

CHAPTER 1:MARKETING

Q.1) Explain the Definition of Marketing and explain its nature and features.

Definitions

Philip Kotler and Others in their book on '**Marketing Management**' (A South Asian Perspective) 2013 edition define "Marketing management as the art and science of choosing target markets and getting, keeping, and growing customers through creating, delivering, and communicating superior customer value."

Chartered Institute of Marketing (UK) defines "Marketing is the management process of identifying, anticipating and satisfying customer requirements profitably."

American Marketing Association defined "Marketing is an organizational function and a set of process for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders."

In 2008 American Marketing Association gave a broader definition of Marketing as follows: "Marketing is the activity, set of institutions and processes for creating, communicating, delivering and exchanging offerings that have value for customers, clients* partners and society at large."

The following are the Feature of Marketing:

1) Systematic Process:

Marketing is a systematic process of identifying customer needs and wants; and satisfying them by designing and delivering the right products. The marketing process involves:

- a) Designing the product as per customer requirements.
- b) Fixing the right price.
- c) Effective promotion of product.
- d) Distributing the products at the right place.

The marketing process is undertaken to achieve organizational objectives (profits, market share, etc.), and to generate customer satisfaction.

The marketing process is continuous in nature. It starts with marketing research and after the sale, it continues with customer feedback and after-sale-service. There is a constant need to monitor customer needs and satisfaction

2) Ideas, Goods and Services:

Marketing is undertaken to design and sell goods and services, as well as ideas.

- a) Marketers design and distribute tangible goods like FMCG products and consumer durables.
- b) Marketers sell intangible services such as that of banks, airlines, hotels, insurance, etc.
- c) Also, ideas are marketed by social and Govt, organisations, which includes campaigns relating to anti-drugs, AIDS awareness, anti-corruption, etc.

In fact, every market offering includes a basic idea. A marketer of a face cream sells the idea of a beautiful person and that of a soft drink sells the idea of refreshment. Charles Revson of Revlon remarked: "In the factory, we make cosmetics; in the store we sell hope,"

3) Target Markets:

Marketing is concerned with target markets. One cannot sell everything to everyone. Therefore, marketers have to be selective in deciding the target market or buyers.

A marketer needs to design goods and services to a particular target segment or market For example; a marketer cannot design and sell a particular model of car to all prospective buyers. He has to design different models to different segments of the market depending upon their income, status, preferences, etc.

4) All Pervasive:

The process of marketing is applicable not only to business organisations but also to non-business organisations. For example, an educational institution may adopt marketing approach to:

- a) Offer the right courses (product).
- b) Charge the right fees (price).
- c) Promote the courses (if so' required)
- d) Provide the courses at the right place.

5) Customer Satisfaction:

Nowadays, marketers place emphasis on customer satisfaction. Customer satisfaction is the outcome of a correlation between product performance and customer expectations:

- a) When product performance matches with customer expectation, the customers are satisfied.
- b) When product performance is below customer expectation, the customers are dissatisfied.
- c) When product performance exceeds customer expectation, the customers are delighted.
- d) When product performance exceeds very much more than expectation, the customers get astonished

6) Competitive Advantage:

Effective marketing helps to face competition in the market Professional marketers are proactive in decision-making. They come up with:

- a) Innovative designs or models,
- b) Creative promotion schemes.
- c) Effective customer relationship techniques, etc.

The pro-active decisions give competitive advantage to the professional marketers.

7) Corporate Image:

Effective marketing enables a firm to develop and enhance its corporate image. With the help of effective marketing (right product, price, etc.,) a firm achieves higher performance in terms of sales, market share, and profits. Therefore, corporate image improves in the minds of Employees, Customers, Dealers, Suppliers, Shareholders and other stakeholders.

A good corporate image in the minds of stakeholders helps a firm to expand and grow. For instance, firms that have good corporate image:

- a) Develop trust and confidence of the customers.
- b) Get support from the shareholders and financial institutions.
- c) Get cooperation from dealers and suppliers, etc.

8) Expansion of Business:

Marketing facilitates expansion of the firm. Due to effective marketing, the performance of the organisation improves in terms of sales, profits and market share. Therefore, a firm may adopt expansion strategy. For the purpose of expansion, the firm may undertake various activities such as:

- a) **Market Penetration:** increase in marketing activities in the existing market.
- b) **Market Development:** Entry in new markets Product Development of new products for existing/new markets.

9) Organizational Objectives:

Effective marketing enables the firm to achieve marketing objectives. The marketing objectives are as follows:

- a) Increase in profits..
- b) Increase in market share.
- c) Improved corporate image.
- d) Improved brand image.
- e) Enhanced brand loyalty, etc.

10) Marketing Environment:

Marketing is influenced by various environmental factors such as customer preferences, competitors' strategies, Government policies, international environment, economic conditions, financial climate, etc.

Marketers should actively scan the environment. For instance, a marketer must analyze the marketing-mix adopted by the competitors. Accordingly, he has to design products that offer differential advantage to the consumers, which may bring higher returns to the firm.

11) Integrated Approach:

Marketing needs to integrate with the other functional areas \ of the organisation. There is a need for integration of various \ departments such as finance, production, human resources, etc. All functional areas should interact and interlink to achieve the firm's overall objectives.

For instance, a decision to increase advertising would require support from the finance department. And a decision introduce a new model requires active coordination between production and marketing department.

12) Social Interest:

Modern marketing intends to maintain and enhance customers' and society's welfare. Marketers aim at a balance between: Profits + Customer Satisfaction + Public Interest.

For instance, professional marketer^ undertake research and development to develop" products, which are eco-friendly and also generates customer satisfaction, and at the same time brings higher profits to the organisation. Examples of such products include fuel efficient cars, compact air conditioners, etc.

Q.2) Explain the Importance of Marketing**The following are the Importance of Marketing:****1) Customer Satisfaction:**

Today's marketing is customer oriented. Business firms place lot of emphasis on customer satisfaction. Customer satisfaction is the outcome of a correlation between product performance and customer expectation:

When product performance is below customer expectation, the customer is dissatisfied,

When product performance matches with customer expectation, the customer is satisfied.

When product performance exceeds customer expectation, the customer is delighted.

When product performance exceeds very much more than expectation, the customer is astonished

2) Competitive Advantage:

Effective marketing helps to face competition in the market. Professional marketers are proactive in decision-making. They come up with:

- a) Innovative designs or models.
- b) Charging competitive prices.
- c) Creative promotion schemes.
- d) Efficient after-sale-service.
- e) Effective customer relationship techniques, etc.

The pro-active decisions give competitive advantage to the professional marketers.

3) Corporate Image:

Effective marketing enables a firm to develop and enhance its corporate image. Due to effective marketing (right product, price etc.) the firm achieves higher performance. Therefore, corporate image improves in the minds of: Employees, Customers, Dealers, supplier, Shareholders and other stakeholders.

A good corporate image in the minds of customers, employees, shareholders, suppliers, dealers, etc., helps a firm to expand and grow. The support of various stakeholders is required for the survival and success of the organization.

4) Customer Relationship:

Nowadays, it is vital to maintain excellent relationship with customers in order to maintain and enhance customer loyalty. Several marketing techniques can be adopted to maintain customer relationships which include:

Loyalty programmes such as special discounts/gifts to loyal customers.

- a) One-to-one marketing.
- b) Priority customer programmes.
- c) Excellent after-sale-service.
- d) Satisfaction surveys, etc.

5) Expansion of Business:

Marketing enables a firm to expand its business from local level to national and even at international level. A firm can expand its business with the help of market related activities such as:

a) Product development strategy:

Introduction of new products in the existing markets or new markets.

b) Market development strategy:

Entering in new markets with the existing products or new products.

c) Market penetration strategy:

Increasing marketing efforts in the current markets.

6) Economies of Scale:

Professional marketers take proactive decisions. Therefore, there is an increase in demand for the firm's products. Increase in demand results in large scale production and distribution. As a result, the company gets economies of large scale such as:

- a) Economies of large scale production such as discount on bulk purchase of materials.
- b) Economies of large scale distribution such as freight concession due to bulk transportation.

7) Efficiency:

Effective marketing brings higher profits. A part of the profits is spent on various activities such as:

- a) Research and development
- b) Technology upgradation.
- c) Training and development, etc.

All the above activities improve efficiency of the firm, i.e., the firm gets higher returns at lower costs.

8) Organizational Objectives:

Marketing helps to achieve organizational objectives. Systematic marketing activities such as effective product designs, pricing, promotion and distribution helps a firm to increase its sales and achieve the following objectives:

- a) Increase in profits
- b) Improved brand image
- c) Increase in market share.
- d) Improved corporate image.
- e) Enhanced customer loyalty, etc.

9) Optimum Use of Resources:

Due to effective marketing, the company gets higher demand for goods/services. Increase in demand leads to higher production and distribution. Therefore, a firm can make optimum use of resources such as:

- a) Physical resources — machines, equipments, tools, etc.
- b) Capital resources - working capital funds and fixed capital funds.
- c) Manpower - managerial and non-managerial employees.

10) Brand Loyalty:

Effective marketing helps to develop brand loyalty. Brand loyalty refers to Repeat purchases by satisfied/delighted customers. Recommendations by existing customers to friends, neighbors and others.

Marketing guru Al Ries says that customer word-of-mouth is the best alternative to advertising. He calls such customer as an evangelist (religious believer). This is because; loyal customers influence others to buy those brands, with which they are satisfied.

11) Brand Equity:

Marketing activities develop brand equity. Brand equity is the incremental value of a brand over and above its physical assets. Customers are willing to pay premium price for effectively marketed brands. For instance, unique product design, excellent after-sale-service and such other marketing activities enable a firm to command premium price for its brands.

12) Brand Image:

Marketing activities improve brand image. Brand image is the perception of the brand in the minds of customers. Good brand image gives competitive edge to the firm in the market. For instance, effective promotion-mix with the help of Publicity, Advertising, Sales Promotion, Salesmanship, etc., the firm can improve its brand image in the market. Good brand image not only generates customer loyalty, but customers are also willing to pay higher price.

13) Benefits to Stakeholders:

Effective marketing brings in higher returns to the firm. The higher returns of the firm benefit various stakeholders:

- a) Employees may get high salaries and other incentives.
- b) Shareholders get higher dividends.
- c) Government gets higher tax revenue.
- d) Dealers may get extra incentives.
- e) Suppliers may get more orders and payment on time.
- f) Society may be benefited to social development activities by profitable firms.

Q.3) Explain the Function of Marketing**The following are the function of Marketing:****1) Marketing Research:**

It is one of the important areas of marketing. Marketing research is a process which consists of systematic gathering, recording and analyzing data about marketing problems. Marketing research helps to design effective marketing plans to design and sell products in the market

The two main areas of marketing research are :**a) Consumer Research:**

Enables the marketer to find out preferences, likes and dislikes, buying behaviour of the customers. It also enables to get the reactions of the customers towards the company's products and services.

b) Dealer Research:

Enables the marketer to get feedback from the dealers in respect of the firm's products vis-à-vis that of competitors. It also enables to get the reactions of the dealers towards the dealer-oriented promotion tools vis a-vis that of the competitors.

2) Branding:

Branding is an important aspect in today's competitive business world. The marketer must consider certain essentials while selecting a suitable brand name for a particular product. Some of the essentials of a good brand name include:

- a) Capable of describing features such as Duracell and All Clear.
- b) Universal usage — which can be used world-wide such as Pepsi and Coca Cola.
- c) Relevant to the product such as Fair & Lovely and Revital.
- d) Easy to pronounce such as Lux and Limca.

A good brand name aids customers in identifying the branded item. It creates brand loyalty and among other things aids in brand extensions.

3) **Advertising:**

Now-a-days, advertising is considered to be one of the most effective ways of promoting goods and services. Advertising is the paid form of non-personal promotion of ideas, goods and services by an identified sponsor. The main objective of advertising is to create awareness of the product.

The other objectives of advertising include:

- a) To develop positive attitude.
- b) To develop brand image. To enhance brand loyalty.
- c) To face competition in the market.
- d) To develop corporate image.
- e) To educate the buyers, etc.

4) **Product Design:**

Firms need to come up with new product designs or models to cater to the satisfaction of customers. Introduction of new product designs helps to generate goodwill in the market, which in turn expands the business.

Firms especially in the field of pharmaceuticals, engineering, electronics, etc., need to allocate a good amount of funds towards research and development. New product designs help a firm to get competitive edge in the market. For example: Suzuki Motors has planned to introduce at least one new model of car in a year.

5) **After-Sale-Service:**

Effective after-sale-service is vital, especially in the case of office equipment, machinery and consumer durables. To promote corporate image, the marketer must provide effective after sale service.

Firms must not wait for the customers' reminders to provide after sale service. The firm must be proactive in after sale service management. If possible, a firm may provide additional after sale-service to delight the customers.

To provide effective after-sale-service, the marketing firm must:

- a) Select the right employees.
- b) Train the employees to improve their skills, attitude and, social behaviour.
- c) Motivate the after-sale-service staff by providing incentives

6) **Sales Promotion:**

Sales promotion is an important element of promotion mix. Sales promotion involves various tools to induce the customers to buy the products. The sales promotion tools include:

- a) Buy-back offers.
- b) Banded or Combo Products.
- c) Coupons or cash vouchers.
- d) Discounts.
- e) Exchange Offers.
- f) Free Samples and Free Gifts.
- g) Guarantees and Warranties, etc.

7) **Salesmanship/Personal Selling:**

One of the important areas of marketing involves personal selling. The personal selling staff or the sales force makes a big difference not only in promoting the products but also to generate goodwill of the firm.

For personal selling to be effective, there is a need for:

- a) Proper selection of sales force. Apart from interviews, relevant selection tests may be conducted, such as personality test, aptitude test, interest test, etc.
- b) Training must be provided to the sales force to develop knowledge, attitude, skills and social behaviour
- c) The sales force needs to be constantly motivated to achieve sales targets.

8) Pricing:

Price refers to the exchange value at which the seller is willing to sell and the buyer is willing to buy. Effective pricing policy is vital to the success of the product in the market the price should be right and within the lines of the competitors. The prices should neither be too high nor too low. If it is too high, buyers may think twice before paying for the product. If it is too low, buyers may consider the product's quality as inferior.

While fixing the price, the marketer must consider certain factors:

- a) Cost of production and distribution.
- b) Competition in the market.
- c) Corporate image.
- d) Channels of distribution.
- e) Customers' Nature.
- f) Credit policy of the firm.
- g) Demand for the product, etc.

9) Physical Distribution:

It includes place of distribution and the channels used for distribution. Consumers want products to be available at the convenient place and on time. For this purpose, the marketer can select either the direct or indirect channel to reach the products to the buyers.

The factors influencing channel selection include:

- a) Channel adopted by the competitors.
- b) Customers' nature.
- c) Corporate image of the firm.
- d) Objectives of the firm.
- e) Product's Nature.
- f) Area coverage, etc.

10) Customer Relationship Management:

Nowadays, professional firms place lot of emphasis on CRM. It is concerned with managing detailed information about individual customers and all 'customer touch points' (every contact between the customer and the company— right from order placement to after-sale-service). The purpose of CRM is to enhance customer loyalty. Therefore, firms must place emphasis on 'Most Valued Customers'

11) MIS Management:

In large business firms, marketing managers have to manage marketing information system (MIS). A systematic MIS enables business firms to gather, analyse, and distribute accurate information to marketing decision-makers.

The MIS consists of the following four components:

- a) Internal records in respect of costs, sales, profits, and so on.
- b) Marketing intelligence system— information of competitors, marketing trends, etc.
- c) Marketing research to solve specific marketing problems.
- d) Marketing decision support systems.

12) Test Marketing:

It is process of launching a product in a very limited market area in order to find out the acceptance of the product by the customers. Test marketing is especially required in the case of innovative products. If test marketing is successful; the marketer would launch the product over a larger market area.

13) Other Functions:

There are several other marketing activities which include:

- a) Product positioning
- b) Packaging
- c) Public relations
- d) Participation in trade fairs and exhibitions

Q.4) Explain the Evolution of Marketing Concept**The following are the concept of Marketing****1) The Exchange Concept**

It is the oldest concept of marketing. According to this concept, marketing involves the exchange of products between the seller and the buyer. This concept assumes: Customers will accept products of any quality available in the market.

The main features of marketing concept include:

- a) Lack of marketing research to find out customer preferences.
- b) No emphasis on research and development
- c) Emphasis only on profits.
- d) Lack of concern for customer satisfaction.
- e) No importance given to after-sale-service.

It is to be noted that this concept is still practiced by sellers in third world countries and by some small traders (both in developed and developing countries), who are merely involved in trading rather than in real marketing.

2) The Production Concept

This concept came into existence after the industrial revolution in England (as a result of large scale production). This concept assumes:

Customers will prefer those products that are widely available and are of lower price.

Some of the features of production concept include:

- a) Lack of marketing research.
- b) Hardly any emphasis on research and development.
- c) The firm places greater emphasis on profits.
- d) Firms may undertake large scale production to reduce costs.

Under this concept marketer concentrate on achieving high production efficiency and wide distribution coverage. They treat marketing as an extension of production function, i.e., marketing performs the role of physical distribution of mass production. This concept makes sense in less developed countries, where consumers are more interested in purchasing the product rather than its features.

3) The Product Concept

This concept came into existence in the early 20th century. There is a shift from marketing of low cost products to marketing of high quality products. This concept assumes:

Consumers will prefer those products that offer best quality and performance.

Some of the features of product concept include:

- a) Emphasis on research and development to improve quality which would increase sales.
- b) Focus on profit motive.
- c) Lack of emphasis on marketing research.
- d) Lack of emphasis on customer relations.

Product-oriented companies suffer from the phenomenon of 'marketing myopia' - the term coined by Prof. Theodore Levitt. According to Prof Levitt, marketing myopia refers to narrow perception of marketing, where excessive attention is given to the product and ignoring the customer in the process.

4) The Selling Concept

This concept gained importance after the great depression of 1930s. This concept places emphasis on promotional efforts to expand the business. It assumes:

Consumers will prefer those products which are aggressively promoted with the help of publicity, advertising, salesmanship and sales promotion.

Some of the features of Selling Concept include:

- a) Greater focus on promotion-mix, advertising and sales promotion to increase sales.
- b) Greater emphasis on profits and market share.
- c) Lack of emphasis on marketing research.
- d) Lack of emphasis on customer relations.

This concept is adopted most aggressively with unsought goods, goods that buyers normally do not think of buying such as insurance policies, magazine subscriptions, etc. Firms use hard-sell techniques such as aggressive advertising and sales promotion to persuade customers.

5) The Marketing Concept

This concept came into existence in the 1960s due to large scale \ competition, especially in developed countries. This concept is also known as customer-oriented concept. The target customer becomes', the focus of all marketing decisions. This concept holds the view that; The success of the organization largely depends on customer satisfaction.

The marketing concept considers four factors:

- a) Targets customers
- b) Integrated approach
- c) Customer satisfaction
- d) Emphasis on profits.

The main features of marketing concept are:

- a) Emphasis on marketing research.
- b) Focus on research and development.
- c) Balancing profits with customer satisfaction.
- d) Integration of all functional areas.
- e) Emphasis on customer relationship.

6) The Societal Concept

The 1980s and 1990s saw the emergence of 'societal concept' of marketing. This concept assumes that a company can prosper, if it strikes a balance between:

Society's Welfare + Customer Satisfaction + Company's Profits.

Some of the features of Societal Concept are:

- a) Emphasis on conservation of environment
- b) Focus on research and development to produce green goods
- c) Emphasis on profits as well as customer satisfaction.
- d) Focus on marketing research.

The societal marketing concept calls upon marketers to build social and ethical values into their marketing practices. It stresses the need for a firm to balance three factors while taking marketing decisions:

Society's Well-being + Consumer Satisfaction + Company's Profits..

Firms should not just make consumer-satisfying goods but also environmental friendly (green goods).

7) The Relationship Marketing Concept

In the 1990s, a new concept of marketing has emerged called the relationship marketing concept. In a narrow sense of the term, relationship marketing refers to building long term customer relationships. In a broader sense, relationship marketing involves creating, maintaining and enhancing profitable and long term relationships with all stakeholders such as customers, distributors, dealers, employees, financiers, shareholders, suppliers and society. This concept holds the view that:

Company will prosper and progress, if it maintains excellent relationships with various stakeholders.

8) The Holistic Concept of Marketing

Philip Kotler introduced the Holistic Concept of Marketing, which gives competitive advantage to business firms. Nowadays, professional marketers adopt the holistic approach. The holistic marketing concept consists of four elements:

a) Integrated Marketing

All elements of marketing-mix (product, price, promotion and place) are integrated to deliver superior customer value.

b) Relationship Marketing:

Efforts are made to build, maintain and enhance long-term relationships with customers, dealers, suppliers and other stakeholders.

c) Internal Marketing:

The employees of the organisation are to be treated as internal customers, so that they serve the external (real) customers more effectively. Therefore, there is a need to select, train and motivate the employees to provide effective customer service.

d) Performance Marketing:

Emphasis is placed on profits as well as other concerns or issues such as customer loyalty, customer satisfaction, market share, product quality and other related issues

Q.5) Explain the Strategic Marketing Management

Strategic Marketing is the way a firm effectively differentiates itself from its competitors by capitalizing on its strengths to provide consistently better value to customers than its competitors. A marketing strategy may be defined as a long term plan to achieve the firm's objectives.

The marketing strategy specifies:

- a) The resources that can be allocated to marketing.
- b) The way with which resources could be used to take advantage of market opportunities.

A marketing strategy involves:

- a) Identifying markets and customers requirements in those markets.
- b) Planning products that would meet customer requirements.
- c) Organizing and allocating resources to marketing activities.
- d) Implementing marketing activities to deliver customer satisfaction and to achieve firm's objectives.

Strategic Marketing Management provides a comprehensive examination of all major elements of marketing strategy and their integration. By doing so, a business firm would be able to enhance its profitability and market position.

Strategic Marketing Management examines the elements of marketing strategy such as a market-focused culture, customer and competitor analysis, value delivery, pricing, relationship management, brand management, and marketing communication.

Q.6) Explain the Elements of Strategic Marketing Management**The following are the Elements of Marketing Strategy:****1) Market Selection:**

The most important element of marketing strategy is the market selection the markets which the company wants to select to serve the target customers.

2) Product Planning:

It includes the specific products which the company intends to market - the product line and the design of individual products in that line.

3) Distribution System:

It refers to the selection of channels intermediaries - the wholesale and retail channels, and the relationships with the intermediaries.

4) Integrated Marketing Communication:

It refers to the overall communications strategy employed to create awareness of product offerings, developing product image, and persuading customers to buy. It includes advertising, sales promotion, personal selling, public relations, and so on.

5) Pricing:

It is an important element of the marketing strategy. It involves setting product prices depending upon certain factors such as customers' sensitivity towards pricing, competitors' pricing, demand for the product, corporate image of the firm, and so on.

6) Customer Relationship Management:

Marketing strategy aims at maintaining long term customer relationship through various techniques such as:

- a) Data warehousing and data mining,
- b) One-to-one marketing,
- c) Special packages for priority customers, and so on

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CHAPTER 2: RECENT TRENDS IN MARKETING

Q.1) Explain the Customer Relationship Management.

Philip Kotler and Gary Armstrong in their book 'Principles of Management' define "CRM is concerned with managing detailed information about individual customers and all customer "touch points" to maximise customer loyalty.

The touch points include every contact between the customer and the company, which includes customer purchases, payment interactions, service calls, satisfaction surveys, etc. CRM integrates everything that a firm's marketing's sales and services teams know about individual customers. The aim of CRM is to build customer equity.

The following are the Importance of CRM

1) Customer Loyalty:

CRM enables business firms to maintain detailed information about individual customers.

The constant monitoring and management of customer related information enables business firms to design product offerings as per the requirements of its customers. Therefore, CRM helps to develop customer loyalty:

- a) Repeat purchases by satisfied customers.
- b) Recommendations by satisfied customers to others — relatives, friends, and others.

2) Competitive Advantage:

Business firms that adopt CRM gain competitive advantage in the market. Due to CRM, firms are in a better position to design customised products. Business firms make every possible effort to monitor customer requirements and accordingly provide superior value to the customers better than that of the competitors. As a result, the firms can remain ahead of the competitors in the market place.

3) Corporate Image:

The image of the firm also gets enhanced. Loyal customers become evangelists. The evangelists spread a good word about the company and its products. This enables a firm to get additional customers to its fold.

4) Lower Customer Defection:

CRM emphasizes on training and development of employees to become more customer oriented. Due to CRM training and development, employees show care and concern towards the valuable customers. Therefore, the customer defection rate may be very less.

5) Increases Customer Equity:

The main aim of CRM is to produce high customer equity. Customer equity is the sum of lifetime values of all customers. Firms focus the marketing efforts more on the most valuable customers (MVCs). More focus on MVCs enables a firm to increase customer equity.

6) Customize Market Offering:

Companies can customize a product or service depending upon the data available with the firm. The firm can facilitate customer-company interaction through the company contact center and Web site. Such interaction helps to develop customized products.

7) Better Service to Customers:

With CRM, the company can provide better service to its regular and valuable customers. It is said that 20% of customers account for 80% of the sales. Therefore, it is worth targeting the important customers and then to provide them special service as compared to other customers. For instance, AXIS Bank maintains a list of priority customers and provides them with

additional facilities and occasionally provides such customers special offers such as free tickets to concerts, movies and so on. Certain banks like Catholic Syrian Bank provide personalized service to the priority customers.

8) Customer Involvement:

Some firms treat their customers as partners, especially in the case of B2B markets. Firms solicit the help of customers to design new products or to improve their service. If the customer gets involved with the firm, he is more likely to remain with the firm.

9) Lower Operating Cost:

CRM enables business firms to lower operating costs. It is said that a 2 per cent increase in customer retention has the same effect as reducing costs by 10%. Retained customers requires less of persuasion through advertising, publicity, salesmanship, and so on.

10) Higher Returns:

Due to CRM, the company is in a position to generate higher return on investment. This is because of repeat purchases on the part of loyal customers. Also the company makes money through cross selling (selling many products rather than single product) and up-selling (selling higher value products). The higher return on investment increases shareholders' value. It is said that 5 per cent reduction in the customer defection rate can increase profits by 5 to 95 percent depending on the type of business.

Q.2) Explain the Techniques of Customer Relationship Management.

1) Data Warehousing and Data Mining:

CRM analysts develop data warehouses and use data mining techniques to develop and maintain long term relationships with valuable customers.

a) A data warehouse is a companywide electronic database of detailed customer information.

The purpose of data warehouse is to gather information and to store it at a central location for easy access.

b) Once the data warehouse locates the data at a central place, the data analysts use data mining techniques to examine the mounds of data to find out interesting facts of the customers.

The mined data can be utilised for various marketing decisions: Product design/modification, Product pricing, Promotion mix, Distribution and so on.

2) Loyalty Programmes:

Firms may use variety of loyalty programmes to retain customers. For instance, airlines may offer special discount for frequent fliers. Firms may also provide gifts and other benefits to loyal customers. But it is to be noted that all loyal customers need not be profitable and all profitable customers need not be loyal. Therefore, the firm must be selective.

In order to enhance marketing efficiency, a firm has to find out which of its customers are worth retaining and which are not; which customers to be given extra care and attention. In other words, the firm has to determine the value of its customers and (accordingly focus on MVCs).

3) One-to-One Marketing:

Some firms adopt one-to-one marketing. Such firms treat their customers as partners, especially in the case of B2B markets. Firms solicit the help of customers to design new products or to improve their service. If the customer gets involved with the firm, he is more likely to remain with the firm.

4) Priority Customer Programmes:

Some firms introduce priority customer programmes. The priority customers are the MVCs. They are given priority in after-sale-service, delivery, resolving complaints, etc. Priority customer

programmes are followed by several organisations, especially in the banking industry. For instance, AXIS Bank maintains a list of priority customers and provides them with additional facilities and occasionally provides such customers special offers such as free tickets to concerts, movies and so on. Some banks like Catholic Syrian Bank provide personalized service to priority customers.

5) After-sale-service:

Professional business firms place lot of emphasis on after-sale service. They consider that after-sale-service is the vital differentiator to gain customers trust and support. Effective after-sale-service decisions are made to enhance customer relationship. The decisions include:

- a) Selection of competent after-sale-service staff.
- b) Training the after-sale-service staff to enhance knowledge, attitude, skills and social behaviour.
- c) Motivating the after-sale-service staff with monetary and non-monetary incentives

6) Satisfaction Surveys:

A firm may conduct post-purchase satisfaction surveys. Such surveys help to find out the level of customer satisfaction. If required, necessary measures are taken to improve customer satisfaction level, which in turn helps to develop long-term relationship with loyal customers.

Q.3) Explain the Social Marketing and its Significance

Meaning:

Social marketing is the systematic application of marketing along with other concepts and techniques to achieve specific behavioral goals for a social good.

Philip Kotler states "Social marketing seeks to influence social behaviors not to benefit the marketer, but to benefit the target audience and the general society."

This technique has been used extensively in international health programs such as polio vaccination. It is also used for diverse topics as breast feeding, exercise, drug abuse and protection of environment.

Social marketing can be applied to promote merit goods (socially desirable goods/services such as education, healthy food) and to make the society avoid demerit goods (socially undesirable goods such as hard drugs, abuse of alcohol, smoking).

The main objective of social marketing is to promote well being of the society. Commercial marketing is profit oriented, but it does not mean commercial marketers cannot contribute to the achievement of social welfare. Social marketing should not be confused with the Societal Marketing Concept, Societal marketing concept attempts to balance the interests of sellers, customers and society. Social marketing concept focuses only the welfare of the people. Social marketing does not have commercial angle.

The following are the Significance of Social Marketing:

1) Welfare of Whole Society:

Social marketing aims at promoting welfare of the whole society and not just a few sections of the society. It promotes merit goods, i.e., socially desirable goods/services such as education, healthy food, road safety, etc. For instance, a firm or a social organization can undertake a campaign to promote road safety anti-road rage campaign, use of car seat belts campaign, anti-rash driving campaign, etc. Such campaigns benefit the automobile users/ drivers, but also other road travellers.

2) Overcomes Social Evils:

Social marketing makes people to avoid demerit goods, i.e., socially undesirable goods. Organizations may undertake anti drugs campaign, anti child marriage campaign, anti-abuse of alcohol campaign, concern for girl child campaign, etc. Such campaign aims at overcoming social evils, and to make the society a better place to live.

