



CHAPTER
11

MARKETING

LEARNING OBJECTIVES

After studying this chapter, you should be able to:

- explain the meaning of 'marketing';
- distinguish between 'marketing' and 'selling';
- list out important functions of marketing;
- examine the role of marketing in the development of an economy in a firm, to the society and to consumers;
- explain the elements of marketing mix;
- classify products into different categories;
- analyse the factors affecting price determination;
- list out the types of channels of distribution; and
- explain the tools of promotion mix viz., advertising, personal selling, sales promotion and publicity.

WHERE DO COMPANIES DO THEIR BUSINESSES?

In the Markets or in the Society?

It is an undisputed fact that a company's survival does not depend upon its consumers alone, but a diverse set of stakeholders like the government, religious leaders, social activists, NGOs, media, etc. Hence, earning the satisfaction of these segments is also as imperative as they add to the power of the brand by word of mouth.

The social concern adds to the strength of the brand. Corporates that embraced the deepest social values, have been successful in building powerful brand, and, eventually, robust customer relationship. The area of corporate social justice fall under two broad categories. The issues such as the nutrition of children, child care, old-age homes, amelioration of hunger, offering aid to those affected by natural calamities, etc. needing instant attention with humanitarian perspective, comes under the first category.

The issues that contribute to making society a pleasant place to live in the long run, may be grouped under the second category. Issues which comes under this category are health awareness and aid, education, environmental protection, women's employment and empowerment, preventing unjust discriminations (on the basis of caste, community, religion, ethnicity, race, and sex), eradication of poverty through employment, preservation of culture, values, and ethics, contribution to research, etc.

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Procter and Gamble's (P&G) philosophy is that it should lead the industry in implementing a global environmental programme. P&G is one of the first companies in the world to actively study the influence of consumer products on the environment and introduce concentrated products, recycled plastic bottles, and refill packages to the industry. The overall packaging per case has been reduced by an average of 27% and a reduction of 37% in air, waste, and water emissions has been achieved consistently since 1990. P&G contributes to sustainable development and addresses environmental and social issues connected with its products and services.

Source: Adopted from 'Effective Executive', Feb. 2006

Let us consider a typical day in our life. Right from the time we get up in the morning to the time we go to bed, we use number of products to satisfy our different needs. Beginning with the breakfast, we take such items as bread, butter, milk, and rice, to satisfy our hunger; use the services of a bus or an auto or a cycle to reach to our school or place of work; read books, magazines and newspapers, to keep ourselves informed and acquire knowledge; use computers, cell phone, television and other gadgets for communication/entertainment; and purchase many other products like gifts, shoes, clothing, furniture, etc., from market to satisfy our different needs.

Who makes these products and why? These products are manufactured and marketed by different firms. For example, Lifebouy soap, Closeup toothpaste, Surf detergent powder are manufactured by Hindustan Lever; Ariel detergent powder by Procter and Gamble, Dairy Milk Chocolate by

Nestle, Atlas Cycles by Atlas cycle company, Kwality Ice-creams by Kwality Walls, LG Televisions by LG Electronics and so on. These firms are called marketers. These firms undertake various activities to stimulate the demand for their products and earn profit by satisfying customer's needs and wants. People purchase products because these satisfy some of their needs.

Number of activities are performed by the marketers to facilitate exchange of goods and services between producers and the users of such products. These activities are referred to as marketing activities.

For a proper understanding of marketing, number of questions need to be answered. These include: What do we mean by a market? What can be marketed? Is it products or services or something more? Who is a marketer? What is marketing management? These points have been taken up for discussion in the following sections.

“Business is not financial science, it’s about trading, buying and selling. It’s about creating a product or service so good that people will pay for it.”

— **Anta Roddick**

“Marketing takes a day to learn. Unfortunately it takes time to master.”

— **Philip Kotler**

WHAT IS A MARKET

In the traditional sense, the term ‘market’ refers to the place where buyers and sellers gather to enter into transactions involving the exchange of goods and services. It is in this sense that this term is being used in day to day language, even today. The other ways in which this term is being used is in the context of a *product market* (cotton market, gold or share market), *geographic market* (national and international market), *type of buyers* (consumer market and industrial market) and the *quantity of goods transacted* (retail market and wholesale market).

But in modern marketing sense, the term market has a broader meaning. It refers to a set of actual and potential buyers of a product or service. For example, when a fashion designer designs a new dress and offers it for exchange, all the people who are willing to buy and offer some value for it can be stated to be the market for that dress. Similarly, market for fans or bicycles or electric bulbs or shampoos refers to all the actual and potential buyers for these products.

WHAT IS MARKETING

The term marketing has been described by different people in different ways. Some people believe that marketing is same thing as ‘shopping’. Whenever they go out for shopping of certain products or services, they describe it as marketing. There are some other people who confuse marketing with ‘selling’ and feel that marketing activity starts after a product or service has been produced. Some people describe it to mean ‘merchandising’ or designing a product. All these descriptions may be partly correct but marketing is a much broader concept, which is discussed as follows:

Traditionally marketing has been described in terms of its functions or activities. In this respect, marketing has been referred to as performance of business activities that direct the flow of goods and services from producers to consumers.

