of his friends, neighbors, colleagues. This is one of the reasons why marketers usecelebrities like Shahrukh Khan , Sachin to endorse their brands.

9. **STANDARD OF LIVING**

Consumer buying behaviour may lead to higher standard of living. The more a person buys the goods and services, the higher is the standard of living.

10. **KEEPS ON CHANGING**

The consumer's behaviour undergoes a change over a period of time depending upon changes in age, education and income level. Etc, for instance,, kids may prefer colorful dresses, but as they grow up as teenagers and young adults, they may prefer trendy clot

Factors Affecting Consumer Behaviour

Consumer behavior refers to the selection, acquisition and consumption of goods and services to meet their needs. There are different processes involved in consumer behavior. Initially, the consumer tries to find what products you would like to consume and then select only those products that promise greater utility. After selecting the products, the consumer makes an estimate of available funds that can happen. Finally, the consumer looks at the current prices of commodities and makes the decision about which products to consume. Meanwhile, there are several factors that influence consumer purchases, such as social, cultural, personal and psychological. The explanation of these factors is as follows.

1. **CULTURAL FACTORS**

Consumer behavior is deeply influenced by cultural factors, such as buyer's culture, subculture and social class.

- **Culture**

Essentially, culture is the share of each company and is the major cause of the person who wants and behavior. The influence of culture on the purchasing behavior varies from country to country, therefore sellers have to be very careful in the analysis of the culture of different groups, regions or even countries.

- **Subculture**

Each culture has different subcultures, such as religions, nationalities, geographical regions, racial, etc. marketing groups may use these groups, segmenting the market in several small portions. For example, marketers can design products according to the needs of a specific geographical group.

- **Social Class**

Every society has some kind of social class is important for marketing because the buying behavior of people in a particular social class is similar. Thus marketing activities could be adapted to different social classes. Here we should note that social class is not only determined by income, but there are several other factors such as wealth, education, occupation etc.

2. **SOCIAL FACTORS**

Social factors also influence the purchasing behavior of consumers. Social factors are: the reference groups, family, the role and status.

- **Reference groups**

Reference groups have the potential for the formation of an attitude or behavior of the individual. The impact of reference groups vary across products and brands. For example, if the product is visible as clothing, shoes, car etc., the influence of reference groups will be high. Reference groups also include opinion leader (a person who influences others by his special skill, knowledge or other characteristics).

- **Family**

Buyer behavior is strongly influenced by a family member. So vendors are trying to find the roles and influence of the husband, wife and children. If the decision to purchase a particular product is influenced by the wife of then sellers will try to target women in their ad. Here we should note that the purchase of roles change with changing lifestyles of consumers.

- **Roles and Status**

Each person has different roles and status in society in terms of groups, clubs, family, etc. organization to which it belongs. For example, a woman working in an organization as manager of finance. Now she is playing two roles, one of the chief financial officer and the mother. Therefore, purchasing decisions will be influenced by their role and status.

3. **PERSONAL FACTORS**

Personal factors may also affect consumer behavior. Some of the important factors that influence personal buying behavior are: lifestyle, economic status, occupation, age, personality and self esteem.

- **Age**

Age and life cycle have a potential impact on the purchasing behavior of consumers. It is obvious that consumers change the purchase of goods and services over time. Family life cycle consists of different stages as young singles, married couples, unmarried couples etc that help marketers to develop suitable products for each stage.

- **Occupation**

The occupation of a person has a significant impact on their buying behavior. For example, a marketing manager of an organization is trying to buy business suits, while a low level worker in the same organization buy-resistant clothing work.

- **Economic situation**

Economic situation of the consumer has a great influence on their buying behavior. If income and savings a customer is high, then going to buy more expensive products. Moreover, a person with low income and savings buy cheap products.

- **Lifestyle**

Lifestyle clients is another factor affecting import purchasing behavior of consumers. Lifestyle refers to the way a person lives in a society and express things in their environment. It is determined by the client's interests, opinions, etc and activities shapes their whole pattern of acting and interacting in the world.

- **Personality**

Personality changes from person to person, time to time and place to place. Therefore, it can greatly influence the buying behavior of customers. In fact, personality is not what one has, but is the totality of the conduct of a man in different circumstances. Has different characteristics, such as dominance, aggression, confidence etc that may be useful to determine the behavior of consumers to the product or service.

4. **PSYCHOLOGICAL FACTORS**

There are four major psychological factors that affect the purchasing behavior of consumers. These are: perception, motivation, learning, beliefs and attitudes.

- **Motivation**

The level of motivation also affects the purchasing behavior of customers. Each person has different needs, such as physiological needs, biological needs, social needs, etc. The nature of the requirements is that some are more urgent, while others are less pressing. Therefore, a need becomes a motive when it is most urgent to lead the individual to seek satisfaction.

- **Perception**

Select, organize and interpret information in a way to produce a meaningful experience of the world is called perception. There are three different perceptual processes which are selective attention, selective distortion and selective retention. In the case of selective attention, sellers try to attract the attention of the customer. Whereas in case of selective distortion, customers try to interpret the information in a way that supports what customers already believe. Similarly, in the case of selective retention, marketers try to retain information that supports their beliefs.

- **Beliefs and Attitudes**

Client has specific beliefs and attitudes towards different products. Because such beliefs and attitudes shape the brand image and affect consumer buying behavior so traders are interested in them. Marketers can change beliefs and attitudes of customers with special campaigns in this regard.

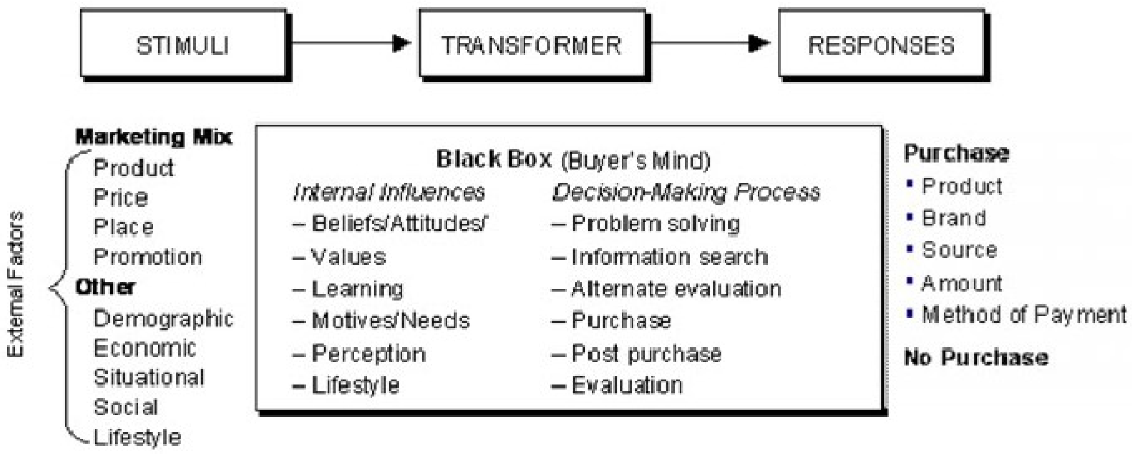
Buyer Behaviour Model

1. **BLACK BOX MODEL**

The black box model shows the interaction of stimuli, consumer characteristics, decision process and consumer responses. It can be distinguished between interpersonal stimuli (between people) or intrapersonal stimuli (within people).

The black box model is related to the black box theory of behaviourism, where the focus is not set on the processes inside a consumer, but the relation between the stimuli and the response of the consumer.

The marketing stimuli are planned and processed by the companies, whereas the environmental stimulus is given by social factors, based on the economical, political and cultural circumstances of a society. The buyer's black box contains the Buyer Characteristics and the Decision Process, which determines the buyer's response.



The black box model considers the buyers response as a result of a conscious, rational decision process, in which it is assumed that the buyer has recognized the problem. However, in reality many decisions are not made in awareness of a determined problem by the consumer. Once the consumer has recognized a problem, they search for information on products and services that can solve that problem.

2. **NICOSIA MODEL (CONFLICT MODEL)**

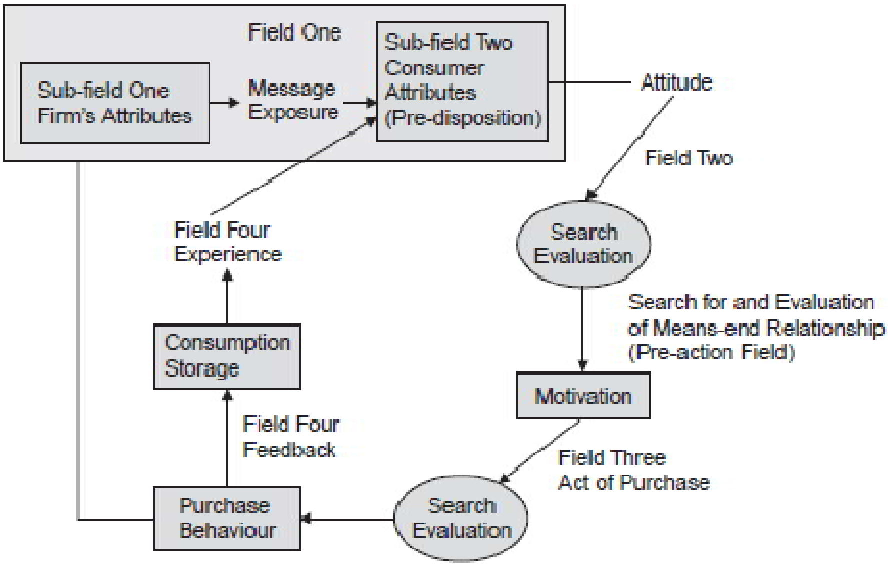
This model focuses on the relationship between the firm and consumers. The firm communicates with consumers through its marketing messages (advertising), and the consumers react to these messages by purchasing response. Looking to the model we will find that the firm and the consumer are connected with each other, the firm tries to influence the consumer and the consumer is influencing the firm by his decision. The Nicosia model is divided into four major fields:

Field 1: The consumer attitude based on the firms' messages. The first field is divided into two subfields. The first subfield deals with the firm's marketing environment and communication efforts that affect consumer attitudes, the competitive environment, and characteristics of target market. Subfield two specifies the consumer characteristics e.g., experience, personality, and how he perceives the promotional idea toward the product in this stage the consumer forms his attitude toward the firm's product based on his interpretation of the message.

Field 2: search and evaluation The consumer will start to search for other firm's brand and evaluate the firm's brand in comparison with alternate brands. In this case the firm motivates the consumer to purchase its brands.

Field 3: The act of the purchase The result of motivation will arise by convincing the consumer to purchase the firm products from a specific retailer.

Field 4: Feedback This model analyses the feedback of both the firm and the consumer after purchasing the product. The firm will benefit from its sales data as a feedback, and the consumer will use his experience with the product affects the individuals attitude and predisposition's concerning future messages from the firm.



Nicosia model

The Nicosia model offers no detail explanation of the internal factors, which may affect the personality of the consumer, and how the consumer develops his attitude toward the product. For example, the consumer may find the firm's message very interesting, but virtually he cannot buy the firm's brand because it contains something prohibited according to his beliefs. Apparently it is very essential to include such factors in the model, which give more interpretation about the attributes affecting the decision process.