3) Inculcates Social Behaviour:

Social marketing aims at inculcating social behaviour. For instance, an organisation may undertake a campaign advising people not to smoke at public places in the interest of general public. Also a campaign on anti-corruption can improve social behaviour of corrupt people, which in turn can improve economic and social wellbeing of the society. Such campaigns make people as responsible citizens.

4) Impetus to Green Marketing:

Social marketing promotes green marketing. Some of the social marketing campaigns that promote green marketing include:

- a) Anti-pollution campaign
- b) Recycling of waste
- c) Anti-plastic carry-bags campaign
- d) Use of organic ingredients
- e) Promotion of eco-friendly products

5) Customer Relationships:

Social marketing activities build trust and confidence of the customers. Educated customers respect companies that undertake and promote social marketing activities. In doing so, a business firm may be in a better position to develop healthy customer relationships.

6) Corporate Image:

Social marketing may enables an organisation to build its image in the minds of various stakeholders. For instance, companies which are genuinely interested in social marketing undertake various campaigns to promote social welfare. Social marketing may indirectly improve the performance of the organisations. The improvement in performance helps the organisation to enhance its image in the minds of customers, employees, investors, and others.

7) Social Development:

Social marketing helps to improve social development indicators such as improvement in literacy, improvement in life expectancy, etc. Campaigns that improve social development include:

- a) Campaign to consume healthy foods and to avoid junk foods.
- b) Campaign to remind people for regular health check-ups.
- c) Campaigns highlighting the benefits of regular physical/ mental exercises.
- d) Campaigns promoting education
- e) Campaigns promoting family welfare.

8) Social Responsibility of Business:

Business firms are corporate citizens. As corporate citizens, business firms are expected to fulfill social responsibilities towards various sections of the society customers, employees, investors, suppliers, dealers, competitors, etc. Business firms by undertaking social welfare campaigns fulfill a part of their social responsibility

Q.4) Explain the Green Marketing

The concept of green marketing has come into existence in response to the growing concern over environmental degradation. The deterioration of the ecology is a major global concern. There is growing concern about the greenhouse gases in the environment due to the burning of fossil fuels,

about the depletion of ozone layer due to certain chemicals and global warming. Environmentalists in India and abroad are voicing their concern and are campaigning against pollution causing industries.

According to American Marketing Association "Green marketing is the marketing of products that are presumed to be environmentally safe".

Green marketing consists of environment-friendly business activities. Any marketing activity of the firm that is intended to create a positive impact or to lessen the negative impact of a product on the environment can be treated as Green Marketing

Scope of Green Marketing

Green marketing is not just selling products based on their environmental benefits, but it is a wider concept. Green marketing involves developing products and packages that are environment friendly or less harmful to the environment.

Green marketing includes many areas ranging from conservation to control of pollution. Companies should make every possible effort to undertake research and development in order to come up with eco-friendly products in the interest of the consumers well-being in particular and that of societies in general.

Green Marketing Campaign

Firms that adopt the concept of green marketing should highlight the same in their promotion campaigns. They should make people aware of the benefits of eco-friendly products. They should also highlight the fact that they invest a good amount of money in R&D to design eco-friendly products. Promotion themes must be developed such as "Creates better environment for present and future generations."

Contribution to the Growth of Green Marketing

As a firm, the several ways in which contribution can be made towards the growth of green marketing are as follows:

- a) Undertake R&D to develop eco-friendly products.
- b) Adopt effective anti-pollution measures.
- c) Recycling of waste products.
- d) Encouraging people to demand eco-friendly products through aggressive publicity and advertising campaigns.
- e) Inviting suggestions from employees, customers and others towards the development of eco-friendly products and rewarding valuable suggestions.
- f) Educating the people of the benefits of eco-friendly products.

Concerns about Green Marketing

- a) Some of the concerns that exist even today include:
- b) Deceptive advertising.
- c) False safety claims.
- d) High prices for eco-friendly products

As a good corporate citizen, firms should not undertake deceptive advertising to mislead the people, especially when they do not produce eco-friendly products. Ethical firms should bring to the notice of Government authorities regarding false claims by some unethical producers. They may also influence media to carry news reports against such false claims. As far as prices are concerned, companies producing eco-friendly products should not charge exorbitantly. They may try to recover their costs of R&D connected with the development of such products over a long-term of two to three years rather than within a short period of less than one year.

Q.5) Explain the Effectiveness of Green Marketing

The following are the Effectiveness of Green Marketing:

1) Being Genuine:

It means that the firm should:

- a) Do what the firm is claiming in its green marketing campaign.
- b) The firm's policies - production, training, research and development, must be consistent with green marketing objectives. For instance, R&D should focus on the development of environment friendly products.

2) Educating Customers:

The firm must let people know that it is undertaking green marketing through suitable campaigns. At the same time, the firm must let customers know why it matters. Otherwise for a significant number of firm's customers, it is a case of "So What?" and the green marketing efforts and campaign may go waste.

3) Giving Customers an Opportunity to Participate:

A firm must encourage the customers to participate in green marketing-related activities. For instance, a tea marketer can encourage its consumers to use the waste of tea leaves as a fertilizer for gardening rather than using chemical fertilizers

Q.6) Explain the Digital Marketing

The term 'digital marketing was first used in the 1990s. In the 21st century, the term 'digital marketing became more sophisticated and popular in developed countries, and also in emerging and developing countries.

Digital marketing is marketing that makes use of electronic devices such as computers, tablets, smart phones, cell phones, digital billboards, and game consoles to engage with consumers and other business partners.

Digital marketing applies technologies or platforms such as websites, e-mail, apps (classic and mobile) and social networks. Many organizations use a combination of traditional and digital marketing channels.

Forms

Internet Marketing is a major component of digital marketing. Therefore, digital marketing is often referred to as 'online marketing or 'internet marketing Apart from internet marketing, there are other forms of digital marketing which includes social media marketing, viral marketing, telemarketing, and mobile marketing.

Q.7) Explain the Internet Marketing

Internet marketing refers to marketing of goods and services with the use of internet. It is also referred to as on-line marketing or e-marketing. Internet marketing gained recognition in 1990s. At present, internet marketing is the buzz word among businessmen. It is specially a boon to new entrepreneurs.

The main components of internet marketing are:

- a) B2B (business-to-business) marketing
- b) B2C (business-to-customers) marketing
- c) C2C (customer-to-customer) marketing
- d) C2B (Customer-to-business) marketing, etc.

There are many ways conduct internet marketing:

- a) Electronic presence by setting up a marketing web site.
- b) Advertising on-line.
- c) Internet forums, newsgroups, and bulletin boards.
- d) Web communities.
- e) E-mail.

There are several advantages of internet marketing::**1) Advantages to Customers:**

- a) Convenience in shopping
- b) Anytime shopping
- c) Lower prices
- d) Loyalty incentives, etc.

2) Advantages to Marketer:

- a) Global reach
- b) Audience sizing
- c) Lower investment
- d) Lower operating costs, etc.

Q.8) Explain the Social Marketing

It refers to marketing through social media networks such as Whatsapp, Twitter, Facebook, Google Plus, LinkedIn, and so on.

Under social media marketing, marketers create content such as event marketing, launching of product, special offers, and the like. The programme content is then uploaded on the social networking sites; the content attracts attention and encourages readers/viewers to share it with their social networks. The popularity of programme content spreads through electronic word of mouth (eWoM).

Consumers Engagement in Social Media Marketing:

Customers may use the COBRA (Consumer's Online Brand Related Activities) technique to engage themselves in social media marketing. For instance, a customer may upload the picture of new brand of "Nike" purchased by him. Through social networking, others may like the new brand, and may even purchase the same. Therefore, this type of marketing results in earned media rather than paid media.

Another technique is eWoM. For instance, a vacationer may upload an online hotel review. The hotel company can have two possible outcomes based on their service. A good service would result in a positive review which gets the hotel free advertising via social media. However a poor service will result in a negative consumer review which can potentially harm the company's reputation.

Advantages of Social Media Marketing:

- a) The marketer can reach a large number of potential customers.
- b) The marketer can build brand loyalty through interaction with customers.
- c) The company can improve the quality of service or products. For example, a poor review of a hotel service can help it to improve its services.
- d) Social media marketing is cost-effective. One can create a programme content which can spread through eWoM.
- e) Social media marketing results in earned advertising rather than paid advertising.
- f) Social media marketing enables businesses to grow and expand customers list.

Q.9) Explain the Viral Marketing

In essence, viral marketing is the Internet word-of-mouth advertising. viral marketing exists in many forms including articles, videos, e-books, software, reports, interactive flash games, white papers, text messages even tweets.

The term 'Viral marketing' was first used in 1997 to explain the extraordinary growth of Hotmail which accumulated over 8 million Users in an astonishing 18 months. Viral marketing refers to a marketing strategy that focuses on spreading information and opinions about a product or service from person to person, especially through internet or e-mail or even media news.

Viral marketing encourages individuals to pass on a marketing message to others. It creates the potential for exponential growth in the messages exposure and influence. Like viruses, viral marketing takes advantage of rapid multiplication to explode the message to thousands, and even to millions.

Viral marketing depends on a high pass-along rate from person to person. If a large percentage of recipients forward something to a large number of friends, the overall growth multiplies quickly. However, if the pass-along numbers get too low, the overall growth quickly fizzles.

Advantages of Viral Marketing:**1) Global Reach:**

Viral marketing can reach globally to a large number of people through the internet at anytime and at anyplace.

2) Cost Effective:

Viral marketing usually uses techniques social networks, building profiles, writing blogs and making videos. This can be done with a small cost or even free of charge,

3) Credibility:

A commercial content when received as a forwarded message from a known person has more chance of being received positively and re-forwarded to others for information dissemination. It helps the campaign by enlarging its reach and credibility

Q.10) Explain the Tele Marketing

Marketing is the act of marketing goods or services to potential over the telephone. It is a form of direct marketing. The marketer use telecom and call centers to attract prospects and to sell customers.

The main forms of telemarketing:**a) Inbound Telemarketing:**

Generally companies provide a toll free as to receive calls from prospective customers or from customers to order goods and services. Receiving calls can be done in house or it can be outsourced to a call centre.

Customer responds to the telemarketing messages on radio, TV media and accordingly place orders.

b) Out bound Telemarketing:

Companies may directly or use call centers prospects and existing customers. The contact may induce the potential or existing customer to place orders.

The Advantages Tele Marketing:**To the Marketer:**

- 1) It enables the marketer to select specific target customers.
- 2) The telemarketing business can be undertaken with lower investment
- 3) It enables to measure accurately the response that is generated through ads
- 4) It helps to maintain customer relationship. For instance an insurance firm can update its client on new scheme or policies
- 5) It is cost effective as the marketing efforts are directed to specific customer

To the Customer:

- 1) Telemarketing offers provides convince to the customer to order and to get the goods delivered at their place.
- 2) Customers can get new and additional information about products through outbound telemarketing.
- 3) Customers may get special promotional offers from the telemarketers.
- 4) Customers may get the goods at lower prices because of the absence of intermediaries.
- 5) Tele-shopping can save time and effort of the customers.

Q.11) Explain the Mobile Marketing

Mobile marketing is marketing on or with a mobile device, i.e., cell phones or smart phones. Mobile marketing provides personalized information that promotes goods, services and ideas.

The widespread penetration of mobile phones allows people to connect to the internet and place online orders at any time and at any place. In India, the number of mobile subscribers 873 million as of 30th June 2013 (declined from 934 million as of 30th June 2012). It is to be noticed that active users of mobile phones are much lower.

According to TRAI, the number of internet subscribers in India who access through mobile device was 176.5 million as of 30th June 2013, i.e., 89% of the total internet users. (The IAMAI data provides different data on internet mobile users in India).

Mobile marketing enables business firms to send SMS to several prospective customers at a time. The mobile marketing firms can directly contact the prospective customers through the cell phones.

It is to be that as per Government regulation, telemarketing firms must be registered and they cannot call those customers who have registered with mobile operator as DND (do not disturb). Otherwise, the telemarketers will be penalised or the services may be withdrawn by the Government

The following are the Advantages of Mobile Marketing:**1) Instant Messaging:**

There is instant delivery of commercial messages with the help of SMS. The SMS service takes a few seconds to reach to the target prospects

2) Flexibility:

Mobile messages such as SMS messages are flexible. They can sent to a targeted group or several mobile users on the marketer's list.

3) Higher Notice-ability:

SMS messages have a high open rate. Almost every SMS sent is opened and read. Whenever there is a signal of text message, the mobile users open the text messages.

4) Diverse Groups:

Mobile phone users represent all demographics — age, gender, education, income, etc. Thus, the mobile messages reach to diverse groups.

5) Personalized Communication:

The mobile phone provides the ideal medium for direct and personalized customer communication,

6) Interactivity:

Being a highly interactive medium, mobile phone enables the recipient of a message to respond immediately, thereby facilitating direct dialogue between the marketer and the potential customer.

7) Localization:

Mobile marketing has a major advantage of localization. Location-based mobile phone services on the Global Positioning System (GPS) can trigger impulse purchases.

8) Ubiquity:

Through mobile phone communication, companies can reach out to the potential customers anytime and anywhere, round the clock.

Q.12) Explain the Advantages and Disadvantages of Internet Marketing**The following are the Advantages of Internet Marketing****A. Advantages to e-Marketers:****1) Global Markets:**

On-line marketers can attract customers located all over the globe and compete in the world markets. The on-line marketer can communicate with the buyers in the world markets through the internet. The e-marketer or on-line marketer can design an effective web site and get orders from the buyers from any part of the world. Thus, on-line marketing does away with the geographical location problems. Even small e-marketers can get orders from the customers across the globe.

2) Audience Sizing:

Marketers can find out the number of persons that have visited their on-line site, and the number of persons that have stopped (switched off) at a particular place on the site without placing the order. Such information would enable the on-line marketer to improve the promotional offer and information. The improvement in the offer and information may enable the on-line marketer to obtain more orders.

3) Lower Investment:

The e-marketers require lower investment as compared to traditional businessmen that sell through the brick and mortar stores (physical stores). The traditional businessmen (that sell through the physical stores) require huge capital investment, especially in cities where the costs of real estate are very high.

The e-marketers need to design an effective website to provide information about the products and the offers. The website costs only a limited amount of money. Also, the e-marketer need not have huge warehouses. The goods are ordered from the manufacturers and stored depending upon the orders received from the customers.

4) Lower Operating Costs:

The e-marketer has to bear limited operating costs as compared to traditional businessmen. The e-marketer may have to pay limited rent for operating a small e-office. Also, the staff salaries may be lower because of limited number of staff to handle e-orders. The insurance

charges are also lower as there is no need to hold huge stocks in the warehouse. Also, the maintenance cost of the website is comparatively lower as compared to the maintenance cost of physical store.

5) Improvement in Productivity:

E-business facilitates automated ordering and billing relating to purchases of the customers. It also facilitates the availability of quality items and on time. Generally, there is high level of efficiency on the part of the trained staff. Therefore, the productivity or the efficiency of the e-business improves.

6) Quality Procurement:

E-business facilitates procurement of quality materials and other items. The buying firm can obtain bids from several potential suppliers, and select the supplier that can provide best quality materials at best possible price.

7) Customer Relationship:

The e-marketer can maintain good customer relationship. The e-marketer can obtain useful feedback from the customers regarding their preferences and specific needs. The feedback can facilitate the marketer to provide customised or individualized offer of products and incentives to the customers.

8) Benefits to the Government Agencies:

E-Governance helps the Government agencies to communicate online with the citizens, and also with business firms and suppliers. For instance, Govt. agencies can communicate online with suppliers for their purchase requirements. Online bidding is quicker and more transparent.

B. Advantages to Customer:

1) Convenience in Shopping:

E-business provides convenience in shopping. They can shop for products on various sites. For instance, in India, on-line buyers can place orders on sites like Flipkart, Myntra, Snap Deal, Amazon, e-bay, and so on. The orders can be placed through the internet. However, in the case of physical store, one needs to travel to the store to place orders and to get the goods. However, now-a-days, the physical stores also provide home delivery, but the customer needs to visit the store for selection of the products.

2) Anytime Shopping:

The customers can place orders anytime as per their convenience. One can place orders 24 x 7 i.e., anytime during the day or night. However, in the case of physical store, one can do shopping only during the specific timings during which the store is open.

3) Lower Prices:

Customers can get the goods at lower prices from the on-line store. This is because; in on-line marketing, there is less number of intermediaries. The on-line marketer may be the only intermediary between the customer and the manufacturer. Therefore, the margin of the intermediary is less, which in turn results in lower prices to the customer.

4) Loyalty Incentives:

On-line marketers provide loyalty incentives to regular on-line shoppers. The customers are rewarded with special discounts or loyalty points. The special discounts can be used for purchases at a later date. Thus, the on-line marketers provide quality goods to the customers with special discounts and offers.

The following are the Disadvantages of Internet Marketing**1) Limitation of Examining the Product:**

In several countries, including India, customers would like to first examine the product, before purchasing it. On-line marketing does not provide an opportunity to physically examine the product before purchasing and therefore, on-line business is very insignificant in a country like India and even in advanced countries like USA, although people are optimistic about its potential.

2) Problem of Delivery:

In India, there are problems of delivery of goods. This may be due to poor infrastructure in terms of roadways and airways and therefore, there are often delays in getting the products ordered on-line.

3) Problem of Confidence:

In India, customers do not trust online marketing. Both business customers and household customers do not have much faith in on-line marketing. They have a suspicion about the quality, price, delivery and other aspects. Therefore, on-line marketers need to create a good amount of confidence in the minds of the prospective buyers.

4) Problem of Payment:

A good number of customers do not want to buy on-line with their credit cards or debit cards. This is because; they feel that hackers may misuse their cards. Also, Indian customers find it difficult to make payment with their Indian cards to international sellers.

5) Low Internet User Base:

Although, India is the third largest country (after USA and Japan) for the use of internet, but internet covers only about 10% of India's population. As of June 2012, there were about 137 million internet users in India. The lower internet user base creates problems for e-business marketers

6) Unsuitability to Certain Products:

It is difficult to conduct business through e-commerce for certain products such as perishable items. Also high costly items such as expensive jewellery may not be purchased by customers on-line because it is difficult to inspect the product before purchase.

7) Privacy Issues:

Customers provide personal details including addresses to the on-line shopping site. However, the personal details may get leaked during transit or even by the on-line marketer to others.

8) Technical Problems:

There are also technical problems that affect e-business transactions. For instance, in several countries, there is insufficient telecommunications bandwidth. This slows down the processing of e-business transactions. It may also frustrate the on-line shopper, and thus, he may not place the order

Q.13) Explain the Event Marketing

Event refers to any happening in the society. Event marketing, therefore, means marketing of events.

The event can be anything a product launch, an exhibition, music concert, release of a movie, sports event like World Cup, a seminar or workshop, college festival and so on. The idea behind event marketing is to convert the event into a marketing opportunity.

Event marketing is the activity of developing or designing a display, themed activity, occasion or exhibit such as a musical festival, sporting event, concert or fair so as to promote a cause, organization or a product.

The following are the Steps in Event Marketing

1) Define Objectives:

At the start, the event manager needs to outline clear objectives for the event. For instance, if the event is to launch a new product, the objective would be to create brand buzz among the target audience in a particular area. Design your event by defining your objectives and strategy. And if the event is marketing for a music concert, the objective would be to get the maximum possible audience at the event.

2) Develop Event Strategy:

Based on the event objectives, the event manager must formulate strategy to achieve the objectives. The manager must plan out the various tasks for marketing the event. Generally, the event manager must outline the tasks relating to:

- a) Choice of the location to launch the event.
- b) Permissions required from local authorities.
- c) Arrangements for media coverage
- d) List of speakers and/or performers at the event.
- e) Resources required for promoting and for managing the event.
- f) Preparation of invitees list.

3) Prepare Contacts List:

Every event needs audience to attend. The event manager needs to create a contact list. The contact list must have the right target audience that be would be interested in your event. For instance, if the event is meant to attract college students to attend a seminar on 'Opportunities for Management Education Abroad', the contact list can be prepared by getting contact details of students from college offices, or from coaching classes

If the firm had hosted events previously the manager may invite former attendees. A mix of familiar and new faces means more networking opportunities.

4) Promote the Event:

It is vital to promote the event. The event manager must decide the forms of promotion depending on the budget and the nature of the event. The forms of promotion could include email campaigns, online ads, personalized letters, phone calls, newsletters, social media, and media advertising and publicity.

In this digital age, online marketing and social media campaigns tend to be more effective than direct mail. The online and social media campaigns are often free and at the same time they can be easily track-able. For instance, one can track the online campaigns with the click rates — Likes, Re-tweets, and so on.

5) Develop Event Website:

The event marketing firm must design an effective event website. In fact, the event website could be the biggest promotional tool. The website needs to include event schedule, session highlights, sponsors, contact information, and registration details.

The website could be used for registration of the attendees. To induce registration, the event firm may provide special incentives like group packages, early bird discounts, and so on.

If the firm hosting the event had earlier hosted events, the website may include photos and video clips of the event, and also the feedback reviews of the attendees. This may motivate the viewers to register for the event.

6) Offer Something Irresistible:

The event marketing firm needs to offer something special or irresistible so as to secure early registrations. Most people love something free or something to remember the event. Therefore, the firm may provide free or heavily discounted merchandise such as t-shirts, coffee mugs, reusable bags with the event name, company logo, and may be the names of the sponsors, if any. The firm may also offer social events with free food and drinks or may provide discount or free coupons for shopping. Such tempting offers may increase attendance at the event.

The merchandise or coupons can be delivered to the registrants well before the event or it may be handed over at the entrance on the day of the event.

7) Organize the Resources:

The event marketing firm must organize the resources to conduct the event. There is a need to make arrangement of 'funds, manpower and physical resources to hold the event. Necessary arrangements must be made including security management, refreshments, sanitation facilities, and so on.

8) Manage the Event:

The most important step is the management of the event on the 'D Day*. The organisation may rehearse certain aspects of the event on the previous day. Everything must go well on the event day. Attendees must be well attended and looked after. Any complaints from the attendees must be immediately sorted out.

9) Post Event Action:

- a) Post event, the firm may conduct satisfaction surveys with the attendees. The satisfaction surveys may help for improvements in future events.
- b) The event manager needs to send personalized thank you notes to the speakers, the staff, and also to the attendees, if possible. The thank you notes may add to the overall satisfaction of the event.
- c) Encourage positive media reviews about the event. The media persons may be presented with special gifts for their positive reviews.
- d) Also once the event is over, the level of excitement should not fade away. Write a blog article to summarize the events precious moments. Photos and video clips may be placed on the event website.
- e) Encourage attendees and others to continue the conversations about the event on social media networks. Successful events generate excitement that can continue long after the actual event. By showcasing this excitement, the organization can position it as a must-attend event in the future, especially if it's recurring one.

Q.14) Explain the Emerging Ethical Issues in Marketing

Ethics is a branch of social science which specifies what good right is and what, is not. Business ethics deal with moral values and behaviors on the part of business firms.

Robert Grinner defines 'Business ethics are those principles, practices and philosophies that are concerned with moral judgments and good conduct as they are applicable to business situation."

A business firm is concerned as a corporate citizen, and therefore, it j has to behave in an ethical manner. It must follow high ethical \ standards in business operations. However, this is not the case. Some of the business firms adopt unfair and unethical business practices to cheat the customers and the society at large.

Some of the emerging ethical issues in marketing are as follows:**1) Targeted to children's:**

Advertising and promotion targeted to children have an adverse' effect on their personality. A famous child specialist (Dr. Allen] Kanner) observed that children are more diverted towards;

material goods, which is the result of advertising and promotions; that companies use to sell their products and play with human psyche. He further states that children do get pocket money and! they are free to spend it on their desired product thus by making them future consumers.

Advertising creates materialistic values rather than spiritual ones. A psychologist who specialized in materialism study (Dr. Tim Kassell) said that people who are materialistic are less satisfied and they are not happy with their life, they are much more into drugs and alcohol and they tend to contribute less to their communities.

2) Super Kids:

Ads dramatise that mothers benchmark their children to be the so called super kid- one who excels in studies and sports — simply because he consumes a particular health drink. Quite often, such health drinks do not contribute to the growth of the child.

3) Unhealthy products:

Manufacturing of unhealthy products such as cigarettes and alcohol and promote them through surrogate ads. The manufacturing and marketing of harmful products raises ethical issues in marketing.

4) Predatory pricing:

Predatory pricing by large MNCs to wipe out the competition also raises ethical issues in marketing. Predatory pricing adversely affects small and medium firms. Especially in developing countries a large number of workforce is engaged in small and medium companies, and predatory pricing can lead to loss of employment.

5) Exorbitant prices:

Drug companies charge exorbitant prices for medicines and induce doctors with gifts and incentives to prescribe the same to patients. Unethical doctors fall prey to such incentives and ignorant patients have to buy highly priced medicines even though cheaper versions are available in the market.

6) Privacy Concern of the customer:

Certain companies such as mobile companies, banks, insurance firms, and others are criticized for sharing (unofficially) customer data with other companies without the explicit permission of the customers. Such instances raise privacy concerns of the customers.

7) Trade mark and brand name violations:

Trade mark and brand name violations are ubiquitous throughout the developing world. In developing countries there is lack of adequate legal framework to penalize violators. MNCs lose huge sums of money due to trade mark and brand name violations

8) Data piracy

Data piracy is a major concern in several countries especially in developing nations. Data piracy costs software, music and movie companies billions of dollars.

9) Product Expiry Date:

There are cases where unethical marketers sell products which have crossed the expiry date by repackaging with a new expiry data. At times, they get caught by local authorities, but strict legal action is not taken.

10) Unethical sales promotion

Unethical sales promotion techniques are adopted by several marketers. For instance, products may be promoted with huge discount, but quite often there is no discount at all or the discount is given only on outdated stock.

11) Celebrity endorsement

Celebrity endorsement is a major ethical issue in marketing. Firms pay huge sums to celebrities to endorse the product. Quite often, the celebrity that endorses the product does not use the product at all. The celebrity endorsements emotionally blackmail the consumers.

The Government needs to implement a regulation to penalize celebrities for making tall claims about the brands which they are promoting.

12) After-sale-service

After-sale-service is quite poor in many developing countries. Even the reputed MNCs do not bother to provide timely and efficient after-sale-service to customers.

13) Artificial shortage

Some marketing firms are criticized for artificial shortage and cartel activities. The firms may form a cartel to control supply and to increase prices.

14) Unfair competitive practices

Some business firms adopt unfair competitive practices such as unfair brand comparisons, colluding with unethical media persons to malign the name of competitors, and so on.

Q.15) Explain the Importance of Ethics in Marketing**The following are the importance of ethics in marketing****1) Survival of Business:**

Marketers need to follow ethical standards for its good and survival. A firm may make short-term gains by resorting to unethical means and disregarding customers and society's interest. However, such firms may grow fast and are out of business faster. On the other hand, organisations conducting business ethically have continued to survive and prosper for a long time. For instance, Nishiyama Onsen, is a hot spring hotel in Japan. Founded in 705 AD (about 1310 years old) is the oldest hotel and oldest company still in operation because of customers' patronage.

2) Growth and Expansion:

Ethical practices enable a business firm to expand and grow. Growth and expansion is possible because of the trust and confidence of the customers, employees, investors and other stakeholders. The stakeholders trust and confidence is generated when the business adopts fair business ethics.

For instance, one of the most trusted names in Indian business is Tata Group which was founded by Mr. Jamsetji Tata in 1868. The Tata Group has expanded its business activities in over 80 countries mainly because of its ethical practices. At present, Tata Group has over 100 companies under its fold. It has crossed the US \$ 100 billion turnover in 2013.

3) Corporate Image:

Ethical practices enhances brings goodwill and reputation to business firms. Due to ethical practices, the performance of the firm improves. Therefore, the image of the firm improves in the minds of the customers, and other stakeholders.

Ethical companies command strong brand value. For instance, the only Indian group that features among the top 50 most valuable brands in the world in 2014 is that of Tata Group which is ranked at the 34th place by Brand Finance.

4) Competitive Advantage:

Business firms that adopt sound ethical practices enjoy competitive advantage in the market. Such firms can face the competition effectively on account of the support of the customers, dealers and others. However, firms that adopt unethical practices may find it difficult to compete in the market unless such firms enjoy monopoly position in the market.

5) Customer Satisfaction:

Ethical business practices generate customer satisfaction. Customer satisfaction is the outcome of the correlation between product performance and customer expectations. Ethical business firms make every possible effort to improve the quality of the products and to lower the costs. Therefore, ethical firms are in a position to supply quality goods at lower prices, which generates customer satisfaction.

6) Consideration of Society's Interest:

Business firms that adopt ethical practices would make every possible effort to produce goods and services not only in the interest of its customers but also in the interest of the society. Such firms look into the well-being of the customers and also the welfare of the society. Therefore, they would make every possible effort to produce eco-friendly products

7) Consumer Rights:

Ethical practices enable business firms to protect consumer rights. Consumers have several rights such as right to choose, right to redress, right to inform, right to safety, right to be heard, and so on. Ethical business firms protect the consumer rights by providing proper information and facilitating consumer, choice. They also provide quality and safer products. Ethical firms encourage customers to address their complaints and accordingly resolve such complaints in the interest of the customers.

8) Improved Relations with Members of the Society:

Business ethics is vital to develop good relations with the members of the society. Ethical practices promote and protect the interest of various groups associated with the business firm. For instance, ethical firms maintain good relations with its employees. Employees want to stay with ethical firms thus reducing labour turnover and improving productivity.

Ethical practices also help to develop good relations with dealers as they get supplies on time and also proper incentives and compensation. The suppliers are satisfied as they make payment on time, and also valuable suggestions. Society is in a better position because it can receive donations towards education, health services, and so on. The shareholders are also benefited because of increase in shareholders wealth.

Q.16) Explain the Challenges before Marketing Managers in Changing Business Environment

The following are the Challenges before Marketing in Changing Business Environment:

1) Challenges of Global Markets:

The world has become a global village. Trade barriers are getting dismantled in almost all the major markets of the world. This gives an opportunity to local firms to go global. However, the marketing managers have to face challenges of the global markets:

a) Competitiveness:

Global firms need to achieve competitiveness in terms of cost reduction and quality improvement. Firms that focus on R&D can gain competitive advantage in the global markets. Apart from R&D focus, global firms will have to spend heavily in effective training and development, and also on technology upgradation to gain competitive advantage at the market place.

b) Changing Demographic:

Changing demographics and expectations of global consumers has a direct effect on the nature of market opportunities. In the developed countries, senior citizens have become the most prosperous group in the society with their post-retirement incomes. The ageing population is expected to rise sharply in the developed countries in the next few decades. Even in emerging countries like Brazil, Russia, India and China, the 60+ population is likely to increase sharply by 2050.