We know that mostly manufacturing firms do not produce goods for their own consumption but for the consumption or use by others. Therefore, to move the goods and services from producers to consumers,

number of activities such as product designing or merchandising, packaging, warehousing, transportation, branding, selling, advertising and pricing are required. All these activities are referred to as marketing activities.

Thus, 'merchandising', 'selling' and 'shopping' are all part of a large number of activities undertaken by a firm, which are collectively called marketing.

It may be noted here that marketing is not merely a post-production activity. It includes many activities that are performed even before goods are actually produced and continue even after the goods have been sold. For example, activities such as identification of customer needs, collection of information for developing the product, designing suitable product package and giving it a brand name are performed before commencement of the actual production. Similarly, many follow up activities are required for maintaining good customer relations for procuring repeat sale.

In modern times, emphasis is placed on describing marketing as a social process. It is a process whereby people exchange goods and services for money or for something of value to them. Taking the social perspective, Phillip Kotler has defined marketing as, "a social process by which individual groups obtain what they need and want through creating offerings and freely exchanging products and services of value with others".

Thus, marketing is a social process where in people interact with others, in order to persuade them to act in a

particular way, say to purchase a product or a service, rather than forcing them to do so. A careful analysis of the definition shows the following important features of marketing:

1. Need and Want: The process of marketing helps individuals and groups in obtaining what they need and want. Thus, the primary reason or motivation for people to engage in the process of marketing is to satisfy some of their needs or wants. In other words, the focus of the marketing process is on satisfaction of the needs and wants of individuals and organisations.

A need is a state of felt deprivation or feeling of being deprived of something. If unsatisfied, it leaves a person unhappy and uncomfortable. For example, on getting hungry, we become uncomfortable and start looking for objects that are capable of satisfying our hunger.

Needs are basic to human beings and do not pertain to a particular product. Wants, on the other hand, are culturally defined objects that are potential satisfiers of needs. In other words, human needs shaped by such factors as culture, personality and religion are called wants. A basic need for food, for example, may take various forms such as want for *dosa* and *rice* for a South Indian and *chapatti* and *vegetables* for a North Indian person.

A marketer's job in an organisation is to identify needs of the target customers and develop products and services that satisfy such needs.

2. Creating a Market Offering: On the part of the marketers, the effort involves creation of a 'market offering'. Market offering refers to a complete offer for a product or service, having given features like size, quality, taste, etc.; at a certain price; available at a given outlet or location and so on. Let us say the offer is for a cell phone, available in four different versions, on the basis of certain features such as size of memory, television viewing, internet, camera, etc., for a given price, say between Rs. 5,000 and Rs. 20,000 (depending on the model selected), available for sale at say firm's exclusive shops in and around all metropolitan cities in the country. A good 'market offer' is the one which is developed after analysing the needs and preferences of the potential buyers.

3. Customer Value: The process of marketing facilitates exchange of products and services between the buyers and the sellers. The buyers, however, make buying decisions on their perceptions of the value of the product or service in satisfying their need, in relation to its cost. A product will be purchased only if it is perceived to be giving greatest benefit or value for the money. The job of a marketer, therefore, is to add to the value of the product so that the customers prefer it in relation to the competing products and decide to purchase it.

4. Exchange Mechanism: The process of marketing works through the exchange mechanism. The individuals (buyers and sellers) obtain

what they need and want through the process of exchange. In other words, the process of marketing involves exchange of products and services for money or something considered valuable by the people.

Exchange refers to the process through which two or more parties come together to obtain the desired product or service from someone, offering the same by giving something in return. For example, a person feeling hungry may get food by offering to give money or some other product or service in return to someone who is willing to accept the same for food.

In the modern world, goods are produced at different places and are distributed over a wide geographical area through various middlemen, involving exchanges at different levels of distribution. Exchange is, therefore, referred to as the essence of marketing. For any exchange to take place, it is important that the following conditions are satisfied:

- (i) involvement of at least two parties viz., the buyer and the seller.
- (ii) each party should be capable of offering something of value to the other. For example, the seller offers a product and the buyer, money.
- (iii) each party should have the ability to communicate and deliver the product or service. No exchange can take place if the buyers and sellers are not able to communicate with each other or if they can not deliver something of value to the other.

- (iv) each party should have freedom to accept or reject other party's offer.
- (v) the parties should be willing to enter into transaction with each other. Thus, the acceptance or rejection of the offer takes place on voluntary basis rather than on the bases of any compulsion.

The points listed above are the necessary conditions for an exchange

to take place. Whether the exchange actually takes place or not depends on the suitability of the act of exchange to both the parties, whether it makes the parties better off or at least not worse off.