3. HOWARD-SHETH MODEL

This model suggests three levels of decision making:

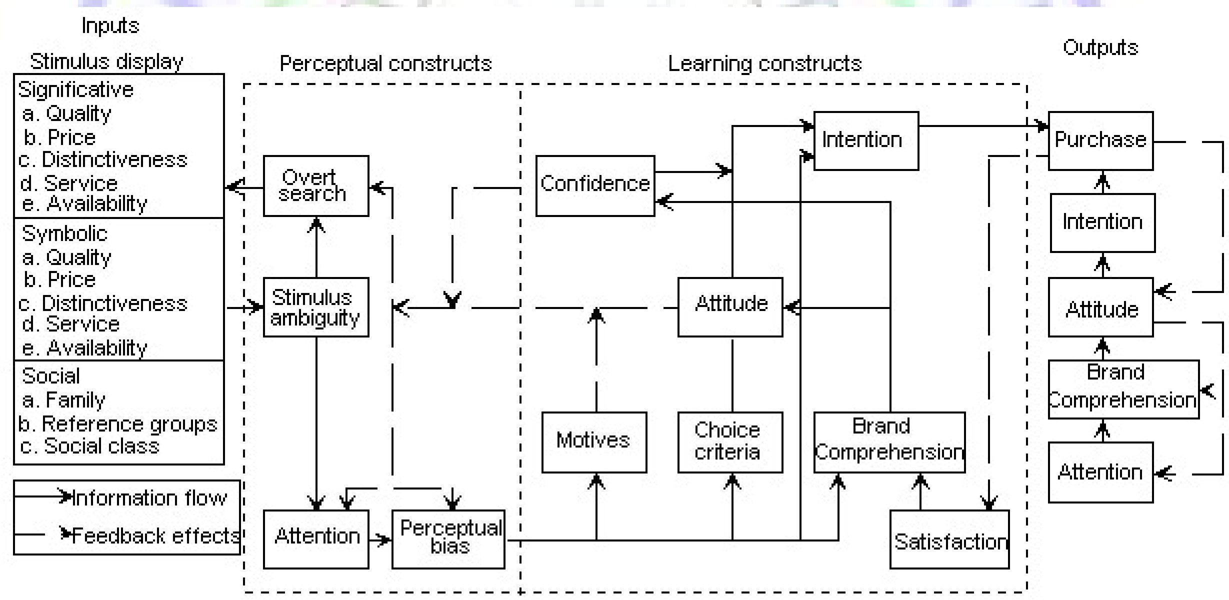
1. The first level describes the extensive problem solving. At this level the consumer does not have any basic information or knowledge about the brand and he does not have any preferences for any product. In this situation, the consumer will seek information about all the different brands in the market before purchasing.
2. The second level is limited problem solving. This situation exists for consumers who have little knowledge about the market, or partial knowledge about what they want to purchase. In order to arrive at a brand preference some comparative brand information is sought.
3. The third level is a habitual response behavior. In this level the consumer knows very well about the different brands and he can differentiate between the different characteristics of each product, and he already decides to purchase a particular product. According to the Howard-Sheth model there are four major sets of variables; namely:

(a) Inputs– These input variables consist of three distinct types of stimuli(information sources) in the consumer's environment. The marketer in the form of product or brand information furnishes physical brand characteristics (significant stimuli) and verbal or visual product characteristics (symbolic stimuli). The third type is provided by the consumer's social environment (family, reference group, and social class). All three types of stimuli provide inputs concerning the product class or specific brands to the specific consumer.

(b) Perceptual and Learning Constructs– The central part of the model deals with the psychological variables involved when the consumer is contemplating a decision. Some of the variables are perceptual in nature, and are concerned with how the consumer receives and understands the information from the input stimuli and other parts of the model. For example, stimulus ambiguity happened when the consumer does not understand the message from the environment.

(c) Outputs- The outputs are the results of the perceptual and learning variables and how the consumers will response to these variables (attention, brand comprehension, attitudes, and intention).

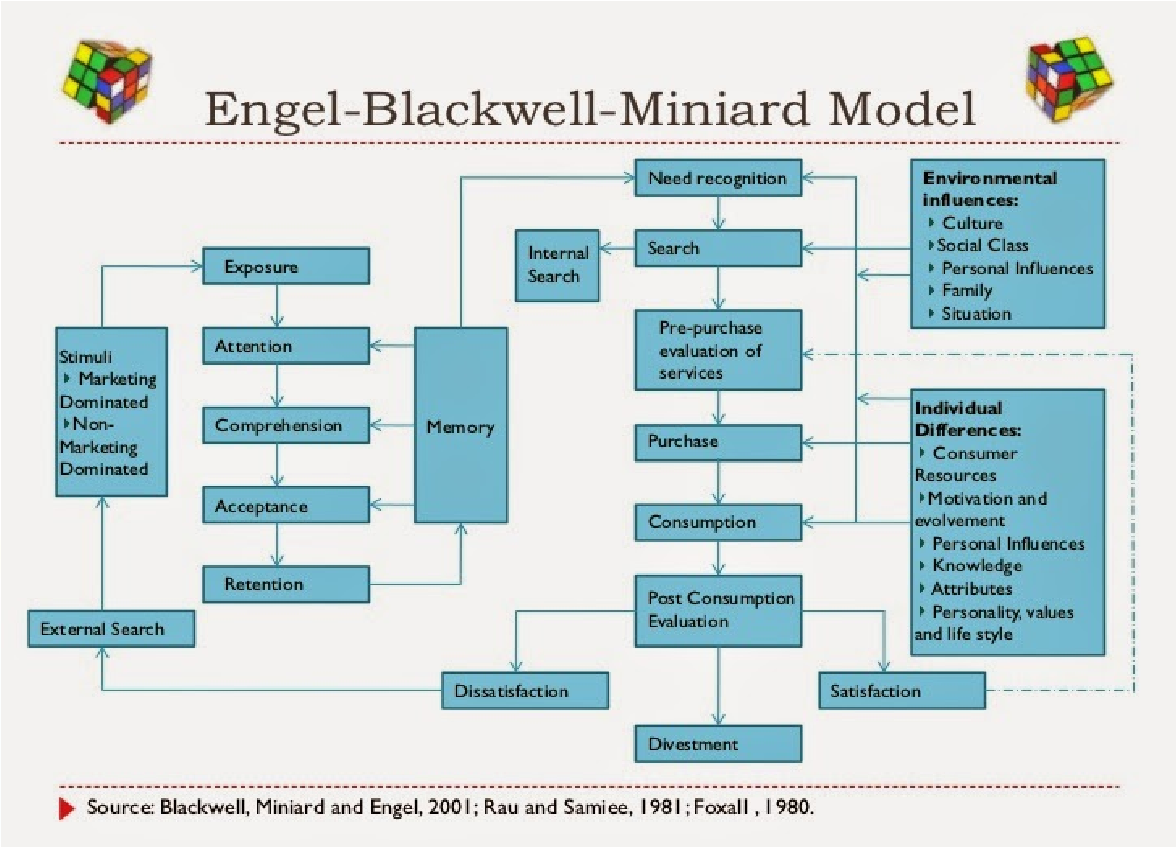
(d) Exogenous(External) variables- Exogenous variables are not directly part of the decision-making process. However, some relevant exogenous variables include the importance of the purchase, consumer personality traits, religion, and time pressure.



The decision-making process, which Howard-Sheth Model tries to explain, takes place at three Inputs stages: Significance, Symbolic and Social stimuli. In both significant and symbolic stimuli, the model emphasizes on material aspects such as price and quality. These stimuli are not applicable in every society. While in social stimuli the model does not mention the basis of decision-making in this stimulus, such as what influence the family decision? This may differ from one society to another. Finally, no direct relation was drawn on the role of religion in influencing the consumer's decision-making processes. Religion was considered as external factor with no real influence on consumer, which give the model obvious weakness in anticipation the consumer decision.

4. **ENGEL, BLACKWELL, MINIARD MODEL (OPEN SYSTEM)**

This model was created to describe the increasing, fast-growing body of knowledge concerning consumer behavior. This model, like in other models, has gone through many revisions to improve its descriptive ability of the basic relationships between components and sub-components, this model consists also of four stages;



First stage: decision-process stages The central focus of the model is on five basic decision-process stages:

Problem recognition, search for alternatives, alternate evaluation(during which beliefs may lead to the formation of attitudes, which in turn may result in a purchase intention) purchase, and outcomes. But it is not necessary for every consumer to go through all these stages; it depends on whether it is an extended or a routine problem-solving behavior.

Second stage: Information input At this stage the consumer gets information from marketing and non-marketing sources, which also influence the problem recognition stage of the decision-making process. If the consumer still does not arrive to a specific decision, the search for external information will be activated in order to arrive to a choice or in some cases if the consumer experience dissonance because the selected alternative is less satisfactory than expected.

Third stage: information processing This stage consists of the consumer's exposure, attention, perception, acceptance, and retention of incoming information. The consumer must first be exposed to the message, allocate space for this information, interpret the stimuli, and retain the message by transferring the input to long-term memory.

Fourth stage: variables influencing the decision process This stage consists of individual and environmental influences that affect all five stages of the decision process. Individual characteristics include motives, values, lifestyle, and personality; the social influences are culture, reference groups, and family. Situational influences, such as a consumer's financial condition, also influence the decision process.

This model incorporates many items, which influence consumer decision-making such as values, lifestyle, personality and culture. The model did not show what factors shape these items, and why different types of personality can produce different decision-making? How will we apply these values to cope with different personalities? Religion can explain some behavioral characteristics of the consumer, and this will lead to better understanding of the model and will give more comprehensive view on decision-making.

According to Engel, Blackwell, and Mansard

'Consumer behavior is the actions and decision processes of people who purchase goods and services for personal consumption'.

According to Louden and Bitta

'Consumer behavior is the decision process and physical activity, which individuals engage in when evaluating, acquiring, using or disposing of goods and services'.

Introduction to Consumer behavior in Marketing

The study of consumer behavior (CB) is very important to the marketers because it enables them to understand and predict buying behavior of consumers in the marketplace; it is concerned not only with what consumers buy, but also with why they buy it, when and where and how they buy it, and how often they buy it, and also how they consume it & dispose it. According to Professor Theodore Levitt of the Harvard Business School, the study of Consumer Behavior is one of the most important in business education, because the purpose of a business is to create and keep customers.

Customers are created and maintained through marketing strategies. And the quality of marketing strategies depends on knowing, serving, and influencing consumers. In other words, the success of a business is to achieve organizational objectives, which can be done by the above two methods. This suggests that the knowledge & information about consumers is critical for developing successful marketing strategies because it challenges the marketers to think about and analyse the relationship between the consumers & marketers, and the consumer behavior & the marketing strategy.

The term consumer behavior is defined as the behavior that consumer display in searching for purchasing, using, evaluating and disposing of product and services that they expect will satisfy their needs. Consumer behavior focuses on how individuals make decisions to spend their available resources (time, money, effort) on consumption related items. This includes what they buy, why they buy it, when they buy it, where they buy it, how often they buy it, how often they use it, how they evaluate it after the purchase and the impact of such evaluation on future, and how they dispose of it.

Importance

1. **To design production policies**

This is the first importance of consumer behavior and it means that all the production policies have designed taking into consideration the consumer preference so that product can be successful in the market.

In every business, the main motive is to enhance the production and as well as sales of the company and to do all these, any company or business has to win the trust of its customers and studying about their tastes, likings, and preferences.

2. **Know the effect of price on buying**

This is the second consumer behavior importance and it means that consumer behavior can help in understanding the effect of price on buying. Whenever the price is moderate on cheap more and more customer will buy the product.

After the time of production, there comes a time in which the company has to decide what the price of our product will be because it helps to divide the categories of the customer and also helps to attain more sales.

3. **Exploit the market opportunities**

This is the third importance or significance of consumer behaviour and it means that the change in consumer preference can be a good opportunity for the mark to bring something which cannot as a revaluation in the market. For Example– When palm pops introduced in the market, it was successful due to the stylish and sleek design.

4. **Design marketing mix**

This is the fourth importance of consumer behavior and it means that consumer behavior is very much vital in designing and approaching marketing mix to be chosen (product, price, place, and promotion).

The product should be valuable, the price should be moderate, place distribution should be intensive and an appropriate. Promotion mechanism should be there.

5. **Implement STP Strategies**

This is the fifth importance of consumer behavior and it means that the segmentation, targeting, and positioning strategies are implemented by understanding the behavior of consumers towards the various brands.

The products are targeted grouping the customers having common taste and preference and finally positioned in the market. Thus, building a positive image of the product of a company related to the competitors and as well as help to beat them also.

6. **Helps in understanding diversified preferences**

This is the sixth importance of consumer behavior and it means that the consumer preferences are diversified in nature and their keep on changing over a particular period of time. Nowadays consumers are more value conscious and they want to extract the maximum benefits from a particular product of a brand.

7. **Understanding of various roles played by consumers**

This is the seventh importance and it means that there are various roles played by the consumers in the consumer decision-making process. These roles are initiators, influencers, decider, users, buyers, and gatekeeper. The steps of the consumer decision-making process can be described are as follows:-

- Need Recognition,
- Information Search,
- Evaluation of Alternatives,
- Purchase Decisions,
- Post Purchase Behavior.