The challenge in the 21st century is not only to find products and services which appeal to grey

market (60+ old people) but also to design effective marketing communication with these people.

c) Local culture

Understanding local culture is one of the biggest challenges for global marketers. For instance, if an Indian company is looking to expand in European markets for the first time, not only will that company face language barriers, but also social and business customs, protocol and etiquette.

Some trivial matters may be considered as offence in some cultures, such as gifting certain color of roses. For instance, in Wales and some other European countries, the white rose represents innocence and silence, and is thus placed on the grave of a young child.

d) Business Communication

Business executives from different countries can encounter several barriers to effective business communication besides language differences. The pace of business negotiations can be different in different countries. For instance, Americans sometimes want to speed up negotiations, whereas in some other countries emphasis is placed on building relationships before a business deal is seriously considered. Executives from other countries may place a higher value on things such as facial expression instead of just the words that are being said.

e) Marketing communication.

Marketing managers of global firms also face the challenge of marketing communication.

For instance, humor is often used in commercial messages to get consumers' attention. But what is considered extremely funny in one culture can be perceived as confusing or insulting in another. To produce effective advertising requires more than accurate translation of the message from one language to another. It requires a deep understanding of the culture, customs, morals and even religious views that predominate in that country.

2) Challenges of Compressed Product Life Cycle (PLC):

PLC refers to the period of time over which a product survives in the market — right from product development to its withdrawal from the market.

One of the most dramatic changes in the last decade is the compressed product life cycles. It is estimated in some companies 50% of the sales revenue comes from products launched during the past couple of years. This means that products which were 'cash cows in the company's portfolio of products are becoming a thing of the past.

The shrinkage of PLC requires introduction of new brands. If a company does not respond to launch new products, it may soon be wiped out of the market by its competitors

The solution to the challenge of compressed PLC is that business firms need to make product portfolio analysis. The portfolio analysis may indicate that certain brands/products may be drags on company's top line (sales revenue) and on bottom line (profits). Such brands need to be replaced by the introduction of new brands. At times, the exiting model or brand may be modified and re-launched with a new name.

For instance, car companies such as Suzuki Motors, Toyota Motors, and others launch new models every year to face the challenge of compressed PLC. Even in the case of FMCG companies, new brands are launched every year and the drags are discarded.

3) Customer Awareness:

In India, there are thousands of brands of washing powders, biscuits, soaps, soft drinks, and so on. However, consumers are aware of few of the brand names in each product category. This means there is lack of awareness among customers.

Even some of the top brands are not so familiar to urban customers. For instance, Ghari washing powder which was launched in 1987, and after 25 years - in early 2012 it became the top brand of washing powder in India replacing Wheel washing powder of HUL. However, in Mumbai, a good number of youngsters (studying in colleges) is not so aware of the brand.

The solution to increase consumer awareness of products is to select the right channels to

communicate with the target audience so as to increase 'top of mind awareness.

- a) For a low advertising budget marketer, outdoor media and radio can be the best option especially in rural and semi-urban areas of India.
- b) Especially in rural areas, product demonstrations, advertising at village fairs, sponsorship of local events, organising road shows, magic shows, street plays, etc., wherein the brand name and its uses can be highlighted to the audience
- c) For urban audience, digital media including internet and social media networks can be used to create awareness. The digital media is cost-effective and at times free of cost. Social media networks have a multiplier effect. A good story about the product, its special highlights and other aspects can be easily communicated through the company's blog and through social media networks.
- d) At times, free samples may be distributed to prospective customers, especially in areas where there is lack of product awareness. The free samples induce trial of the product and also create product awareness.

4) Challenges of Technology Boom:

Technological changes such as changes in equipments, methods and techniques result in production of new products, and products at lower costs, which in turn open up new marketing opportunities.

The advent of new technologies such as internet, and mobile devices has posed a great challenge to marketing managers of several firms. Certain products have become obsolete, and firms have shut down the operations of such products. For instance, after 244 years of existence, the Encyclopaedia Britannica has gone out of print in May 2012. So also Sony has discontinued its production of Walkman, and there are host of such examples.

The internet users have increased considerably across continents of the world. In India, the number of internet users was 177 million at the end of June 2013, and expected to increase sharply in the near future. Internet has changed the way of marketing communication. Nowadays, business firms can use internet to reach millions of potential customers globally at a fraction of a cost.

The boom in ICT (information and communications technology) poses a challenge for marketing managers to redesign the communication mix. Rather than focusing on the traditional media of communication, marketing managers need to take advantage of the ICT to reach to the appropriate target audience.

5) Emergence of Social Media:

The use of social media has exploded in the last several years. Friendster, the first social media site, was launched in 2003. Myspace, Facebook, LinkedIn, Twitter and others soon followed.

Social media provides opportunities to market jug managers:

- a) Marketing managers can use social media to introduce and promote new products and services to potential target customers. Social networking sites allow customers to communicate with each other and to share their experiences of the products that they use. A positive experience can lead to brand loyalty and higher sales.
- b) Social media has revolutionized the style of business-to-customer communications. Traditionally customers were mere listeners to commercial messages. Social media enabled customers to make the firms to listen, and to respond to them. Social media has become the eVoM. The customers can speak directly to the business firms.
- c) Companies that join social media sites are able to create stronger relationships with their customers. The firms can also improve customer service by utilizing social media as they can get instant feedback from the customers.
- d) Social media is highly cost effective. It is an inexpensive mode of advertising because it reaches a large number of people. The firm need not spend large amounts of money on marketing and advertising campaigns, because satisfied customers do the communications job. Customers trust the online peers for their reviews rather than searching for product information

CHAPTER 3: MARKETING INFORMATION SYSTEM

Q.1) Explain the Meaning and Features of Marketing Information System.

Marketing information includes all the data, in terms of facts, opinions, views, guidelines and policies, which are necessary to make vital marketing decisions. The data is collected from customers, competitors, company sales-force and other staff, government sources, specialized agencies and sources.

"A marketing information system consists of people, equipment and procedures to gather, sort, analyse, evaluate and distribute needed, timely and accurate information to marketing decision makers." -Philip Kotler

The following are the Features of MIS

1) Systematic Process:

MIS is a systematic process of collecting and maintaining a record of marketing information. The MIS process consists of:

- a) Gathering of marketing information.
- b) Sorting/ classification of data.
- c) Analyzing of marketing data.
- d) Transmitting the data to marketing decision makers.

2) Professional Approach:

There is need to adopt professional approach towards MIS. The company must select and train the MIS staff. The MIS data must be collected, classified, analysed, and transmitted systematically to the marketing managers to take appropriate marketing decisions in respect of product design, pricing, promotion, etc.

3) Continuous in Nature:

The MIS activity is continuous in nature. There is constant need to collect relevant marketing data relating to the environment such as competitors' strategies, Government policies, customers requirements, changes in international environment, etc.

4) Components of MIS:

MIS consists of four components:

a) Internal Records:

It provides current data on internal marketing environment such as sales, costs, inventories, cash flows and accounts receivable and payable. Many companies have developed advanced computer-based internal records systems to allow for speedier and more comprehensive information.

b) Marketing Intelligence System:

It refers to information gathered and analysed for the purpose of identifying market opportunity, and the development of market penetration and market development strategies. Market intelligence focuses particularly on competitors, customers, consumer spending, market trends, and suppliers.

c) Marketing Research:

Besides, internal records and marketing intelligence, marketing managers may often conduct marketing research to solve specific problems

d) Marketing Decision Support System (MDSS):

A MDSS is a set of statistical tools and decision models with supporting hardware and software available to marketing managers to assist them in analyzing data and making better marketing decisions.

5) Unified and Centralized System:

There are several information components (internal records, marketing research, etc.) in every MIS. Also, there are several activities in each component — collection of data, processing, storing and transmission. The components and the activities must be integrated into a unified system. The unified system is managed at a centralized place. In other words, information collected by different individuals or sections must be integrated and stored at a central place.

6) Facilitates Decision Making:

MIS aids in decision making relating to various elements of marketing-mix such as product-designing, pricing, promotion and distribution. By making available timely information, which is relevant and reliable, MIS aids marketing managers to take effective decisions to achieve objectives of the marketing department and that of the organization.

7) Cost-effective Information:

There is no sense in collecting whatever information that is available in the market. MIS facilitates the collection of only relevant information. Efforts are made to collect not only relevant data but also cost effective. The benefits which the MIS bring to the organization must be more than the cost incurred on it.

8) Future Oriented:

To manage the business well, marketing managers should be future oriented. Therefore, MIS should be in a position to provide information to solve problems that may crop up in future. More emphasis must be placed on future oriented information rather than past oriented information.

9) Regular Supply of Information:

There is a constant and continuous need to make marketing decisions. This is because of the constant and continuous changes in the business environment. Therefore, to make effective decisions, MIS should supply information regularly on a continuing basis.

10) Use of Latest Techniques:

MIS makes use of latest techniques such as sophisticated computers, micro-films etc., to collect, store and process meaningful information.

Q.2) Explain the components of Marketing Information System.**1) Internal Records:**

A company maintains internal records for the purpose of marketing decisions. The internal records are in respect of sales, inventories, account receivables, account payables, marketing and distribution costs, test marketing, promotion, sales force records, after-sale-service records, etc.

Large companies have developed advanced computer based internal records system. The computer based internal record system allows quick and comprehensive information.

The following are the Purposes of Internal Records:

- a) To facilitate decision making in respect of promotional activities such as advertising, sales promotion, etc.
- b) To ensure proper pricing of the products.
- c) To determine credit policy.
- d) To motivate the salesforce by providing a package of incentives.
- e) To motivate the dealers to push and promote the products.
- f) To set sales targets.
- g) To launch new or modified products. I
- h) To develop effective after-sale-service strategy

- i) To minimize customers' complaints.
- j) To maintain good relations with the customers.

2) **Marketing Intelligence:**

Market intelligence is the information relevant to a company's markets, gathered and analyzed specifically for the purpose of identifying market opportunity, and development of market penetration and market development strategies."

The following are the Need of Marketing Intelligence:

Marketing intelligence can be used to assess market entry opportunities and to formulate market development plans and market penetration strategies. Market intelligence focuses particularly on competitors, customers, market trends, and suppliers.

Who can provide Marketing Intelligence?

Marketing intelligence can be collected by marketing managers, sales force, consultants, marketing intelligence specialists, and channel intermediaries.

The following are the Objectives of Marketing Intelligence:

- a) To identify market opportunities.
- b) To identify new trends in markets.
- c) To analyse competitors' moves so as to enable counter measures.
- d) To launch new products in the market.
- e) To enhance customer relationships.
- f) To expand existing markets.
- g) To select and develop new markets.
- h) To effectively position the products so as to create a distinct image.

3) **Marketing Research:**

It is a systematic gathering, recording, analyzing of data about problems relating to marketing of goods and services.

The following are the Scope of Marketing Research:

Marketing research is undertaken to solve specific marketing problems relating to product, pricing, promotion, distribution, after-sale-service, etc. Some of the areas of marketing research include:

a) Consumer Research:

It provides feedback on customers' requirements and expectations. Accordingly, the company would design and distribute products to satisfy customers requirements.

b) Dealer Research:

It provides feedback on dealers' expectations and the incentives provided by the competitors. This feedback would enable the firm to design dealers' incentive package.

c) Product Research:

It enables the firm to obtain information of current product offering by the firm. It helps the firm to improve product quality, and features.

d) Promotion Research:

A firm can gather and analyse information relating to its promotional activities such as publicity, advertising, sales promotion, salesmanship, etc. It helps to design effective promotion-mix.

e) Pricing Research:

It enables the firm to find out the appropriateness of the firm's pricing of products. It helps

the firm to fix the right prices depending upon certain factors such as competitors' pricing, customers' nature, demand for the product, etc.

f) Place Research:

It includes areas of distribution and the channels of distribution. It helps the firm to select the right channel of distribution depending upon certain factors. It also helps to locate new markets, and to expand the existing markets.

The following are the Importance of Marketing Research:

- a) It enables the firm to take effective marketing-mix decisions in respect of product, price, promotion and the place of distribution.
- b) It enable a firm to gain competitive advantage in the market
- c) It improves corporate image of the firm.
- d) It facilitates customer satisfaction.
- e) It helps to achieve firm's objectives, etc.

4) Marketing Decision Support System (MDSS):

A MDSS is a set of statistical tools that assist marketing manager to make improved marketing decision. It makes use of information technology, marketing data (that is gathered over a period of time) and modeling technique. This system enables to predict outcome from different scenarios and possible marketing strategies:

MDSS Specializes in three main areas to assist in marketing decision:

- a) The first element is the forecasting and analytical marketing support. This enables the company to be prepared for changes that may be required in the near future.
- b) The second element is the custom database design and management. A custom data base enables a company to prioritize information in order to make the best decision for its particulars needs.
- c) The third element is the research tracker database system for the marketing research industry. This gives a company access to the latest market trends and enables a firm to know the event that would be taking place in the market in the near future.

Q.3) Explain the Essentials of Good Marketing Information System (MIS) .

The following are the essential of good MIS

1) Professional approach:

There is need to adopt professional approach towards MIS. The company must select and train the MIS staff. The MIS data must be collected, classified, analysed, and transmitted systematically to the marketing decision in respect of product design, pricing, promotion etc.

2) Training to MIS Staff:

To make MIS more effective for decisional making, there is need to provide effective training to the MIS staff Training helps to improve knowledge, attitudes and skills relating to the job. Effective training will help the MIS staff to: collect the right data, sort it, edit it, and to analyse it. Thus, training will improve the overall quality of data management, which in turn will facilitate quality decision-making.

3) Integrated and Centralized:

MIS must be unified and centralized. The MIS data is collected from various sources such as internal records, marketing research, and marketing intelligence. The data is collected by several MIS staff. The data must be integrated, i.e., data must be sorted to avoid duplication of data.

The collected and sorted data must be analysed and maintained at a central place. This will help to distribute timely and accurate data to decision-makers.

4) Timely and Accurate Data:

MIS must provide timely and accurate data to marketing managers. The MIS centre must gather the right quality and quantity of data. Irrelevant and outdated data must be discarded. Only reliable and up-to-date information must be analysed and stored for future reference. MIS by making available the relevant, reliable and required information facilitates quality decision-making.

5) Future Oriented:

MIS must provide future oriented information. For efficient management of business, marketing managers need to be future oriented. Therefore, MIS should provide information to solve problems that may crop up in future. More emphasis must be placed on future oriented information rather than past oriented information.

6) Cost-Effective:

MIS system must be cost-effective. MIS staff must collect only relevant data. Emphasis must be placed on quality of data rather than quantity of data. Costs relating to collection of data must be monitored. If only relevant data is collected, the cost of collection and analysis of data will get reduced. The benefits of MIS to the organisation must outweigh the costs and expenses incurred on MIS.

7) Continuous Data Collection:

The MIS staff needs to collect and analyse the data on regular basis. This is because; there are constant changes in the business environment in respect of:

- a) Customer expectations
- b) Competitors' strategies
- c) Government policies
- d) Technological developments
- e) International environment, etc.

Continuous collection of relevant data would enable the marketing managers to know the latest trends and accordingly make effective decisions to gain competitive advantage.

8) Regular Supply of Information:

There is a constant and continuous need to make marketing decisions. This is because of the constant and continuous changes in the business environment. Therefore, to make effective decisions, MIS should supply information regularly on a continuing basis.

9) Facilitate Planning:

MIS must facilitate planning and control of marketing functions such as product designing, pricing, promotion, distribution, etc. Proper planning would be possible only when the managers are in a position to get relevant and reliable information. When a company frames effective planning, it would be possible to implement and control the various marketing programmes.

9) Marketing Objectives:

MIS must enable the company to achieve marketing objectives. For this purpose, MIS must provide timely and reliable information to marketing decision makers. Effective decisions would enable the company to achieve marketing objectives such as

- a) Increase in sales
- b) Increase in Market share
- c) Increase in profit
- d) Improvement in corporate image and so on.

CHAPTER 4: MARKETING RESEARCH

Q.1) Explain the Meaning and Features of Marketing Research.

Marketing is a systematic approach to solve marketing problems. The American Marketing Association defines marketing research “ The systematic gathering, recording and analyzing of data about problems relating to marketing of goods and services.”

The following are the Features of Marketing Research:

1) Systematic process:

Marketing Research is a systematic process to identify and solve the marketing problems. The process of Marketing research involves the following steps:

- a) Identify the marketing problem
- b) Create the research design (plan) to conduct research
- c) Collection of data through primary and / or secondary sources
- d) Processing of data (which includes editing, coding, classification and tabulation)
- e) Analysis and interpretation of data
- f) Implementation of research finding
- g) Review or follow up of action taken

2) Specific in Nature:

Marketing research is specific in nature. It is undertaken to solve specific problem. Therefore, the marketing manager collects and analyzes the data relevant to the specific problem. For instance, if marketing research is undertaken to fix the right price for a new product or to modify the price of an existing product, the marketing manager will collect relevant data regarding pricing of competitors' product, demand for the product in the market, nature of customers, and such other factors.

3) Scope:

Marketing research attempts to solve problems in a wide range of areas. The problems relate to various areas of marketing such as:

- a) Product research relating to features and packaging.
- b) Promotion research covering elements of promotion-mix such as publicity, advertising and sales promotion.
- c) Pricing research to find out the appropriateness of pricing depending upon certain factors, such as nature of customers, competition, costs, corporate image, credit policy, etc.
- d) Place research covering areas of channels of distribution, compensation to intermediaries, etc.

4) Applied Research:

Marketing research is conducted to solve specific problems of commercial importance. Since marketing research is subject to commercial considerations, it is not a fundamental research but an applied research as it is used to solve specific marketing problems. The marketing problems maybe in respect of product design, pricing, promotion, distribution, etc.

5) Bridges Company-Customer Gap:

Marketing research bridges the gap between the producers and the consumers. The company comes to know more about its consumers - their likes, dislikes, tastes, preferences and buying patterns. The consumers in turn come to know about the company plans for the consumers in terms of introduction of new products, new policies, etc.

6) Continuous in Nature:

Marketing research is continuous in nature. As long as the firm exists, there is a need for

marketing research. During the existence of the firm, marketing problems arise on a continuous basis due to changes in environment, such as: changes in customer expectations, changes in competitors' strategies, changes in Government policies, etc., Therefore, there is a continuous need to collect relevant marketing data to overcome marketing problems.

7) Company Objectives:

Due to marketing research, the company is a position to achieve its objectives. Marketing research enables a firm to solve marketing problems. The resolving of marketing problems enables a firm to achieve its objectives such as higher sales and higher profits because of cost effective decisions.

8) Professional Approach:

Marketing research requires professional approach in respect of the following activities:

- a) Selection of marketing research staff.
- b) Training to the research staff.
- c) Collection of data.
- d) Analysis of data, etc.

The professional approach will enable the firm to collect and analyse the data properly, which in turn will enable the firm to solve the marketing problems.

9) Marketing-mix Decisions:

Marketing research provides necessary information to arrive at appropriate solutions to solve marketing problems. Market research data enables the marketing managers to decide in respect of: product design, packaging, pricing, promotion, distribution. Effective marketing-mix enables the firm to achieve marketing objectives.

10) Methods of Data Collection:

There are various methods of data collection for the purpose of conducting marketing research. The three main methods are as follows:

The following are the methods of primary data collection:

- a) Survey/Interview method (to get feedback from the customers)
- b) Observation method (such as observing buyer's behaviour at shopping centres).
- c) Experimentation method (R&D, product trials).

Generally, the marketing manager may adopt the survey method to collect data from customers, dealers and other stakeholders.

11) Sources of Data Collection:

Marketing research data can be obtained from primary sources or secondary sources. Normally, a company may collect data from secondary sources (published sources). Secondary data is economical and less time consuming. However, if the secondary data is not adequate to solve the problem, the company may go for primary data.

12) Suffers from Certain Limitations:

Although marketing research is beneficial to the company and the customers, yet it suffers from certain limitations, such as:

- a) Bias on the part of the research staff.
- b) Inconsistent or incomplete responses of the respondents.
- c) Limitations of time, and funds.
- d) Limitations of data collection and data analysis techniques

Q.2) Explain the Marketing Research Process**The following are the Marketing Research Process:****1) Identify and Define Problem:**

Identifying and defining the problem is the first step in the process of marketing research. The problems of today's business are diverse. Some relate to the product, others to the customer behaviour, others may be advertising problems, etc.

For instance, the problem may be the failure to meet sales objectives or of falling sales. This may be due to the poor quality of product or poor advertising or lack of motivation of sales force and so on. The job of research people is to identify and define the problem. There should be a proper diagnosis which will lead to an effective solution.

2) Conduct a Preliminary Investigation:

The research problem is generally stated by the marketing team. The research team is supposed to conduct a preliminary investigation.

For example, a sales manager who notices decline in sales might interpret the problem as ineffective advertising. The researcher, therefore, is asked to investigate the effectiveness of firm's advertising. While talking to the wholesalers and retailers of the firm's products, however, the researcher discovers that their support began to decline when a rival firm introduced a new product that gave them a higher margin on sales. This gives the researcher a new perspective on the problem. It also makes clear that an investigation of advertising effectiveness will not solve the problem.

3) Determine Data Needs:

The researcher should decide about data needs to solve the problem. Researchers use primary and secondary data. Primary data are collected specifically for a particular problem. It may be generated by original research through observation and/or inquiry. Secondary data is readily available information. It can be collected from published sources.

4) Determine Data Sources:

The sources may be internal or external. The major internal source of primary data is company personnel. Retailers, customers, wholesalers are important external sources of primary data. The major internal source of secondary data is company records. Libraries, trade associations, and government publications are important external sources of secondary data.

5) Create the Research Design:

The research design is the grand plan for conducting the research investigation. It provides guidelines to the researcher to keep a track of his actions and to know whether or not he is moving in the right direction in collecting the data. Whatever may be the nature of research problems, all research designs contain the following elements:

- a) Statement of research problem
- b) Time frame of research
- c) Areas of collecting data
- d) Resources required
- e) Techniques of data collection and analysis
- f) Universe of research
- g) Sample size

Thus, the considerations which enter into making decisions regarding the what, where, how much, by what means, constitute the research design or plan.

6) Design Questionnaire:

If the researcher cannot solve the problem with the help of secondary data, he should then make efforts to collect the primary data from the field for which he generally requires a questionnaire. While designing a questionnaire, the following points must be kept in mind:

- a) Type of information required
- b) Type of technique that would be used for conducting the research i.e. whether telephone, personal or mail.

7) Designing Sample of Respondents:

Market research is always restricted by shortage of time and other resources. Therefore, few persons are selected to represent thousands of people in the market. However, the sample so selected must represent the total population under study. The sample can be selected at random or by using probability techniques.

8) Collection of Data:

Problem solving requires collection of data. As mentioned earlier, information can be collected from various sources, both internal as well as external, primary or secondary.

The researcher should note that:

- a) Information is up to date and free from bias.
- b) Data is objective and relevant to the needs of problem.
- c) Data is complete in all respects.

9) Organization of Data:

The collection of information accounts for major part of any research work. The data when collected is mostly available in crude form and as such it has to be processed. To process the data, it must be organised. The techniques and tools like editing, coding, classification and tabulation are commonly used to process the data.

Editing helps to weed out unwanted and irrelevant data, whereas, coding, classification and tabulation makes the data ready for applying statistical techniques for analysis purpose.

10) Analysis and Interpretation of Data:

Organisation of data is generally followed by its analysis and interpretation. The purpose of analysing data is to establish a relation between the information and problem. Analysis reviews the data in the light of hypothesis or research problem. It is difficult to demarcate a line between analysis and interpretation. They quite often overlap and so it is difficult to find out the end of analysis and the beginning of interpretation.

Interpretation refers to the analysis and generalisation of results. It enables to clear the meaning and implication of study. It enables to link findings with research problem and arrive at logical conclusion.

11) Preparation of Research Report:

After drawing conclusions, the researcher will then proceed to prepare the market research report. The report is divided into a number of paragraphs or chapters, depending upon the nature of the problem. The report consists of the following:

- a) Title of the report
- b) Table of contents (Index)
- c) Synopsis
- d) Introduction
- e) Methodology used
- f) Findings
- g) Conclusions and recommendations
- h) Limitations, if any
- i) Appendix followed by Bibliography.

12) Follow-up of Report:

The report is then presented to the concerned manager. The researcher should find out whether his report is accepted, if accepted whether his recommendations are implemented and if implemented, whether recommendations are successful in solving the market research problem.

CHAPTER 5: CONSUMER BEHAVIOUR

Q.1) Explain the Meaning and Features of Consumer Behaviour

Engel, Blackwell and Mansard define

"Consumer behaviour as the actions and decisions processes of people who purchase goods and services for personal consumption.

Louden and Bitta define

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

The following are the nature or features of Consumer Behaviour:

1) Process:

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

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

2) Influenced by Various Factors:

Consumer Behaviour is influenced by a number of factors. The factors that influence consumer behaviour are as follows:

- a) Marketing factors such as product design, price and promotion.
- b) Personal factors such as age, gender, education and income.
- c) Psychological factors such as buying motives and attitudes.
- d) Situational factors such as physical and social surroundings at the time of purchase.
- e) Social factors such as social status and reference groups.
- f) Cultural factors, such as religion, region and so on.

3) Different for Different Customers:

All consumers do not behave in the same manner. Different consumers behave differently. The differences in consumer behaviour are due to individual factors such as nature of the consumers, lifestyles, culture, etc.

For instance, some consumers are shopaholic (compulsive buyers). They go on shopping spree beyond their means. They borrow money from friends, relatives, banks and at times, even adopt unethical means to spend on shopping. But there are other consumers, despite having lot of surplus money may not go for regular shopping.

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. For instance, a college student may spend heavily on clothing and accessories, but may not spend on buying books for general reading (although general reading is vital for college students). A middle aged person may spend less on clothing, but may invest money in savings, insurance schemes, pension schemes and so on.

5) Varies across Regions:

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 in their buying behaviour. The rich rural consumers may think twice to spend on luxuries despite having sufficient funds, whereas, the urban consumer may

buy even with bank loans luxury items like cars, household appliances, etc. Also, across the states, regions and countries, the consumer behaviour may differ depending upon the upbringing, lifestyles, level of development, etc.

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 in respect of:

- a) Product design/model
- b) Pricing of the product.
- c) Promotion of the product.
- d) Packaging, etc.

7) Reflects Status:

Consumer 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. The luxury items also give a sense of pride to the owners.

8) Results in Spread-effect:

Consumer behaviour has a spread effect. The buying behaviour of one person may influence the buying behaviour of another person. For instance, a customer may always prefer to buy premium brands of clothing, watches and other items such as Nike, Van Heusen, Pierre Cardin, etc. This may influence some of his friends, neighbors, colleagues at work place to buy the premium brands. This is one of the reasons why marketers use celebrities to endorse their brands.

9) Improves 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. But, if a person spends less on goods and services, despite having good income may deprive him/her of higher standard of living.

10) Undergoes a Change:

The consumer 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 clothes and the middle aged and senior citizens may prefer more of sober clothing

Q.2) Explain the factors influencing the Consumer Behaviour

The following are the factors influencing the consumer behaviour:

1) Marketing Factors :

The marketing mix variables greatly influence the consumer buying behaviour. The marketing variables include:

a) Product:

The features of the product, packaging and so on.

b) Pricing:

Premium pricing strategy may appeal to upper income groups and value pricing may appeal to price sensitive customers.

c) Promotion:

The elements of promotion-mix include publicity advertising, sales promotion, and salesmanship and so on.

d) Place:

The type of channels, area coverage and so on:

2) Personal Factors ::

The personal factor of a consumer may affect the buying decisions. The personal factors include:

a) Age Factor:

The age factor influences buying behaviour. For instance, teenagers may prefer trendy clothes, whereas, office-executives may prefer sober and formal clothing.

b) Gender:

The consumer behaviour varies across gender. For instance, girls may prefer certain feminine colours such as pink and purple whereas; boys may go for blue and brown.

c) Education:

Highly educated persons may spend on books and personal care products, whereas a person with low education may spend less on such products.

d) Income Level:

Normally, higher the income level, higher is the level of spending and vice-versa.

e) Status in the Society:

Persons enjoying higher status in the society spend good amount on luxury items such as luxury cars, luxury watches, premium brands of clothing, etc

3) Psychological Factors :

A person's buying behaviour is influenced by psychological factors such as follows:

a) Learning:

Learning takes place through information (advertising, publicity) and experience. For example, when a customer buys a new brand of perfume and experiences satisfaction from its use, he is likely to be brand loyal.

b) Attitude:

It is a tendency to respond in a given manner to a ; particular situation or object or idea. Consumers may develop a positive, or negative or neutral attitude towards certain products or brands, which in turn would affect his/her buying behaviour.

c) Motives:

A motive is the inner drive that motivates a person to act or behave in a certain manner. The marketer must identify the buying motives of the target customers and influence them to respond positively. Some of the buying motives include: Pride and possession, Love and affection, Comfort and convenience, etc

d) Perception:

It is the impression, which one forms about a certain situation or object. For instance, a student may perceive examinations as an important event and therefore, he/she would make every possible effort including purchase of new stationery like pens, whereas, another student may be casual about the examinations and therefore, would not make extra efforts.

4) Situational Influences :**a) Physical Surroundings:**

The physical surroundings at the place of purchase influences buying behaviour. For instance, the location of the store, the decor, the layout of the store, the way merchandise is displayed, etc., influences buying behaviour.

b) Social Surroundings:

The social surroundings involve the other person(s) with the customer at the point of purchase. For instance, a bargain hunter shopping with an impatient friend may do quick purchases and may not haggle over the price.

c) Time Factor:

Customers may make different decisions depending on — the hour of the day, the day of the week, or the season of the year. For instance, a customer may shop more on his salary day.

d) Momentary Conditions:

The moods and condition of the customer at the time of purchase may also affect the buying decision. A customer in a happy mood may make a different buying decision, as compared to when he is not happy

5) Social Factors:

The social factors such as reference groups, family and social and status affect the buying behaviour:

a) Reference Groups:

A reference group is a small group of people such as colleagues at work place, club members, friends circle, etc.. Reference groups influence its members as follows:

- a. They influence values and attitudes of the members.
- b. They expose members to new lifestyles
- c. They create pressure to choose certain products.

b) Family:

The family members influence buying decision. For instance, nowadays, children are well informed about goods and services through media and other sources and therefore, they influence the buying decision of the parents.

c) Roles and Status:

A person performs certain roles in a particular group organisation. For instance, a person may perform the role of senior executive in a firm and therefore, enjoys higher status. People may purchase the products that conform to their roles and status, especially in the case of branded clothes, luxury watches, luxury cars and so on.