Another important point to be noted is that Marketing is not merely a business phenomena or confined only to business organisations. Marketing activities are equally relevant to non-

What can be Marketed

Physical Products	: DVD player, Motor cycle, ipods, Cell phone, Footwear, Television, Refrigerator.
Services	: Insurance, Health Care, Business Process Outsourcing, Security, Easy Bill service, Financial Services (Investment), Computer Education, Online Trading.
Ideas	: Polio Vaccination, Helpline, Family Planning, Donation of Blood (Red cross), Donation of money on Flag Day (National Foundation for Communal Harmony).
Persons	: For Election of Candidates for Certain Posts.
Place	: 'Visit Agra – 'City of Love', 'Udaipur – 'The City of Lakes', 'Mysore – The City of Gardens', 'When Orisa celebrates, Eleven the God Join In'.
Experience	: Customised Experiences as Dinner with a cricketer (say Dhoni); Lunch with a celebrity (say Bill Gates or Aishwarya Roy) or experience of Balloon Riding, mountaineering, etc.
Properties	: Intangible rights of ownership of real estate in financial property (Shares, Debentures).
Events	: Sports events (say Olympics, Cricket series), diwali mela, fashion show, music concert, film festival, elephant race (Kerala Tourism).
Information	: Production packaging and distribution of information by organisations such as by universities, research organisation, providing information as market information (marketing research agencies), technology information.
Organisations	: For boosting their public image organisations such as Hindustan Lever, Ranbaxy, Dabur, Proctor and Gamble, communicate with people. Example, Phillips says, 'Let's make Things Better'.

profit organisations such as hospitals, schools, sports clubs and social and religious organisations. It helps these organisations in achieving their goals such as spreading the message of family planning, improving the literacy standards of people and providing medication to the sick.

WHAT CAN BE MARKETED

The question commonly coming to the mind is what can be marketed. Is it a product or service or something else. Let us first understand what is a product?

A product is a 'bundle of utilities' or 'source of satisfaction', that can be used to satisfy human needs and wants. It is not confined to physical objects, such as motor cycle, biscuit, bulb and pencil but also refers to other things of value such as services, ideas, places, etc., that can be offered to the potential buyers for their use. In the marketing literature, anything that can be of value to the buyer can be termed as a 'product'. It can be tangible, i.e., which can be felt, seen and touched physically such as a pencil, a cycle or an intangible such as services rendered by a doctor, hairdresser or a lawyer.

Apart from the product, what can be marketed is a service or a person (say political parties persuading to vote for a particular candidate) or an

idea (say Red Cross persuading to donate blood) or a place (say Kerala Tourism persuading people to visit Kerala for health tourism). Thus, anything that is of value to the other can be marketed. It can be a product or a service or a person or a place or an idea or an event or an organisation or experience or properties. (see box)

Who is a marketer? : Marketer refers to any person who takes more active part in the process of exchange. Normally it is the seller who is more active in the exchange process as he/she analyses the needs of the potential buyers, develops a market offering and persuades the buyers to buy the product. However, there may be certain situations where the buyer may be taking more active role in the exchange process. Let us say in situations of rare supply, the buyer may be taking extra efforts in persuading the seller to sell the product to him/her. This may be happening in defence deals or take a situation where a country having installed a nuclear plant needs the supply of nuclear fuel or 'Heavy Water'. It may need to convince the supplier of the products to supply the same to it, by promising that it will be used for peaceful purposes only. In this case, the buyer will be treated as the marketer. Thus, any body, who takes

Do it yourself

Collect five advertisements each for the marketing of (a) ideas and (b) places from a newspaper or a magazine. Write in your notebook, the messages conveyed through these and discuss in the class indicating which of these messages are more appealing to you. Give reasons in support of your answer.

more active role in the exchange process will be taken as the marketer.

MARKETING MANAGEMENT

Marketing management means management of the marketing function. In other words, marketing management refers to planning, organising, directing and control of the activities which facilitate exchange of goods and services between producers and consumers or users of products and services. Thus the focus of marketing management is on achieving desired exchange outcomes with the target markets. Taking a management perspective, the term marketing has been defined as “the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organisational goals” by American Management Association, similarly Philip Kotler has defined Marketing management as the art and science of choosing target markets and getting, keeping and growing customers through creating, delivering and communicating superior customer values of management.

A careful analysis of the definition reveals that the process of management of marketing involves:

- (i) Choosing a target market, say a manufacturer may choose to make readymade garments for children up to the age of 5 years;
- (ii) In respect of the target market chosen, the focus of the process of

management is on getting, keeping as well as growing the customers. That means the marketer has to create demand for his products so that the target customers purchase the product, keep them satisfied with the firm’s products and also attract more customers to the firm’s products so that the firm can grow; and

- (iii) The mechanism for achieving the objective is through creating, developing and communicating superior values for the customers. That means, the primary job of a marketing manager is to create superior values so that the customers are attracted to the products and services and communicate these values to the prospective buyers and persuade them to buy these products.

Marketing management involves performance of various functions such as analysing and planning the marketing activities, implementing marketing plans and setting control mechanism. These functions are to be performed in such a way that organisation’s objectives are achieved at the minimum cost.

Marketing management generally is related to creation of demand. However, in certain situations, the manager has to restrict the demand. For example, if there is a situation of ‘overfull demand’, i.e., the demand being more than what the company can or want to handle, (like what the situation in our country was before the adoption of policies of liberalisation

and globalisation, in early 90's, in most consumer products be it automobiles or electronics goods or other durable products. The job of marketing managers, in these situations would be to find ways to reduce the demand temporarily by say reducing the expenditure on promotion or increasing the prices. Similarly, if the demand is 'irregular', such as in case of seasonal products, (say fans, woollen clothes) the marketer's job is to change the time pattern of demand through such methods as providing short-term incentives, to the buyers. Thus, the marketing management is not only concerned with creating demand but with managing the demand effectively, as per the situation in the market.