8. **Results in customers satisfaction**

This is the eighth importance of consumer behavior and it means when the designed product is matching the expectations of the customer than they result in customer satisfaction. In case the product is exceeding the expectations of the customer then its result in customer delight.

In an organization, there are various departments like purchase, personnel, finance, production, marketing and all departments have a motive to satisfy the customer needs and wants.

UNIT-3

Philip Kotler:

"Product is anything that can be offered to someone to satisfy a need or a want."

William Stanton: "Product is complex of tangible and intangible attributes, including packaging, colour, price, prestige, and services, that satisfy needs and wants of people."

W. Alderson:

"Product is a bundle of utilities, consisting of various product features and accompanying services."

Types of Product:

A company sells different products (goods and services) to its target market.

They can be classified into two groups, such as:

1. Consumer Product, and

2. Industrial Product

1. Consumer Products:

Consumer products are those items which are used by ultimate consumers or households and they can be used without further commercial and engineering processes.

Consumer products can be divided into four types as under:

i. Convenient Products:

Such products improve or enhance users' convenience. They are used in a day-to-day life. They are frequently required and can be easily purchased. For example, soaps, biscuits, toothpaste, razors and shaving creams, newspapers, etc. They are purchased spontaneously, without much consideration, from nearby shops or retail malls.

ii. Shopping Products:

These products require special time and shopping efforts. They are purchased purposefully from special shops or markets. Quality, price, brand, fashion, style, getup, colour, etc., are important criteria to be considered. They are to be chosen among various alternatives or varieties. Gold and jewelleries, footwear, clothes, and other durables (including refrigerator, television, wrist washes, etc.).

iii. Durable Products:

Durable products can last for a longer period and can be repeatedly used by one or more persons. Television, computer, refrigerator, fans, electric irons, vehicles, etc., are examples of durable products. Brand, company image, price, qualities (including safety, ease, economy, convenience, durability, etc.), features (including size, colour, shape, weight, etc.), and after-sales services (including free installation, home delivery, repairing, guarantee and warrantee, etc.) are important aspects the customers consider while buying these products.

iv. Non-durable Products:

As against durable products, the non-durable products have short life. They must be consumed within short time after they are manufactured. Fruits, vegetables, flowers, cheese, milk, and other provisions are non-durable in nature. They are used for once. They are also known as consumables. Mostly, many of them are non-branded. They are frequently purchased products and can be easily bought from nearby outlets. Freshness, packing, purity, and price are important criteria to purchase these products.

v. Services:

Services are different than tangible objects. Intangibility, variability, inseparability, perishability, etc., are main features of services. Services make our life safe and comfortable. Trust, reliability, costs, regularity, and timing are important issues.

The police, the post office, the hospital, the banks and insurance companies, the cinema, the utility services by local body, the transportation facilities, and other helpers (like barber, cobbler, doctor, mechanic, etc.,) can be included in services. All marketing fundamental are equally applicable to services. ‘Marketing of services’ is the emerging facet of modern marketing.

2. Industrial Products:

Industrial products are used as the inputs by manufacturing firms for further processes on the products, or manufacturing other products. Some products are both industrial as well as consumer products. Machinery, components, certain chemicals, supplies and services, etc., are some industrial products.

Again, strict classification in term of industrial consumer and consumer products is also not possible, For example, electricity, petroleum products, sugar, cloth, wheat, computer, vehicles, etc., are used by industry as the inputs while the same products are used by consumers for their daily use as well.

Some companies, for example, electricity, cements, petrol and coals, etc., sell their products to industrial units as well as to consumers. As against consumer products, the marketing of industrial products differs in many ways.

Industrial products include:

1. Machines and components

2. Raw-materials and supplies

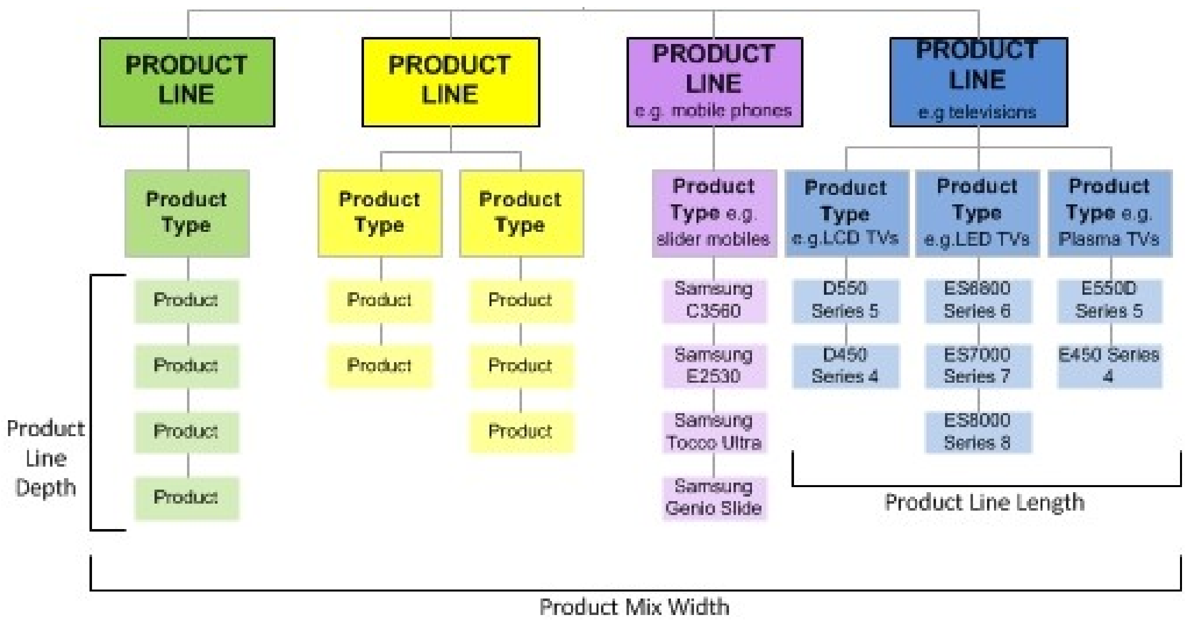
3. Services and consultancies

4. Electricity and Fuels, etc.

Product Mix

The complete range of products present within a company is known as the product mix. In any multi brand organizations, there are numerous products present. None of the organizations wants to take the risk of being present in the market with a single product.

If a company has only a single product, than it is understood that the demand of the product is very high or the company does not have the resources to expand the number of products it has. Generally, most companies nowadays realize the importance of product diversification.



Product mix

As explained, product mix is a combination of total product lines within a company. A company like HUL has numerous product lines like Shampoos, detergents, Soaps etc. The combination of all these product lines is the product mix.

Product line

The product line is a subset of the product mix. The product line generally refers to a type of product within an organization. As the organization can have a number of different types of products, it will have similar number of product lines. Thus, in Nestle, there are milk based products like milkmaid, Food products like Maggi, chocolate products like Kitkat and other such product lines. Thus, Nestle's product mix will be a combination of the all the product lines within the company.

Product line length

If a company has 4 product lines, and 10 products within the product line, than the length of the product mix is 40. Thus, the total number of products against the total number of product lines forms the length of the product mix. This equation is also known as product line length.

Product line width

The width of the product mix is equal to the number of product lines within a company. Thus, taking the above example, if there are 4 product lines within the company, and 10 products within each product line, than the product line width is 4 only. Thus, product line width is a depiction of the number of product lines which a company has.

Product line depth

It is fairly easy to understand what depth of the product mix will mean. Where length and width were a function of the number of product lines, the depth of the product mix is the total number of products within a product line. Thus if a company has 4 product lines and 10 products in each product line, than the product mix depth is 10. It can have any variations within the product for form the product line depth.

Product line consistency

The lesser the variations between the products, the more is the product line consistency. For example, Amul has various product lines which are all dairy related. So that product mix consistency is high. But Samsung as a company has many product lines which are completely independent of each other. Like Air conditioners, televisions, smart phones, home appliances, so on and so forth. Thus the product mix consistency is low in Samsung.

Example of Product line and Product mix

Let us take an example of P&G as a company and understand product mix. This will be not be a precise example and all products of P&G might not be taken into consideration.

But the example will help you understand product mix within an organization.

Detergents – Arial, Arial oxyblue, Ariel bar, Tide, Tide naturals, Tide bleach, Tide plus.

Shampoos – Head and shoulders, Head and shoulders anti dandruff, Pantene, Pantene damage repair, Pantene pro-v

In the above example the following can be learned about the product mix of P&G

Product mix Length – 12

Product mix Width – 2

Product mix Depth – 7 in detergents and 5 in shampoos

Product mix consistency – High as both are bathroom products.

New Product Developments

New product development is a task taken by the company to introduce newer products in the market. Regularly there will arise a need in the business for new product development.

Your existing products may be technologically outdated, you have different segments to target or you want to cannibalize an existing product. In such cases, New product development is the answer for the company.

New product development (NPD) is the process of bringing a new product to the marketplace. Your business may need to engage in this process due to changes in consumer preferences, increasing competition and advances in technology or to capitalise on a new opportunity. Innovative businesses thrive by understanding what their market wants, making smart product improvements, and developing new products that meet and exceed their customers' expectations.

'New products' can be:

- Products that your business has never made or sold before but have been taken to market by others
- Product innovations created and brought to the market for the first time. They may be completely original products, or existing products that you have modified and improved.

There are 7 stages of new product development and they are as follows:-

1. **Idea Generation**

In this you are basically involved in the systematic search for new product Ideas. A company has to generate many ideas in order to find one that is worth pursuing. The Major sources of new product ideas include internal sources, customers, competitors, distributors and suppliers.

Almost 55% of all new product ideas come from internal sources according to one study. Companies like 3M and Toyota have put in special incentive programs or their employees to come up with workable ideas.

Almost 28% of new product ideas come from watching and listening to customers. Customers: even create new products on their own, and companies can benefit by finding these products and putting them on the market.

Example – Pillsbury gets promising new products from its annual Bake-off. One of Pillsbury's four cake mix lines and several variations of another came directly from Bake-Off winners' recipes.

2. **Idea Screening**

The second step in New product development is Idea screening. The purpose of idea generation is to create a large pool of ideas. The purpose of this stage is to pare these down to those that are genuinely worth pursuing. Companies have different methods for doing this from product review committees to formal market research.

It, is helpful at this stage to have a checklist that can be used to rate each idea based on the factors required for successfully launching the product in the marketplace and their relative importance.

Against these, management can assess how well the idea fits with the company's marketing skills and experience and other capabilities. Finally, the management can obtain an overall rating of the company's ability to launch the product successfully.

3. **Concept Development and Testing**

The third step in New product development is Concept Development and Testing. An attractive idea has to be developed into a Product concept. As opposed to a product idea that is an idea for a product that the company can see itself marketing to customers, a product concept is a detailed version of the idea stated in meaningful consumer terms.

This is different again from a product image, which is the consumers' perception of an actual or potential product. Once the concepts are developed, these need to be tested with consumers either symbolically or physically. For some concept tests, a word or a picture may be sufficient, however, a physical presentation will increase the reliability of the concept test.

After being exposed to the concept, consumers are asked to respond to it by answering a set of questions designed to help the company decide which concept has the strongest appeal. The company can then project these findings to the full market to estimate sales volume.

4. **Marketing Strategy Development**

This is the next step in new product development. The strategy statement consists of three parts: the first part describes the target market, the planned product positioning and the sales, market share and profit goals for the first few years.

The second part outlines the product's planned price, distribution, and marketing budget for the first year. The third part of the marketing strategy statement describes the planned long-run sales, profit goals, and the marketing mix strategy.

Business Analysis – Once the management has decided on the marketing strategy, it can evaluate the attractiveness of the business proposal.

Business analysis involves the review of projected sales, costs and profits to find out whether they satisfy a company's objectives. If they do, the product can move to the product development stage.

5. **Product Development**

Here, R&D or engineering develops the product concept into a physical product. This step calls for a large investment. It will show whether the product idea can be developed into a full- fledged workable product.

First, R&D will develop prototypes that will satisfy and excite customers and that can be produced quickly and at budgeted costs. When the prototypes are ready, they must be tested. Functional tests are then conducted under laboratory and field conditions to ascertain whether the product performs safely and effectively.