6) Cultural Factors :

Culture includes race and religion, tradition, values, etc. The cultural factors influence buying behaviour:

a) Religion:

It influences consumer behaviour to a certain extent. For instance, consumption of alcohol and meat products is restricted in certain religions, but in some other communities there is no such restriction.

b) Sub-Cultures:

Each culture consists of sub-cultures that provide specific identity to its members. Subcultures include caste, religious sects, geographic regions, languages, etc. The buying behaviour of people belonging to various sub-cultures may be different. Therefore, marketers may adopt multicultural marketing approach, i.e., designing goods and services that cater to the tastes and preferences of consumers belonging to different sub-cultures.

Q.3) Explain the Buying Decision Process**The following are the steps of Buying Decision Process:****1) Need Identification:**

The consumer buying process begins with the need identification. It may come from internal stimuli (such as hunger, or desire to look good) or an external one (such as a TV ad, suggestion from a friend).

People are driven by buying motives to fulfill their needs. Therefore, marketers must have a good knowledge of buying motives that induces people to buy the products.

2) Information Search:

When consumers identify a need, they may search for information to buy the product. A consumer may look for information from several sources:

- a) Internal Sources - recalling from memory, if he/she has satisfied a similar need in the past.
- b) Group Sources - consulting other people like family members and friends.
- c) Marketing Sources - advertisements and other promotion material.
- d) Public Sources - media publicity, internet and industry reports.
- e) Experiential Sources - by experiencing products on trial basis.

3) Listing Alternative Brands:

A consumer may list out a few alternatives from the several brands " that are available in the market. The brands may be listed after collecting necessary information from various sources. For instance, in the case of purchase of a car, the information of i alternative brands may include: Features, Price, Model, After-sale-service, Warranty, Fuel efficiency, etc.

4) Evaluation of Alternatives:

The consumer may evaluate each brand/product against certain • criteria such as features, price, etc. For instance, in the case of ; purchase of a car, a middle class customer may consider the fuel efficiency of the car apart from certain other factors. And a customer belonging to upper-upper income group may consider the aesthetic features, brand name of the car and such other features and may not consider the fuel efficiency factor. In other words, customers identify the product that will deliver the greatest value and satisfaction.

5) Attitude:

After evaluation, the consumer may develop an attitude towards the product. Attitudes are individual feelings and beliefs that would largely influence the consumer behaviour. The attitude I may be positive or negative. If the consumer develops positive j attitude, the buying decision process will continue.

6) Trial Purchase:

The consumer may go for trial purchase to find out whether or j not the product meets his expectation. For instance, in the case j of car, he may go for a test drive. In case of like FMCG product, the consumer may purchase the product on trial basis

7) Purchase Decision:

Once the consumer has narrowed down the possible alternatives to just a few, he/she may make a decision to purchase. There are three possible options:

- a) Make a purchase decision of the short listed brand.
- b) May postpone the decision to buy in the near future.
- c) May not buy the product, if none of the short-listed brands meet his/her requirements.

8) Post-purchase Behaviour:

Marketer's job is not complete with the purchase decision by the buyer. Marketers must monitor post-purchase behaviour of the customer.

a) Post-purchase satisfaction:

Marketers must obtain feedback on customer satisfaction level. If customer satisfaction level is low, the marketer must make changes in marketing-mix.

b) Post-purchase actions:

The market may also monitor post-purchase action of the customers. A satisfied customer may become brand loyal. He may even become brand evangelist and spread good word about the product. But a dissatisfied customer may return the goods or stop further purchases and may warn others through internet reviews or personally.

CHAPTER 6: MARKET SEGMENTATION

Q.1) Explain the Meaning and Importance of Market Segmentation

Market segmentation refers to subdividing a larger market into smaller submarkets. In the words of William Stanton, "Market segmentation is the process of dividing the total, heterogeneous market for a product into several sub markets or segments, each of which tends to be homogeneous in all significant aspects

The following are the Importance of Market Segmentation:

1) Market Opportunities:

Marketing segmentation enables the marketer to identify the market opportunities. Generally a market opportunity arises when there is a gap between customer expectations and current product offering by the existing firms

The marketer may find out the current level of customer satisfaction in relation to current product offering by the existing firms. Low level of customer satisfaction presents an excellent opportunity to serve the customers

For instance, customers may not be satisfied with the current offering of air-conditioners due to poor after-sale-service and high power consumption. Such situation would enable a marketer to launch compact air-conditioners with lower power consumption.

2) Product Development:

Market segmentation helps in designing products that match the demands of the target audience. Products with good market potential may be designed to generate customer satisfaction. For instance, urban youth may prefer stylish motor-bikes and therefore, the marketer may design and market such bikes in urban areas.

3) Promotional-Mix:

A company can develop appropriate promotion-mix depending upon the market segment. The promotion-mix can vary depending upon certain factors such as:

- a) Nature of the product.
- b) Nature of the customers.
- c) Competitors' product-mix, etc.

For instance, a company may focus more on sales promotion such as discounts, exchange offers, free gifts, etc., especially when the product is targeted to middle-income group customers.

4) Pricing of Products:

The market segmentation enables to fix the right prices. Since different market segments have different price perceptions, it is necessary to adopt different pricing strategies for different markets. For instance, the prices charged for price-sensitive segments will have to be lower and accordingly the product and promotional efforts are adjusted.

5) Distribution Strategies:

Market segmentation also assists in adopting suitable distribution strategies. Different market segments may require different distribution mix. For example, if the product is of very high quality intended to the upper rich class, it must be distributed at prestigious outlets located at selective places.

6) Media Selection :

It helps in selection of advertising media and in allocating funds to various media. The funds are allocated to various media depending upon the target audience, nature of the product, competitors' advertising etc. For instance, if the target segment consists of mass customers, a company may select mass media to advertise the product.

7) Timing of Marketing Efforts:

It helps in setting the timing of the promotional efforts so that more emphasis is placed during the peak-response period. For instance, consumer goods can be heavily advertised to Christians during the Christmas season and to Hindus during the Diwali season.

8) Use of Resources :

By tailoring marketing program to individual market segments, marketers can make more efficient use of marketing resources. For example, a small firm can effectively use its limited resources in one or two segmented markets rather than unsuccessfully aiming at a wider market.

9) Better Service to Customers :

Market segmentation enables the company to concentrate its marketing effort in a particular market area, thereby, providing a better service to the target customers. Proper marketing segmentation can facilitate customer satisfaction.

10) Customer Loyalty:

Market segmentation can generate customer loyalty. Due to marketing segmentation, a firm adopts appropriate marketing-mix depending upon the target customers. Proper blending of marketing-mix results in customer loyalty i.e., repeat purchases by satisfied customers, and favourable recommendation of the product by satisfied customers to others.

Q.2) Explain the Bases of Market Segmentation**The following are the Bases of the Market Segmentation:****1) Geographic Segmentation:****a) Region:**

Regional segmentation is undertaken because of differences buying behaviour of customers belonging to different regions. For ample, customers from western India may prefer lighter shades of clothes, whereas, southern India customers may prefer darker and brighter shades.

b) Urban /Rural:

There are differences in buying behaviour of urban and rural customers. For instance, rural customers are more price sensitive as compared to urban customers.

c) Locality :

Buying behaviour is also influenced by the locality within particular city/town. For instance, there are differences in terms of buying pattern of people living in western suburbs and that of central suburbs of Mumbai

2) Demographic Segmentation:

Demography refers to study about the different aspects of population, Markets can be divided on demographic factors like age, gender education etc. The various demographic factors are :

a) Age:

The markets can be segmented by age groups, such as children, youth, middle-aged and senior citizens.

b) Gender :

Marketers can segment the markets based on gender preferences. Examples include that of textiles and clothing, personal care products, perfumes, footwear, etc.

c) Income :

Income level greatly influences buying behaviour of consumers, for instance, upper income group customers may prefer premium brands, whereas, middle income group customers may go for popular brands.

d) Education :

Market can be segmented on the basis of education. Most studies indicate that (he highly educated people spend more than the low educated in respect of housing, clothing, recreation, etc.

e) Family Size

The consumption patterns of certain products definitely vary with the number of people in the household. For instance, large sized families may purchase large family packs.

3) Sociographic Segmentation:

The market can be segmented on the basis of sociological factors such as :

a) Culture:

The marketer may consider cultural influences while segmenting markets. For instance, youth in urban areas are influenced to a certain extent by western culture, whereas, youth in villages follow more or less traditional culture.

b) Reference Groups :

A reference group may be defined as a group of people who influence a person's values, attitudes and behaviour. Consumer behaviour can be influenced by the reference groups like friends circle, club members, etc

4) Psychographic Segmentation:

It refers to individual aspects like life style and personality.

a) Life-Style:

Sellers study the life-styles of the consumers. For example, a manufacturer of readymade garments may design the clothes differently matching different life styles of college-students (more fashionable), office-goers (more sober) and so on.

b) Personality :

Personality characteristics such as leadership, independence, masculine, impulsive, ambitious, etc., do influence buying behaviour.

5) Behavioral Segmentation:

In this case, buyers are divided into groups on the basis of their response to the product - usage rate, user status, loyalty status, buying motives and so on.

a) Usage Rate :

One possible way to define target market is by product usage. There can be heavy users, medium users, light users and nonusers. The seller would like to increase consumption by present users and induce nonusers to become users.

b) User Status :

Market can be segmented on the basis of user status such as: non-user, ex-user, potential user, first-time user, regular-user and so on.

c) Buying Motives :

Buyers buy the product with different buying motives such as pride, convenience, fear, etc. Accordingly promotional appeals can be directed to the target audience.

Q.3) Explain the Niche Marketing and its advantages

A niche market is a small market segment. Normally, small firms enter in niche markets, because the niche segment may be so small that the larger firms may not have the desire to cater such segments. However, there are large and reputed firms that undertake niche marketing, which include Rolls Royce, Rolex Watches and others

The following are the Advantages of Niche Marketing :**1) Less Investment:**

The niche marketer requires less investment as he has to produce limited goods for the niche market. The niche marketer requires lower investment in production and marketing activities.

2) Less Risks :

There may be less risks as the marketing is done to a very small segment of the market. For example, the risk of loss due to technological changes or changes in fashion may be lower.

3) Higher Profits :

Niche marketing may generate higher profits per unit sold because of lower operating costs in terms of advertising and other expenses. However, it is to be noted that companies also make losses. For instance, Bugatti International that sells Veyron Car-second most expensive in the world - makes losses.

4) Brand Loyalty :

Customers may become brand loyal. The customers may continue to repeat the purchases of the same brand and they may even recommend it to their friends and others.

5) Corporate Image :

The niche marketer can earn name and reputation in the market. For instance, companies like Rolex Watches, Rolls Royce, etc. command a lot of goodwill.

6) Competitive Advantage :

Niche marketers normally face less competition in the market, as they deal with a specific product for a small segment of the market. Competitors may not like to enter the market due to lower volume of sales.

7) Customer Satisfaction:

Niche marketing generates customer satisfaction. This is because, the marketer gets first hand information about customers and accordingly designs the product to meet the expectations of niche customers.

Q.4) Explain the Specialist role open to Niche Marketers

- 1) Geographic specialist** - Where the nicher sells only in a certain locality or region.
- 2) Product specialist** - Where the nicher produces only one product.
- 3) Service specialist** - The firm that offers one or more services not available from other firms.
- 4) Channel specialist** - The firm specialises in serving only one channel of distribution.
- 5) Quality / Price specialist** - The nicher operates at the low or high quality / price market i.e. either high quality - high price market or low quality - low price market.
- 6) End - User specialist** - Where the nicher specializes in serving only one type of end use customer.
- 7) Specific Customer specialist** - Where the firm sells to one or a few major customers.
- 8) Job-shop specialist** - Where the nicher produces the products as per the designs ordered by the customers.

CHAPTER 7: PRODUCT POSITIONING

Q.1) Explain the Meaning of Product Positioning and its importance

Brand positioning can be defined as an effort aimed at creating and maintaining in the mind of target customers the intended image for the brand, relative to other brands so that they will perceive the brand as possessing the attributes they want

Philip Kotler defines positioning as "the act of designing the company's offering and image to occupy a distinctive place in the mind of the target market "

The following are the Importance of Brand Positioning:

1) Develops Corporate Image:

Product positioning enables a firm to develop favourable company image of the product in the minds of the target audience. For instance, Maruti Suzuki has developed a positive image (a reliable company) of the firm through their positioning "Count on us".

2) Creates Demand:

Proper positioning helps to generate demand for the product in the market. Effective positioning can induce the buyers to buy the products. For instance, the positioning of Lux soap "Beauty Soap of Film Stars" has brought success to the brand, as people buy the brand with the hope of becoming beautiful person.

3) Helps to Face Competition:

Positioning enables to face competition in the market. The company can position its product favorably against the competitors. Through effective positioning, a firm can differentiate its product. For instance, Hero Honda gained tremendous success with its "fuel efficiency" positioning of its brand Hero Honda CD 100.

4) Facilitates Consumers' Choice:

Product positioning enables the customers to make a proper choice of the product depending upon the image created in the mind of customers, e.g. Nike.

5) Creates Value:

Positioning creates value to the customer. Through effective positioning, the marketer can highlight special benefits of the product, which can add or create value to the customer. For instance, "Fast to Cook, Good to Eat" (the two minute positioning) of Maggi Noodles has created value to the customers.

6) Helps to Command Premium:

Product differentiation through effective positioning helps a firm to compete on non-price platform. A firm can charge a premium price in the market through its unique positioning. This is because; effective positioning helps to command goodwill in the market, which in turn enables the firm to charge premium price.

7) Creates Status :

Brand positioning creates status to the users. For example, Mercedes is positioned as a luxury car. Therefore, Mercedes car owners enjoy status in the society.

8) Creates Brand Image :

The brand positioning helps to create a distinct image in the minds of target customers. For example, Colgate has created a good image for a toothpaste brand by positioning the product as 'protection to gums and prevents tooth decay

Q.2) Explain the Positioning Strategies

The following are the Positioning Strategies**1) Using Specific Product Features:**

The most popular positioning strategy is to highlight specific product features that would benefit the customer. At times, a new product can be positioned with respect to product features that competitors have ignored. It would be advisable to highlight a specific but important feature rather than positioning along several features. For example, Tata Motors — Indica ev2 - India's Most Fuel Efficient Car - 25 km/liter.

2) Positioning by Price and Quality:

In many product categories, the price-quality feature is so important that it needs to be considered in any positioning "decision. The advertiser may position the product as quality product that is worth the money (Good Quality Costs a Little More). Others may position the product as quality product but still at affordable price.

3) Positioning by Use:

The brand can be positioned by associating it with use or application. The advertiser may extend the use of the brand. For instance, "The sheer driving pleasure" - BMW.

4) Positioning by User Category:

The brand may be associated with a user or a class of users. The ; advertiser makes use of famous personalities or models to influence the audience. For example the "Beauty Soap of Film Stars" - Lux Soap of HUL.

5) Positioning by Product Class:

Some advertisers highlight the product-class association. The toilet soap Dove positioned itself apart from the soap category as a cleansing cream product for women with dry skin.

6) Positioning by Cultural Symbols/Names:

Some advertisers may use cultural symbols to differentiate their brands from competitors. For example, Marlboro cigarettes used the American cowboy.

7) Positioning by Competitor:

In some cases, a reference may be made directly or indirectly to one or more competitors. Perhaps the most famous positioning strategy of this type was that of Avis "We're only number 2. We try harder."

8) Positioning by Product's Benefits :

The advertiser can position the product on the basis of special benefit of the product. For example: "Fast to Cook, Good to Eat" (the two minute positioning) of Maggie Noodles.

9) Positioning by Corporate Image :

The most common base for positioning is corporate image. Some of the products or brands use their corporate names to position themselves. Product ranging from health care and cosmetics to consumer durables and computers use this type of positioning. Companies such as IBM, Philips, Sony, Nestle, Tata often use their corporate names to leverage their positions.

10) Positioning by Emotions:

A firm may position its product by dramatizing emotions. For instance, Cadbury's Dairy Milk (CDM) "Shubh Aarambh" campaign (July 2010) is based on the concept of the Indian tradition of having something sweet before every auspicious occasion, with the belief that it leads to a favorable outcome. Over the years, CDM has been a special part of every Indian's moments of happiness, joy and celebration. For the first time ever, in 2010, CDM urges consumers to also enjoy their much loved chocolate before embarking on an important task, in anticipation of a successful outcome.

CHAPTER 8: MARKETING MIX

Q.1) Explain the Meaning and Features of Marketing Mix

Marketing-mix refers to the marketing variables that combine to sell a product to the target market. In 1960, E. Jerome McCarthy in his book "Basic Marketing", popularised a four factor classification, the so called - "4Ps": Product, Price, Place (Distribution), and Promotion.

At present, additional Ps are added : Pace, Positioning, Packaging, Processes of delivery, People, and Physical Environment.

"The basis of marketing operations is the co-ordination of four key variables, namely: product, price, place and promotion." - **E. Jerome McCarthy**.

"Marketing-mix is the term that is used to describe the combination of the four inputs that constitute the core of a company's marketing system: the product, the price structure, the promotion activities, and the distribution system." - **William Stanton**

Marketing mix is the set of marketing tools that the firm uses to pursue its marketing objectives in the target market." - **Philip Kotler**.

The following are the Features of Marketing Mix:

1) All Pervasive:

The marketing mix is applicable not only to business organisations, but also to non-business organisations, such as social clubs, educational institutions, etc. For example, an educational institution may adopt marketing mix as follows:

- a) Designing the right courses (product).
- b) Charging the right fees (price).
- c) Promotion of the institution and of the courses.
- d) Providing the courses at the right place.

2) Blended in Many Ways:

Marketing mix can be blended in several ways depending upon the nature of the product, firm's objectives, competition, and customer expectations.

For instance, a firm may:

- a) Improve the product design and increase the price.
- b) Modify the product and increase the promotion to induce buyers.
- c) Introduce a new product in a new market with higher promotion.
- d) Reduce the price and increase distribution in new markets.
- e) Increase the price and increase promotion expenditure.
- f) Increase distribution network and increase promotion, etc.

While blending the marketing mix, the marketer may juggle all the elements or some elements of marketing mix.

3) Creativity in Developing Marketing-mix:

An appropriate blending of the variables or ingredients needs a lot of skill, experience, imagination and intelligence on the part of the marketing manager. Although, on paper it looks to be a very easy exercise, but in practice, one has to use creative efforts in coining out with a right blend of the 4Ps.

4) Dynamic in Nature:

The marketing mix is a dynamic concept. It is necessary to review and revise the marketing mix depending upon the market environment. If there are changes in the market environment, then the marketing mix needs to be adjusted to meet the challenges of the new environment. For instance, a major competitor may change its pricing strategy, so the marketer may also make changes in pricing strategy.

5) Environmental Variables:

Marketing mix of a product is greatly influenced by environmental variables. The environmental variables that influence marketing-mix include customer preferences, competitors' strategies, government policies, international environment, etc

For instance, if the customers expect compact air-conditioners with low power consumption, the manufacturers must design such a product to gain competitive advantage in the market.

6) Focus on the Customer:

The main focus of the marketing mix is the customer. All the variables of the marketing mix are directed at customer satisfaction. The marketing mix has to change as per the likes, dislikes, tastes, preferences, buying habits, and purchasing power of the customers.

Therefore, marketers need to carry out detailed customer analysis and give appropriate weightage to different elements based on customer expectations. For instance, urban youth may prefer stylish bikes and not just fuel efficient bikes, and therefore, the marketer must design such a product to meet customer expectations.

7) Goals of the Organization:

Marketing mix must be designed to satisfy the customer and to achieve organizational goals. The organizational goals or objectives- include:

- a) Increase in Profits.
- b) Increase in Market Share.
- c) Improvement in corporate image, etc.

8) Product Life Cycle and Marketing Mix :

A change in product life cycle requires a change in marketing mix:

- a) At the introductory stage, the firm may give more importance to promotion especially advertising and sales promotion create awareness and to induce buyers.
- b) At the growth stage, more emphasis may be placed on promotion and distribution elements
- c) At the maturity stage, the firm may focus on distribution and product modification.
- d) At the decline stage, the firm may focus on dealers' promotion and price cuts.

9) Organisational Changes and Marketing Mix:

A change in the organisation may result in change in marketing mix. For instance, change in CEO may result in a change in marketing mix. Some CEOs may give more weightage to R&D and less to promotional aspect such as advertising. Therefore, there would be more focus on product development and modification, and less focus on promotional element.

10) Different Marketing Mix for Different Brands:

A company may adopt different marketing mix for different brands depending upon the target customers and other factors. For instance, HUL adopts different marketing mix for different brands such as Wheel, Surf, etc. The Wheel (the number 1 brand of HUL in India - sales over ^ 2,500 crore annually - March 2012) is priced lower as it is targeted to middle income group and customers in rural areas. But the Surf detergent brand is priced higher as it is targeted to middle-upper income group and upper income group especially in urban areas.

11) Variables are Inter-related:

The four ingredients in the marketing mix are interrelated. Decisions in one area usually affect action in the other areas. For instance, if the organisation is coming out with a new improved product, then it may have to change its promotional effort and even the price.

Q.2) Explain the Element or Component of Marketing Mix

Traditionally, marketing mix was composed of 4 Ps - Product, Price, Promotion and Place. Now-a-days, marketing experts give importance to three additional P's of marketing-mix - Pace, Packaging, and Positioning

Each of the elements or variables of marketing-mix are inter-related. A change in one variable may necessitate a change in other variables.

For instance, a change in product may necessitate changes in price, promotion, positioning, packaging etc.

The marketing manager should blend or combine the variables in the best possible manner so as to achieve maximum possible results. The combination of the marketing-mix variables should generate maximum possible sales and bring good returns to the firm.

The following are the Element or Component of Marketing Mix:

1) The Product:

A product can be defined as anything that is offered to the market for attention, acquisition, and consumption that can satisfy a need or want. A product can be ideas, goods and services that can generate customer satisfaction.

The company may follow either single brand strategy or a multi-brand strategy. In case of a single brand strategy, one single brand is offered to the target market. In case of multi-brand strategy, the company offers two or more brands to satisfy different market segments.

A company may concentrate on core product line business or a diversified product line business. In case of core product line business, a company focuses on a single product line. The single product line may have one or more brands. For instance, a pharmaceutical company's core business line is drug and healthcare products

There are some companies who go for diversified product line business where different product lines are marketed. For instance, a company may undertake to market cement, steel, textiles, automobiles, etc. It is to be noted that good number of companies concentrate on core line business in order to gain competitive advantage.

The product variable has several sub-variables such as -

Product Line, Quality, Style and Appearance, Size, Model, Design, Features, Brand Name, Trade Mark, Packaging, Labelling, etc.

2) The Price :

Price is the exchange value at which the seller sells and the buyer buys the product. The price must be right. The price should be good enough to bring returns to the company and at the same time reasonable enough to induce the customer to buy the product for the first time and also to go for repeat purchases.

The price should neither be too high nor too low. If the price is too high, the customer's may prefer competitor's product and if it is too low, the firm may not get adequate returns and also the buyers may equate too low price to low quality.

Price of a product depends upon several factors such as cost, demand, competition, nature of consumers, etc. Proper pricing is important as it generates higher sales and higher profits, apart from other advantages.

The price variable has several sub-variables such as -

List Price, Discounts, Credit Period, Credit - Terms, Delivery Terms, Maintenance Contract, Instalment Facilities, etc

3) The Promotion :

Promotion involves all the activities the company undertakes to communicate and promote its products to the target market. Promotion mix consists of advertising, sales promotion, public relations, publicity, personal selling, and direct and on-line marketing

Promotional activities need to be undertaken not only to induce buyers to buy but also to

motivate the dealers to stock and promote the product. The promotional mix is greatly influenced by whether the company chooses a push strategy or pulls strategy to promote sales.

- a) A push strategy requires marketing efforts (mainly personal selling and trade promotion) to be directed at intermediaries (dealers) to induce them to stock and promote the product to end users.
- b) A pull strategy requires marketing efforts (mainly advertising and consumer oriented sales promotion) to be directed at end users to induce them to demand the product from the dealers, which in turn will induce the dealers to order and stock the product.

4) The Place :

Place includes the various activities the company undertakes to make the product accessible and available to target audience. The place mix involves - Distribution Channels, Dealer Relations, Channel Remuneration, Area Coverage, Transport, Warehousing and so on.

A major area of place mix is the channels of distribution. The marketer must select, motivate and manage the channel of distribution through which the product reaches to the buyers.

5) Pace :

Pace refers to the speed at which marketing decisions and actions are taken. Marketers consider Pace as an important element of marketing mix. The right product at the right price with the right promotion must be made available at the right time and place to the consumers. If the marketing decisions are taken at the right time, then it may bring good returns to the firm.

6) Packaging :

Packaging is an important aspect of the product itself. Now-a-days, packaging has gained great significance in the marketing of products, therefore, marketers consider packaging as an important element of marketing-mix.

Packaging plays an important role as it not only protects the product during transit, and preserves the quality, but it also promotes the product. An attractive package influences consumer views about quality and value of the product.

7) Positioning :

Product positioning is an important aspect of marketing. Product positioning aims at creating and maintaining a distinct image of the brand in the minds of target customers.

If the product is positioned effectively, then the marketer is assured of higher sales of the product.

Positioning can be undertaken by the use of various techniques such as the basis of firm's or brand's special advantage/benefit, against competition, etc.

Additional Elements of Marketing Mix for Services:

There are other elements of marketing mix, especially for services, which are stated as follows:

8) People :

Customers often judge quality of service based on their assessment of people providing the services. Despite technology advances, many services still require direct interaction between the service staff and the customers. The nature of these interactions strongly influences how customers perceive the service quality.

Nowadays, professional service providers make serious efforts in recruiting, training, placement, performance appraisal, promotion and motivating the service staff so that customers are provided with quality services.

9) Physical Evidence :

Physical evidence is a vital element of services marketing. Some services are highly intangible, and therefore, physical evidence plays an important role in creating a good impression on the customer. The physical environment provides visible cues of the quality of service.

The elements of physical evidence would include:

- a) External surroundings where the service firm is located.
- b) The structure and layout of the building in which the service firm is located.
- c) The internal environment, i.e., ambience/decor.
- d) The furniture and fixtures inside the office.
- e) The dress/uniforms of the service staff
- f) The lighting and ventilations, etc.

10) Process :

The service process relates to HOW a service product is delivered to the customers. It involves the method and the sequence of actions with which the firm delivers the service elements. The service staff must play an effective role in the service process. Customer may also take part in the service process.

For Example:**Service process in a restaurant would involve:**

- a) Customer places order for food with specific instructions relating to the food that he/she wants - spicy, non-spicy, etc.
- b) The waiter takes the orders and instructs the chef accordingly.
- c) Once the food is cooked, the waiter serves to the guest
- d) Billing is made for the food services,
- e) The guest makes the payment.

11) Productivity and Quality:

Improving productivity and quality of service is vital to the success and survival of the service firm. Due to stiff competition in the market, the service providers needs to constantly innovate to improve the productivity as well as the quality of services

Improvement in Productivity can be undertaken through training and motivating service staff. The service firm may also resort to cost-cutting measures. While cutting costs, the service provider must ensure that the quality of service confirms to customer requirements. The service firm must beware of making inappropriate cuts in service that would be resented by customers, and at times even by employees.

Improvement in quality should be defined from a customer perspective. Quality improvement must be undertaken on a continuous basis to enhance customer satisfaction and loyalty. It is to be noted that service firms must consider the trade-off between incremental costs involved in service quality improvement and the incremental revenues. It makes no business sense to improve quality dimensions when the customers are not willing to pay extra for the added quality dimensions.

Q.3) Explain the Importance of Marketing Mix

(For explanation — refer to Module 1 — importance of marketing — Use the 'term Marketing-mix instead of marketing)

CHAPTER 9: PRODUCT DECISION

Q.1) Explain the Product Decision Areas

The following are the Product Decision Areas

1) Product Design:

Product design plays an important role in gaining customer acceptance. Product design is the process of creating new and improved products. The product designer's role is to combine art, science, and technology to create new and improved products.

Managers must be proactive in designing and re-designing the products. For effective product designs managers need to conduct:

- a) Marketing research — to identify customers' preferences.
- b) Research and development — to come up with innovative designs and to modify the designs of existing products.

2) Product Mix/Product Line Decisions:

The marketer should decide whether to concentrate on one product or deal with a product mix/product line. Product mix involves a set of product, which a marketer may offer to the market

For instance, a firm may offer food products, toiletries, detergents, and so on. Product line is a group of related products. For instance, a food items product line may include milk powders, health drinks, fruit juices, confectionaries, etc.

Some firms may concentrate on a single product may be to concentrate all their efforts on that product or may be due to lack of resources. Other firms may go a product mix; especially FMCG (fast moving consumer goods) companies prefer product mix in order to make optimum use of resources, and to generate higher returns.

3) Product Packaging:

The marketer should design the proper packaging. Packaging serves various purposes — protection, preservation, and promotion of the product Packaging depends upon several factors such as nature of the products, price of the product, consumers of the product, etc. For instance, if the product is meant for upper class audience, then the product packaging must be of high quality and appropriately designed.

Nowadays, environmental aspects need to be considered, especially when the product is exported to developed nations. Packaging which is non-degradable - plastic, for example - is less in demand or rejected. Bio-degradable, recyclable, reusable packaging is now the order of the day

4) Product Labeling:

Labeling indicates the contents of the product. Like packaging, effective labeling can promote the product. Developed countries insist on certain instructions on the product's labels. For instance, the European Union insists on the amount of pesticides and insecticides used on horticultural products. Also, on packaged food products and medicines, specific instructions must be labeled.

The EU also insists that labelling must be done in at least 4 major languages spoken in European Union (English, Spanish, French and German). Even in India, it is advisable to have multilingual labels, especially in the case of medicines.

5) Product Pricing:

Products must be properly priced. The marketer should consider important factors while pricing the product, such as costs, demand, competition, nature of the product, nature of consumers, objectives of the firm, and so on.

The marketer must choose a proper method of pricing, such as markup pricing, marginal cost pricing, target return on investment, cost plus pricing, going rate pricing, etc.

6) Product Positioning:

Positioning refers to the marketing efforts directed at creating and maintaining a distinct image in the minds of target audience of the brand/product vis-a-vis competing brands.

The marketer should adopt an effective positioning strategy in order to create a distinct and favourable image in the minds of the target customers. Positioning can be done on the basis of the features, use, price, etc.