MARKETING AND SELLING

Many people confuse 'selling' for 'marketing'. They consider these two terms as one and the same. Marketing refers to a large set of activities of which selling is just one part. For example, a marketer of televisions, before making the sale, does a lot of other activities such as planning the type and model of televisions to be produced, the price at which it would be sold and selecting the distribution outlets at which the same would be available, etc. In short, marketing involves whole range of activities relating to planning, pricing, promoting and distributing the products that satisfy customer's needs.

The function of selling, on the other hand, is restricted to promotion

of goods and services through salesmanship, advertising, publicity and short-term incentives so that title of the product is transferred from seller to buyer or in other words product is converted into cash.

The major differences between selling and marketing are listed as below:

- (i) *Part of the Process vs Wider Term:* Selling is only a part of the process of marketing and is concerned with promoting and transferring possession and ownership of goods from the seller to the buyer. Marketing is a much wider term consisting of number of activities such as identification of the customer's needs, developing the products to satisfy these needs, fixing prices and persuading the potential buyers to buy the same. Thus, selling is merely a part of marketing.
- (ii) *Transfer of Title vs Satisfying Customer Needs:* The main focus of selling is on affecting transfer of title and possession of goods from sellers to consumers or users. In contrast, marketing activities put greater thrust on achieving maximum satisfaction of the customer's needs and wants.
- (iii) *Profit through Maximising Sales vs Customer Satisfaction:* All selling activities are directed at maximising sales and, thereby, the profits of the firm. In other words, the emphasis is on profit maximisation through maximisation of sales. Marketing,

on the other hand, is concerned with customer satisfaction and thereby increasing profit in the long run. A marketing organisation, thus, attaches highest importance to customer satisfaction as a route to profit maximisation.

- (iv) *Start and End of the Activities:* Selling activities start after the product has been developed while marketing activities start much before the product is produced and continue even after the product has been sold.
- (v) *Difference in the Emphasis:* In selling, the emphasis is on bending the customer according to the product while in marketing, the attempt is to develop the product and other strategies as per the customer needs.
- vi. *Difference in the Strategies:* Selling involves efforts like promotion and persuasion while marketing uses integrated marketing efforts involving strategies in respect of product, promotion, pricing and physical distribution.

MARKETING MANAGEMENT PHILOSOPHIES

In order to achieve desired exchange outcomes with target markets, it is important to decide what philosophy or thinking should guide the marketing efforts of an organisation. An understanding of the philosophy or the concept to be adopted is important as it determines the emphasis or the weightage to be put on different factors, in achieving the organisational

objectives. For example, whether the marketing efforts of an organisation will focus on the product—say designing its features etc or on selling techniques or on customer's needs or the social concerns.

The concept or philosophy of marketing has evolved over a period of time, and is discussed as follows.

Production Concept

During the earlier days of industrial revolution, the demand for industrial goods started picking up but the number of producers were limited. As a result, the demand exceeded the supply. Selling was no problem. Anybody who could produce the goods was able to sell. The focus of business activities was, therefore, on production of goods. It was believed that profits could be maximised by producing at large scale, thereby reducing the average cost of production. It was also assumed that consumers would favour those products which were widely available at an affordable price. Thus, availability and affordability of the product were considered to be the key to the success of a firm. Therefore, greater emphasis was placed on improving the production and distribution efficiency of the firms.

Product Concept

As a result of emphasis on production capacity during the earlier days, the position of supply increased over period of time. Mere availability and low price of the product could not ensure

increased sale and as such the survival and growth of the firm. Thus, with the increase in the supply of the products, customers started looking for products which were superior in quality, performance and features. Therefore, the emphasis of the firms shifted from quantity of production to quality of products. The focus of business activity changed to bringing continuous improvement in the quality, incorporating new features etc. Thus, product improvement became the key to profit maximisation of a firm, under the concept of product orientation.

Selling Concept

With the passage of time, the marketing environment underwent further change. The increase in the scale of business further improved the position with respect to supply of goods, resulting in increased competition among sellers. The product quality and availability did not ensure the survival and growth of firms because of the large number of sellers selling quality products. This led to greater importance to attracting and persuading customers to buy the product. The business philosophy changed. It was assumed that the customers would not buy, or not buy enough, unless they are adequately convinced and motivated to do so. Therefore, firms must undertake aggressive selling and promotional efforts to make customers buy their products. The use of promotional techniques such as advertising, personal selling and sales promotion

were considered essential for selling of products. Thus, the focus of business firms shifted to pushing the sale of products through aggressive selling techniques with a view to persuade, lure or coax the buyers to buy the products. Making sale through any means became important. It was assumed that buyers can be manipulated but what was forgotten was that in the long run what matters most is the customer satisfaction, rather than anything else.