6. **Test Marketing**

If the product passes the functional tests, the next step is test marketing: the stage at which the product and the marketing program are introduced to a more realistic market settings.

Test marketing gives the marketer an opportunity to tweak the marketing mix before the going into the expense of a product launch.

The amount of test marketing varies with the type of product. Costs of test marketing can be enormous and it can also allow competitors to launch a "me-too" product or even sabotage the testing so that the marketer gets skewed results. Hence, at times, management may decide to do away with this stage and proceed straight to the next one:

7. **Commercialization**

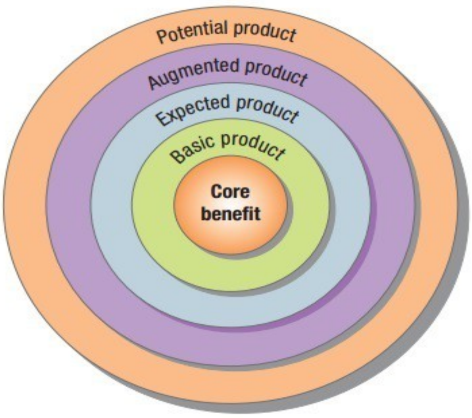
The final step in new product development is Commercialization. Introducing the product to the market – it will face high costs for manufacturing and advertising and promotion. The company will have to decide on the timing of the launch (seasonality) and the location (whether regional, national or international). This depends a lot on the ability of the company to bear risk and the reach of its distribution network.

Today, in order to increase speed to market, many companies are dropping this sequential approach to development and are adopting the faster, more flexible, simultaneous development approach. Under this approach, many company departments work closely together, overlapping the steps in the product development process to save time and increase effectiveness.

Product Levels

- Need: a lack of a basic requirement.
- Want: a specific requirement of products to satisfy a need.
- Demand: a set of wants plus the desire and ability to pay for the product.

Customers will choose a product based on their perceived value of it. Satisfaction is the degree to which the actual use of a product matches the perceived value at the time of the purchase. A customer is satisfied only if the actual value is the same or exceeds the perceived value. Kotler attributed five levels to products:



The five product levels are:

Core benefit:

The fundamental need or want that consumers satisfy by consuming the product or service. For example, the need to process digital images.

Generic product:

A version of the product containing only those attributes or characteristics absolutely necessary for it to function. For example, the need to process digital images could be satisfied by a generic, low-end, personal computer using free image processing software or a processing laboratory.

Expected product:

The set of attributes or characteristics that buyers normally expect and agree to when they purchase a product. For example, the computer is specified to deliver fast image processing and has a high-resolution, accurate colour screen.

Augmented product:

The inclusion of additional features, benefits, attributes or related services that serve to differentiate the product from its competitors. For example, the computer comes pre-loaded with a high-end image processing software for no extra cost or at a deeply discounted, incremental cost.

Potential product:

This includes all the augmentations and transformations a product might undergo in the future. To ensure future customer loyalty, a business must aim to surprise and delight customers in the future by continuing to augment products. For example, the customer receives ongoing image processing software upgrades with new and useful features.

What benefits does the model provide?

Kotler's Five Product Level model provides businesses with a proven method for structuring their product portfolio to target various customer segments. This enables them to analyse product and customer profitability (sales and costs) in a structured way. By organising products according to this model, a business' sales processes can be aligned to its customer needs and help focus other operational processes around its customers – such as design and engineering, procurement, production planning, costing and pricing, logistics, and sales and marketing.Grouping products into product families that align with customer segments helps modelling and planning sales, as well as production and new product planning.

Types of Product

4 Types of Consumer Products

Firstly, what specifically is a consumer product? A consumer product is a product bought by final consumers for personal consumption. But not every consumer product is the same. There are four different types of consumer products. Marketers usually classify consumer products into these 4 types of consumer products:

- Convenience products
- Shopping products
- Speciality products
- Unsought products.

These 4 types of consumer products all have different characteristics and involve a different consumer purchasing behaviour. Thus, the types of consumer products differ in the way consumers buy them and, for that reason, in the way they should be marketed.

1. **Convenience Products**

Among the four types of consumer products, the convenience product is bought most frequently. A convenience product is a consumer product or service that customers normally buy frequently, immediately and without great comparison or buying effort. Examples include articles such as laundry detergents, fast food, sugar and magazines. As you can see, convenience products are those types of consumer products that are usually low-priced and placed in many locations to make them readily available when consumers need or want them.

2. **Shopping Products**

The second one of the 4 types of consumer products is the shopping product. Shopping products are a consumer product that the customer usually compares on attributes such as quality, price and style in the process of selecting and purchasing. Thus, a difference between the two types of consumer products presented so far is that the shopping product is usually less frequently purchased and more carefully compared. Therefore, consumers spend much more time and effort in gathering information and comparing alternatives. Types of consumer products that fall within the category of shopping products are: furniture, clothing, used cars, airline services etc. As a matter of fact marketers usually distribute these types of consumer products through fewer outlets, but provide deeper sales support in order to help customers in the comparison effort.

3. **Speciality Products**

Number three of the types of consumer products is the speciality product. Speciality products are consumer products and services with unique characteristics or brand identification for which a significant group of consumers is willing to make a special purchase effort. As you can see, the types of consumer products involve different levels of effort in the purchasing process: the speciality product requires a special purchase effort, but applies only to certain consumers.

Examples include specific cars, professional and high-prices photographic equipment, designer clothes etc. A perfect example for these types of consumer products is a Lamborghini. In order to buy one, a certain group of buyers would make a special effort, for instance by travelling great distances to buy one. However, speciality products are usually less compared against each other. Rather, the effort must be understood in terms of other factors: Buyers invest for example the time needed to reach dealers that carry the wanted products. To illustrate this, look at the Lamborghini example: the one who wants one is immediately convinced of the choice for a Lamborghini and would not compare it that much against 10 other brands.

4. **Unsought products**

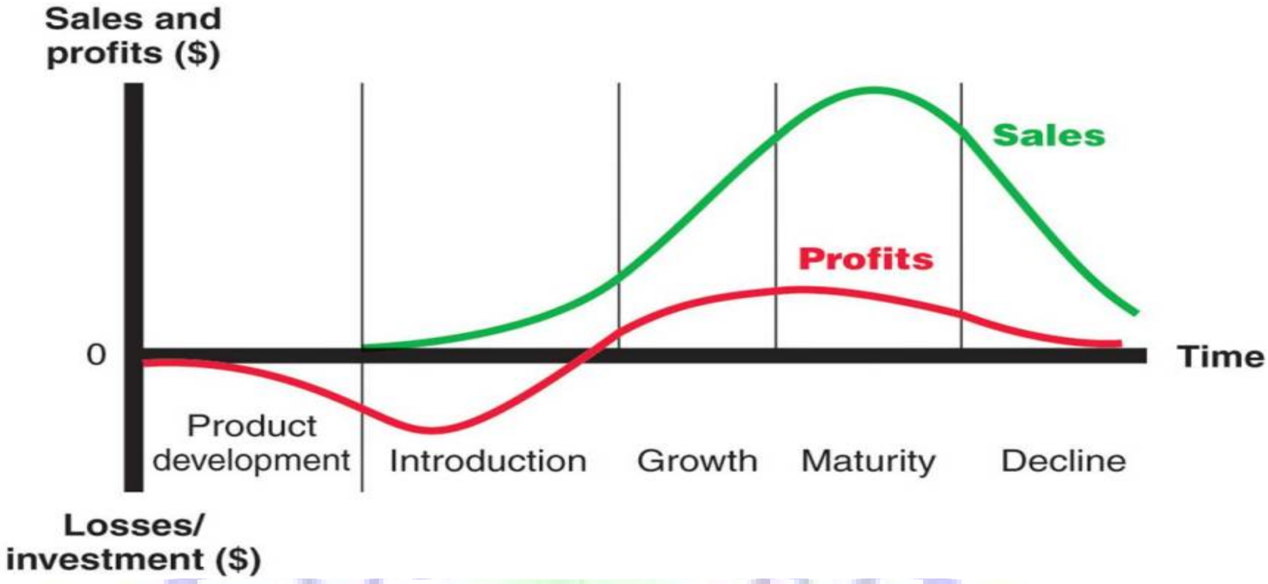
The 4 types of consumer products also include unsought products. Unsought products are those consumer products that a consumer either does not know about or knows about but does not consider buying under normal conditions. Thus, these types of consumer products consumers do not think about normally, at least not until they need them. Most new innovations are unsought until consumers become aware of them. Other examples of these types of consumer products are life insurance, pre-planned funeral services etc. As a consequence of their nature, unsought products require much more advertising, selling and marketing efforts than other types of consumer products.

Types of Consumer Products

Marketing consideration	*Convenience*	*Shopping*	*Speciality*	*Unsought*
Customer buying behaviour	Frequent purchase, little effort (planning, comparison), low customer involvement	Less frequent purchase, much effort (planning and comparison of brands on price, quality, style etc.)	Strong brand preference and loyalty, special purchase effort, little comparison of brands, low price sensitivity	Little product awareness and knowledge or little interest
Price	Low price	Higher price	High price	Varies
Distribution	Widespread distribution, convenient locations	Selective distribution, fewer outlets	Exclusive distribution in only one or a few outlets	Varies
Promotion	Mass promotion	Advertising and personal selling	More carefully targeted promotion	Aggressive advertising and personal selling
Examples	Toothpaste, magazines, laundry detergent	Television, furniture, clothing	Luxury goods (e.g. Rolex watch), designer clothing	Life insurance and pre-planned funeral service

Product Life Cycle (PLC)

The Product Life Cycle contains mainly four distinct stages. For the four stages introduction, growth, maturity and decline, we can identify specific product life cycle strategies. These are based on the characteristics of each PLC stage. Which product life cycle strategies should be applied in each stage is crucial to know in order to manage the PLC properly.



Product-Life-Cycle-Stages

1. Introduction stage

The introduction stage is the stage in which a new product is first distributed and made available for purchase, after having been developed in the product development stage. Therefore, the introduction stage starts when the product is first launched. But introduction can take a lot of time, and sales growth tends to be rather slow. Nowadays successful products such as frozen foods and HDTVs lingered for many years before entering a stage of more rapid growth.

Furthermore, profits in the introduction stage are negative or low due to the low sales on the one hand and high-distribution and promotion expenses on the other hand. Obviously, much money is needed to attract distributors and build their stocks. Also, promotion spending is quite high to inform consumers of the new product and get them to try it.

In the introduction stage, the focus is on selling to those buyers who are the most ready to buy (innovators).

Concerning the product life cycle strategies we can identify the proper launch strategy: the company must choose a launch strategy that is consistent with the intended product positioning. Without doubt, this initial strategy can be considered to be the first step in a grander marketing plan for the product's entire life cycle.

The main objective should be to create product awareness and trial.

To be more precise, since the market is normally not ready for product improvements or refinements at this stage, the company produces basic versions of the product. Cost-plus pricing should be used to recover the costs incurred. Selective distribution in the beginning helps to focus efforts on the most important distributors. Advertising should aim at building product awareness among innovators and early adopters. To entice trial, heavy sales promotion is necessary. Following these product life cycle strategies for the first PLC stage, the company and the new product are ready for the next stages.

2. Growth stage

The growth stage is the stage in which the product's sales start climbing quickly. The reason is that early adopters will continue to buy, and later buyers will start following their lead, in particular if they hear favourable word of mouth. This rise in sales also attracts more competitors that enter the market. Since these will introduce new product features, competition is fierce and the market will expand. As a consequence of the increase in competitors, there is an increase in the number of distribution outlets and sales are augmented due to the fact that resellers build inventories. Since promotion costs are now spread over a larger volume and because of the decrease in unit manufacturing costs, profits increase during the growth stage.

The main objective in the growth stage is to maximize the market share.

Several product life cycle strategies for the growth stage can be used to sustain rapid market growth as long as possible. Product quality should be improved and new product features and models added. The firm can also enter new market segments and new distribution channels with the product. Prices remain where they are or decrease to penetrate the market. The company should keep the promotion spending at the same or an even higher level. Now, there is more than one main goal: educating the market is still important, but meeting the competition is likewise important. At the same time, some advertising must be shifted from building product awareness to building product conviction and purchase.