7) Product Promotion:

The marketer has to resort to promotional activities to inform and to induce the target customers to purchase the products. An effectively promoted product can be easily sold in the market. Therefore, a firm must decide about the promotion mix, which includes advertising, sales promotion, sponsorships, personal selling, publicity, and so on.

8) Product Warranty:

A warranty is a guarantee or assurance from the manufacturer that the product will perform as stipulated. The marketer should decide about the period of warranty, and the nature of warranty whether on the entire product, or certain parts of the products, and so on. If the marketer sells in different markets, then he may have to decide either to give the same warranty in all the markets, or to customize for each market or region.

9) Branding Decisions:

Branding decision forms an important aspect of product planning. Firms must consider the essentials of branding while giving brand names, and marks to their product

For instance, a brand name should be easy to pronounce, and should be short as possible, and relevant to the product. Language is vital, in Indian markets. In India, several marketers make a mistake of giving English names to products targeted to middle-lower, and lower class of the society. (In India, less than 5% of the population know English).

10) 10. After-sale-service:

The marketer should decide about the after-sale-service decisions, especially in the case of consumer durables, and on industrial items such as machinery.

Effective after-sale-service is vital to build long-term customer relationship. Therefore, business firms should train their service force not only in terms of skills to maintain or repair the product, but also to have a proper attitude towards the customers. In India, not only the after-sale-service is very poor, but also the service staff is often rude and arrogant.

11) Product Distribution Decisions:

Product planning also involves distribution decisions. The marketer should select the right distribution channels to reach to the customers.

The choice of channels depends upon several factors, such as nature of the product, nature and size of customers, philosophy of the firm, competitors' strategy, and so on. As far as possible, the number of channel intermediaries must be less, so as to provide better value to the customer.

Q.2) Explain the Product Line and its Reasons

A product line is a group of related products that share common characteristics, channels, and consumers. For example, a packaged food product line may include a group of 10 related products, such as bakery products, breakfast cereals, fruit juices, health drinks, noodles, jams, pastas, pizzas, salads, and packed fish products.

The following are the terms connected with product line:

- a) Product line depth refers to the number of products in a company's specific product line.
- b) For instance, a packaged food product line may have 10 products (as mentioned above), and a cosmetic product line may have 7 product which may include face cream, lipstick, nail polish, body talc, blush, eyeliner, and mascara.
- c) Product line width (or breadth) refers to the number of separate product lines (different product categories) sold by a company.
- d) For instance, a company may sell 5 product lines such as packaged food products, diary products, cosmetics, toiletries, and beverages.
- e) Product line length refers to the total number of products sold in all product lines. Therefore, product line length is equal to depth multiplied width (Length = Depth x Width).

For instance, if a company has 5 product lines, and each product line has on an average 8 products; the length of product line would be 40 (5 x 8).

The following are the Reasons for Product Lines:**1) Customer Preferences:**

Introducing new products helps to fulfill changing customer needs and preferences. Obtaining feedback through customer surveys or monitoring customer comments on social networks provides valuable insight into customers' needs and preferences. Based on customer preferences, a firm may introduce additional products.

2) Reduction in Distribution Costs:

Product line extensions may help to reduce distribution costs. Since product line consists of related products, firms can easily distribute the new products through the same distribution network. The business firm can take advantage of bulk shipment/ transportation, and also may not have to shell out higher margins to the intermediaries.

3) Competition in the Market:

Business firms with different products in a product line and even with different products across several product lines can face competition in the market. For instance, in India, HUL with different product lines faces effectively the competition in the market as compared to those companies with limited product lines.

4) Sales Revenue and Profits:

Firms with different product lines earn higher sales revenue and profits. The firms with multiple product lines would be in a better position to reduce distribution costs, and at times even the production costs. Due to lower operating and distribution costs, the overall profits would increase. For instance, HUL made profit of Rs 3,955 crore for the year 2013-14.

5) Dealer Relationship:

Business firms with different product lines are in a better position to maintain good relations with major distributors and dealers. Especially, when the brands are popular, dealers would be more willing to stock the same. The dealers' turnover would increase due to different brands of a popular business firm.

6) Brand Extension:

A business firm which introduces different products in a product line can easily go for brand extension. For instance, the popular brand name for butter 'Amul' is now extended for a number of products such as ghee, chocolates, ice creams, shrikhand, and so on. Brand extension helps to lower the launching costs, and the newly launched product can gain customers' acceptance due to the brand equity.

7) Brand Loyalty:

Expanding a product line can help to increase customer loyalty. Adding new products or variants of existing products enables firms to sell more to existing customers, without the cost and effort of acquiring new customers.

8) Product Life Cycle Management:

Products typically move through four main stages of PLC — introduction, growth, maturity and decline. Some products may be in the decline stage of PLC. Products are in the decline stage when they no longer meet customer needs or the products may become outdated due to technological changes. In such a case, the company may lose sales revenues and profits. Therefore, it is advisable to introduce new product lines in order to gain market share and profits.

9) Market Opportunities:

Markets may provide opportunities to launch new product lines. The market opportunities may arise due to technological developments, or certain problems with the existing marketers of certain products. Therefore, to take advantage of market opportunity, a firm may extend its product line.

10) Corporate Image :

Proper product line management helps to improve corporate image in the minds of stakeholders. A company may add new product lines to meet growing needs of the customers. It may delete certain product lines as such product may not be serving customer needs. When a company manages its product line, the overall performance of the company improves. Therefore, the image of the company improves in the minds of customers, employees, shareholders and others.

Q.3) Explain the Reasons for Product Mix

A marketer needs to decide on the product mix and product line. Product mix refers to the set of products, which are offered for sale by a firm. For instance, a product mix may consist of toiletries, stationery, food products, beverages, cosmetics, detergents, etc.

The following are the Reasons for Product Mix

Marketers may prefer to focus on product mix rather than concentrating on a single product. There are several reasons as to why companies prefer product mix:

- a) To use company resources more efficiently.
- b) To spread production/marketing costs over a wider product range.
- c) To develop relations with intermediaries and consumers.
- d) To capitalize on brand loyalty of a particular brand.
- e) To balance out seasonal sales patterns.
- f) To offset the effects of product life cycle of a single product.
- g) To face the challenges of the competitors.
- h) To meet the demands of the customers.

Q.4) Explain the Management of Product Mix

Product mix management involves developing a suitable product mix/ product line strategy. Product mix or product lines must be evaluated on a regular basis. Such evaluation will enable a firm to adopt a proper product mix/line strategy. Normally, a firm has five choices:

1) Continuation Strategy:

The firm markets the same products/ product lines with no changes in the product-mix. A firm may adopt this strategy; when:

- a) It is operating in a stable environment, with less or no competition
- b) Its customers are satisfied with current product offering.
- c) It is satisfied with its current market share.
- d) It lacks financial and other resources to introduce new products.
- e) The management adopts traditional approach, and therefore, no changes.

It is to be noted that since the product life cycle has shortened for many products due to intense competition, and rapid technological development, most firms cannot survive for long without making changes in their existing product mix.

2) Product Modification Strategy:

Most firms try to improve their competitive position in the market by introducing changes in their products. Marketers can modify their product by adding features or improving quality. Product modification is required when:

- a) The firm is facing stiff competition in the market.
- b) The customers' expectations change over a period of time.
- c) The firm intends to increase its market share.
- d) The firm has adequate resources to undertake product modification.

Normally, product modification is done at the maturity stage. However, product modification can be done even at the introductory stage (if certain defects are noticed), and at the growth stage.

3) Addition (Expansion) Strategy:

Firms can add new products to its existing product mix/line. Firms may add related products, or totally new products (diversified products). A firm may adopt trading up and trading down strategy.

- a) In trading up strategy, a higher priced product is added to its existing low-priced product line.
- b) In trading down strategy, a low-priced product is added to its existing line of high priced prestige products.

The reasons or factors for addition/diversification strategy can be internal and/or external.

Internal Factors

- a) Improvement in company's resources.
- b) Change in top management's philosophy to add new products.

External Factors

- a) Changes in the economic environment.
- b) Changes in the competitive environment.
- c) Changes in consumer behaviour.

4) Deletion Strategy:

In this case, a firm may withdraw some products or product lines from the markets without any new introduction. The following are the reasons for product deletion:

Internal Factors:

- a) Reduction in company resources.
- b) The product may be in decline stage.

External Factors:

- a) Changes in the economic environment, such as recession.
- b) Changes in the competitive environment.
- c) Changes in Government policies, etc.

5) Combination Strategy:

A firm may also adopt a combination strategy. A firm may add products and at the same time eliminate some other products in its product mix.

This strategy is mostly undertaken to gain competitive advantage in the market by introducing new products, and deleting slow-moving ones. The firm would be in a better position to concentrate on new products that bring in good sales, profits and customer satisfaction.

Q.5) Explain the Packaging and its Needs and Importance / Advantage

The terms Packaging and Packing are used interchangeably. However there is a difference between the two terms. Packing refers to protective covering used for transportation of goods, whereas, Packaging refers to the containers in which products reach to the ultimate consumer. Packaging can also be referred as a process of developing and designing packages.

The following are the Needs and Importance / Advantage**1) Protection to Products:**

Packing protects the product in transit and also while handling the same. For example, glassware can be protected from breakage in transit with the help of suitable packing.

2) Preservation of Quality:

Packing preserves the quality of the product. In the absence of suitable packing, items like food products, chemicals, etc., may get exposed to moisture and may deteriorate in quality.

3) Convenience to Customers:

Packing offers convenience in handling the product. For example, cooking oil comes in plastic bottles, which are easy to handle and to use.

4) Conforms to Buyer's Specifications:

In the case of specific orders, proper packing is needed so that it conforms to the specifications of the buyer. If not the buyer may not accept the goods.

5) Conforms to Standards:

Packing is also required to conform to certain standards laid down, especially in the case of export goods.

6) Reduces Possibility of Adulteration:

Proper packing also reduces the chances of adulteration or mixing of the contents by unethical traders.

7) Consumer Preference:

Packing facilitates consumer choice. This is because consumers can easily identify the brand names, trademarks and other matter on the packages.

8) Advertising Value:

Now days, manufacturers take lot of efforts to produce good packages as they carry advertising value.

9) Convenience to Dealers:

The dealers must not find difficulty in storing the products. The packages should not be unnecessarily bulky so as to waste the space on the shelves or in the cupboards.

10) Re-Use Value :

The package may offer a re-use value to the consumers. Therefore, the package may be so designed to facilitate the re-use purpose. For instance, coffee bottles maybe so designed that it can be used as a glass or mug.

11) Assurance of Quality:

A package which carries the popular mark or brand name, carries an assurance of quality, and buyers often buy the product without opening the package.

12) Promotes Sales:

It helps the manufacturer to increase the sales, as consumers prefer to buy more of packed products rather than unpacked or loose goods.

13) Facilitates Distribution:

Proper packing facilitates distribution of goods. This is because it offers convenience in handling the products in transit. The packing also preserves and protects the product. Commands Higher Price: Properly packed items command higher price in the market.

Q.6) Explain the Essentials / Requisites of a Good Packaging**The following are the important requirements of a good package:****1) Suitability:**

A good package must be suitable to the product. For instance, medicines must preferably come in glass bottles and not in plastic bottles. Again, glassware should be packed with cushioning material.

2) Attractive:

Packages must be attractive. They should attract the attention of the prospects or buyers and make them to buy the product. It should have the advertising value.

3) Convenience to Customers:

Packages should offer convenience in the case of carrying, handling and using the product. They must come in convenient sizes and shapes as per the requirements of the customers.

4) Ease in Identification:

Packages should be such that they are easily identifiable by the customers, dealers, and others. The printed matter and symbols, or marks on the packages must be such that the customers are familiar with.

5) Convenience to Dealers:

The dealers must not find difficulty in storing the products. The packages should not be unnecessarily bulky so as to waste the space on the shelves or in the cupboards.

6) Ease in Displaying:

Packages must be convenient to display in the showcases. They should be attractive, compact and conveniently displayable.

7) Dependable:

Consumers often rely on the packages and buy the product. Whatever is indicated on the package must be available inside the package in terms of quality, and quantity.

8) Economy:

The cost of the package must be reasonable. If it is a fashionable or gift item, then packing may be a bit costly. But in case of day-to-day use items, unnecessary expense must not be incurred in designing and producing the package

9) Conform to Standards:

The package must conform to standards laid down by the Bureau of Indian Standards and such other organisation, especially in the case of foreign trade.

10) Conform to Buyer's Specifications:

Packing should also conform to buyer's specifications. If buyer has ordered special type of packing, then such instructions must be followed in designing and producing packages.

11) Re-Use Value :

The package may offer a re-use value to the consumers. Therefore, the package may be so designed to facilitate the re use purpose. For instance, coffee bottles maybe so designed that it can be used as a glass or mug.

12) Handiness:

A package must be handy. A customer should find no difficulty in carrying it conveniently.

13) Handling Instructions

The handling instructions on the packages must be properly written. For example '**This side up**', 'Glass Handle with Care etc. In case of foreign trade, the instructions must be written in the foreign language.

14) Supplementary Packing:

Fragile and breakable goods should have soft-packing inside the case or box.

Q.7) Explain the Labeling and its Advantage

Product labelling is any written or graphic communication on the package or on the product. Labelling indicates the contents of the product. Like packaging, effective labelling can promote the product.

Developed countries insist on certain instructions on the product's labels. For instance, the European Union insists on the amount of pesticides and insecticides used on horticultural products. Also, on packaged food products and medicines, specific instructions must be labeled.

The EU also insists that labelling must be done in at least 4 major languages spoken in European Union (English, Spanish, French and German). Even in India, it is advisable to have multilingual labels, especially in the case of medicines.

Information on the Labels:

- a) The labels provide information relating to:
- b) Name of the brand and/or logo
- c) Name of the company that produced the brand
- d) Nature of the product
- e) Place of origin (manufactured)
- f) Description of goods/contents/ingredients
- g) Date of manufacture and the batch number.
- h) Statutory information such as expiry date, side effects of the product.

The following are the Advantage of Labelling:**1) Brand Identification:**

It helps the customers to identify the product. Customers can identify the brand name and/or logo which is labeled or printed on the product package or container.

2) Brand Image:

It gives distinct image of brand with the help of its brand name/logo on the label. Brand image is the perception of the brand in the minds of the customers and others. Based on attractive display of brand name/logo, special features of the product, etc., labelling can help to create a distinct image of the brand.

3) Brand Promotion:

Labelling helps to promote the product. With the help of font type used for lettering, font size, colour, graphics, etc., labelling can help to promote the brand. Attractive labelling on products or packages catches the attention of the buyers.

4) Statutory Requirements:

It helps to fulfill statutory requirements, such as statutory warnings, expiry date, etc. For instance, on cigarette packs, it is statutory to mention -"Cigarette I \$ smoking is injurious to health.

5) Transportation:

It enables the transportation company to know the nature of the product. Accordingly, precautions are taken while loading or unloading. For instance, fragile products like glass need to be handled with care.

6) Purchase Decision:

It facilitate purchase decision. For instance, a buyer may look for the contents, date of manufacture, date of expiry, etc., and accordingly decide to purchase the product.

7) Use of the Product:

Labeling also facilitates proper use of the product. For instance, in the case of medicines details such as dosage is indicated, and accordingly the consumer (patient) takes the medicine. In the case of certain clothes, washing and ironing instructions are stated on the labels, which help the user to follow them.

8) Custom Clearances:

Developed countries insist on certain instructions on the labels on the packages or products that are exported from other countries. For instance, the European Union insists on labels to indicate the amount of pesticides and insecticides used for horticulture products. The customs may conduct a check based on the contents on the labels and accordingly may allow customs clearance

Q.8) Explain the Product Life Cycle

1) Product development stage

Product development stage begins when a company generates a new product idea. The product idea is researched and developed into a new product.

Objective: To research and develop a new product.

This stage is characterized by:

- a) Development of new product ideas
- b) Research and Development
- c) Product tests or trials may be undertaken
- d) Publicity may be undertaken to create awareness

2) Introduction stage:

The introduction stage begins when a new product is launched for the first time in the market.

Objective: To create product awareness.

This stage is characterized by:

- a) Normally, low or moderate sales depending upon the type of product.
- b) The company may introduce limited product range.
- c) The company may make low profit, and may even suffer losses due to high overhead expenditure.
- d) The company needs to incur high promotional expenditure such as advertising to create awareness, and sales promotion to induce buyers.
- e) Generally penetration pricing strategy may be adopted especially when the product launched is more or similar to existing competitors brands. The company may adopt skimming pricing strategy in the case of innovative product
- f) The company needs to incur high promotional expenditure such as advertising to create awareness, and sales promotion to induce buyer
- g) The market area coverage may be limited to a particular zone or area.

3) **Growth Stage:**

During the growth stage, demand for the product increases. The company may also increase its profits and market share.

Objective: To increase the market share and profits.

The growth stage is characterized by:

- a) Increase in sales and increase in market share.
- b) There may be rise in profits,
- c) The firm may increase product range with new models
- d) Expansion in distribution coverage.
- e) Changes in pricing depending upon environmental factors.
- f) Aggressive promotion and marketing.

4) **Maturity Stage:**

During this stage, the sales remain more or less stagnant, and profits and market share may tend to decline.

Objective: To defend market share.

This stage is characterized by:

- a) Sales remain more or less stagnant.
- b) Decline in profits due to increase in marketing costs.
- c) Decline in market share
- d) Retentive advertising to remind customers.
- e) The firm may have to face intense competition in the market.

5) **Decline Stage:**

In the decline stage, sales decline due to lower demand from customers. ^The marketer may reposition the product or modify the product or even take a decision to drop the product from the product-mix.

Objective: To cut down the costs and reduce the losses.

This stage is characterized by:

- a) Decline in sales.
- b) Decline in Pro/its. The company may face losses.
- c) Withdrawal or modification of the product.
- d) Decline in promotion expenditure to reduce costs.
- e) Reduction in distribution coverage, especially withdrawal from markets with low share.

CHAPTER 10: BRANDING DECISION

Q.1) Explain the Meaning and Techniques of Branding

It is a process of giving distinct name or a mark to a product to give it a distinct identity as compared to competing brands.

Selecting a brand name is the primary task of brand management. William Shakespeare may be wrong — 'What's in a name. You can call rose by any other name. Brand names make a lot of difference.

For instance brand names like Mercedes, Nike, Cartier, etc., command lot of respect and goodwill. The brand name must be relevant to the product, easy to pronounce, appealing to the target customers, and so on.

There are different approaches in selecting brand name:

1) Individual Brand Names:

A multi-brand company may adopt individual brand name for different products. For instance, HUL have different individual brand names for its soaps such as Lux, Liril; Lifebuoy, etc. Several firms like P&G, Nestle, Cadbury, Suzuki, GM and others have adopted this strategy.

Companies may use different brand names for different quality products within the same product class. For instance, HUL uses the brand name of Wheel for lower quality washing powder, and Surf Tor higher quality brand.

The main advantage of individual brand name strategy is that the company does not attach its reputation to a single brand name. If a particular brand fails in the market, the reputation of the firm may not get affected.

2) Blanket Corporate Name:

This approach is followed when a company uses the corporate brand name for its diverse product categories. For instance, the Tata Group uses this brand name strategy for several of its products such as Tata Tea, Tata Coffee, Tata Salt, Tata Steel, and so on. The main advantage of this strategy is that it develops customers trust in the brands of reputed firms like that of Tata Group, Sony, Philips, etc.

3) Corporate-cum-Individual Brand Names:

Certain companies may combine the corporate name and the individual brand name to create a distinct brand identity. For instance, Cadburys adopts this strategy for its brands such as Cadburys Dairy? Milk and Cadburys Gems. (Cadbury India Ltd. is a subsidiary of Mondelez International. Therefore, in April 2014, Cadbury India Ltd. is renamed as Mondelez India Foods Ltd. However, the brand names will continue to be sold under the earlier brand names like Cadburys Dairy Milk, Perk, Bournvita, etc.)

The main advantage of this strategy is that the brands get the advantage of corporate brand equity The company may also spend less on product introduction and promotion.

4) Family Brand Names:

When a company adopts the same brand name for different brands in a particular product line is called as family brand name. For instance, Amul brand name is used by Gujarat Cooperative Milk Marketing Federation (GCMMF) for several products such as Amul Butter, Amul Ice-cream, Amul Chocolates, Amul Ghee, Amul Milk, etc. Also, Nestle provides the same brand name to ready to eat/serve food items — Maggi Noodles, Maggi Ketchup, and so on.

The main advantage of this strategy its that it is less expensive to introduce related products in a particular product line. The company may also adopt a common advertising campaign for its family brand names.

5) Different Brand Names in International Markets:

MNCs may sell the same brand under different brand name in the international markets. For instance, Skoda sells its car brand as Skoda Octavia in European markets, and in India, it sells the same car under the name of Skoda Laura.

6) Names of Founders:

The company may also introduce the products with the names of founders or inventors. Examples are Dunlop, Colgate, Ford, etc.

7) Typical Numbers:

At times, companies may follow certain numbers such as 555 (cigarettes), 501 (cake soap), and so on.

8) Combination of Names and Numbers:

There can be a combination of names and numbers. This includes 7 Up, 7 O'clock blades, and so on.

9) Names with Relevance to the Product:

Some firms make a deliberate attempt to devise brand names that have relevance to the product category. For instance, Nike — sportswear brand, named after the Greek Goddess of Victory- Other brand names that have relevance to the product category include Tips and Toes (nail polish).

10) Names Communicating Attributes:

Some firms name the brands that communicate attributes of the product. Examples include:

- a) Revital (health supplement capsules from Ranbaxy)
- b) Fair and Lovely face cream (creates hope fair and beautiful complexion)
- c) Touch wood paint for wooden furniture

Q.2) Explain the factors influencing Branding**The following are the Factors influencing Branding:****1) Customers:**

The nature of customers may influence the branding of the products. For instance:

- a) If the product is meant for teenagers and youngsters, the brand name needs to be a lot trendy. An ice-cream brand targeted at youngsters may be branded as Go Cool.
- b) If the brand is meant for masses across the nation, the brand name selected must have mass appeal. For instance, an ice cream targeted for masses may be branded as Gokul.
- c) If the product is meant for upper class audience, the brand name may sound a bit foreign. For example, the top brands of cars are: Lamborghini Veneno, Bugatti Veyron, Koenigsegg Agera, Hennessey Venom, Porsche Spyder, Rolls Royce Phantom, Ferrari, Bentley, Aston Martin, Mercedes-Benz, and so on.

2) Corporate Name Branding:

A company may consider corporate name branding only when it is sure that the new brands that are introduced with corporate name are of high quality and meeting customer requirements. If the new brand is a technological failure or if it is of poor quality it may spoil the name of other brands of the company. For instance, Tata Group uses corporate name branding - Tata Tea, Tata Salt, Tata Steel, Tata Coffee, Tata Sky, and so on.

3) Competition:

When there is huge competition, there is a need to differentiate the product. To differentiate the product, the company needs to highlight the product's special features that could benefit the consumers. Therefore, there is a need for separate brand name to enable the customers to identify the brand. Also, when there is huge competition, a company may come up product

variants with multiple brand options. For instance, HUL manufacturers Surf washing class for middle upper and upper class audience, and Wheel washing powder is targeted to middle-middle class and middle-lower class.

If the competition is low, there may not be a need to create separate brands for each product offering. A company may have only one brand name for a product category.

4) Company Resources:

Branding depends on availability of funds with the company. Building a brand is a costly affair. Lot of money needs to be spent on publicity, advertising, sales promotion, salesmanship, and so on. Therefore, if a company has lot of funds, it may spend on building separate brands. However, if a company has limited resources, it may go for 'umbrella branding' (same brand name for a group of related products as in the case of Amul). Umbrella brand helps to reduce promotion and launching expenditure.

5) Market Area:

At times, the brand name may be selected depending on the area where the product is marketed. For instance, if the product is marketed in South India, the brand name may have good meaning in Tamil language (Tamil language is considered as one of the oldest language in the world, and it is the mother of south Indian languages). And if the product is specially meant for North India, the brand name may have special meaning in Sanskrit language or in Hindi.

If the brand is targeted to rural customers, the brand name must be short and easy to pronounce, perhaps in the language which the rural folks can associate with.

The brand must have universal usage, especially if it is exported to several countries. The brand name must not have negative connotation in foreign languages.

6) Market Size:

When the market size for a product category quite large, a company may adopt branding strategy provide the profits generated could fund the investment in the brand. However, if the market size is relative small, and growing slow}} the investment in building a brand may not be justified. In sue situation, a company may go for umbrella branding (a group c products having same brand name such as Amul), wherein the launching costs and promotion costs are lower. This means under umbrella branding, the branding expenditure gets reduced.

7) Nature of Product:

The brand name must be relevant to tit product. For instance, HUL cannot extend its brand name Surf (generally meaning foam of waves) to a new brand of ice-cream or 'Chocolaty for a brand of washing powder

Brand names must be capable of describing features of the product such as 'Fair and Lovely' for face cream, "All Clear' for an dandruff shampoo, and so on.

8) Preference of Promoter:

Branding may be done as per the preferences or wishes of the founders or promoters. There are several instances where brands are named after their founders. Examples include:

- a) William Colgate introduced Colgate toothpaste in 1806
- b) Henri Nestle introduced the Nestle brand in 1866
- c) Jamsetji Tata introduced the Tata Group brand in 1868
- d) Henry Ford introduced the Ford Motors brand in 1903
- e) Michio Suzuki introduced the Suzuki brand in 1909.

9) Popularity of Existing Brand:

At times, a company may consider brand extension after considering the popularity of its existing brand. For instance, the brand Amul (Anand Milk Union Limited) became very popular in the butter segment, which is extended to several other diary products such as milk, cheese, ghee, milk powder, curd, ice-cream, chocolates, confectionaries, sweets, etc.

10) Registration Formalities:

The brand name should be such that it can be easily registered under the Trade Marks Act, 1999 (which has replaced the Trade and Merchandise Marks Act, 1958). The brand name must not be objected by competitors for registration. If the brand name is registered, it cannot be copied by others in the same product category.

Q.3) Explain the Component of a Brand**The following are the Component of a Brand:****1) Brand Personality:**

Almost all brands have brand personality. Marketers must make an attempt to personify the brand with "personality traits

For instance, Taj Hotels are personified as a young hospitable female belonging to upper class; and fond of gastronomy (the art of cooking and serving good food), music and entertainment. Another example is that of Amul butter which is personified as sweet, intelligent, and energetic girl.

2) Brand Functions:

Every brand performs certain functions. For instance, a tourist hotel performs the functions of rest, relaxation and enjoyment of good food and ambience. Therefore, a tourist hotel is rated on several parameters such as the quality of bed and bedding (sleep quality), cleanliness, service, location, value, and quality of rooms.

3) Brand Benefits:

A brand needs to offer tangible and psychological benefits to the customers. For instance, a luxury car must provide tangible benefits such as good interiors, elegant seating arrangement, good engine, and at the same time psychological benefits such as good looks, status to the owners, and sheer joy of driving.

4) Brand Associations:

The brand must link or connect to certain associations. For instance, Lux soap (the beauty soap of film stars) is associated with beautiful female film stars. Darjeeling Tea is associated with Darjeeling district of West Bengal. (When properly brewed, it yields a thin-bodied, light-colored infusion with a floral aroma.) A 5 star hotel like Taj Mahal is associated with high class hospitality meant for celebrity guests.

Tourist place like Goa is associated with clean and beautiful beaches, and Kerala tourism is associated with backwater experience along with ayurvedic massage, which are unique in nature.

5) Brand Image:

Brand image is the perception of brand in the minds of customers or others. The brand perception differs from customer to customer. For instance, for urban youngsters, the motorbike - Harley Davidson is a dream bike (the top model of Harley Davidson 'Cosmic Starship5 is rated as No. 1 most expensive bike in 2013 with a price of US \$ 1 million (about Rs 6 crore + import duties in India). For rural youth in India, the Harley Davidson bikes may mean nothing, as they may not have heard about it at all.

Another example is that of washing powders. People belonging to middle upper and upper class may not have a good image of budget brands like Ghari, Wheel, and Nirma, whereas, they may have a good image of higher priced brands such as Surf and Ariel. However, customers belonging to middle-middle class and middle lower class may have a good image of budget brands.

6) Brand Name:

It is the most important component of a brand. Companies need to select brand names with utmost care. Some firms pay huge sums of money to develop a new brand name. The brand name must be relevant to the product, easy to pronounce, describe its main benefits, and so on.

There are various approaches for branding. Some of them are as follows:

- a) Individual brand names such as that of HUL's Lux, Lifebuoy, Liril, and so on
- b) Corporate brand names such as Tata Tea, Tata Coffee, Tata Salt and so on.
- c) Corporate-cum-Individual brand names such as Cadburys Dairy Milk.
- d) Umbrella brand names such as Anil Butter, Amul Milk, Amul Cheese, and so on.
- e) Founders' Names such as Nestle, Colgate, Ford, and so on.

7) Brand Logo:

Brand logo along with brand name facilitates brand identity. Brand logo enhances brand equity, the brand logos are uniquely crafted in the case of certain products.

8) Brand Features and Design:

Brand features and design represent as an essential component of a brand. A brand may have unique features and design which can give it a competitive advantage in the market. For instance, brands like Lamborghini, Harley Davidson, Rolex Watches, and such other products that have unique features and design that makes them stand apart from rest of the competition.

9) Brand Packaging:

Brand packaging as a component of brand plays an important role in enhancing sales. Some of the brands such as French perfumes have unique packaging which instantly attracts attention of the customers.

Brand packaging serves several purposes:

- a) It promotes the brand having unique packaging designs.
- b) It protects the product from damage during transportation or handling.
- c) It preserves the quality of the product, as in the case of packaged food products.
- d) It may stimulate repeat purchases: for example, the sale of re-usable packs and refills increases the likelihood of repurchase.

10) Brand Equity:

Brand equity can be considered as an important element of a brand. Brand equity is the incremental value of a brand which it commands in the market. Brand equity is the combination of several elements of a brand which are stated above:

- a) Quality or features of a brand
- b) Brand associations
- c) Brand image
- d) Brand name and logo, etc

Q.4) Explain the Brand Equity and its Factor influencing Brand Equity.

Every brand has a value, and the value of a brand is brand equity,

Brand equity must not be confused with brand personality or image. Edward Tauber defines brand equity as

"The incremental value of a business above the value of its physical assets due to the market position achieved by its brand and the extension potential of the brand."

David Aaker defines

"a set of brand assets and liabilities linked to a brand, its name and symbol, that add to or subtract from the value provided by a product or service to a firm and/or to that firm's customers."