Marketing Concept

Marketing orientation implies that focus on satisfaction of customer's needs is the key to the success of any organisation in the market. It assumes that in the long run an organisation can achieve its objective of maximisation of profit by identifying the needs of its present and prospective buyers and satisfying them in an effective way. All the decisions in a firm are taken from the point of view of the customers. In other words, customer's satisfaction become the focal point of all decision making in the organisation. For example, what product will be produced, with what features and at what price shall it be sold, or where shall it be made available for sale will depend on what do the customers want. If the customers want features like double door in a refrigerator or a separate provision for water cooler in it, the organisation would produce a refrigerator with these features, would price it at a level which the customers

Differences in the Marketing Management Philosophies

Philosophies/ Bases	Production Concept	Product Concept	Selling Concept	Marketing Concept	Societal Concept
1. Starting Point	Factory	Factory	Factory	Market	Market, Society
2. Main Focus	Quantity of product	Quality, performance, features of product	Existing product	Customer needs	Customer needs and society's well being
3. Means	Availability and affordability of product	Product improvements	Selling and promoting	Integrated marketing	Integrated marketing
4. Ends	Profit through volume of production	Profit through product quality	Profit through sales volume	Profit through customer satisfaction	Profit through customer satisfaction and social welfare

are willing to pay and so on. If all marketing decisions are taken with this prospective, selling will not be any problem. It will automatically follow. The basic role of a firm then is to 'identify a need and fill it'. The concept implies that products ad-services are

bought not merely because of their quality, packing or brand name, but because they satisfy a specific need of a customer. A pre-requisite for the success of any organisation, therefore, is to understand and respond to customer needs.

Test Your Understanding I

State whether the following statements are true or false:

- (i) focus of marketing activities is on facilitating exchange of goods from producers to consumers or users;
- (ii) in modern marketing, the term market refers to the place where buyers and sellers meet for the exchange of goods and services;
- (iii) marketing is same thing as shopping for goods and services;
- (iv) marketing is a post production activity only;
- (v) marketing is equally relevant to non-profit organisations;
- (vi) The terms 'need' and 'want' are used interchangeably in the marketing literature;
- (vii) marketing management means management of the marketing function; and
- (viii) Product designing does not come under the purview of marketing activities.

To sum up, the marketing concept is based on the following pillars:

- (i) Identification of market or customer who are chosen as the target of marketing effort.
- (ii) Understanding needs and wants of customers in the target market.
- (iii) Development of products or services for satisfying needs of the target market.
- (iv) Satisfying needs of target market better than the competitors.
- (v) Doing all this at a profit.

Thus, the focus of the marketing concept is on customer needs and the customer satisfaction becomes the means to achieving the firms' objective of maximising profit. The purpose of marketing is to generate customer value at a profit.

The Societal Marketing Concept

The marketing concept, as described in the preceding section cannot be considered as adequate if we look at the challenges posed by social problems like environmental pollution, deforestation, shortage of resources, population explosion and inflation. It is so because any activity which satisfies human needs but is detrimental to the interests of the society at large cannot be justified. The business orientation should, therefore, not be short-sighted to serve only consumers' needs. It should also consider large issues of long-term social welfare, as illustrated above.

The societal marketing concept holds that the task of any organisation is to identify the needs and wants of the target market and deliver the desired satisfaction in an effective and efficient manner so that the long-term well-being of the consumers and the society is taken care of. Thus, the societal marketing concept is the extension of the marketing concept as supplemented by the concern for the long-term welfare of the society. Apart from the customer satisfaction, it pays attention to the social, ethical and ecological aspects of marketing. There are large number of such issues that need to be attended.

FUNCTIONS OF MARKETING

Marketing is concerned with exchange of goods and services from producers to consumers or users in such a way that maximises the satisfaction of customers' needs. From the view point of management function, number of activities are involved, which have been described as below:

1. Gathering and Analysing Market Information: One of the important functions of a marketer is to gather and analyse market information. This is necessary to identify the needs of the customers and take various decisions for the successful marketing of the products and services. This is important for making an analysis of the available opportunities and threats as well as strengths and weaknesses of the organisation and help in

The Future of Global Brands

Role of Digital connection and consumer cooperation

In China and India, booming middle classes and fast-rising disposable incomes have created a still-under-tapped consumer culture. Let's not forget the lessons being learned about the brand-building, power of digital connections and consumer co-creation. Since the advent of the internet, sites that offer social interaction and connectivity have been at the forefront of our digital revolution, reshaping the way consumers expect to interact with each other and, ultimately, with brands.

Online tag-sale site e-Bay, for example was one of the first sites to teach us that you can trust people online as well as you might trust a friendly neighbour. That social interaction paved the way for Friendster and MySpace and You Tube, a social networking tool that, in the past year, has empowered consumers to create their own content and post it to a global audience. Anyone who doubts the real market potential of such a platform only needs to check out October's biggest business headlines: Google purchased the site for \$ 1.65 billion.

HSBC effort attempted a similar goal, to give consumers a forum for conversation. At your pointofview.com, consumers in 76 countries can weigh in and give their opinions on subjects including cloning, fashion, wind farms and video games.

Teenagers in Chinese cities surf the web for 5.1 hours a week, and the online ad-market is booming—by more than 75% annually for the past three years, according to *Business Week*. Mobile phones are among the most coveted pieces of technology. And 17.5 million bloggers (and their 75 million readers), many of whom fall within the coveted 18–25 age groups, are shaping consumer opinions in China with more intensity than they do in the US.