The growth stage is a good example to demonstrate how product life cycle strategies are interrelated. In the growth stage, the firm must choose between a high market share and high current profits. By spending a lot of money on product improvements promotion and distribution, the firm can reach a dominant position. However, for that it needs to give up maximum current profits, hoping to make them up in the next stage.

3. Maturity stage

The maturity stage is the stage in which the product's sales growth slows down or levels off after reaching a peak. This will happen at some point, since the market becomes saturated. Generally, the maturity stage lasts longer than the two preceding stages. Consequently, it poses strong challenges to marketing management and needs a careful selection of product life cycle strategies. Most products on the market are, indeed, in the maturity stage.

The slowdown in sales growth is due to many producers with many products to sell. Likewise, this overcapacity results in greater competition. Since competitors start to mark down prices, increase their advertising and sales promotions and increase their product development budgets to find better versions of the product, a drop in profit occurs. Also, some of the weaker competitors drop out, eventually leaving only well-established competitors in the industry.

The company's main objective should be to maximize profit while defending the market share.

To reach this objective, several product life cycle strategies are available. Although many products in the maturity stage seem to remain unchanged for long periods, most successful ones are actually adapted constantly to meet changing consumer needs. The reason is that the company cannot just ride along with or defend the mature product – a good offence is the best defense. Therefore, the firm should consider to modify the market, product and marketing mix. Modifying the market means trying to increase consumption by finding new users and new market segments for the product. Also, usage among present customers can be increased. Modifying the product refers to changing characteristics such as quality, features, style or packaging to attract new users and inspire more usage. And finally, modifying the marketing mix involves improving sales by changing one or more marketing mix elements. For instance, prices could be cut to attract new users or competitors' customers. The firm could also launch a better advertising campaigns or rely on aggressive sales promotion.

4. Decline stage

Finally, product life cycle strategies for the decline stage must be chosen. The decline stage is the stage in which the product's sales decline. This happens to most product forms and brands at a certain moment. The decline can either be slow, such as in the case of postage stamps, or rapid, as has been the case with VHS tapes. Sales may plummet to zero, or they may drop to a low level where they continue for many years.

Reasons for the decline in sales can be of various natures. For instance, technological advances, shifts in consumer tastes and increased competition can play a key role. As sales and profits decline, some competitors will withdraw from the market.

Also for the decline stage, careful selection of product life cycle strategies is required. The reason is that carrying a weak product can be very costly to the firm, not just in profit terms. There are also many hidden costs. For instance, a weak product may take up too much of management's time. It requires advertising and sales-force efforts that could better be used for other, more profitable products in other stages. Most important may be the fact that carrying a weak product delays the search for replacements and creates a lopsided product mix. It also hurts current profits and weakens the company's foothold on the future.

Therefore, proper product life cycle strategies are critical. The company needs to pay more attention to its aging products to identify products in the decline stage early. Then, the firm must take a decision: maintain, harvest or drop the declining product.

The main objective in the decline stage should be to reduce expenditure. General strategies for the decline stage include cutting prices, choosing a selective distribution by phasing out unprofitable outlets and reduce advertising as well as sales promotion to the level needed to retain only the most loyal customers.

If management decides to maintain the product or brand, repositioning or reinvigorating it may be an option. The purpose behind these options is to move the product back into the growth stage of the PLC. If management decides to harvest the product, costs need to be reduced and only the last sales need to be harvested. However, this can only increase the company's profits in the short-term. Dropping the product from the product line may involve selling it to another firm or simply liquidate it at salvage value.

In the following, all characteristics of the four product life cycle stages discussed are listed. For each, product life cycle strategies with regard to product, price, and distribution, advertising and sales promotion are identified. Choosing the right product life cycle strategies is crucial for the company's success in the long-term.

	Introduction	Growth	Maturity	Decline
Characteristics				
Sales	Low sales	Rapidly rising sales	Peak sales	Declining sales
Costs	High cost per customer	Average cost per customer	Low cost per customer	Low cost per customer
Profits	Negative	Rising profits	High profits	Declining profits
Customers	Innovators	Early adopters	Middle majority	Laggards
Competitors	Few	Growing number	Stable number beginning to decline	Declining number
Strategies				
Product	Offer a basic product	Offer product extensions, service, warranty	Diversify brand and models	Phase out weak items
Price	Use cost-plus	Price to penetrate market	Price to match or beat competitors	Cut price
Distribution	Build selective distribution	Build intensive distribution	Build more intensive distribution	Go selective: phase out unprofitable outlets
Advertising	Build product awareness among early adopters and innovators	Build awareness and interest in the mass market	Stress brand differences and benefits	Reduce to level needed to retain most loyal customers
Sales Promotion	Use heavy sales promotion to entice trial	Reduce to take advantage of heavy consumer demand	Increase to encourage brand switching	Reduce to minimal level

Branding and Packaging

Branding

Branding is defined as a continuous process, through which the marketer attempts to establish a long-term relationship with the customer, by identifying their changing needs and wants and supplying such products which satisfy them. Moreover, with the help of branding a product is easily identifiable.

Branding can be used as a marketing tool, which creates awareness about the product in the mind of the target customers, about the authenticity of the product and the satisfaction received by them through it.

For an active branding, the marketer should create brand value to the customers, i.e. the consumers must be convinced that there are substantial differences between products offered by different brands, only then they are going to buy it. A brand conscious customer usually goes for a brand he/she trusts and hardly makes any effort to switch to another brand.

Packaging

Packaging, as the name suggests, is the process of designing and producing an attractive packet, wrapper, or cover, in which the product is going to be sold to the customer. It includes all the activities involved in creating a container, for containing, handling and protecting the product.

A good packaging not only draws the attention of the consumers but also makes the product ready for transport and sale, and also prevents any damage or pilferage. It is the first thing that a customer encounters. The main object of packaging is:

- Brand identification
- Communicate information, both descriptive and persuasive.
- Ensure safe transportation
- Act as five-second commercial, at the point of purchase.

Packaging is made up of three layers:

1. **Primary packaging:** Immediate packing of a product, for instance: glass bottle of cough syrup.
2. **Secondary packaging:** Extra packaging given to ensure the protection of the product. For instance: cardboard box to keep the glass bottle of cough syrup.
3. **Transportation packaging:** It is also called as final packaging that is given for proper storage and transportation, for instance: cardboard cartons in which the cough syrup is transported.

Key Differences between Branding and Packaging

The points presented below are substantial so far as the difference between branding and packaging is concerned:

1. Branding is the marketing strategy, in which the marketer uses a name, mark or symbol of a product, to make it easily identifiable by the customer, from the products offered by other competitors in the market. On the other hand, packaging refers to all the activities involved in designing and creating a cover or wrapper for the product to make it ready for sale and transport.
2. Branding focuses on identification and thus differentiates the product from other products in the market. Conversely, packaging aims at promoting the product at the point of purchase and also ensuring protection, during transit.
3. Branding is all about the colour, symbol, slogan and visual imagery of the product. As against, packaging integrates components such as the colour, design, description, fonts, logo and so forth.
4. Branding is helpful in retaining and increasing consumer loyalty, as well as introducing a new product under the similar brand. In contrast, the packaging is helpful in drawing customer's attention, with its design.

To promote the brands, all the companies often develop a different 'look and feel' of the product packaging which draws the attention of the customer and makes comfortable with the presentation itself, to pick their product above other products in the market.

UNIT-4

Price Meaning and Objectives

Pricing is the method of determining the value a producer will get in the exchange of goods and services. Simply, pricing method is used to set the price of producer's offerings relevant to both the producer and the customer.

Every business operates with the primary objective of earning profits, and the same can be realized through the Pricing methods adopted by the firms.

Pricing is a process to determine what manufactures receive in exchange of the product. Pricing depends on various factors like manufacturing cost, raw material cost, profit margin etc.

Objectives of Pricing

The main objectives of pricing can be learnt from the following points:

- Maximization of profit in short run
- Optimization of profit in the long run
- Maximum return on investment
- Decreasing sales turnover
- Fulfill sales target value
- Obtain target market share
- Penetration in market
- Introduction in new markets
- Obtain profit in whole product line irrespective of individual product profit targets
- Tackle competition
- Recover investments faster
- Stable product price
- Affordable pricing to target larger consumer group
- Pricing product or services that simulate economic development

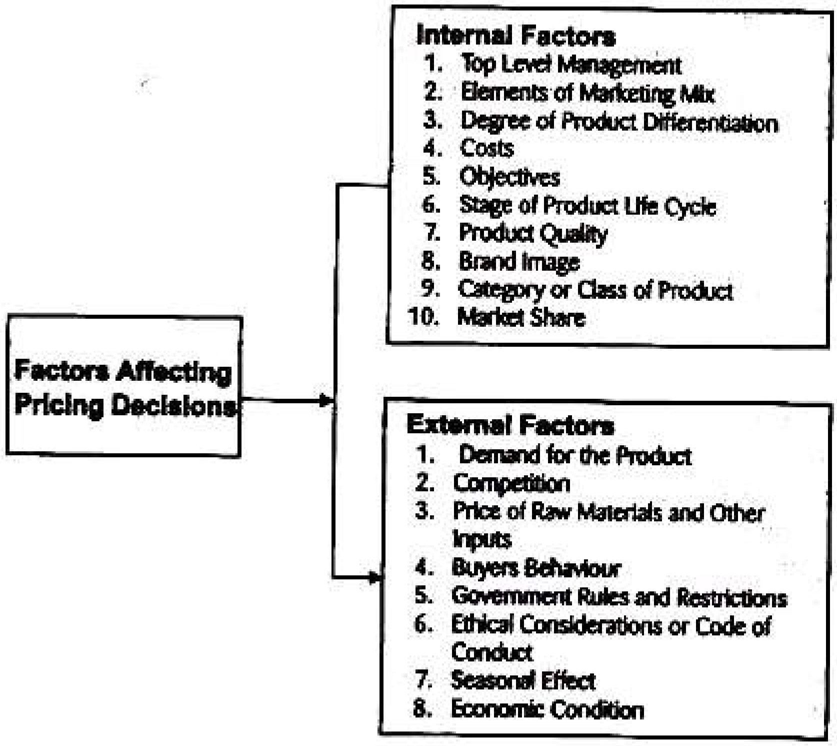
Factors Influencing Pricing

Pricing of a product is influenced by various factors as price involves many variables. Factors can be categorized into two, depending on the variables influencing the price.

An enormous number of factors affect pricing decisions. A marketing manager should identify and study the relevant factors affecting the pricing. Some factors are internal to organization and, hence, controllable while other factors are external or environmental and are uncontrollable.

1. **Internal Factors**

Internal factors are internal to organization and, hence, are controllable. These factors play vital role in pricing decisions. They are also known as organizational factors. Manager, who is responsible to set price and formulae pricing policies and strategies, is required to know adequately about these factors.



Factors affecting Pricing Decisions

(i) Top Level Management

Top-level management has a full authority over the issues related to pricing. Marketing manager's role is administrative. The philosophy of top-level management is reflected in forms of pricing also. How does top management perceive the price?

How far is pricing considered as a tool for earning profits, and what is importance of price for overall performance? In short, overall management philosophy and practice have a direct impact on pricing decision. Price of the product may be high or low; may be fixed or variable; or may be equal or discriminative depends on top-level management.

(ii) Elements of Marketing Mix

Price is one of the important elements of marketing mix. Therefore, it must be integrated to other elements (promotion, product, and distribution) of marketing mix. So, pricing decisions must be linked with these elements so as to consider the effect of price on promotion, product and distribution, and effect of these three elements on price.

For example, high quality product should be sold at a high price. When a company spends heavily on advertising, sales promotion, personal selling and publicity, the selling costs will go up, and consequently, price of the product will be high. In the same way, high distribution costs are also reflected in forms of high selling price.

(iii) Degree of Product Differentiation

Product differentiation is an important guideline in pricing decisions. Product differentiation can be defined as the degree to which company's product is perceived different as against the products offered by the close competitors, or to what extent the product is superior to that of competitors' in terms of competitive advantages. The theory is, the higher the product differentiation, the more will be freedom to set the price, and the higher the price will be.