The following are the Factor influencing Brand Equity**1) Brand Loyalty:**

Customer's brand loyalty is the vital base of a brand's equity. It is true that it is expensive to gain new customers and relatively inexpensive to keep existing ones - provided the existing customers are satisfied with the brand. Satisfaction of customers results in brand loyalty: Satisfied customers continue to use the brand, even though competitors make enough efforts to win them over.

It is to be noted that when the customers are indifferent to the brand (with little or no concern to the brand name), and instead buy the product on the basis of price, features and other factors; there is hardly any brand equity. If, on the other hand, the customers continue to buy the brand despite attractive offers from the competitors; substantial value exists in the brand and as such the brand commands high brand equity.

2) Brand Name Awareness :

Brand awareness is the ability of a potential buyer to recognise or recall that a brand belongs to a certain product category. In other words, it is a process of linking product class and brand.

Buyers often buy a known brand. Familiarity of a brand makes it more reliable in the minds of the buyers. A known brand will thus be selected over an unknown brand and as such it commands good brand equity.

3) Perceived Quality of the Brand :

Perceived quality is the customer's perception of the overall quality or superiority of a product as compared to other competing brands.

Perceived quality directly influences purchase decisions and brand loyalty, especially when a buyer is not motivated or able to conduct a detailed analysis of the product's actual or manufacturing quality. A highly perceived qualitative product can command premium price and its brand equity is enhanced. Further, perceived quality can be basis for brand extension.

4) Brand Associations :

A brand association is anything "linked" to a brand. The underlying value of a brand name often is based upon associations linked to it. Like perceived quality, brand associations do influence purchase decisions and brand loyalty

For instance, Darjeeling tea is associated with distinct floral aroma. Nike brand is associated with sports. Goa is associated with beautiful beaches.

5) After-sale-service:

The after sale-service provided by the company can make a difference in brand equity. Nowadays, most of the durable products are more or less standardized. Therefore, the competitive difference can be the after-sale-service. To provide effective after-sale-service, firms need to:

- a) Select the competent and committed after sale service staff.
- b) Train the service staff to improve their knowledge, attitudes, skills and social behaviour.
- c) Motivate the service staff with monetary and non-monetary incentives,

6) Brand Ambassadors:

Some marketing experts claim that brand ambassadors can enhance brand equity. For instance, the Lux soap is associated with female film stars and positioned as the beauty soap of film stars. Some marketing experts do not agree that brand ambassadors enhance brand equity. Therefore, in several advertisements, one may not come across celebrities endorsing' the brand; rather creative advertising does the trick such as that of Zoo zoos of Vodafone

Business firms must be careful in selecting the personalities. The character of the personality must match with the character of the X brand. Also, one cannot simply use film stars to promote budget brands such as 'Salman Khan in Wheel washing powder' because people are fully aware that celebrities do not use brands which are priced lower. Also, a cricket star cannot be used for promoting a luxury car.

7) **Brand Patent:**

Companies can obtain brand patents for new and innovative products. They need to register under the Patent Act of respective

Countries where they want to patent it. For instance, in India products may be registered under Patents (Amendment) Act 2005.

Patenting the product gives exclusive marketing rights for certain number of years. Other companies cannot sell similar product in the market without the permission of patent holder. For instance, pharma companies get exclusive marketing rights for at least 15 to 20 years.

8) **Brand Logo:**

Brand logo can enhance brand equity. The brand logo like brand names facilitates instant identity of the brand. Some of the brands that have unique logo include Apple, Nike, McDonalds, Mercedes, Audi (4 rings), Reebok, Pepsi, and so on.

Companies pay huge sums of money to design the logos. For instance, Bharti Airtel paid huge sums of money to redesign the swoosh logo. The redesigned logo of Airtel is designed by a London based agency, Brand Union. It has the letter "a" in lowercase, forming a swoosh mark for the brand and airtel written in lowercase under it.

Q.5) Explain the Brand Equity and Advantage of Brand Equity.

The following are the Advantage of Brand Equity

Brand Equity provides value of customer by:

- a) Helping them to interpret, process, and store huge quantities of information about products and brands,
- b) Enhancing their confidence in the purchase decision, due to either past-use experience or familiarity with the brand.
- c) Enhancing customer satisfaction with the use experience. Brand equity provides value to firm by enhancing

Brand Equity provides value to firm by enhancing:

- a) Efficiency and effectiveness of its marketing programs - It can enhance programs to attract new customers and to hold on with existing ones.
- b) **Brand loyalty** - The perceived quality, well-known name of the brand, brand associations and other proprietary brand assets can make customers more brand loyal.
- c) **Price and Profit Margins** - Well-known brands can command premium price and as such higher margins.
- d) **Brand Extensions** - It can help to introduce new products under existing brand names.
- e) **Trade Leverage** - A strong brand can gain support from dealers or stores
- f) **Competitive Advantage** - Strong brand equity presents a real barrier to competitors.

Q.6) Explain the Brand and advantage of Brand Extension.

A good number of firms adopt the strategy of brand extension. Brand extension is the process of extending an existing brand name to other brands in the same product category or in different product category For instance:

- a) HUL has extended its brand name of Lifebuoy soap to Lifebuoy Care, Lifebuoy Deo fresh, Lifebuoy Nature, Lifebuoy Liquid Soap, and so on.
- b) Reckitt Benckiser India Limited has extended the brand name of Dettol (antiseptic liquid) is extended to Dettol Bath Soap, Dettol Liquid Hand Wash, Dettol Antiseptic Cream, and so on.
- c) GCMMF has extended its Amul Butter brand name to its range of products — Amul Chocolates, Amul Ice-cream, Amul Milk, Amul Ghee, and so on.

The following are the Advantages of Brand Extension:**1) Advantage of Brand Equity:**

The company adopting brand extension may like to take advantage of brand equity enjoyed by the parent brand. The newly introduced product with extended brand name may enjoy premium value enjoyed by the parent brand. Therefore, the company may charge premium price for the newly introduced brand with the extended brand name.

2) Customer Acceptance:

Reputed brands develop trust and confidence in the minds of the customers. When a new product is introduced with the extended brand name, it may be easily accepted by the customers. This is because; the customers are comfortable with the parent brand name, and they perceive the same value in the newly introduced brand.

3) Dealers' Cooperation:

The retailers or dealers may agree to stock and promote the newly introduced brand with the extended brand name. This is because; the customers may easily demand the new brand without much effort on the part of the dealers or retailers

4) Lower Launching Costs:

The company launching a new product with an extended brand name may have to incur lower product introduction costs. This is because; the customers are already familiar with the brand name. Therefore, less repetition of ads may be required. Also, dealer incentives need not be higher to promote the newly launched product.

5) Increased Revenue for the Firm:

Brand extension can generate increased revenue to the firm. The company may have to spend less on marketing and distribution costs, thereby, increasing the net revenue to the company. For instance, Amul has increased revenue of the company by introducing a host of brand extensions in the area of ghee, ice creams, packaged milk, and so on.

6) Maintains Customer Loyalty:

Brand extension may also result in maintaining brand loyalty to the parent brand. Due to brand extensions, customers may prefer the different products under the same brand name. Otherwise, they may switch over to the competitor that has introduced various products in the same product category or in different product category.

7) Competitive Advantage:

Brand extension generates competitive advantage to the firm. A company with good brand image of a particular brand can extend the same to other products. This generates customer trust and loyalty, and as such the company may be able to face competition in the market.

8) Corporate Image:

Brand extension helps to generate corporate image. Due to brand extension, a company may achieve higher performance in terms of market share, profits, customer loyalty, etc. Therefore, the image of the firm improves in the minds of various stakeholders such as customers, dealers, shareholders, etc

Q.7) Explain the Brand Loyalty and factors influencing Brand loyalty.

Brand loyalty refers to repeat purchases of the product from the same marketer. It also involves word of mouth advocacy (strong recommendations) satisfied customers to others.

The following are the Factors Influencing Brand Loyalty:**1) Brand quality:**

The various dimensions of brand quality such as features, durability serviceability, aesthetics, and so on results in brand loyalty.

2) Price:

The price of brand may lead to brand loyalty. Price sensitive customers may be loyal to the brand when the price charged is lower. Non-price sensitive customers may be loyal to the brand even at higher price, provided they are satisfied with other attributes of the brand.

3) Promotion:

May lead to brand loyalty. Repetitive advertisements create 'top of mind' awareness, which may make customers brand loyal. Publicity increases trust and confidence among the customers and as such enhances brand loyalty. Effective salesmanship can convince customers for repeat purchases. More so, sales promotion such as discounts, free gifts, exchange offers, and so on may lead to brand loyalty.

4) Distribution:

When the product is available at the right time and at the right place, customers would be willing to go for repeat purchases, whenever need arises. However, if the brand is not available as and when the customers need it, the customers may switch over to competing brands.

5) After-sale-service:

Plays an important role in brand loyalty. If the company provides timely and efficient after-sale-service, customers may go for recommendations to others and they may buy other durables from the same company. Among the car companies, Maruti Suzuki has excellent after-sale-service network in India, and therefore, it commands loyalty among Indian customers.

6) Corporate Image:

May lead to brand loyalty. Some companies enjoy a good corporate image. For instance, Tata Group enjoy ; good corporate image, and therefore, customers may be brand loyal, especially when they are satisfied with the quality and service.

7) Brand Name:

Certain brand names command status in the society. For instance, among sports footwear, Nike commands a good brand name and status. Therefore, youngsters, especially in urban areas may go for repeat purchases of the Nike brand.

8) Brand Trust:

Certain brands command trust among the customers which leads to brand loyalty. For instance, Colgate toothpaste commands trust among its users, and therefore, it commands about 56% of the market share (August 2013) despite aggressive marketing efforts of HUL to promote Pepsodent and other firms like Dabur. Also in the car sector, Maruti Suzuki has a market share of 50% despite several car companies entering the Indian market, because Indian customers trust the Maruti Suzuki brand.

Q.8) Explain the Advantage of Brand Loyalty.

The following are the Advantage of Brand Loyalty:

- 1) Brand loyalty helps to increase sales and market share.
- 2) It helps to increase profits.
- 3) It helps to reduce costs on account of economies of scale.
- 4) It helps to improve efficiency as a part of the profits is utilized for training and development, research and development, etc.
- 5) It helps to expand the markets.
- 6) It leads to commitment of the employees as the employees are rewarded with higher incentives on account of higher profits.
- 7) It gives competitive advantage to the firm.
- 8) It makes easier for the company to launch new products.
- 9) It helps to maintain good dealers' relationship.
- 10) A company that enjoys brand loyalty can face tough times in the market, especially during recession.

HERAMB

CHAPTER 11: PRICING DECISION

Q.1) Explain the meaning and objective of Pricing.

Price is an important element of marketing-mix. Price is the exchange value. Developing a right pricing strategy is critical to an organization's success. Price is a significant variable, as in many cases; it is the main factor affecting consumer choice. Its significance is further emphasized as it is the only element of marketing mix that generates revenues and the others produce costs.

The following are the objective of Pricing:

1) Survival:

It is the most important objective of pricing; especially when companies are faced with the problem of over-capacity intense competition, or changing consumer wants. Most firms adopt survival objective during recession when customers on an average have less money to spend

Prices are reduced (at times even below cost) in order to maintain sufficient flow of cash for working capital. Profits are less important than survival. As long as prices cover variable costs and some fixed costs, the company survives in the market. However, survival is a short-term objective, as price-cutting is not always the answer. Marketers need to be careful with the pricing strategy that brings short-term benefits at the expense of long-term goals.

Reducing prices in order to increase sales can cause customers to be price sensitive. This may lead to "Christmas Sale Syndrome", i.e., in European and American markets, shoppers wait for prices to drop at the time of Christmas season to buy goods.

2) Profit Objectives:

One of the main objectives of pricing is to earn profit. The profit objective of pricing can be expressed in two ways:

a) Return on Investment:

A good number of firms fix their prices to stimulate consumer interest in their brand over other competing brands. Attractive prices result in higher sales which in turn help to achieve a certain level of return on investment or return on capital employed. This in turn helps a firm achieve its one of the overall objectives enhancing shareholders wealth.

b) Profit Maximization:

A profit maximization objective seeks to get as much profit as possible. Profit maximization does not necessarily involve fixing high prices. Low prices may bring in higher sales and profits.

3) Sales Objectives:

Firms also fix prices in order to attain sales objectives. The sales objectives can be expressed in two ways:

a) Market Share Growth:

A firm may fix the price of its products, at a certain levels so as to defend its current market share, and, if possible to increase the market share. For this purpose a firm may adopt penetration for new product launch, and competitive pricing for its existing prices.

b) Sales Growth:

Some marketing manager's would like to achieve sales revenue growth in terms of unit sales growth or in money terms. Increase in sales is an important indicator of a firm's success. However; increase in sales targets does not necessarily result in other objectives, such as profits. This is because, sales may increase but profits may actually decrease or a firm may even suffer losses despite growing sales. Therefore, pricing objectives should not just focus on growth in sales, but also on profits

4) Competitive-Effect Objectives:

At times, a firm may deliberately seek to reduce the effectiveness of one or more competitors. It may fix its prices in such a way that it would enable it to win over competitors' customers. For instance, a departmental store can offer a heavy discount in early November on garments, footwear, etc., directed at Christmas shoppers so as to win over customers from other departmental stores/retail shops.

5) Image Differentiation:

Some firms may create image differentiation through pricing. They may change a premium price for their product to create a distinct image vis – a vis the competitor in the minds of their target audience. Firm like Mercedes Benz, Rolex watches, and other have adopted this strategy. Some other firm may charge a moderate price for high quality product. For instance a firm may position its product on the moderate price vis a vis high quality such as Newport Jeans – “Good Jeans for Less”

6) Market Skimming Objective:

The firms that launch a new product in a market may adopt the market skimming strategy. In this, case the product is launched at a high price, and, then gradually it is reduced over a period of time. Skimming apart from other benefits, helps a firm to recover high development costs associated with new products. For market skimming to be successful, there must be certain conditions, such as:

- a) The firm must have a degree of security in the form of patents.
- b) The product must have unique selling proposition

7) Early Cash Recovery:

Firms that face liquidity problems & those that believe that life of the product or market is likely to be short may adopt a pricing strategy designed with the objective to generate a high cash flow and lead to an early recovery of cash. Such firms may provide a series of special offers and discounts and adopt a strict credit policy, so as to increase immediate sales and achieve prompt payment.

8) Market Entry Barrier Objective:

Firms may adopt a low price strategy with the objective of preventing others from entering the market. The potential entrants would recognize the low returns available and the dangers of getting involved in a price war. In this way, existing firms may be able to minimize the amount of competition in the market.

9) Customer Satisfaction Objectives:

A good number of quality focused firms believe that profits result from customer satisfaction, as the primary objective. They believe that by focusing solely on short-term profits a company loses sight of winning customers and retaining them. Instead, firms develop pricing objectives based on pleasing customers over the long term. They may adopt a high value strategy, where product quality is high and the price is moderate (neither high, nor low) instead of adopting a premium strategy where high quality product is sold at high price. However, it is to be noted that some customers, especially, belonging to the upper-upper class would be satisfied with a premium strategy, as they enjoy prestige status with highly priced items.

10) Social Responsibility Objectives:

Social responsibility objectives often play a major role in pricing decisions of the government and of non-profit organizations. Even professionals like doctors may adopt social responsibility as a pricing objective. For instance, some doctors may charge consulting fees on the basis of ability to pay. Poorer sections may be charged less, whereas, the richer sections may be charged more. Also, professional business firms may pass on the economies of large scale production and distribution, at least partly to the consumer, with the objective of fulfilling social responsibility towards the consumer.

Q.2) Explain the Significance of Pricing.**The following are the Significance of Pricing:****1) Brand Image:**

Pricing facilitates brand image of the product. If a product is priced lower it may gain popular brand image such as in the case of Wheel and Ghari washing powders. However, if a product is priced higher, it may gain premium brand image such as in the case of Surf and Ariel washing powders

2) Brand Loyalty:

Pricing may lead to brand loyalty. Generally, quality products which are priced within the reach of its customers can enhance chances of brand loyalty. Customers continue repeat purchases which are priced lower. Therefore, Ghari and Wheel washing powders are No. 1 and No.2 brands in India in the washing powder category. However, some Studies indicate that longer term brand loyal customers are not price sensitive. Such studies holds good in developed countries

3) Expansion of Business:

Pricing may facilitate expansion of business. For instance, penetration (low) pricing strategy helps to gain market share. Success in one market may enable the marketer to enter in other market areas. Thus, pricing leads to expansion of business.

4) Economies of Scale:

Pricing may; bring economies of scale the firm Due to lower pricing, the demand may increase. Increase in demand leads to higher production and distribution. Therefore a firm can get economies of large scale production and distribution.

5) Customer Satisfaction:

When a company provides good quality products at the right price, customers derive satisfaction from the use of such products. Customer satisfaction is the outcome of correlation between product performance and customer expectations. When a company offers quality products at reduced prices as per customer expectations; pricing generates customer satisfaction

6) Corporate Image

Price not only enhances brand image in the minds of the customers but also that of the company. Customers may trust companies with right quality product at right prices. Corporate name improves not only in the minds of customers but also in the minds of other stakeholders, For instance, right pricing may lead to higher returns to the company Therefore, the image of the company improves in the minds of employees, investors,; and other members of the society.

7) Objectives of the firm:

Right pricing helps to achieve objectives' of the firm such as:

- a) Increase in Sales
- b) Increase in market share
- c) Increase in profits, etc

8) Status to the user:

At times, pricing brings higher status to the users. Luxury products which are highly priced bring status to the user or owners of such product. For instance luxury wrist watches luxury cars, luxury footwear, and so on result in status symbol to its owners.

Q.3) Explain the Factor influencing Pricing.**A. Internal Factors****1) Costs:**

A firm while fixing prices should consider the costs for producing the product. In case of several products, costs constitute a large part of the price. The firm must plan to recover both the variable costs and the fixed costs. However, if a firm is selling bulk of its supplies in the home market, and a part of production in the overseas market, then all the fixed costs may be recovered from the home market, and only variable costs may be charged for the overseas markets.

2) Corporate Images

The firms enjoying a good image in the market may charge a higher price, as compared to those firms which do not enjoy reputation in the market. This is because, consumers have trust and confidence in the firms enjoying name and reputation in the market. For instance, firms like P&G, and HUL, can command a higher price for their brands, as they enjoy goodwill in the market

3) Objective of the Firm:

The marketer must consider the objectives of the firm, while fixing prices. Price of products is directly related to objective of the firm. For instance, if the objective of a firm is to increase return on investment, then it may charge a higher price and the objective is to capture a large market share the firm may charge a lower price.

4) Product:

If a product is of superior quality, then a firm may either adopt; premium strategy or high value strategy.

a) In premium pricing, the firm charges high price for high quality.

b) In high value pricing, the firm charges moderate/low price; for high quality;

Apart from product's quality, the marketer needs to consider the product's features, the nature of the product (perishable/durable)* and the frequency of product's purchase.

5) Product Life Cycle:

The stage of a products life cycle affects pricing. For instance, when a firm introduces a product in a competitive market, then: it may charge a lower price to attract the customers. During the growth stage, a firm may increase the price, especially in a low competition market.

The marketer may also consider the probable length of the product's life cycle. If the probable length of the product life is expected to be long, then lower price may be charged, as compared to the products with shorter life span,

6) Other Internal Factors:

There are several other internal factors that influence pricing:

a) Brand Image:

Distinct brand image commands higher price, such as Rolex, Mercedes.

b) Promotional Expenses:

Generally, higher the promotion higher may be the prices.

c) Credit Policy:

Longer the credit period, higher may be the prices.

d) Size of Order:

Generally larger the order, lower is the price per unit

B. External factors:**7) Competition:**

The marketer has to consider the degree of competition in the market. When there is high competition, prices may be lower, and vice-versa. The price of competing brands, as well as those of substitutes must be considered while fixing prices. Normally, the price must be within the range of that of the competitors.

8) Consumers:

The marketer should consider various consumer factors while fixing prices. The consumer factors that must be considered include the price sensitiveness of buyers, purchasing power, buying pattern, and so on;

For instance, in developing countries like India, customers (even belonging to the-upper class) are price sensitive, and they may not buy highly priced brands.

9) Demand:

Price of goods to a great extent depends upon demand. For instance, an increase in demand may lead to an increase in price, even though there may be no rise in costs; Demand may increase due to economic condition in the market, problems with the supplies of competitors, and so on. It is to be noted, that increase in demand need not result in increase in prices as now a days socially responsible marketers pass on a part of the benefits of large-scale production and distribution to the consumers

10) Economic Conditions:

The economic conditions prevailing in the market must be considered while fixing prices. During the, times of recession when consumers have less money to spend, the marketers may reduce the prices to influence; buying decision of the consumer However, during economic boom, the marketers may charge higher price.

11) Financial Incentives:

The Government may provide incentives to the firms, therefore, the firms may charge lower prices. For instance, exporters get incentives from the Government, so that they lower prices in overseas markets.

The incentives available to exporters include: Duty Drawback Octroi Exemption, VAT Exemption, Excise Exemption, etc.

12) Other External Factors:**a) Government Control**

For instance the Govt. regulated prices for certain medicines and other products are lower.

b) Channels of Distribution

The longer the chain of distribution, higher would be prices and vice-versa.

c) Taxes and Levies

Generally, higher the taxes and levies, higher would be the prices and vice-versa.

Q.4) Explain the Method Pricing.

There are several methods of pricing the products in the market. While selecting the method of fixing prices, a marketer must consider the affecting pricing. The pricing methods can be broadly divided into two groups:

A. Cost Oriented Method:**1) Cost Plus Pricing:**

In fixing the price, the company considers the cost of product, and the profit margin. The profit margin is calculated on the cost of the product. The profit is added to the cost to arrive at selling price.

Formula: Selling Price = Costs + Profit Margin.

For instance, if costs are Rs 200 per unit, and if marketer expects 10% profit margin on costs, then the selling price will be Rs 220. This method is simple; as marketers can easily determine the costs, and add a certain percentage to arrive at the selling price.

2) Mark Up Pricing:

Mark up pricing is a variation of cost plus pricing. Mark-up (profit) is calculated as a percentage of the selling price and not as a percentage of the cost price. Most firm that use cost oriented methods use Mark up pricing

Since only the cost and the desired percentage of the selling price are known, the following formula is used to determine the selling price:

3) Break Even Pricing:

In this case, the firm determines the level of sales needed to cover all the relevant fixed and variable costs. The Breakeven price is that price at which the sales revenue is equal to the cost of goods sold. In other words there is neither profit nor loss

4) Target Return Pricing:

In this case, the firm sets prices in order to achieve a particular level of return on investment (ROI). The target return price can be calculated by the following formula

Target Return Price

$$\frac{\text{Total Costs} + (\text{Desire \% ROI} \times \text{Investment})}{\text{Total Sales in Units}}$$

The limitation of this method (like other cost oriented methods) is that prices are derived from costs without considering market factors such as competition demand consumers perception of value, etc. However, this method helps to ensure that prices exceed all costs and therefore contribute to profit.

5) Marginal Cost Pricing:

The marginal cost pricing technique makes a distinction between fixed costs and variable costs. Variable costs vary with the level of output. The fixed costs remain the same irrespective of output during a certain period. However, fixed costs can increased firm exceeds a given level of production capacity:

In this case the marketer considers only the Variable in cost fixing prices. Such pricing can be followed in certain market such as in export markets or new markets, when excess capacity is available, after producing for the existing market. The total fixed costs are recovered from the existing market. However is to be noted that the existing markets must have the capacity to bear the total fixed cost

6) Early Cash Recovery Pricing:

Some firms may fix a price to realize early recovery of investment involved, when market forecasts suggest that the life of the market is likely to be short, such as in the case of fashion related product or technology sensitive products. Such pricing can also be use when a firm anticipates that a large firm may enter the market in the near future with its lower prices, forcing existing firms to exit. In such situations, firms may fix a price level, which would maximize short-term revenues and reduce the firm's medium term risk.

B. Market Oriented Method:**7) Going-Rate Pricing:**

In this case, the benchmark for setting prices is the price set by major competitor(s). If a major competitor changes its price; the other firms in the industry may also change their price, irrespective of their costs or demand. The going-rate pricing can be further divided into three sub methods:

a) Competitor Parity Method:

A firm may set the same price as that of the major competitor(s).

b) Premium Pricing:

A firm may charge a little higher price, if its products do have some additional special features as compared to major competitors

c) Discount Pricing:

A firm may charge a little lower price, if its products lack certain features, as compared to major competitors

Going-rate method is very popular because it tends to reduce the likelihood of price wars emerging in the market; It also reflects the industry's collective wisdom relating to the price that would generate a fair return

8) Differentiated Pricing:

Firms may charge different prices for the same product or service. The following are the types of differentiated pricing:

a) Customer Segment Pricing:

Where different customer groups are charged different price for the same product or service depending upon the size of the order or payment term, etc.

b) Time Pricing:

Where different prices are charged for the same product or service at different timings or season. It includes off-peak pricing, where low prices are charged during low demand timings or season.

c) Area Pricing:

Where different prices are charged for the same product in different market areas. For instance, a firm may charge a lower price in a new market so as to attract customer in that market.

d) Product Form Pricing —

Where different versions of the product are priced differently but not proportionately to their respective costs. For instance soft drink of 200 ml, 300 ml, 500 ml, etc., are priced as per this strategy.

9) Perceived Value Pricing:

A good number of firms fix the price of their goods and services on the basis of customer's perceived value. They consider customers' perceived value as the primary factor for fixing prices, and the firm's costs as the secondary. The customers' perception can be influenced by several factors, such as advertising, sales promotion techniques, effective sales force and after-sale-service staff. If customers perceive a higher value the price fixed would be high and vice-versa. Market research needed to establish the customers' perception of value-as-a guide to effective pricing.

10) Sealed Bid Pricing:

This pricing is adopted in the case of large orders or contract especially those of industrial buyers or government department. The firms submit sealed bids for jobs in response to an advertisement. In this case, the buyer expects the lowest possible price, and the seller is expected to provide the best possible quotation or tender. If a firm wants to win a contract, then it has to submit a lower price bid. For this purpose, the firm has to anticipate the pricing policy of the competitors and decide the price offer.

11) Two Part Pricing:

Service firms often adopt two-part pricing, consisting of a fixed fee and a variable usage fee. For instance, recreation parks may charge a fixed entry fee plus additional charges for various services utilized by the customers.

This technique is also followed by telephone companies, with a fixed monthly rental charge (with a certain number of free calls) and additional charge for the additional calls over and above the free calls. The firms may keep the fixed fee to the minimum so as to encourage the purchase of the service and the profits are made on the usage fees.

12) Demand-Backward Pricing:

In this method, a firm sets a price by starting with the estimated price consumers will pay and then working backwards with retail and wholesale margins. For instance, the marketer arrives at list price, which the consumers would pay and the reseller (wholesalers and retailers) margin are subtracted and the result indicates the manufacturer's price.

Q.5) Explain the Pricing Strategies.

Pricing strategy refers to a plan to achieve pricing objectives -- market share, sales, profits, etc. Pricing strategy is formulated when a new product is launched in the market.

Pricing strategy differs from pricing method. A pricing method helps to calculate and fix the prices on the basis of costs, competition demand, etc. Pricing method becomes a part of the strategy.

The following are the Pricing Strategies:**1) Skimming Pricing Strategy:****Meaning:**

A high premium price is charged when a product (that offers unique customer benefits) is launched in the market.

Objective:

This strategy aims at high profit margins in the early stages of product introduction.

Types:

The skimming pricing strategy can be of two types:

a) Rapid Skimming Pricing

Where high prices are charged and the product is promoted with heavy promotional expenditure.

b) Slow Skimming Pricing

Where high prices are charged and there is limited promotional effort to promote the product.

2) Penetration Pricing Strategy:

The pricing strategy of low price in the early stages of product introduction is called as 'penetration pricing strategy'.

Objective:

The main objective is to capture a large share of the market in the early stages of product introduction in the market.

Type:

This strategy can be of two types:

a) **Rapid Penetration Pricing Strategy:**

Where low price are charged and The product is promoted with heavy promotional Expenditure.

b) **Slow Penetration Pricing Strategy:**

Where low price is charged and there is limited promotional expenditure to promote the product.

3) Standard Pricing Strategy :

In this case, the marketer may charge the same price for all the markets - in urban markets as well as in rural markets. However, this strategy is mostly not followed as price depends upon a number of factors. Again, prices need to be fixed on the lower side for rural markets as compared to that of markets in urban areas.

4) Probe Pricing Strategy:

The marketer may fix a higher price in the market during the early stages product introduction. This is done to find out or probe the reaction of the buyers towards the price. The prices are then adjusted accordingly;

The marketer may follow this technique, especially, when sufficient information is not available in respect of competitors' pricing, purchasing power of the buyers and so on.

5) Differential Trade Margins Pricing Strategy:

The marketer may adopt differential trade margins pricing strategy; He may allow various types of discounts or trade margins. The various discounts that; can be offered includes, quantity discounts on bulk orders, seasonal discounts during offseason to push up sales, cash discounts to encourage prompt payments, goodwill discounts^ trade discounts, etc. The prices are accordingly adjusted depending upon; the type of discount offered

6) Transfer Pricing Strategy :

Transfer pricing refers to the pricing of goods or service subsidiaries with in a multinational corporation. This strategy is adopted, by subsidiaries of an MNC when they trade with Mother subsidiaries or with the, parent company,, the main objective of transfer pricing Generally, the selling firm charges lower price to the buying firm within the MNC group. In such a situation, the selling firm may suffer a loss, while the buying one will make a profit. However the overall profits of the parent firm in the consolidated .balance sheet would not be affected.

7) Differential Pricing For Different Markets Strategy :

In this case, different prices' are charged to different markets depending upon a number of factors. The marketer may adopt differential pricing strategy for home markets arid for overseas markets. Again, there can be differential pricing between two or more overseas markets.

The differential pricing is justified due to :

- a) Differences in expenses such as documentation, freight, insurance, packing, etc.
- b) Differences in costs to be charged - total costs for domestic markets and only variable costs for export markets, especially when major sales are in the home market,
- c) Differences in the level of competition - where there is no or less competition, prices can be high and vice versa,
- d) Differences in demand in international markets where there is a need to modify product and incur additional costs, then prices can be high for such markets and low. Where little or no product modification is required,
- e) Attitude of buyers - if the buyers attitude towards exporting 'country's goods is negative, and then the exporter may fix low prices to gain entry in such markets, whereas, in other markets, he may charge higher prices.