The internet age has put advertisers and branding experts face-to-face with an empowered consumer. And those consumers are happy to listen to our messages, as long as we are willing to listen to them.

Source: Adopted from Brand Equity, Nov. 1, 2006

deciding what opportunities can best be pursued by it. For example, rapid growth is predicted in several areas in the Indian economy, say in the use of internet, market for Cell phones and several other areas. Which of these areas a particular organisation should enter or in which area should it expand requires a careful scanning of the strengths and, weaknesses of the organisation, which is done with the help of careful market analysis.

With the growth of computers, a new trend has emerged in the collection of market information. More and more companies are using interactive sites on the internet, to gather customer views and opinions, before taking important business decisions. (see the box on Global Brands) One of the popular TV News Channel (in Hindi) seeks viewers choice (through SMS) on which of the given four or five main news stories of

the day would be broadcasted as detailed story at the prime time, to ensure that the viewers get to listen to the story of their own choice.

2. Marketing Planning: Another important activity or area of work of a marketer is to develop appropriate marketing plans so that the marketing objectives of the organisation can be achieved. For example a marketer of colour TVs, having 10 per cent of the current market share in the country aims at enhancing his market share to 20 per cent, in the next three years. He will have to develop a complete marketing plan covering various important aspects including the plan for increasing the level of production, promotion of the products, etc. and specify the action programmes to achieve these objectives.

3. Product Designing and Development: Another important marketing activity or decision area relates to product designing and development. The design of the product contributes to making the product attractive to the target customers. A good design can improve performance of a product and also give it a competitive advantage in the market. For example, when we plan to buy any product say a motorbike, we not only see its features like cost, mileage, etc. but also the design aspects like its shape, style, etc.

4. Standardisation and Grading: Standardisation refers to producing goods of predetermined specifications, which helps in achieving uniformity and

consistency in the output. Standardisation ensures the buyers that goods conform to the predetermined standards of quality, price and packaging and reduces the need for inspection, testing and evaluation of the products.

Grading is the process of classification of products into different groups, on the basis of some of its important characteristics such as quality, size, etc. Grading is particularly necessary for products which are not produced according to predetermined specifications, such as in the case of agricultural products, say wheat, oranges, etc. Grading ensures that goods belong to a particular quality and helps in realising higher prices for high quality output.

5. Packaging and Labelling: Packaging refers to designing the package for the products. Labelling refers to designing the label to be put on the package. Label may vary from a simple tag to complex graphics.

Packaging and labelling have become so important in modern day marketing that these are considered as the pillars of marketing. Packaging is important not only for protection of the products but also serves as a promotional tool. Sometimes, the quality of the product is assessed by the buyers from packaging. We have seen that in the success of many of the consumer brands in recent times such as *Lays* or *Uncle Chips* potato wafers *Clinic Plus* shampoos, and *Colgate Toothpaste*, etc., packaging has played an important role.

6. Branding: A very important decision area for marketing of most consumer products is whether to sell the product in its generic name (name of the category of the product, say Fan, Pen, etc.) or to sell them in a brand name (such as Pollar Fan or Rottomac Pen). Brand name helps in creating product differentiations, i.e., providing basis for distinguishing the product of a firm with that of the competitor, which in turn, helps in building customer's loyalty and in promoting its sale. The important decision areas in respect of branding include deciding the branding strategy, say whether each product will be given a separate brand name or the same brand name will be extended to all products of the company, say Phillips Bulbs, Tubes and Television or Videocon Washing Machine, Television, and Refrigerator. Selection of the brand name plays important role in the success of a product.

7. Customer Support Services: A very important function of the marketing management relates to developing customer support services such as after sales services, handling customer complaints and adjustments, procuring credit services, maintenance services, technical services and consumer information. All these services aim at providing maximum satisfaction to the customers, which is the key to marketing success in modern days. Customer support services prove very effective in bringing repeat sales from the customers and developing brand loyalty for a product.

8. Pricing of Products: Price of product refers to the amount of money customers have to pay to obtain a product. Price is an important factor affecting the success or failure of a product in the market. The demand for a product or service is related to its price. Generally lower the price, higher would be the demand for the product and vice-versa. The marketers have to properly analyse the factors determining the price of a product and take several crucial decisions in this respect, including setting the pricing objectives, determining the pricing strategies, determining the price and changing the prices.

9. Promotion: Promotion of products and services involves informing the customers about the firm's product, its features, etc. and persuading them to purchase these products. The four important methods of promotion include advertising, Personal Selling, Publicity and Sales Promotion. A marketer has to take several crucial decisions in respect of promotion of the products and services such as deciding the promotion budget, the promotion mix, i.e., the combination of the promotional tools that will be use, the promotion budget, etc.

10. Physical Distribution: Managing physical distribution is another very important function in the marketing of goods and services. The two major decision areas under this function include (a) decision regarding channels of distribution or the marketing intermediaries (like whole

salers, retailers) to be used and (b) physical movement of the product from where it is produced to a place where it is required by the customers for their consumption or use. The important decision areas under physical distribution include managing inventory (levels of stock of goods), storage and warehousing and transportation of goods from one place to the other.