(iv) Costs

Costs and profits are two dominant factors having direct impact on selling price. Here, costs include product development costs, production costs, and marketing costs. It is very simple that costs and price have direct positive correlation. However, production and marketing costs are more important in determining price.

(v) Objectives of Company

Company's objectives affect price of the product. Price is set in accordance with general and marketing objectives. Pricing policies must the company's objectives. There are many objectives, and price is set to achieve them.

(vi) Stages of Product Life Cycle

Each stage of product life cycle needs different marketing strategies, including pricing strategies. Pricing depends upon the stage in which company's product is passing through. Price is kept high or low, allowances or discounts are allowed or not, etc., depend on the stage of product life cycle.

(vii) Product Quality

Quality affects price level. Mostly, a high-quality-product is sold at a high price and vice versa. Customers are also ready to pay high price for a quality product.

(viii) Brand Image and Reputation in Market

Price doesn't include only costs and profits. Brand image and reputation of the company are also added in the value of product. Generally, the company with reputed and established brand charges high price for its products.

(ix) Category of Product

Over and above costs, profits, brand image, objectives and other variables, the product category must be considered. Product may be imitative, luxury, novel, perishable, fashionable, consumable, durable, etc. Similarly, product may be reflective of status, position, and prestige. Buyers pay price not only for the basic contents, but also for psychological and social implications.

(x) Market Share

Market share is the desired proportion of sales a company wants to achieve from the total sales in an industry. Market share may be absolute or relative. Relative market share can be calculated with reference to close competitors. If company is not satisfied with the current market share, price may be reduced, discounts may be offered, or credit facility may be provided to attract more buyers.

2. **External Factors**

External factors are also known as environmental or uncontrollable factors. Compared to internal factors, they are more powerful.

Pricing decisions should be taken after analyzing following external factors:

(i) Demand for the Product

Demand is the single most important factor affecting price of product and pricing policies. Demand creation or demand management is the prime task of marketing management. So, price is set at a level at which there is the desired impact on the product demand. Company must set price according to purchase capacity of its buyers.

Here, there is reciprocal effect between demand and price, i.e., price affects demand and demand affects price level. However, demand is more powerful than price. So, marketer takes decision as per demand. Price is kept high when demand is high, and price is kept low when demand of the product is low. Price is constantly adjusted to create and/or maintain the expected level of demand.

(ii) Competition

A marketer has to work in a competitive situation. To face competitors, defeat them, or prevent their entry by effective marketing strategies is one of the basic objective organizations. Therefore, pricing decision is taken accordingly.

A marketer formulates pricing policies and strategies to respond competitors, or, sometimes, to misguide competitors. When all the marketing decisions are taken with reference to competition, how can price be an exception?

Sometimes, a company follows a strong competitor's pricing policies assuming that the leader is right. Price level, allowances, discount, credit facility, and other related decisions are largely imitated.

(iii) Price of Raw Materials and other Inputs

The price of raw materials and other inputs affect pricing decisions. Change in price of needed inputs has direct positive effect on the price of finished product. For example, if price of raw materials increases, company has to raise its selling price to offset increased costs.

(iv) Buyers Behaviour

It is essential to consider buyer behaviour while taking pricing decision. Marketer should analyze consumer behaviour to set effective pricing policies. Consumer behaviour includes the study of social, cultural, personal, and economic factors related to consumers. The key characteristics of consumers provide a clue to set an appropriate price for the product.

(v) Government Rules and Restrictions

A company cannot set its pricing policies against rules and regulations prescribed by the governments. Governments have formulated at least 30 Acts to protect the interest of customers. Out of them, certain Acts are directly related to pricing aspects. Marketing manager must set pricing within limit of the legal framework to avoid unnecessary interference from the outside. Adequate knowledge of these legal provisions is considered to be very important for the manager.

(vi) Ethical Consideration or Codes of Conduct

Ethics play a vital role in price determination. Ethics may be said as moral values or ethical code that govern managerial actions. If a company wants to fulfill its social obligations and when it believes to work within limits of the ethics prescribed, it always charges reasonable price for its products. Moral values restrict managerial behaviour.

(vii) Seasonal Effect

Certain products have seasonal demand. In peak season, demand is high; while in slack season, demand reduces considerably. To balance the demand or to minimize the seasonal-demand fluctuations, the company changes its price level and pricing policies. For example, during a peak season, price may be kept high and vice versa. Discount, credit sales, and price allowances are important issues related to seasonal factor.

(viii) Economic Condition

This is an important factor affecting pricing decisions. Inflationary or deflationary condition, depression, recovery or prosperity condition influences the demand to a great extent. The overall health of economy has tremendous impact on price level and degree of variation in price of the product. For example, price is kept high during inflationary conditions. A manager should keep in mind the macro picture of economy while setting price for the product.

Pricing Methods

The different pricing methods are discussed below;

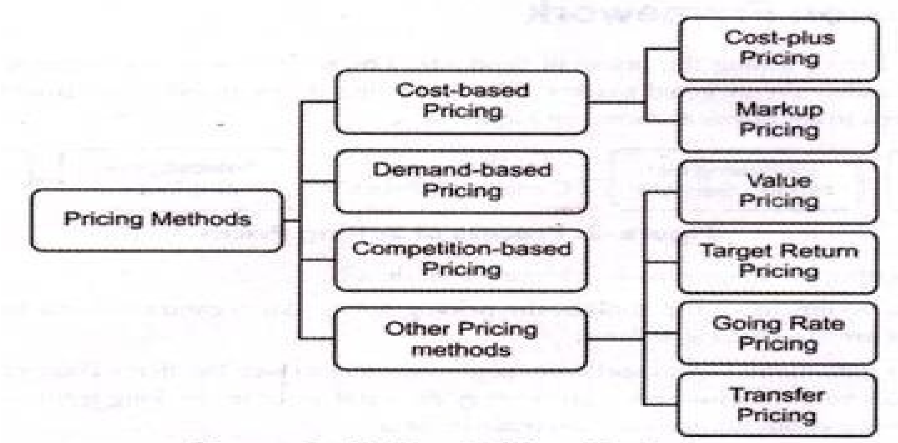


Figure-4: Various Pricing Methods

1. Cost-based Pricing

Cost-based pricing refers to a pricing method in which some percentage of desired profit margins is added to the cost of the product to obtain the final price. In other words, cost-based pricing can be defined as a pricing method in which a certain percentage of the total cost of production is added to the cost of the product to determine its selling price. Cost-based pricing can be of two types, namely, cost-plus pricing and markup pricing.

These two types of cost-based pricing are as follows:

(i) Cost-plus Pricing

Refers to the simplest method of determining the price of a product. In cost-plus pricing method, a fixed percentage, also called mark-up percentage, of the total cost (as a profit) is added to the total cost to set the price. For example, XYZ organization bears the total cost of Rs. 100 per unit for producing a product. It adds Rs. 50 per unit to the price of product as' profit. In such a case, the final price of a product of the organization would be Rs. 150.

Cost-plus pricing is also known as average cost pricing. This is the most commonly used method in manufacturing organizations.

In economics, the general formula given for setting price in case of cost-plus pricing is as follows:

P = AVC + AVC (M)

AVC= Average Variable Cost

M = Mark-up percentage

AVC (m) = Gross profit margin

Mark-up percentage (M) is fixed in which AFC and net profit margin (NPM) are covered.

AVC (m) = AFC+ NPM

For determining average variable cost, the first step is to fix prices. This is done by estimating the volume of the output for a given period of time. The planned output or normal level of production is taken into account to estimate the output.

The second step is to calculate Total Variable Cost (TVC) of the output. TVC includes direct costs, such as cost incurred in labor, electricity, and transportation. Once TVC is calculated, AVC is obtained by dividing TVC by output, Q. [AVC= TVC/Q]. The price is then fixed by adding the mark-up of some percentage of AVC to the profit [P = AVC + AVC (m)].

The advantages of cost-plus pricing method are as follows:

- Requires minimum information
- Involves simplicity of calculation
- Insures sellers against the unexpected changes in costs

The disadvantages of cost-plus pricing method are as follows:

- Ignores price strategies of competitors
- Ignores the role of customers

(ii) Markup Pricing

Refers to a pricing method in which the fixed amount or the percentage of cost of the product is added to product's price to get the selling price of the product. Markup pricing is more common in retailing in which a retailer sells the product to earn profit. For example, if a retailer has taken a product from the wholesaler for Rs. 100, then he/she might add up a markup of Rs. 20 to gain profit.

It is mostly expressed by the following formula:

- Markup as the percentage of cost= (Markup/Cost) *100
- Markup as the percentage of selling price= (Markup/ Selling Price)*100
- For example, the product is sold for Rs. 500 whose cost was Rs. 400. The mark up as a percentage to cost is equal to (100/400)*100 =25. The mark up as a percentage of the selling price equals (100/500)*100= 20.

2. Demand-based Pricing

Demand-based pricing refers to a pricing method in which the price of a product is finalized according to its demand. If the demand of a product is more, an organization prefers to set high prices for products to gain profit; whereas, if the demand of a product is less, the low prices are charged to attract the customers.

The success of demand-based pricing depends on the ability of marketers to analyze the demand. This type of pricing can be seen in the hospitality and travel industries. For instance, airlines during the period of low demand charge less rates as compared to the period of high demand. Demand-based pricing helps the organization to earn more profit if the customers accept the product at the price more than its cost.

3. Competition-based Pricing

Competition-based pricing refers to a method in which an organization considers the prices of competitors' products to set the prices of its own products. The organization may charge higher, lower, or equal prices as compared to the prices of its competitors.

The aviation industry is the best example of competition-based pricing where airlines charge the same or fewer prices for same routes as charged by their competitors. In addition, the introductory prices charged by publishing organizations for textbooks are determined according to the competitors' prices.

4. Other Pricing Methods

In addition to the pricing methods, there are other methods that are discussed as follows:

(i) Value Pricing

Implies a method in which an organization tries to win loyal customers by charging low prices for their high- quality products. The organization aims to become a low cost producer without sacrificing the quality. It can deliver high- quality products at low prices by improving its research and development process. Value pricing is also called value-optimized pricing.

(ii) Target Return Pricing

Helps in achieving the required rate of return on investment done for a product. In other words, the price of a product is fixed on the basis of expected profit.

(iii) Going Rate Pricing

Implies a method in which an organization sets the price of a product according to the prevailing price trends in the market. Thus, the pricing strategy adopted by the organization can be same or similar to other organizations. However, in this type of pricing, the prices set by the market leaders are followed by all the organizations in the industry.

(iv) Transfer Pricing

Involves selling of goods and services within the departments of the organization. It is done to manage the profit and loss ratios of different departments within the organization. One department of an organization can sell its products to other departments at low prices. Sometimes, transfer pricing is used to show higher profits in the organization by showing fake sales of products within departments.

UNIT-5

Promotion: Promotional Mix and Tools of Promotional Mix

Promotion

In marketing, promotion refers to any type of marketing communication used to inform or persuade target audiences of the relative merits of a product, service, brand or issue. The aim of promotion is to increase awareness, create interest, generate sales or create brand loyalty. It is one of the basic elements of the market mix, which includes the four Ps, i.e., product, price, place, and promotion.

Promotion is also one of the elements in the promotional mix or promotional plan. These are personal selling, advertising, sales promotion, direct marketing publicity and may also include event marketing, exhibitions and trade shows. A promotional plan specifies how much attention to pay to each of the elements in the promotional mix, and what proportion of the budget should be allocated to each element.

Promotional Mix

The Promotion Mix refers to the blend of several promotional tools used by the business to create, maintain and increase the demand for goods and services.

The fourth element of the 4 P's of Marketing Mix is the promotion; that focuses on creating the awareness and persuading the customers to initiate the purchase. The several tools that facilitate the promotion objective of a firm are collectively known as the Promotion Mix.

The Promotion Mix is the integration of Advertising, Personal Selling, Sales Promotion, Public Relations and Direct Marketing. The marketers need to view the following questions in order to have a balanced blend of these promotional tools.

- What is the most effective way to inform the customers?
- Which marketing methods to be used?
- To whom the promotion efforts be directed?
- What is the marketing budget? How is it to be allocated to the promotional tools?