8) Trial Pricing:

A firm may charge a lower price to induce customer to buy the product especially at the introductory stage. When the demand increase marketer may charge a higher price. The purpose is to win customer acceptance first and make profit later.

9) Follow the Leader Pricing Strategy :

The marketer may fix his prices depending upon the price of the the leading competitor. The prices may be very close to that of the prices charged by the leader.

However, this strategy may not be advisable as the situational the marketer may differ from that of the leader in terms of product quality, features, costs, etc.

10) Flexible-Price Strategy:

A firm offers the same product to different customers at differed prices. For instance, when a new product is introduced, a may sell it at a special price to its loyal customers* Also, a retailed may offer special price to frequent-shopper as compared to otherf customers, who do not buy frequently from that store. The special* price is a reward for customers' loyalty

HERAMB

CHAPTER 12: PHYSICAL DISTRIBUTION

Q.1) Explain the Physical Distribution and its Role

Physical distribution is a process of effectively delivering the product to the customers in proper condition and on time. The role of physical distribution can be explained with reference to the role of channels of distribution:

The following are the Role of Physical Distribution:

- 1) **Creates Utilities:**
Channels of distribution bring producers and buyers together by creating place, time and possession utilities.
- 2) **Improves Distribution Efficiency:**
Channels improve distribution efficiency due to their specialization, and the producer can concentrate on production activity;
- 3) **Provides Assortment of Goods:**
The distribution channels combine the products manufactured by several producers and offer them in the form of assortment (range of items) as required by consumers.
- 4) **Salesmanship:**
The middlemen help to introduce new products in the market by recommending them to the customers.
- 5) **Merchandising:**
Merchandising involves preparing and placing attractive displays of a new product. The channel intermediaries can assist in merchandising.
- 6) **Balancing Demand and Supply:**
The intermediaries help to match the demand and supply in the market. They inform the producers about high or low demand, and accordingly producers produce and supply goods
- 7) **Financing:**
The channel intermediaries provide finance to the producers by giving advance payment against the orders.
- 8) **Information:**
The intermediaries can collect valuable information about customers, and competitors and pass it onto the producers

Q.2) Explain the Factor Influencing selection of Distribution channel

The following are the Factor Influencing selection of Distribution Channel

1) Customer Characteristics:

The firm may consider customer characteristics in the choice of channels

- a) If the customers are large in number and are geographically dispersed, the firm may select indirect channel as it may not be feasible to reach to larger number customer a larger market area. For instance, national marketer, selling FMCG goods may adopt indirect channels.
- b) If the customers are few in number and are geographically concentrated, the firm can select direct channel as it may be possible for the firm to serve directly. For instance, industrial buyers are few in numbers and mostly geographically concentrated (in certain industries), the firm may adopt direct channel

2) Product Characteristics:

Product characteristics include product class, perishability, durability, size, shape, design, complexity standardization, etc

- a) In case of highly priced luxury items such as Rolls Royce cars, the company may go exclusive distribution one or two showrooms especially in major Metros
- b) In case of FMGC products the company may adopt indirect channels as buyers are large in number and buy in smaller quantities.
- c) Perishable products require shorter channels to avoid rehandling and spoilage

3) Company Profile:

A company's corporate image resources and capabilities also affect channel selection.

- a) If a firm has limited sales force, it may adopt indirect channels and vice-versa.
- b) When a firm has distinct image in the market, it may distribute its product through selective Stores.
- c) When a firm has strong distribution network in terms of its own showrooms, fleet of distribution vehicles etc.; it may adopt direct channel.

4) Competitors' Strategy:

Generally, a firm may consider the distribution strategy of its competitors in the choice of channel selection. Normally, a marketer may use the same channel that is used by the competitor

- a) Almost all marketers of FMCG goods use indirect channels to market the product.
- b) In case of certain industrial goods such as heavy machinery and equipment, most of the firms resort to direct channel

5) Area Coverage:

The area coverage and the location of the market also determine the channel selection. If the marketer sells throughout the country, he may select indirect channels:- But if the market is concentrated in a particular area or locality, the marketer can resort to direct selling,

6) Middlemen Characteristics:

The characteristics of middlemen, such as their resource strengths and capabilities, must be considered.

- a) A firm may distribute the products through sole selling agents, especially when the agent when the agents have their own distribution facilities, such as/warehouses, showrooms, delivery vehicles, etc., the company may go for indirect
- b) Sometimes, retailers may be reluctant to stock goods higher price; the company may resort to direct selling).

7) Economic Conditions:

Economic conditions influence channel selection. During recession, middlemen may be unwilling to stock new products unless they are provided with extra incentives such as push commission. Therefore, during recession, a firm may adopt direct channel to distribute the products to customers. For instance, to sell readymade garments, a company may book halls to sell its products by offering good discount to the customers.

8) Technological Factors:

The technological factors also influence channel selection For instance, technological developments in telecommunications have made it possible for home shopping; via telemarketing. Also, internet has made it possible for customers to place direct orders on-line, thereby, eliminating the need for intermediaries.

9) Size of the Orders:

The size of the order may influence the choice of channel selection. Normally, when a company receives large size orders and that too from few customers, it may prefer direct channel to serve

the customers. However, when a firm gets small size orders from a large number of customers, it may adopt indirect channels.

10) Channel Objectives:

The channel objectives have a direct influence on the choice of distribution channel. For instance, a firm may want to maintain close contact with its ultimate customers, it may adopt direct channel. Also, if the firm wants to deliver the goods quickly, to the customers, it may adopt direct channel. However, if the channel objective is wider market coverage, it may adopt indirect channels.

Q.3) Explain the Meaning of Distribution Channel & Different type of Distribution channel

William Stanton defines "A channel of distribution is the route taken by title to the product as it moves from the producer to the ultimate consumer or industrial user."

William Schoell defines "A marketing channel is the series of marketing institutions, that facilitates transfer of title to a product as it moves from producer to ultimate consumer or industrial user."

There are various channel options available to the manufacturers. The channels can be broadly divided into two; groups:

a) **Direct Marketing Channel**

Where the manufacturer directly sell to the final consumer without the help of intermediaries.

b) **Indirect Marketing Channels:**

Where the manufacturer sells to the final consumer with the help of intermediaries

The following are the various channels:

1) **Distribution (Manufacturer - Consumer):**

the direct channel of distribution is also known as zero-level marketing channel. in the direct channel there are no intermediaries between the producer and the final buyer. the producer sells directly to final buyer through his own network of stores or at a centrally located place or by appointing door to door sales force.

Direct channels are more common in industrial than in consumer products. This is because the industrial users buy in bulk they are concentrated geographically, require good after-sale-service etc.

The following are the Reasons for direct selling:

- a) The producers can have greater control over the distribution of their products.
- b) Non-availability of middlemen or reluctance from: middlemen to stock the goods.
- c) Producers of heavy/bulky goods transport directly to the final buyer, to reduce handling and transport costs.
- d) Producers that cater to a few customers may sell directly.
- e) Complex or high-tech products which require good after-sales-service may directly sell to the final buyers.
- f) Producers who wish to have direct contact with their final buyers to get first-hand information.
- g) Producers who sell through the internet do not require intermediaries.
- h) Small business establishments like hotels, bakeries etc., can conveniently sell directly to local customers.

2) **Manufacturer - Agent- Wholesaler -Retailer - Consumer:**

This is the longest channel in the chain of distribution. The sole selling agent purchases the goods from the producer and then sells it to the wholesaler, who in turn, sells to retailers and the retailers in turn sell it to consumers.

The manufacturer appoints sole selling agents in different region or territories in order; to transfer the selling responsibility to various wholesalers in that region or area. Manufacturers of mass consumption goods and operating in the national market find it difficult to manage a large number of wholesalers so they appoint sole selling agents. Thus the manufacturer is relieved from the burden of monitoring and managing the activities several wholesalers

3) Manufacturer - Agent - Retailer - Consumer:

This channel involves two intermediaries i.e. the agent; and the retailer. The producer sells to, sole selling agent, who in turn sells "to retailers and the retailers sell to final buyers. -

The producers may prefer this channel as compared to the channel mentioned at No.2, mainly to do away with the wholesalers. In fact the sole selling agent takes the position of the Wholesaler in this channel. This channel is more suitable in the case of consumer durable goods such as refrigerators, television sets etc., where the retailer can conveniently Order froth the sole selling agents.

4) Manufacturer- Wholesaler - Retailer - consumer:

In this channel, the manufacturers sell to a number of wholesalers who in turn sell it to a large number of retailers and the retailer in turn sell to final buyers.

This type of channel is more common in the case of consumer goods like soaps, cosmetics, textiles, etc. There are number of advantages offered by this channel:

- a) The manufacturer need not deal and manage the large number of retailers.
- b) The wholesaler may also assist in publicity programmes of the manufacturing. They also design dealer display.
- c) They provide warehousing and transport facilities

5) Manufacturer - Wholesaler - consumer:

This channel is used very rarely in the distribution process. It may be used in combination with the channel mentioned at No.4. In certain instance where the final consumer's requirements are of large quantity they can directly approach the wholesaler rather the retailer. This is true in the case of building materials like demerit, tiles, etc

6) Manufacturer - Retailer - consumer:

In this case retailers directly buy from the manufacturer rather than buying it from the wholesalers. In such instances, the retailers want to gain from bulk purchases directly from the producers. Large retail stores like cooperative stores, departmental stores, multiple chain stores, do directly buy from manufacturers or producers. This channel can be used in the case of consumer goods like cloth, agricultural goods and even consumer durables

7) Manufacturers - Canalizing Agency - Buyer:

In case of exports, certain items are canalized such as gum karaya, mineral ores, niger seeds, and petroleum products. They cannot be exported directly. The manufacturers must route the canalized items only through the canalizing agency appointed by the Govt.

The canalizing agencies include in the case of .gum karaya and niger seeds, Govt, of India has appointed TRIFED to look after exports. Mineral ores are canalized through MMTC and in case of Petroleum products – Indian oil Corporation is the canalising agency.

8) Producers - Cooperatives — Dealers— Consumers:

In case of certain products like agriculture and dairy products, the producers may supply their produce to the cooperatives. The cooperatives then look after marketing and distribution activities. The cooperatives may directly sell to the final consumers or they may distribute the commodities with the .help of dealers wholesalers and retailers

Q.4) Explain the Recent trends Distribution Channel.
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The following are the Recent Trends in Distribution:**1) Horizontal Marketing System:**

A horizontal marketing system is a distribution channel arrangement whereby two or more firms at the same level join together for marketing purposes to Capitalize on a new opportunity. The firms combine their resources such as production capabilities and distribution in order to maximize their earnings potential. The firms can work together on a temporary or permanent basis or create a joint venture.

Examples:

- a) A bank and a supermarket agree to have the bank's ATMs located the supermarket's location.
- b) Two manufacturers combining to achieve economies of scale, otherwise not possible with each acting alone, in meeting the needs and demands of a very large retailer.
- c) Two wholesaler's joining together to serve a particular region at a certain time of year.

2) Third Party Delivery Channel:

A third-party logistics (3PL) provider is a firm that provides service to its clients of outsourced logistics services for part, or all of their supply in management functions.

Third party logistics providers typically specialize in integrated operation – warehousing, inventory management, logistical packaging and transportation service that can be customized to needs of the clients. The services are customized to the clients based on the market condition and the demand and delivery service requirement for their products and material. There are also 3PL provider who may specialize in only one or two -areas of logistics warehousing, or transportation or inventory management or material; handling

3PLservice go beyond logistics and include value added service related to the production or procurement of goods, i.e., service that integrate parts of the supply chain. In such case the provider is called third party supply chain management provider (3PSCM)

There are four types of 3PL providers: Standard 3PL provide - Service Developer - Customer Adapter - Customer Develop

There are mainly four types of 3PL providers: :**a) Standard 3PL Providers:**

They perform activities such as, pick and pack, warehousing, and distribution the most basic functions of logistics,

b) Service Developers:

They offer advanced value-added services such as tracking and tracing, cross-docking, specific packaging, or providing a unique security system.

c) Customer Adapters:

They provide logistics services as per the request of the clients and essentially takes over complete control of the company logistics activities. The 3PL provider improves the logistics considerably, but does not develop a new service.

d) Customer Developers:

This provider integrates its operations with that of the customer and takes over their entire logistics Sanction. These providers will have few customers, but will perform extensive and detailed tasks for them

3) Multi Channel Marketing:

Multi-channel marketing uses different marketing channels to reach a customer. A channel might be an online store and an offline store. It may also offer direct marketing service to the customers directly with the help of its sales force at the doorstep of the customer

Multi-channel marketers may communicate with the customer through direct and indirect communication channels such as websites, mail order catalogs, direct mail, email, mobile, indoor and outdoor advertising, publicity, land so on

The objective of the companies doing the marketing is to make it easy for a consumer to buy from them in whatever way is most appropriate.

To be effective multi-channel marketing needs to be supported by good supply chain management system, so that the details and prices of goods on offer are consistent across the different channels. It also needs to be supported by detailed analysis of the return on investment from each different channel, measured in terms of customer response and conversion of sales

4) Multi-level Marketing:

Multi-level marketing (MLM) is a marketing strategy in which the sales force is compensated not only for sales they personally generate, but also for the sales of the other salespeople that they recruit. Other terms used for MLM include pyramid selling, network marketing, and referral marketing.

Most commonly, the salespeople are expected to sell products directly to consumers by means of relationship referrals and word of mouth marketing

Some of the top MLM marketing companies operating in India include:

- a) Avon - is New York based multi level marketing company established in year 1986. It is a direct marketing company which sells cosmetic, beauty and personal products.
- b) Hindustan Unilever Ltd is a subsidiary of Anglo -Dutch Unilever. Unilever is a cosmetic and consumer products Manufacturer which was founded in the year 1930. Its Subsidiary in India (HUL) is a leading FMCG which offers MLM in the cosmetic product category
- c) Tupperware established in 1942 is a Orlando (USA) based multi level marketing company which offers wide-range^ products such as kitchen, home appliances and food-products. It offers direct marketing opportunity without any major investment required.
- d) Amway - a USA based multinational and direct marketing company. Amway was established in year 1959 and has global footprints in more than 100 countries.
- e) Oriflame - is a Swedish cosmetic company which sells products like skin care, make-up, fragrance, body care, hair and accessories. It was established in 1967 and operates in over 60 countries.

5) Vertical Marketing Systems:

In some instances, the efficiency of the distribution; channel is disrupted because of conflicts among channel members. Conflict can occur between manufacturers and wholesalers as well as between the producers and the retailers. For instance, conflicts may occur due to delay in supplies, especially during festive seasons, on account of incentives' package, and so on.

In USA, one firm did not supply high tech toys for pre-Christmas sale. As a result of this the retailers not only lost sales but also were left holding large inventories of toys after the Christmas season was over.

Efforts to reduce conflict and improve the efficiency of the distribution channels resulted in the development of vertical marketing system (VMS). A VMS takes place when two or more stages of a distribution channel are combined and, managed by one firm. VMS has become a popular method of organizing a distribution channel. There are three types of VMS — administered VMS, Contractual VMS and Corporate VMS

Q.5) Explain the Recent trends Distribution Channel.

The components of distribution refer to the components of logistics. The logistics is a network of people organizations, technology, activities, information and resource involved in movement of product from the supplier to the customer. Therefore, logistics include information, customer order processing, inventory management, material handling, logistical packaging transportation, and warehousing.

Philip Kotler defines logistics as "planning, implementing, and controlling the physical flows of materials and finished goods from the place of origin id the point of use to meet the customer needs at a profit.

The International Council of Logistics management defines logistics as "the process of planning, implementing, and controlling the efficient and effective flow and storage of raw materials, in-process inventory, finished goods and related information from the point of origin to the point of consumption to meet customer requirements"

Components of Logistics/Distribution:**1) Facility Location and Network Design:**

The logistic department must design the location of facilities from logistic; operations would be carried out and their interconnection.

The logistics department should decide about the location, size and number of logistics facilities like market handling facilities manufacturing plants, warehouses, wholesale and retail, outlets These; aspects of logistics would affect other aspects like levels of inventory, transportation, packaging and delivery

2) Information:

Logistics is essentially an information based activity of inventory movement across a supply chain. Information system plays; an important role in delivering superior service to customers. IT is used for collecting, storage, analysis, and transmission of data in respect of all components of logistics order processing, inventory management, transportation, warehousing, and materials handling. A well-managed. Information system enables efficient performance of the various components of logistics

3) Customer Service Standards:

It refers to the quality of service, which a firm provides to its customers. The company's management sets quantitative guidelines for customer serviced For instance, Domino's Pizza has set standard for delivery within 30 minutes of placing the order

At times, the customer sets the service standard and accordingly selects suppliers that meet or exceed those standards. For instance, a hospital was considering constructing a warehouse to stock the medical supplies which its staff uses each day. However, the construction cost was huge and it also required space. Therefore, the hospital management contracted a supplier that could deliver medical supplies on a daily basis. To ensure availability of 1 medicines and surgical supplies, the supplier makes daily deliveries on a just-in-time basis to the hospital

4) Customer Order Processing:

Order processing is concerned with the actual preparation of an order for shipment. It involves receipt of orders and processing of order so that the ordered products reach to the customer at the right time and at the right place

Order processing is closely linked to the firm customer service standards. Based on the customer service standards the company makes every possible effort to deliver the products to the ' customer. For instance, for fast and efficient order processing is vital for Domino Pizza outlets to deliver pizzas to customer within 30 minutes of order placement.

The order processing section must verify the following:

- a) Location of the delivery.
- b) Specifications of the order.
- c) Delivery schedule.
- d) Payment terms and conditions.

5) Warehousing:

Warehousing involves the storage of products. The warehouses can be grouped under two broad categories:

- a) A storage warehouse keeps products for relatively long periods of time and is used most often for products that are seasonal in supply or demand.
- b) A distribution warehouse is used to gather and redistribute products. Distribution warehouses keep products for a time as short as possible. They are mainly used by manufacturers that have several small customers at different locations.

Major Warehousing decisions in Warehousing include:

- a) Size and number of warehouse
- b) Ownership of warehouses — owned or hired.
- c) Location of warehouses.
- d) Design and layout of warehouses.

6) Transportation:

It facilitates the movement of from the supplier to the buyer. The form of transportation used to ship products depends primarily on the kind of product, the distance and the cost. The physical distribution manager has an option to choose from a number of companies and modes of transportation.

Transportation Companies:**a) Common carriers -**

Transportation firm that performs services within a particular line; of business for the general, category of distributors.

b) Contract carriers -

Transportation firms that carry goods for hire by individual contract or agreement and not for the general public/distributors.

c) Private carriers -

Companies that transport their own goods in their own vehicles.

d) Freight forwarders -

Common carriers that purchase bulk space from other carriers by lease or contract and resell this space to small volume shippers.

Transportation Modes:

The movement of goods can take place through various modes of transport such as air, road, rail, water, and pipeline (for gas). The choice of mode of transportation depends on certain factors such as nature of goods, location of the customer, cost of transportation, etc.

7) Materials Handling:

Material handling refers to the activity of moving items within plants, warehouses, transportation and retail stores. Equipment used to handle goods it includes forklift trucks, conveyor belts, and trucks

Unitization and containerization have improved materials handling in many ways:

Unitization - combining as many package as possible into one load that can be handled by a forklift truck. It is sometimes done with steel-bands of bands or shrink packaging

Containerization - putting packages usually made up of several unitized loads into a form that is relatively easy to transfer.

Improved material handling has reduced product damage, delays in deliveries, theft and incidental overheads. For selecting the right material handling system, the company considers the volume and weight of load, the speed required for material movement and the level of delivery service to be offered to the customer.

8) Inventory Management:

Inventory management is concerned with maintaining the right level of inventory to meet customer requirements at the lowest cost. Inventory management tries to achieve a balance between costs of maintaining inventories, and customer satisfaction. To reduce inventory costs, many firms use computerized inventory control management systems

The company should maintain right level of inventory. Over inventory and under inventory is to be avoided.

- a) Over- inventory blocks working capital,
- b) Under- inventory affects delivery schedules.

9) Logistical Packaging:

Logistical packaging is an important element of logistics network. Logistical packaging is different from product packaging. Logistical packaging performs several functions:

- a) Protective function - logistical packaging protects the product from damage during transit.
- b) Warehouse function logistical packaging facilitates the storage of the product
- c) Information, function the packages are marked in such a way that the product in it is easily identified by colors, pictures, or label. Also proper handling instruction is listed on the package especially in the case of fragile, perishable, and inflammable product.
- d) Transportation function it, facilitates the transportation of the products from one place to another
- e) Handling function — it facilitates the loading and unloading of goods.

CHAPTER 13: PROMOTION MIX

Q.1) Explain the Promotion Mix and Objective of Promotion Mix.

Promotion is an important element of marketing mix. Promotion-mix is also called as communication-mix. Promotion-mix consists of various elements that informs, and induces the customers to buy the product.

William Stanton defines promotion "as the element in an organization's marketing mix that is used to inform persuade and remind the market regarding the organize

The main objectives of Promotion are as follows:

1) Awareness:

The marketer should undertake communication-mix to create awareness of the product or service in respect of the brand name, features, etc. The awareness of the product or service can be created through various techniques such as advertising, publicity, etc. For instance, advertising can create TQM. (Top-to- mind) awareness through planned repetition copy, etc.

Nowadays, due to intense ^competition, it is not just enough to create awareness, but TQM awareness. This is because; the customer is most likely to buy that brand, which is on the top of his mind, especially in the case of impulse purchases

2) Attitudes:

Promotion is required to build or to reinforce attitudes in the minds of target audience. The marketer expects the target audience to develop a favourable attitude towards his brand. Positive attitude towards the brand helps to increase its sales. Through techniques like publicity, advertising, salesmanship, trade fairs, etc, the marketer can correct negative attitudes towards the product, if any

3) Brand Loyalty:

Promotion-mix helps to develop brand loyalty. Brand loyalty refers to Repeat purchases by satisfied customers, Recommendations of the product to others by loyal customers. With the help of advertising, sales promotion, salesmanship, public relations, etc., the marketer can influence customers and develop brand loyalty

4) Brand Image:

Marketers need to develop a good image of the brand in the minds of target audience. There are several factors that can help to develop brand image in the minds of the target audience, such as the character of the personality that endorses the brand, the content of the advertising message, the nature and type of packaging, the type of programmes or events sponsored

5) Counter Competitors' Claims:

The marketer may counter the claims made by the major competitor. For instance, competitive advertising is undertaken to counter the claims made by competitors either directly or indirectly. With the Help of creative advertising; the marketer can claim the superiority of his brand. The marketer may also undertake aggressive sales promotion to counter competition in the market

6) Corporate Image:

Promotion-mix helps to create a good corporate image in the mind of customers and others. For instance advertising can help to create a good image in the minds of targeted audience. With the help of creative advertising use of distinct personalities, choice of the right media, .etc. can help to create a good image in the minds of target audience.

7) Educating the Customers:

Promotion may be undertaken to, educate the customers. For instance, certain advertising is undertaken to educate the audience regarding the use of the product, handling operations, etc. Public awareness campaigns also educate the public regarding the negative effects of noise, air and dirt pollution, social evils, etc. Socially responsible firms not only try to achieve business objectives, but also social objectives through social advertising, and sponsorship of social-oriented events programmes.

8) Expansion of Markets:

Promotion may be intended to expand the markets. A marketer may intend to expand markets from local level to regional level, from regional level to national level, and from national level to international level. For this purpose, the marketer may undertake various techniques of promotion.

9) Provides Information:

Promotion-mix provides information to the target audience about the product. Providing information is closely related to creating awareness of the product. Potential customers must know about a product, such as product features, uses, etc. Product information is very much required, especially when the product is introduced in the market, or when product modification is undertaken. Proper product information influences buying behaviour of the customers.

10) Persuasion:

When competing firms offer similar products, the firms must not only inform the customers about the product's availability, but also persuade them to buy it through persuasive messages, the marketer tries to provide reasons regarding the superiority of the product as compared to other competing brands available in the market. Persuasion can be undertaken through creative advertising messages, product demonstration at trade fairs, sales promotion offer

11) Reminder:

If target customers, already have a positive attitude towards a firm's product or service then a reminder objective may be necessary. The reminder objective is necessary because the satisfied customers can be targets for competitors' appeals. Well-established brands need to remind the customers about their presence in the market. For instance, 'Raymond—The Complete Man Campaign' is designed to remind the customers.

Q.2) Explain the Element of Promotion**The following are the Element of Promotion:****1) Publicity:**

Publicity is any non-paid form of non-personal presentation of ideas, goods and services. Publicity is provided through news and editorials by the mass media about a firm - products, actions, policies, awards, etc. Publicity can be favourable or unfavorable. A firm can influence the media people to carry positive publicity, and therefore, a firm needs to maintain good relations with media people. Publicity has several advantages over advertising and other techniques:

- a) It creates good image
- b) It can provide detailed information about the firm and its product
- c) It is more believed as compared to advertising and other technique
- d) It is normally free of cost. Firm need not pay for the media space time

2) Advertising:

It is any paid form of non-personal presentation and promotion of ideas, goods and services by an identified sponsor. The Advertising messages are communicated through various media such as news paper, magazine, radio, television, direct mail, internet, and so on.

Advertising plays important role in promotion mix:

- a) It helps to develop top of mind awareness.
- b) It Helps to reinforce positive attitude towards the brand
- c) It enables to counter the claims of the competitors, etc.
- d) (It is to be noted that internet is not a separate form promotion-mix. It can be used for publicity (social networking) advertising, sales-promotion, public relations and direct marketing.)

3) Sales Promotion:

It consists of various tools that induce a desired response from customers and intermediaries. The various sales promotion techniques include combo packs, discounts, exchange offers, free samples, free gifts, etc. The sales promotion offers certain benefits:

- a) It persuades the buyers to buy the brand.
- b) It ensures quick response from the target customers.
- c) It helps to develop brand loyalty, etc.

4) Salesmanship:

It involves face to face communication between, the firm's representative and the prospect the basic objectives are:

- a) To provide formation to prospective customers.
- b) To persuade prospects to buy the product.
- c) To educate the buyers regarding the use arid handling operations, etc.

5) Public Relations:

Professional firms are concerned about the effects of their actions on the public. A firm must communicate to the public of its goals and interests; otherwise, they may be openly hostile the firm's action

Unlike the other promotion mix elements the element of public relations is concerned primarily with people outside the target market, (although it may include them). The main objectives are:

- a) To communicate the firm's goals and interests.
- b) To correct erroneous impressions of the firm.
- c) To fulfill social responsibility I ;
- d) To build and improve corporate image.

6) Packaging:

A properly designed package can influence or induce the prospects to buy the product. A well-designed package can communicate the type and quality of the product: Packaging plays important roles such as:

- a) Providing information of the product.
- b) Protection of goods while transporting and handling.
- c) Preservation of quality of the product.
- d) Promotion of the product, due to attractive package.

7) Direct Marketing:

Direct marketing involves several techniques to sell directly to the customers such as yellow pages, direct mail, internet, and telemarketing. The main advantages are:

- a) It offers customer selectivity. The marketer can communicate to select audience
- b) It can communicate latest information of the product
- c) It helps to maintain customer relationship

8) Trade Fair & exhibition:

Participation in trade fair and exhibition is an important technique of promoting product. It is one of the oldest form of promoting the sale of products. It helps to achieve certain objective

- a) Demonstration of the product features/operations,

- b) Providing detailed information orally or through printed material.
- c) Helps to educate the prospective customers.
- d) Helps to observe the efforts of the competitors.

9) Sponsorships:

A firm may sponsor sports, cultural and social events, in order to create a distinct image both for the organization and for its brands,, It is to be noted that firms have to be selective in sponsoring events. Sponsorships help in brand visibility and creates corporate image.

Q.3) Explain the meaning of Advertising and its Features

The word advertising comes from the Latin word 'advertere' meaning 'to turn the mind toward' This means that advertising should attract the attention of the audience, and get them involved or interested in the brand that is being advertised.

The commonly used definition of advertising is given by The American Marketing Association. It defined advertising as "any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor.

William F. Arens :

"Advertising is the Structured and composed non-personal communication of information, usually paid for and usually persuasive in nature, about product (goods, services and ideas) by identified sponsor through various media.

The above definitions and several other authors define the term advertisement rather than advertising. Advertising is a creative process, which involves among other things, planning, preparing, and placing advertisements in the media to achieve certain objectives

The following are the Features of Advertising:

1) Process:

Advertising is a creative and systematic process. The process of advertising involves:

- a) Planning of advertising - what to advertise, why to advertise, when and how often to advertise, where to advertise, in which media to advertise, and how much funds to be incurred on advertising.
- b) Preparation of advertising — creation of ads by considering factors like nature of the product, nature of target audience, competition, etc.,
- c) Placing the ads in the appropriate media.

2) Paid/Controlled Form:

The advertiser pays for the advertisement, and thereby, exercises control over the advertising process - i.e., what to say in the ad, where and when to put up the ad, and so on. This feature differentiates advertising from publicity. Publicity is not paid.

In case of publicity, a company may write a positive news story about its new product or performance and send it to the media for publication or for transmission. If no payment is made to the media; the published story is not advertising but publicity.

3) Non-personal Presentation:

Advertising is non-personal presentation of commercial messages relating to ideas, goods and services. If there is personal presentation of ideas, goods* and services; it is salesmanship and not advertising.

Advertising is done to target audience through various media such as press, radio, TV, etc. It is not done on individual basis. However, in the case of direct mail or sms advertising, the advertiser may address the recipients individually

4) Ideas, Goods and Services:

Advertising is undertaken to promote ideas, goods or services.

Examples include:

- a) Goods such as FMCG like tea, toothpaste, toilet soaps, etc., are promoted through advertising.
- b) Services such as banking, insurance, telecom, etc., are advertised to gain competitive advantage.
- c) Ideas such as family welfare" campaigns, environment protection campaigns, etc., are undertaken by Govt. authorities, NGOs and others to create social awareness.

5) Identified Sponsor:

In advertising, the sponsor is always identified, either by the firm's name and/or by brand name. In earlier days, there was more emphasis on brand name, but now-a-days, a good deal of importance is placed on the corporate name as well, and as such you come across the ads with both the brand name and the company's name, \

A strong corporate name often benefits the company to introduce new products, to secure funds from the capital markets, to attract and retain competent personnel, and so on.

6) Art, Science and Profession :

- a) Advertising is an art because it requires creative talents to produce good ads.
- b) It is a science as ads are planned and prepared after systematic study of the target audience, product, competitors, etc.
- c) Now-a-days, advertising is considered as a highly specialized profession because advertising is managed by professional agencies.