11. Transportation: Transportation involves physical movement of goods from one place to the other. As generally the users of products, particularly consumer products are wide spread and geographically separated from the place these are produced, it is necessary to move them to the place where it is needed for consumption or use. For example, tea produced in Assam has to be transported not only within the state but to other far off places like Tamil Nadu, Punjab, Jammu and Kashmir and Haryana, Rajasthan, where it is consumed.

A marketing firm has to analyse its transportation needs after taking into consideration various factors such as nature of the product, cost and location of target market and take decisions in respect of mode of transportation to be chosen and other related aspects.

12. Storage or Warehousing: Usually there is a time gap between the production or procurement of goods and their sale or use. It may be because of irregular demand for the

products such as in the case of woollen garments or Raincoats or there may be irregular supply because of seasonal production such as in the case of agricultural products (sugarcane, rice, wheat, cotton, etc.). In order to maintain smooth flow of products in the market, there is a need for proper storage of the products. Further, there is a need for storage of adequate stock of goods to protect against unavoidable delays in delivery or to meet out contingencies in the demand. In the process of marketing, the function of storage is performed by different agencies such as manufacturers, wholesalers and retailers.

ROLE OF MARKETING

All marketing organisations operate either to earn profit or pursue some other goals such as community service, improvement of quality of life or promotion of a cause, say UNICEF working for the welfare of children or 'Helpage' working for the cause of senior citizens. Whether it is a profit organisation or a non-profit organisation, marketing plays an important role in achieving its objectives. It helps the individual consumers in raising their standard of living by making available the products and services that satisfy their needs and wants. It also plays a significant role in the economic development of a nation. The role of marketing in different situations may be described in brief as follows.

Role in a Firm

The modern concept of marketing plays a significant role in achieving the objectives of a firm. It emphasises that customer satisfaction is the key to the survival and growth of an organisation in the contemporary competitive marketing environment. By adopting marketing orientation, an organisation whether profit making or non-profit making, can achieve its goals in the most effective manner. It helps in focusing the activities of an organisation on the needs and wants of the customers. For example, what products or services will be marketed by a firm will depend upon what do its customers need. Thus, an analysis of the needs of the customers shall be undertaken in order to decide what to produce and sell. The product will then be designed according to the needs of the potential buyers and be made available through the outlets convenient to customers and be priced at a level which the target customers can afford. In other words, marketing as a business philosophy helps in serving the customers by satisfying their needs. It is a well known fact that a satisfied customer is the most valuable asset of any firm. Thus, marketing plays a crucial role in the survival and growth of a firm.

Role in the Economy

Marketing plays a significant role in the development of an economy. It acts as a catalyst in the economic development

of a country and helps in raising the standards of living of the people.

Development of a nation can be judged by the level of standard of living of its people. Another important criteria, which is related to the first one, is the per capita income of an average citizen of a country. On this basis, an underdeveloped country may be stated to be one which is characterised by factors like poverty, scarcity of goods and services, predominance of agriculture, etc.

Marketing can play a significant role in the economic development of a nation. It can inspire people to undertake new activities and to set up enterprises for producing goods that are needed by the customers. Marketing can help in overcoming obstacles posed by high prices due to imbalances in the levels of production and consumption. It can also ensure smooth flow of goods through efficient physical distribution arrangements.

In other words, marketing can help in finding out right type of products and services that a firm should manufacture, the places where it should make such products available for sale, the price at which the products should be sold and the channels that should be used for moving the products to the ultimate place of consumption or use. This linkage between the business and consumption centres, accelerates the economic activity leading to higher incomes, more consumption and increased savings and investment.

Test your Understanding II

State whether the following statements are true or false:

- (i) packaging serves as a promotional tool;
- (ii) storage adds time value to the product;
- (iii) financing is important for marketing only high value products;
- (iv) marketing play important role from the point of view of individual consumers only; and
- (v) marketing acts as a catalyst in the economic development of a country.

MARKETING MIX

As stated in an earlier section, the process of marketing involves creating a market offering, to satisfy the needs and wants of the present and potential buyers. The real question is how to create a market offering. Let us say a profitable business opportunity is seen by some firm in the field of producing soft drinks. To develop and market a new brand of soft drinks, a number of important decisions will have to be taken for example whether to go for any collaboration with a foreign manufacturer of soft drinks, whether to produce for the local market or for a wider market, what will be the features of the new product, and so on.

There are large number of factors affecting marketing decisions. These can broadly be divided into two categories: (i) controllable factors, and (ii) non-controllable factors. Controllable factors are those factors which can be influenced at the level of the firm. In the previous illustration, for example, whether the drink will be packed in glass bottles or plastic cans; what will be the name (brand name) of the drink;

at what price it will be sold, (at par with the price at which other competitive brands are sold or below it or above it); what distribution network will be used to make the product available (e.g., hotels, restaurants, groceries shops, kiosks selling cigarette, *paan*, etc.) to the buyers whether the new soft drink will be promoted by putting up advertisements in newspaper or magazine or on radio or television; or say if newspaper, whether in a local newspaper or a national daily; whether in a paper of regional language or an English daily, etc. is decided at the level of marketing manager of the firm.