Tools (Elements) of Promotion Mix

1. **Advertising**

   The advertising is any paid form of non-personal presentation and promotion of goods and services by the identified sponsor in the exchange of a fee. Through advertising, the marketer tries to build a pull strategy; wherein the customer is instigated to try the product at least once. The complete information along with the attractive graphics of the product or service can be shown to the customers that grab their attention and influences the purchase decision.

2. **Personal Selling**

   This is one of the traditional forms of promotional tool wherein the salesman interacts with the customer directly by visiting them. It is a face to face interaction between the company representative and the customer with the objective to influence the customer to purchase the product or services.

3. **Sales Promotion**

   The sales promotion is the short term incentives given to the customers to have an increased sale for a given period. Generally, the sales promotion schemes are floated in the market at the time of festivals or the end of the season. Discounts, Coupons, Payback offers, Freebies, etc. are some of the sales promotion schemes. With the sales promotion, the company focuses on the increased short-term profits, by attracting both the existing and the new customers.

4. **Public Relations**

   The marketers try to build a favourable image in the market by creating relations with the general public. The companies carry out several public relations campaigns with the objective to have a support of all the people associated with it either directly or indirectly. The public comprises of the customers, employees, suppliers, distributors, shareholders, government and the society as a whole. The publicity is one of the form of public relations that the company may use with the intention to bring newsworthy information to the public.

E.g. Large Corporates such as Dabur, L&T, Tata Consultancy, Bharti Enterprises, Services, Unitech and PSU's such as Indian Oil, GAIL, and NTPC have joined hands with Government to clean up their surroundings, build toilets and support the swachh Bharat Mission.

5. **Direct Marketing**

With the intent of technology, companies reach customers directly without any intermediaries or any paid medium. The e-mails, text messages, Fax, are some of the tools of direct marketing. The companies can send emails and messages to the customers if they need to be informed about the new offerings or the sales promotion schemes.

E.g. The Shopper stop send SMS to its members informing about the season end sales and extra benefits to the golden card holders.

Thus, the companies can use any tool of the promotion mix depending on the nature of a product as well as the overall objective of the firm.

Objectives of Market Promotion

Market promotion is an integral part of marketing strategy. It is a powerful weapon used excessively by today's' marketers to achieve marketing goals in a competitive environment. Market promotion is essentially a way to communicate with the target market. Since the modern market is characterized by over-informed consumers, over-flooded products, cut-throat competition, and rapid changes, the market promotion has a crucial role to play.

In nutshell, main objectives of market promotion can be described with reference to below stated points:

1. **To Stimulate Demand**

It is the primary objective of market promotion. Through the use of appropriate means of market promotion, such as advertising, sales promotion, personal selling, and so forth, the company can stimulate demand for the product. Market promotion efforts convert potential buyers into actual buyers. Company, by highlighting product benefits, tries to match the product with needs, wants, and expectations of buyers. As per need, various means of market promotion are used to establish the information link with the target customers.

2. **To Inform Consumers**

Promotion is aimed at informing consumers about features, qualities, performance, price, and availability of firm's products. Market promotion is also a valuable means to inform consumers the changes made in the existing products and introduction of new products. In the same way, market promotion, by various tools of market communication, is used for communicating the special offers, price concession, utility of products, and incentives offered by the company.

3. **To Persuade Consumers**

Market promotion is an effective way to persuade consumers the superiority of product over competitors. A firm can communicate competitive advantages the product offers to distinguish it from competitors' products. Obviously, market promotion can assist the firm to convince buyers that the firm's product is the best solution to their unmet needs and wants. Advertising is one of the most effective tools to distinguish the product from competitors' products.

4. **To Promote a New Product**

In a large and decentralized market, market promotion is an inevitable medium to promote a new product. By suitable promotional strategies, a company can successfully introduce a new product in the market as against existing products. Company can inform about availability, distinct features, and price of newly launched product. In every stage of consumer adoption of a new product, market promotion has critical role to play.

5. **To Face Competition**

Market promotion enables the firm to face competition effectively. In today's market situation, it is difficult to stand without the suitable promotional efforts. In short, it can be said that marketer can fight with competitors effectively, can prevent their entry, or can throw the competitor away from the market by formulating and implementing effective market promotion strategies.

6. **To Create or Improve Image**

Advertising, personal selling, and publicity and public relations – all promotional tools – are capable to create or improve image and reputation of the firm. Many companies have become popular in the market due to effective market promotion. Company can reach the customers at every corner of the world through market promotion.

Brand image is purely an outcome of promotional efforts. For example, Hindustan Unilever, Colgate Palmolive, Sony, Philips, Hero Honda, Ambuja Cement, and many national and multinational companies have made their permanent place in the market due to successfully launching of market promotion programmes.

Thus, market promotion can help company realize various objectives. Company can increase sales, improve its image, and maintain close and live contact with the market by suitable promotional efforts. A company's survival, growth, and development are based on how effectively it communicates with the market.

Media Selection and Management

A highly creative ad copy may not be able to deliver results if there is an improper selection of media or a poor media plan and strategy .In evolving a media plan, decisions have to be taken in respect to the following media factors

1. **Media class**

This refers to the type of medium which is most appropriate to the product and ad copy. This includes newspaper, magazines ,television ,radio, billboards and direct mail.

2. **Media vehicles**

They provide the immediate environment for the advertisement .For example ,within the newspaper, the Times of India is a media vehicle; in television Zee TV Antakshari is the vehicle.

3. **Media Option**

This refers to the size(full or half page),length (30seconds or 60 seconds)color or location(like front page bottom right or prime time 9.00 p.m.) of the ad in the media vehicle.

4. **Scheduling and timing**

This refers to how media options are scheduled over a period of time. the strategic options here are

(i) Flighting: i.e periods of total inactivity.

(ii) Continuous: i.e even distribution of advertising during a time period.

(iii) Pulsing: a continuous base augmented by intermittent bursts of heavy advertising.

(i) Flighting

Flighting is useful in products whose demand is seasonal. After the season ,the demand for these products ceases to exist .A typical example is that of desert coolers in North Indian States like Uttar Pradesh ,Madhya Pradesh ,Rajasthan ,Haryana ,Punjab, Bihar and Delhi. The demand for such coolers emerge during the summer months April to July and declines soon after the monsoon sets in .Hence it pays to advertise desert coolers or its components like exhaust fans and pumps etc. during the summer months only and then discontinue until the subsequent year .So for products whose demand is seasonal, the flighting strategy works well.

(ii) Continuous advertising

It is a good strategy for products like textile .toiletries, etc .whose demand is not limited to specific seasons .Here the objectives of the firm is to retain its brand/s at the top of the customers mind and hence continuous visibility through reminder ads and other such tactics.

(iii) Pulsing

It works in products like soft drinks and ice creams whose demand is high during summer months and after that the demand does decline but not to zero sales level .The demand goes down to the minimum level which is between no demand to the peak demand. The objective advertising is to ensure higher sales volume and market share.

In the evolution of a media plan ,both quantitative (like circulation or view ship statistics, costs etc)and qualitative (like the profile of target audience ,mood created by media vehicles and the like)factors have to be considered. While data on circulation or viewer ship ,etc is available from sources like Audit Bureau of Circulation (ABC) ,National Readership Survey (NRS)and even different publishing houses ,cost of an ad insertion is available from the publisher or DD etc. The qualitative factors for each media is to be collected through a market research. One of the quantitative criteria used in selecting the media is cost per thousand i.e cost per thousands people reached by a particular vehicle. This is calculated by dividing reach of the vehicles by the cost of an ad in it. Suppose the reach(readership)of newspaper A is 1,20,00,000 persons and the cost of a full page ad in it is Rs 10,000;then cost per thousand of advertising in this paper is Rs.0.83 p only .But another newspaper whose readership may be only 70,00,000 persons ,the cost of the same ad maybe just rs.7,000.Considering cost per thousand(which is re.1.00), we find that advertising in newspaper A is a better alternatives.

While cost per thousand is an important consideration ,one has to also examine the quality of readership and view ship and whether the audience goes through the entire newspaper or magazine or waits and watches the entire programs .In other words ,though cost per thousand in a newspaper like the Times of India may be the lowest, if the research shows that most readers just glance through the headlines or through the newspaper ,then actually the cost is much higher .As the effective readership may be lower. The same holds good for TV or video advertising.

Hence, in selecting the media one has to determine the desired number of exposures to the target audience in the appropriate vehicle. The number of exposures is based on the advertisements objective. It could be trial which is based on increased awareness. Assume the rate of trial increases at a diminishing rate with the level of audience awareness as shown

Techniques of Sales Promotion:

The techniques of sales promotion used by business houses are discussed below:

1. Distribution of Samples:

Many big businessmen distribute free samples of their products to the selected people in order to popularise their products. Distribution of samples is popular in case of books, drugs, cosmetics, perfumes and other similar products. As the distribution of samples is very costly, this system is confined to those products of small value which have often repeated sales.

2. Rebate or Price-Off Offer:

In order to increase sale, many producers introduce price off offer to the customers. Under this, the product is offered at a price lower than the normal price. For example, during off season (winter), ceiling fans, coolers and refrigerators may be offered at 20 to 30% off price.

Rebate offer is given for a limited period only, for example, Coca cola offered 2 litre bottle at Rs. 35 only during winter 2009. Khadi Gram Udyog offers rebates on Khadi cloth and readymades to coincide with the month of Gandhi Jayanti every year.

3. Partial Refund:

A firm may use the strategy of refunding a part of the price paid by the customer on the production of some proof of purchase of its product. For instance, the buyer of two cakes of a branded soap may be refunded Rs. 5 on returning the empty packages to the dealer.

4. Discount Coupons:

A discount coupon is a certificate that entitles its holder to a specified saving on the purchase of a specified product. Coupons may be issued by the manufacturers either directly by mail through sales-force or through the dealers. The coupons are also issued through newspapers and magazines. The holders of coupons can go to the retailers and get the product at a cheaper price.

The retailers are reimbursed by the manufacturer for the value of coupon redeemed and also paid a small percentage to cover handling cost. But many retailers do not patronise this method because it involves financial and accounting problems for them.

5. Packaged Premium:

Under this, the seller offers premium to the buyer by way of supplying a gift along with the product or inside the product package. Premium on sales helps the salesman to make effective presentation, stimulate sale in a particular area, lead to enlistment of new customers and have the way for introducing new brands in the market. Premiums are generally given in the case of customer convenience goods such as packed tea leaves, blades, tooth-pastes and toilet soaps.

6. Container Premium:

Several firms use container premium to push the sale of their products. For instance, Taj Mahal tea leaves, Ariel detergent powder, Bournvita, Kissan jams, etc. are made available in special containers which could be reused in kitchens after the product has been consumed. The reusable containers for packaging often have special appeal to the consumers who don’t have to pay anything extra for the product.

7. Contests:

There may be consumers’ contests, salesman’s contests and dealers’ contests. Contests for salesman and dealers are intended for inducing them to devote greater efforts or for obtaining new sales idea in the task of sales promotion.

Contests for consumers may centre around writing a slogan on the product. Such slogan centres around the questions as to the liking of a customer for the product, or formulation of new advertising idea for the product. Such contests are held through radio, T.V., newspapers, magazines, etc.

8. Public Relations:

Public relations activities strive for creating a good image of the enterprise in the eyes of the customers and the society. These activities are not aimed at immediate demand creation. It is very common that big business enterprises convey their greetings and thanks to the people through newspapers and other media.

9. Free Gift:

The customer does not get any benefit at the time of purchase, rather he gets it through mail. For this he has to send the proof of purchase (e.g., cash memo and wrapper) to the manufacturer to claim the gift which might be a diary or book or any other item. The gift is sent by the manufacturer by mail or through courier.

10. Exchange Offer:

It means exchange of an old product with the new one after payment of the exchange price fixed by the manufacturer. Such offers are very common these days in case of electric irons, TVs, refrigerators, scooters, gas stoves, washing machines, etc.

11. Product Combination or Gift:

It refers to giving a free gift on purchase of a product. Generally, the free gift is related to the product but it is not necessary. For example, Mug free with Bournvita, Toothbrush free with Toothpaste, DVD free with TV, Vacuum cleaner free Fridge, etc.

12. Instant Draws and Assured Gifts:

Some sectors offer instant draws and assured gifts to their customers when they make purchases. The scheme may be like – "Scratch a card (or burst a cracker) and instantly win a car, A.C., fridge, T.V., computer or electric iron on the purchase of a T.V."