7) Element of Promotion-Mix:

Advertising is an important element of promotion mix. The other elements of promotion-mix include publicity/salesmanship, sales promotion sponsorships, etc.

Advertising creates awareness, develops brand image, and induces the people to buy the products. Advertising also strengthens the efforts of other elements of promotion-mix.

For instance , advertising strengthens the sales promotion efforts. Sales promotion (discounts, exchange offers, free gifts, etc.) with the support of advertising creates conviction in the minds of the customers, and therefore, the customers would be induced to buy the products. Without the support of advertising, sales promotion by itself may not find active support of the customers.

8) Influences Diverse Groups: :

Advertising is primarily directed at the present and potential customers. However, when designing advertising, firms must also consider the various diverse groups that advertising may have an influence. The various group include the ad critics, the distribution channels, employees, shareholders, and the society at large.

9) Objective of Advertising

Advertising is undertaken to achieve certain objectives such as:

- a) To create awareness
- b) To develop positive attitude towards the brand/ firm
- c) To enhance brand image
- d) To develop brand loyalty
- e) To improve the corporate image
- f) To face competition

10) Universal Usage:

Advertising can be used by any individual or by any organization. Advertising can be used by Govt, authorities, NGOs, business firms and others. The organisations may be operating at local level or even at international level. Business organisations and non-business organizations can advertise to promote not only goods and services but also ideas.

11) Target Audience:

Advertising is normally directed at selected target audience. One cannot sell everything to everyone. The advertiser has to select the right target audience and direct his message to them. This is because; most of the times, a product is meant for a particular class of people. For instance, One would not sell jeans to elderly people (although they may use them), but to teenagers or young adults.

12) Consumer Choice:

Advertising facilitates customer choice; It informs about the features, price, and other aspects of goods and services. This enables the customers to make a proper choice in their buying depending upon their budget, status, preferences, etc.

13) Builds Image:

Advertising helps to build image of the company and that of the brand. Creative advertising, the personalities used in the advertisement, the programmes sponsored by the advertiser. etc., helps to build goodwill of the organisation and that of its products and/or services.

14) Creativity:

A good deal of creativity is required to create good ads. Every great ad has a big idea that is creative and original, which makes the product or idea to sell.

Creative people always try to bring out creative ads, something more exciting, entertaining, and effective - different from the existing ads. For example, Amul Butter ads are highly creative, effective;

Q.4) Explain the meaning of Publicity and its Features

Publicity is a type of public relations in the form of a news item or story in the media which conveys information about a product, service, or idea. Generally, it is free of cost, as the company which is getting publicity need not pay directly for any fees or charges for the media time and space.

The following are the Features of Publicity:**1) Purpose:**

The main purpose objective of publicity is to inform the audience, of the latest events of a particular business including product launches, market share, -profits, tie-up with other firms, opening of new branches, and so on.

2) Unpaid Form of Promotion:

Generally publicity is free, form of promotion. No amount as fee or charge is needed to the media for the publicity messages about goods or services and the firm. The media uses its time and space, to publicize goods and services without charging money to the business firm that gets publicity. By giving gifts and incentives to the media person

3) Third Party Involvement:

In Publicity, there is third party involvement in prompting the firm's products. The third party is the media that designs and delivers the publicity material to the general public. At times, the publicity material is influenced by the business firm that gets publicity.

4) Audience Response:

Information and messages about business firm and its products can be communicated to greater number of audience. Generally, publicity is more believed by the audience (readers, listeners or viewers), especially when it comes from a reputed media. Therefore, public response may be positive to such publicity in respect of purchase of publicized products.

5) Repetition:

There is no possibility of repetition of the information and messages about the firm and its products communicated through publicity. The media may carry the publicity material only once in its publication/broadcasting. However, in the case of advertising, the advertiser can repeat the commercial messages any number of times depending upon the area, budget, consumers, competition, and so on.

6) Control over Content:

Publicity forms part of the editorial content and the wording and location of the information is controlled by publisher. The Business firm may not have any control over the content and the placement of the published matter in the media. However, in the case of advertising, the advertiser

Has complete control over the content of the message and also on the placement of the ads in the media because the advertiser pays for the ads.

7) Celebrity Endorsement:

Publicity does not provide celebrity endorsement of the products. However, in the case of advertising, the advertiser may select celebrity such as popular film stars, and sports stars. The celebrity may give testimonial in praising the product in the case of advertising

8) Dramatizations:

In publicity there is limited or no scope for dramatisation of the publicity matter. The publicity must be simple and straightforward like news presentation. There is more emphasis on words rather than illustrations. However, in the case of advertising, the advertisers dramatise the commercial messages to gain attention of the audience. Generally, in advertising, there is more emphasis on illustration as compared to words.

Q.5) Explain the meaning of Sales Promotion and its technique

It consists of various tools/techniques that induce a desired response from customers and intermediaries. The various sales promotion techniques include combo packs, discounts, exchange offers, free samples, gifts, and so on.

The sales promotion techniques are broadly divided into three groups

A. Consumer-Oriented Promotion Tools:

The consumer-oriented promotion tools are aimed at increasing the sales to existing customers, and to attract new customers to the firm's product. Some of the commonly used consumer-oriented promotion tools are:

1) Combo-Packs:

A firm may provide combo packs to persuade the buyers to buy the firm's products. For example, a toothbrush may be banded or included along with a toothpaste pack. The combo pack may be provided at a discounted rate.

2) Discounts:

It refers to reduction in price on particular items during a particular period of time. This is quite common during festival season or during off-season period. It is very effective in stimulating short-term sales, especially when the firm offers genuine discount.

3) Exchange Offers :

The customer is allowed to exchange the old product for a new one. The old product's exchange value is deducted from the price of the new product This sales promotion tool is used by several firms to promote durables such as TV sets, refrigerators, motorbikes, and so on.

4) Free Samples:

It involves free offer of a product, delivered door to, door, sent through direct mail, attached to another product, or given along with the purchase of some other product. For example free samples may be provided in respect of food and beverages, toiletries and detergents, and so on. Free samples are normally provided during the introductory stage of the product life cycle.

5) Gifts:

A firm may provide free gift to the customer on the purchase of the firm's products. The free gift must be of use to the customer. For example, a toothbrush can be given free along with a pack of toothpaste, or shaving blades can be gifted along with the shaving-razor or shaving gel.

6) Product Warranties:

Warranties are promises made by the seller that the product will perform as specified for a certain period of time. In case of a default or defect, the seller agrees to rectify the same and even replace the product, if so required.

7) Premium Offers:

These can be extra quantities of the same product at the regular price. Premium offers are used by several firms selling FMCG goods such as detergents, soaps, food items, and so on.

8) Order Coupons:

They offer price reduction or savings to customer on the purchase of a specific product. The coupons may be mailed or enclosed or attached along with other products, or inserted in a magazine or newspaper advertisement. Coupon can be effective in inducing trial purchase of a new brand. It can be used to ensure brand loyalty in case of magazines, social-club membership, etc.

9) Personality Promotions:

This type of promotion is used to attract greater number of customers in a store and to promote sale of particular items. For instance, a famous sports personality may be hired to provide autographs to customer visiting a sports shop on a particular day.

10) Installment Sale:

Consumers initially pay smaller amount of the price and the balance amount in monthly installments over a period of time. At present, many consumer durables such as refrigerators, cars, motorbikes, electronic items, etc., are sold on installment basis,

11) Other Forms:

There are several other forms of consumer promotion such as free trials, contests, patronage rewards, in store demonstration, etc.

B. Trade-Oriented Promotions:

The trader-oriented promotion tools are directed at channel intermediaries to induce them to stock and promote the sale of products. Some of the important trade-oriented promotion tools are:

1) Cash and Trade Discount:

A firm may offer attractive cash discount to the dealers so they make payment on time. A part from-cash discount firm may provide trade discount to the dealers to induce them to place large orders.

2) Credit Terms:

Special credit terms may be offered to encourage bulk orders from retailers or dealers. However, it is to be noted that longer credit terms may likely to result in higher bad debts. Therefore, firms may provide shorter credit terms with attractive incentives.

3) Cooperative Advertising:

The manufacturer may agree to share the advertising expenses of the dealers. This would induce the dealers to undertake a good amount of advertising to promote sales in their areas.

4) Staff Incentives:

Marketers may provide special gifts, or prizes to the staff of the dealers for attaining a particular level of sales target. The marketer may also provide training to the staff of the dealers.

5) Stock Return:

Some firms may take back partly or wholly the unsold stock with the retailers, and distribute it to other dealers, where there is a demand for such stock.

6) Special Incentives:

A firm may provide special incentives to high-performing dealers. For instance, a firm may provide free gift of car, gold jewellery, sponsored holiday trip to dealer/family, etc.

7) Dealer Conferences:

A firm may organize dealer conference, where its dealers would participate in such a conference. The dealers may be given information of the company's performance, future plans and so on. The dealers can also provide valuable suggestions to the company at such conferences. Such conferences are normally held at luxurious places such as five-star hotels, and special gifts and awards may be given to high-performing dealers

8) Dealer Trophies:

Some firms may institute a special trophy to the highest performing dealer in a particular period of time (mostly a year). Along with the trophy the dealer may get a special gift such as a sponsored tour within or outside the country

9) Push incentives:

It is special incentives given to the dealer in form of cash or in kind to push and promote the sale of a product especially a newly launched product. For instance an extra carton Can be provided for every product.

C. Sales Force Incentives:**1) Performance oriented Reward:**

Sales force may be provided with performance oriented reward. For instance sales person completing a particular sales target are rewarded with special gift, and promotion. The performance oriented rewards induce the sales staff to perk up their performance.

2) Suggestion Incentives:

The sale force may also be provided with special reward for giving valuable suggestion. The suggestion may be in respect of product modification or innovative scheme to promote the sales

Q.6) Explain the meaning of Direct Marketing and its Forms

Direct marketing simply means producers selling directly to the consumer. Direct selling is either through door to door sales people or by opening sales outlet. Over the year direct marketing has taken on new meanings. Direct mail advertising was introduced to sell through post. Now for direct marketing you can use any medium to sell your product directly - TV, press, radio, magazines, telephone, yellow pages, telex

According to Direct Marketing Association (USA) "Direct marketing is an interactive system of marketing which uses one or more advertising media to effect a measurable response and/or transaction at any location":

The above definition place emphasis on the marketing undertaken to get a measurable response, normally an order from a customer. Therefore, it would be right to call it direct-order marketing.

The following are the Major forms of Direct Marketing:

1) Direct Mail:

In this case, the marketer conveys the information about goods and services through the mail.

The various forms of direct mail are as follows:

- a) Sales letters,
- b) Handbills or leaflets,
- c) Catalogues booklets, etc.

2) Telemarketing:

Tele Marketing using the telephone is becoming increasingly popular in advanced countries like U.S.A. and Europe. Marketers provide toll-free telephone number to order the goods and services; The buyers would respond to messages in radio, television, magazines, newspapers, out-door, and direct mail

3) TV Direct - Response Marketing:

Direct marketers place ads on TV, often of longer duration say 60 seconds or even more. These ads describe the product in detail and customers are given a toll-free number to order the product. In India, Asian Sky Shop is; the most popular of the TV Direct-Response Marketing.

4) Radio Direct-Response Marketing:

Radio channels in European and American countries offer programmes that are dedicated to selling goods and service. the listener may place an order through toll free

5) Magazine Direct-Response Marketing:

Magazine may provide a coupon in the ad The reader can cut out the coupon and mail back to the company to order the goods and services offered. The postage may be pre-paid by the firm seeking orders. The advertiser may provide toll-free number to order the product

6) Newspapers Direct-Response Marketing:

It is similar to magazine direct response marketing. The mail order coupon is inserted in the new paper. The advertiser me give a toll free number to order the product.

7) Yellow Pages:

The yellow pages in the telephone directories also act as a direct marketing tool. Interested customer can place orders on telephone or through mail, after screening the ads in the yellow pages.

8) On-line Shopping:

On-line shopping is conducted electronically with the help of on-line computer services. These services link consumers with the sellers with the help of computer. On-line shopping services provides computerized catalogs of products and services offered by various firms registered

under such services. The consumers could check the computerized catalogs, and order products and services ^directly using a charge card.

Q.7) Explain the meaning of Public Relation and its Parties

Public relations (PR) technique is the art and practice of managing the spread of information between an individual organization and the public. PR helps an organization gaining exposure to the public using .topics of ^public interest and news items that do not require direct payment.

The aim of PR is to persuade the public, investor partners, employees, and other stakeholders to maintain a certain point of view about it, its leadership, policies and products

The "Public Relations Society of America, (PRSA) states Public relations is a strategic communication process that builds mutually, beneficial relationships between organizations and their publics.

The following are the Parties in Public Relations:

1) PR Department:

The main role of PR activity of a company is handled by the PR department, especially in large firms. PR department designs programmes to develop good relations with the public, and to promote the image of the company. Common activities which the PR department perform include:

- a) Speaking at conferences
- b) Winning industry awards
- c) Working with the media for publicity.
- d) Employee communication.
- e) Customer relations and so on.

2) Employees:

Happy employees are more productive, more innovative, more likely to show up for work and more likely to remain with the company. A public relations strategy that includes employees as One of its target audiences can help to keep employees happy. Good employee public relations can be the difference between a company that is just surviving and one that is thriving.

The internal PR has to take into consideration of motivating the employees. The management needs to tell the employees all that is required, update them with the company's progress and developments, facilities available to them, etc

The sales people the after-sale-service staff, customer complaint handling employees, and other employees that comes in to direct contact the customers and others need to be trained not only in their primary work activity but also in public relations so that they can be good ambassadors of the company.

3) Customers:

Satisfied customers can do a good PR job. They can become, recommend the firms products and write positive reviews of the company. Therefore needs to maintain excellent relationship with the customers.

One of the ways to maintain excellent relations with the customers is to conduct customer satisfaction surveys. For instance, in one of the customer satisfaction survey, the company came to know that the sales people were overly aggressive and the technical support staff was excellent in their work. This enabled the company to convince the sales people to adopt a balanced approach in their sales pitch to the customers. The company also received customers' testimonials praising the technical support staff. The testimonials were then listed on the firm's website.

4) Media:

Firms can take the support of media owners and journalists to report the organization in a favourable manner. The media can undertake good publicity of the firm's awards and achievements, new product launches, events of the firms, etc. Public and customers may believe in the publicity of the media rather than advertising of the company.

A recent study conducted by Nielsen in early 2014 indicates that the credibility and unbiased nature of the content was critical for consumers:

- a) 85 percent of consumers regularly or occasionally seek out trusted expert content, and third-party articles and reviews — when considering a purchase ,
- b) 69 percent of consumers like to read product review written by trusted experts before making a purchase
- c) 67 percent of consumers agree that an endorsement from an unbiased expert makes them more likely to consider purchasing.

5) Brand Ambassadors:

Credible brand ambassadors not only promote the company's brands which they endorse, but they can be good PR ambassadors. People trust credible ambassador and may easily accept what they say. For instance, it appears that Mr. Amitabh Bachchan is the most credible celebrity in India. Therefore, a good number of brands endorsed by Mr. Amitabh Bachchan have met with success at the market place.

6) Dealers:

Dealers can do a good PR job for the company. They can push and promote the product to the customers by highlighting the special features of the brand; and the credibility of the company. Generally, store loyal customers believe in the dealers and their staff and may accordingly make the purchase decision. Therefore, a company must maintain good dealer relationship to get a favourable push for its products.

7) Shareholders:

The shareholders can give a good publicity for the company. When the company gives regular returns to the shareholders and update them with latest developments of the company, the shareholders will be satisfied. Satisfied shareholders will praise the company and spread a good word about the company in informal get together, internet reviews, and so-on.

8) Society:

Finally, the general public may have a good opinion about certain firms. General public has a good image and talk good about credible and ethical firms. For instance, in India Tata Group has maintained a rich image of trust and credibility. The Group undertakes business ethically and at the same time actively gets involved in philanthropy activities. The Group provides donations to charity, education, health and so on. Therefore, general public talks good about the company. Also, Azim Premji, Asia and India's top philanthropist has earned a good public image for him and the Wipro Company for his philanthropy activities. He has donated about US \$ 4.4 billion (about Rs. 26000 crore) for education and other social activities between 2001 and 2012.

CHAPTER 14: INTEGRATED MARKETING COMMUNICATION

Q.1) Explain the meaning of Integrated Marketing Communication and its Features

Integrated marketing communication (IMC) also called as integrated promotion mix. The" IMC plays an important role in per reminding, informing, developing image and attitudes, and educating the intended audience (normally buyers or dealers).

William Stanton defines Integrated Marketing Communication "as the element in an organization's marketing mix that is used to inform, persuade and remind the market regarding the organization and/or its products.

The following are the Features of IMC

1) Process:

IMC is a process of communicating messages to target audience in order to promote firm's goods and services. The process includes the following steps:

- a) Identifying target audience
- b) Determining communication objectives
- c) Instituting (developing) IMC plan
- d) Designing communication message
- e) Identifying communication techniques
- f) Determining the budget
- g) Implementing the IMC plan
- h) Review of performance

2) Main Objectives:

IMC is undertaken to achieve certain well defined objectives which may include:

- a) Creating awareness
- b) Developing attitudes
- c) Developing brand image
- d) Developing brand loyalty
- e) Countering competitive claims
- f) Building corporate image
- g) Persuading customers to buy products
- h) Providing information for customers' decisions

3) Continuous in Nature:

IMC is a continuous activity. There is a constant need to undertake IMC activities to face challenges of the competitors in the market. For instance, the marketer must continuously make use of advertising to act as a reminder to the customers to buy the firm's products.

4) Elements of IMC:

IMC involves a number of elements that can be used to communicate commercial messages to the target customers. The various elements include:

- a) Publicity
- b) Advertising
- c) Sales promotion
- d) Salesmanship
- e) Sponsorships
- f) Public Relations
- g) Packaging
- h) Participation in trade fairs and exhibitions.

5) Creativity:

Creativity is vital in all the elements of IMC. For instance, a good deal of creativity is required to create effective ads. Creative advertisers always make efforts to bring out creative ads, something more exciting, entertaining and effective – different from the existing ads.

6) Art and Science:

IMC is an art because it requires creative talents to produce effective commercial messages. It is a science, because commercial messages are planned and prepared after systematic study of target audience, product, competitors, etc.

7) Target Audience:

IMC is normally directed at select target audience. The marketer must select the right target audience and direct the messages to create a positive impact on them so that they buy and repeat the purchases of the marketer's brands.

8) Influences Diverse Groups:

IMC is primarily directed at the present and potential customers. However, while designing IMC, firms must also consider the various groups that IMC may have an impact. The various groups include the intermediaries, employees, shareholders and the society at large.

Q.2) Explain the component of Integrated Marketing Communication

There are various elements of IMC. The elements are to be coordinated in such a way to get the maximum impact.

For instance, if a firm needs to create brand awareness of a newly introduced brand, it has to undertake publicity, advertising, sponsorship, trade fairs participation, etc., so as to create the maximum impact. The number of elements to be integrated and the money to be spent on each element depends on several factors such as nature of the product, customers, area coverage, competition, availability of funds, etc.

The various components of IMC are:

- a) Publicity
- b) Advertising
- c) Sales Promotion
- d) Sponsorships.
- e) Salesmanship/Personal Selling
- f) Public Relations
- g) Packaging
- h) Trade Fairs and Exhibitions
- i) Direct Marketing

Module – I - Introduction to Marketing**Fill in the blanks**

- 1) **Selling** concept of marketing assumes that customer will prefer those product which are aggressively promoted.
- 2) **Marketing** concept of marketing starts with identifying customer wants and ends up with satisfaction of those wants.
- 3) **Societal** concept of marketing aims at a balance between society welfare, customer satisfaction and company profit.
- 4) **Production** concept of marketing assumes that customer will prefer those product that are widely available and are low in cost
- 5) **Economic of Scale** is the outcome of large scale production and distribution of goods.
- 6) **Consumer** research enables the marketer to identify the preference of customer
- 7) The success of a business organization largely depends on the performance of **Marketing** department
- 8) Marketing is **systematic process** of identifying customer needs and wants and satisfying them by designing and delivering the right product.
- 9) When product performance exceeds very much more than expectation the customer gets **astonished**
- 10) **Market Penetration** increase in marketing activities in the existing market
- 11) **Brand Equity** is the incremental value of a brand over and above its physical assets
- 12) The 1980 and 1990 saw the emergence of **societal** marketing
- 13) A marketing strategy may be defined as a **long term** plan to achieve the firms objectives
- 14) Philip Kotler introduced the **Holistic** concept of marketing
- 15) The aim of CRM is to **build customer equity**
- 16) **Green** marketing is the marketing of product that are presumed to be environmentally safe.
- 17) India is the **Third** largest country for the use of internet.

Choose the correct option

- 1) **Exchange** is the essence of marketing
- 2) **Economic relation** means maintain a support with customer, employees, shareholders, creditors and government etc
- 3) The philosophy of modern concept of marketing is **make what you can sell**
- 4) Marketers need to achieve a balance between **profit + customer satisfaction + public interest**
- 5) Brand loyalty refers to **repeat purchase by satisfied / delighted customer**
- 6) What is the best alternatives to advertising as per marketing guru AL-RIES **customer word of mouth**
- 7) Societal concept assumes that a company can prosper if it strikes a balance between **company profit + customer satisfaction**
- 8) The aim of CRM is to build **customer equity**
- 9) what the main source of market opportunity as per the Philip Kotler **product in short supply modified product and new product**
- 10) the modern concept of marketing emphasis on **customer satisfaction**
- 11) As per the traditional concept of marketing the main objective of a firm is **to earn profit more**
- 12) The modern concept of marketing adopts **customer oriented philosophy**
- 13) When product performance exceeds expectation the customer gets **astonished**
- 14) The process of marketing is applicable to **the business organization as well as non-business organization**
- 15) An educational institution needs to offer for marketing **product, price, promotion and place**

True or False

- 1) Marketing is a vital function areas of a business organization. **True**
- 2) Marketer need not to design goods and services to particular target segment or market. **False**
- 3) When product performance matches with customer expectation the customer are satisfied. **True**
- 4) When product performance is above customer expectation the customer are delighted. **False**
- 5) Marketing guru AL – RIES says that customer word of mouth is the best alternative advertising. **True**
- 6) The main objectives of advertising is to create awareness of the product. **True**
- 7) The term marketing and selling are synonymous. **False**
- 8) Marketing is concerned only with mass markets. **False**
- 9) The societal concept of marketing consider only social interest. **False**
- 10) Marketing is influenced only by micro environmental factors. **False**
- 11) The term brand image and brand equity are synonymous. **False**
- 12) The production concept place the emphasis on marketing research. **False**
- 13) Exchange concept is the oldest concept of marketing. **True**
- 14) Customer will prefer those product that are widely available and are of lower price. **True**
- 15) Marketing concept came into existence in the 1960s. **False**
- 16) The concept of green marketing has come into existence in response to the growing concern over environmental degradation. **False**
- 17) The term digital marketing was first used in the 1980s. **False**
- 18) The term Viral Marketing was first used in 1997. **True**
- 19) Customer may use the COBRA technique to engage themselves in social marketing. **True**

Match the columns

Group A	(Answer)
1) Selling concept	a) Aggressive Promotion
2) Production concept	b) Widely available goods at low price
3) Product concept	c) Good quality goods
4) Marketing concept	d) Customer needs and wants
5) Societal concept	e) Green Goods
6) Exchange concept	f) Quality Available
7) Competitive Advantage	g) Innovative design or models
8) Customer relationship	h) Priority customer programme
9) Efficiency	i) Technology upgradation
10) Organizational Objectives	j) Increase in market share
11) Benefits to stake holders	k) Dealers may get extra incentive

Module - II - MIS**Fill in the blanks**

- 1) **MIS** is a systematic process of collecting and maintaining a record of marketing information
- 2) **To minimize customer complaints** is not an objective of Marketing intelligence
- 3) **Market Segmentation** refers to sub dividing a larger market into smaller market
- 4) Market segmentation is the **primary** activity
- 5) A **MDSS** is a set of statistical tools that assist marketing manager to make improved marketing decisions
- 6) **Age** is an important element of demographic segmentation
- 7) A niche market is a **Small** market segment
- 8) **Niche** refers to marketing to small segment of the market which is generally overlooked by other marketers
- 9) **Create the research design** is not main features of marketing research
- 10) **Primary** data is the first hand information collected for research

- 11) **Secondary** data refers to the data which is readily available
- 12) **Marketing research** involves gathering, recording, analyzing, data about specific marketing problems

Choose the correct option

- 1) **Marketing Information** includes all facts estimates, opinions and other data used in the marketing decision making
- 2) **Market Research** is under taken to study and solve marketing problems and tap marketing opportunities
- 3) MIS should be **unified** system
- 4) **Marketing Intelligence System** supplies external data to the firm
- 5) **Product** research covers all aspects related to the product
- 6) **Consumer** research studies consumption pattern
- 7) **Religion** influence consumer behavior to a certain extent
- 8) Marketer must monitor **post purchase** behavior of the customer
- 9) Satisfied customer may become **brand loyal**
- 10) **Reference Group** is a small group of people such as colleagues at work place
- 11) **Consumer** may list out a few alternative brands that are available in market
- 12) **Higher** the income level **higher** is the level of spending and vice versa
- 13) Consumer buy product with different **buying** motives
- 14) People in the cities are influenced by **western culture**
- 15) **Responsive** means the manner in which the segment respond to the marketing programme adopted
- 16) **Heterogonous** refers to difference
- 17) Blending of **marketing mix** complete the marketing strategy
- 18) Market segmentation enables to identify **market opportunities**
- 19) The marketing segmentation also enables to fix **prices** of goods and services
- 20) Consumer buying behavior is also reflected by the **locality** with in a particulars city
- 21) Buying pattern depends on **income** of the consumer
- 22) **Market** segmentation is made because regional difference exist in respect of demand for product
- 23) In Niche market there is **no or little competition**
- 24) In Niche Marketing may not be suitable for **long term business**
- 25) **Customer equity** is the sum of life time values of all customer
- 26) A **data warehousing** is a companywide electronic data base of detailed customer.
- 27) With **Niche Marketing** the company can provide better service to its customer

True or False

- 1) Media selection is the importance of the market segmentation. **True**
- 2) The consumer buying process begins with need identification. **True**
- 3) Consumer behavior is influenced only by marketing factor. **False**
- 4) Buying motive is an important situational factor that influence consumer behavior. **False**
- 5) Training to the research staff is professional approach to marketing research. **True**
- 6) The consumer behavior of all urban youth in universal in nature . **False**
- 7) Consumer research is the scope of marketing research. **True**
- 8) The age factor is an important psychological factor that influence buyers behavior. **False**
- 9) Culture is an important element of the behavioral segmentation. **False**
- 10) Channel specialist is the role open to Niche Marketing. **True**

Match the columns

Group A	(Answer)
1) Demographic segmentation	a) Gender
2) Sociographic segmentation	b) Culture
3) Psychographic segmentation	c) personality
4) Behavioral segmentation	d) Usage Rate
5) Geographic segmentation	e) Region
6) Features of MIS	f) Professional approach
7) Nature of consumer behavior	g) Various across region
8) Component of MIS	h) Internal records
9) Features of Marketing Research	i) Systematic process
10) Importance of Market Segmentation	j) Product pricing

Module - III - Marketing Mix**Fills in the blanks**

- 1) At the **Maturity** stage the firm may focus on distribution and product modification
- 2) A company may concentrate on **core product line** business or a **diversified product line** business
- 3) The **service process** relates to HOW a service product is delivered to customer
- 4) The **marketer** should decide whether to concentrate on one product or deal with a product mix / product line.
- 5) A product line is group of **related product** that share common characteristic channel and customer
- 6) The pricing strategy of low price in early stage of product introduction is called as **penetration pricing strategy**
- 7) The basis of marketing operation is the coordination of four key variables namely: product, price, place and **promotion**
- 8) **Product mix** refers to group of related product that share common characteristic and channels of distribution
- 9) At introductory stage of product life cycle advertising is undertaken to **create awareness**
- 10) **Brand extension** is a process of extending an existing brand name to other brands
- 11) **Brand equity** is the incremental value of a business above the value of physical assets due to the market position achieved by its brand
- 12) In **Mark Up** pricing method the price is calculated as a percentage of selling prices
- 13) Where low price is charged and there is limited promotional expenditure to promote the product in **slow penetration pricing**
- 14) In **premium pricing** the firm charges high price for high quality
- 15) Brand loyalty helps to increase **sales and market share**
- 16) During which stage the sales remain more or less stagnant and profit and market share ma tends to decline **maturity stage**
- 17) The firm has adequate **resources** to undertake product modification

True or False

- 1) Marketing mix refers to marketing variables that combine to sell a product to the target market. **True**
- 2) While blending the marketing mix the marketer may juggle all the elements or some elements of marketing mix. **True**
- 3) The main focus of the marketing mix is the seller. **False**
- 4) At growth stage more emphasis may be placed on promotion and distribution elements. **True**
- 5) At the decline stage the firms may focus on dealers promotion and price cuts. **True**
- 6) Now a days marketing experts give importance to 4 Cs. **False**

- 7) Product positioning aims at creating and maintain a distinct image of the brand in the mind of target customer. **True**
- 8) Improving productivity and quality of service is vital to the success and survival of the service firm. **True**
- 9) Marketing mix is not influenced by environmental factors. **True**
- 10) Brand identification helps the customer to identify the product. **True**
- 11) Marketing mix is a static concept. **False**
- 12) A company adopts the same marketing mix for all products. **False**
- 13) In skimming pricing strategy premium price is charged when product is launched in the market. **True**
- 14) The pricing strategy of low price in early stage of product introduction is called as “skimming pricing strategy”. **False**
- 15) In high value pricing the firm charges moderate/low price for high quality. **True**
- 16) The firm must have a degree of security in the form of patents. **True**
- 17) Brand loyalty helps to maintain good dealers relationship. **True**
- 18) Every brand has a value and the value of a brand is brand equity. **True**
- 19) Customer expectation remains constant over a period. **False**

Match the columns

Group A	(Answer)
1) Product Development Stage	a) Research and Development
2) Introduction Stage	b) Limited product range
3) Growth Stage	c) Market Share
4) Maturity Stage	d) Stagnant
5) Decline Stage	e) Withdrawal of the product
6) Features of Marketing Mix	f) Blending
7) Element of Marketing Mix	g) Promotion
8) Importance of Marketing mix	h) Economic scale
9) Advantage of Labeling	i) Brand Image
10) Method of Pricing	j) Cost oriented