13. Full Finance @ 0%:

Manufacturers of durables like bikes, T.V., A.C., etc. offer easy financing schemes even at 0% rate of interest e.g., "Pay Rs. 10,000 in cash and Rs. 30,000 in 12 equal instalments of 2,500 each by post-dated cheques and get a bike on the spot." This tool of promotion misleads the customers and so should be avoided by the marketers.

Distribution: Concept and Importance

Distribution means to spread the product throughout the marketplace such that a large number of people can buy it.

Distribution can make or break a company. A good distribution system quite simply means the company has greater chance of selling its products more than its competitors. The company that spreads its products wider and faster into the market place at lower costs than its competitors will make greater margins absorb raw material price rise better and last longer in tough market conditions. Distribution is critical for any type of industry or service. The best price product, promotion and people come to nothing if the product is not available for sale at the points at which consumers can buy.

In the FMCG industry in India, specially, companies distribute their low-value, high volume products to over 1 million retail outlets, or points of sale. The most successful FMCG companies have the biggest networks, made of factories, stock points, distributors or C&F (Carrying and forwarding agents), wholesalers, retailers and consumers. Nowadays, even direct marketing is considered a feasible distribution channel.

Distribution involves doing the following things:

1. A good transport system to take the goods into different geographical areas.
2. A good tracking system so that the right goods reach at the right time in the right quantity.
3. A good packaging, which takes the wear and tear of transport.
4. Tracking the places where the product can be placed such that there is a maximum opportunity to buy it.
5. It also involves a system to take back goods from the trade.

Importance of Distribution

Distribution is one of the important mix among marketing mixes. Delivery of satisfaction, standard of living, value addition, communication, employment, efficiency and finance are the major role and importance of distribution.

The role and importance of distribution in marketing and in the whole economy can be discussed as follows:-

1. **Delivery of satisfaction**

   Marketing concept emphasizes on earning profit through satisfaction of the customers. Besides market research for the development and sales of goods according to need and wants of consumers, the participants of distribution channel also help producers in production of new goods.

2. **Standard of living**

   Distribution function helps to improve living standard of the consumers in the society. Proper distribution of necessary goods and services to the consumers easily at right time does not only satisfy them but also brings change in their living standard. Distribution brings improvement in living standard of consumers through generation of employment, increase in income and transfer of ownership. Hence, it brings positive effect in the society.

3. **Value addition**

The functions of distribution such as transportation, warehousing, inventory management etc. increase the importance of products by creating place utility, time utility and quantity utility. Distribution mix plays an important role to increase the value of the products through delivery of goods in right quantity, at right place and right time.

4. **Communication**

Distribution serves as link between producers and consumers. Producers can make flow of information and messages to consumers about their products, price, promotion etc. through channel members. Similarly, they receive information about customers, competitors and environmental changes from channel members.

5. **Employment**

The function of distribution creates employment opportunities in society. Market intermediaries work as direct and indirect sources of employment. Different producers need to supply their innumerable products to consumers. Thousands of distributors, agents, wholesalers, retailers, brokers etc. involve in supplying the products to the consumers. Similarly, many persons of the society can get job in the transport and warehouses sectors, etc.

6. **Efficiency**

Producers produce limited types of goods in mass quantity. but the consumers demand different types of goods in small quantity. When goods are produced in a mass quantity, they can be obtained at lower price. Distribution helps to satisfy the needs of consumers by supplying assortment of different products of different producers. From this, efficiency can be achieved in both production and distribution.

7. **Financing**

Intermediaries themselves make arrangement to keep reserve and stock of goods. The producers need not make arrangement and management of distribution centers and warehouse. The producers need not do anything except remaining busy in production, the timely payment by intermediaries and financial helps become more important for smooth operation of production. Similarly, the role of finance is also decisive in mobilizing other means of production.

Different Types of Distribution Channels

A distribution channel is a chain of businesses or intermediaries through which a good or service passes until it reaches the final buyer or the end consumer. Distribution channels can include wholesalers, retailers, distributors, and even the Internet.

Distribution channels are part of the downstream process, answering the question "How do we get our product to the consumer?" This is in contrast to the upstream process, also known as the supply chain, which answers the question "Who are our suppliers?"

A distribution channel is the path by which all goods and services must travel to arrive at the intended consumer. Conversely, it also describes the pathway payments make from the end consumer to the original vendor. Distribution channels can be short or long, and depend on the amount of intermediaries required to deliver a product or service.

Goods and services sometimes make their way to consumers through multiple channels—a combination of short and long. Increasing the number of ways a consumer is able to find a good can increase sales. But it can also create a complex system that sometimes makes distribution management difficult. Longer distribution channels can also mean less profit each intermediary charges a manufacturer for its service.

Channels are broken into two different forms—direct and indirect. A direct channel allows the consumer to make purchases from the manufacturer while an indirect channel allows the consumer to buy the good from a wholesaler or retailer. Indirect channels are typical for goods that are sold in traditional brick-and-mortar stores.

Generally, if there are more intermediaries involved in the distribution channel, the price for a good may increase. Conversely, a direct or short channel may mean lower costs for consumers because they are buying directly from the manufacturer.

Different types of channel of distribution are as follows:

Manufacturers and consumers are two major components of the market. Intermediaries perform the duty of eliminating the distance between the two. There is no standardised level which proves that the distance between the two is eliminated.

Based on necessity the help of one or more intermediaries could be taken and even this is possible that there happens to be no intermediary. Their description is as follows:

(A) Direct Channel or Zero Level Channels

When the manufacturer instead of selling the goods to the intermediary sells it directly to the consumer then this is known as Zero Level Channel. Retail outlets, mail order selling, internet selling and selling

(B) Indirect Channels

When a manufacturer gets the help of one or more middlemen to move goods from the production place to the place of consumption, the distribution channel is called indirect channel. Following are the main types of it:

1. One Level Channel

In this method an intermediary is used. Here a manufacturer sells the goods directly to the retailer instead of selling it to agents or wholesalers. This method is used for expensive watches and other like products. This method is also useful for selling FMCG (Fast Moving Consumer Goods).

2. Two Level Channel

In this method a manufacturer sells the material to a wholesaler, the wholesaler to the retailer and then the retailer to the consumer. Here, the wholesaler after purchasing the material in large quantity from the manufacturer sells it in small quantity to the retailer.

Then the retailers make the products available to the consumers. This medium is mainly used to sell soap, tea, salt, cigarette, sugar, ghee etc.

3. Three Level Channel

Under this one more level is added to Two Level Channel in the form of agent. An agent facilitates to reduce the distance between the manufacturer and the wholesaler. Some big companies who cannot directly contact the wholesaler, they take the help of agents. Such companies appoint their agents in every region and sell the material to them.

Then the agents sell the material to the wholesalers, the wholesaler to the retailer and in the end the retailer sells the material to the consumers.

Factors affecting the choice of channel

(A) Considerations Related to Manufacturer/Company

1. **Goodwill:**

   Manufacturer's goodwill also affects the selection of channel of distribution. A manufacturer enjoying good reputation need not depend on the middlemen as he can open his own branches easily.

2. **Desire to control the channel of Distribution:**

   A manufacturer's ambition to control the channel of distribution affects its selection. Consumers should be approached directly by such type of manufacturer. For example, electronic goods sector with a motive to control the service levels provided to the customers at the point of sale are resorting to company owned retail counters.

3. **Financial Strength:**

   A company which has a strong financial base can evolve its own channels. On the other hand, financially weak companies would have to depend upon middlemen.

(B) Considerations Related to Government

Considerations related to the government also affect the selection of channel of distribution. For example, only a license holder can sell medicines in the market according to the law of the government.

In this situation, the manufacturer of medicines should take care that the distribution of his product takes place only through such middlemen who have the relevant license.

(C) Considerations Related to Product

When a manufacturer selects some channel of distribution he/she should take care of such factors which are related to the quality and nature of the product. They are as follows:

1. **Unit Value of the Product:**

   When the product is very costly it is best to use small distribution channel. For example, Industrial Machinery or Gold Ornaments are very costly products that are why for their distribution small distribution channel is used. On the other hand, for less costly products long distribution channel is used.

2. **Standardised or Customised Product:**

   Standardised products are those for which are pre-determined and there has no scope for alteration. For example: utensils of MILTON. To sell this long distribution channel is used.

   On the other hand, customised products are those which are made according to the discretion of the consumer and also there is a scope for alteration, for example; furniture. For such products face-to-face interaction between the manufacturer and the consumer is essential. So for these Direct Sales is a good option.

3. **Perishability:**

   A manufacturer should choose minimum or no middlemen as channel of distribution for such an item or product which is of highly perishable nature. On the contrary, a long distribution channel can be selected for durable goods.

4. **Technical Nature:**

   If a product is of a technical nature, then it is better to supply it directly to the consumer. This will help the user to know the necessary technicalities of the product.

(D) Considerations Related to Market

Market considerations are given below:

1. **Number of Buyers:**

   If the number of buyer is large then it is better to take the services of middlemen for the distribution of the goods. On the contrary, the distribution should be done by the manufacturer directly if the number of buyers is less.

2. **Types of Buyers:**

Buyers can be of two types: General Buyers and Industrial Buyers. If the more buyers of the product belong to general category then there can be more middlemen. But in case of industrial buyers there can be less middlemen.

3. **Buying Habits:**

A manufacturer should take the services of middlemen if his financial position does not permit him to sell goods on credit to those consumers who are in the habit of purchasing goods on credit.

4. **Buying Quantity:**

It is useful for the manufacturer to rely on the services of middlemen if the goods are bought in smaller quantity.

5. **Size of Market:**

If the market area of the product is scattered fairly, then the producer must take the help of middlemen.

(E) Others

1. **Cost:**

A manufacturer should select such a channel of distribution which is less costly and also useful from other angles.

2. **Availability:**

Sometimes some other channel of distribution can be selected if the desired one is not available.

3. **Possibilities of Sales:**

Such a channel which has a possibility of large sale should be given weight age.

Physical Distribution System: Objective and Decisions Area

Physical distribution is concerned with the physical movement of the goods from the producer to the consumer. It is an important part of marketing activity and a major component of marketing mix. It includes all those activities which help in efficient movement of goods from producer to consumer, such as transportation, warehousing, material handling, inventory control, order processing, market forecasting, packaging, plant and warehouse location and customer service.

Philip Kotler has defined physical distribution as, "Physical distribution involves planning, implementing and controlling the physical flow of materials and final goods from the point of origin of use to meet consumer needs at a profit."

According to William J. Stanton, "Physical distribution involves the management of physical flow of products and establishment and operation of flow systems."

Physical distribution is thus, management of the physical flow of products and management and operation of the flow system. It is a process of managing the movement of the goods.

Objectives of Physical Distribution:

Physical distribution has two broad objectives viz. consumer satisfaction and profit maximisation. Apart from these, there are other objectives too. A satisfied consumer is the biggest asset that a company has. A firm can provide satisfaction to consumers by making available right quantity of right goods at right place and time, at lowest costs. Prompt and dependable distribution enhances consumer satisfaction.

At the same time, by offering better service at lower price of the product, the firm can attract additional consumers and make more profits. This can be done by improving the efficiency and effectiveness of physical distribution activities, firm can bring in economy which will have an effect on profit margin i.e. by lowering the physical distribution costs, profit position can be improved.

Its importance can be judged from following points:

(A) Creating Time and Place Utility:

Physical distribution activities help in creating time and place utility. This is done through transportation and warehousing. Transportation system creates place utility as it makes available the goods at the right place where they are required. Warehousing creates time utility by storing the goods and releasing them when they are required.

(B) Helps in Reducing Distribution Cost:

Physical distribution cost account for a major part of the price of the product. If these costs are handled systematically, decrease in costs of product can be there. Proper and systematic planning of transportation schedules and routes, warehousing location and operation, material handling, order processing, etc. can easily bring in cost economies.

(C) Helps in Stabilisation of Price:

Physical distribution helps in maintaining stable prices. Even customers expect price stability over a period of time. Proper use of transportation and warehousing facilities can help in matching demand with supply and thus ensure stabilisation of price.

(D) Improved Consumer Services:

Consumer service in physical distribution means making products in right quantity available at right time and right place i.e. place where customer needs.