However, there are certain other factors which affect the decision but are not controllable at the firm's level. These are called environmental variables. For example, the political factors such as the government policy on whether to allow any technical or financial collaboration in the area of soft drinks, production or economic factors such as rate of inflation prevailing in a given period or a credit policy of the central bank affecting the total availability of money in the

market, all of which affect the sale of a particular product but can not be controlled or influenced by the decisions at the level of a firm. To be successful, the decisions regarding 'controllable factors' are to be taken keeping the environmental variables into consideration.

The controllable variables become marketing tools, which are constantly shaped and reshaped by marketing managers, to achieve marketing success. For example a firm can reshape a market offering by bringing in a change in any of the variable under its own control say introducing a change in the price or promotion offer or product features or channel used to make the product available to buyers. Thus, from a number of alternatives available a firm chooses a particular combination to develop a market offering. The combination of variables

chosen by a firm to prepare its market offering is also called marketing mix. Thus, marketing mix is described as the set of marketing tools that a firm uses to pursue its marketing objectives in a target market.

ELEMENTS OF MARKETING MIX

The marketing mix consists of various variables, which have broadly been classified into four categories, popularly known as four Ps of marketing. These are: (i) Product, (ii) Price, (iii) Place, and (iv) Promotion, and are discussed as follows:

1. Product: Product means goods or services or 'anything of value', which is offered to the market for exchange. For example, Hindustan Lever company offers number of consumer products like toiletries (Close-Up Toothpaste, Lifebuoy Soap, etc.),

Marketing Mix: Elements

Product

Product Mix
Product Quality
New Product
Design and Development
Packaging
Labelling
Branding

Place

Channel Strategy
Channel Selection
Channel Conflict
Channel Cooperation
Physical Distribution

Price

Price Level
Margins
Pricing Policy
Pricing Strategies
Price Change

Promotion

Promotion Mix
Advertising
Personal Selling
Sales Promotion
Publicity
Public Relations

detergent powder (Surf, Wheel), food products (Refined Vegetable Oil); Tata offers Tata Steel, Trucks, Salt and a large number of other products; LG Electronics Offers Televisions, Refrigerators, Colour Monitors for Computers, etc; Amul offers number of food products (Amul Milk, Ghee, Butter, Cheese, Chocolates, etc.).

The concept of product relates to not only the physical product as mentioned in the above examples but also the benefits offered by it from customer's view point (for example toothpaste is bought for whitening teeth, strengthening gums, etc.). The concept of product also include the extended product or what is offered to the customers by way of after sales services, handling complaints, availability of spare parts etc. These aspects are very important, particularly in the marketing of consumer durable products (like Automobiles, Refrigerators, etc.). The important product decisions include deciding about the features, quality, packaging, labelling and branding of the products.

2. Price: Price is the amount of money customers have to pay to obtain the product. In case of most of the products, level of price affects the level of their demand. The marketers have not only to decide about the objectives of price setting but to analyse the factors determining the price and fix a price for the firm's products. Decisions have also to be taken in respect of discounts to customers, traders and credit terms, etc. so that

customers perceive the price to be in line with the value of the product.

3. Place: Place or Physical Distribution include activities that make firm's products available to the target customers. Important decision areas in this respect include selection of dealers or intermediaries to reach the customers, providing support to the intermediaries (by way of discounts, promotional campaigns, etc.). The intermediaries in turn keep inventory of the firm's products, demonstrate them to potential buyers, negotiate price with buyers, close sales and also service the products after the sale. The other decision areas relate to managing inventory, storage and warehousing and transportation of goods from the place it is produced to the place it is required by the buyers.

4. Promotion: Promotion of products and services include activities that communicate availability, features, merits, etc. of the products to the target customers and persuade them to buy it. Most marketing organisations, undertake various promotional activities and spend substantial amount of money on the promotion of their goods through using number of tools such as advertising, personal selling and sales promotion techniques (like price discounts, free samples, etc.). A large number of decisions are to be taken in each of the area specified above. For example, in the respect of advertising it is important to decide about the message, the media to be used (example print-media-newspaper,

magazines, etc. the objections of customers, etc.).

The success of a market offer will depend on how well these ingredients are mixed to create superior value for the customers and simultaneously achieve their sale and profit objectives. Let us say a firm would like to achieve necessary volume of sale at a cost that will permit a desired level of profit. But so many alternative mixes can be adopted by a firm to achieve this objectives. The issue before a firm then is to decide what would be the most effective combination of elements to achieve the given objectives.

PRODUCT

In common parlance, the word 'product', is used to refer only to the physical or tangible attributes of a product. For example, we say we have

bought a car or a pen or a Cell phone or a tractor.

Our decision to buy a product is not only affected by its physical qualities, but also by certain non-tangible and psychological factors, e.g., brand name, reputation, guaranty, packaging etc. Let us say, when a person buys a car, he/she is not just buying a few nuts and bolts, an engine, four wheels and so on. Rather he/she is buying a means of transport, a status symbol, guarantees and warranties accompanying the product, image of the company and many other such attributes. Thus, in marketing, product is a mixture of tangible and intangible attributes, which are capable of being exchanged for a value, with ability to satisfy customer needs. Besides physical objects, we also include services, ideas, persons, and places in the

PepsiCo. Eyes New Products, Acquisitions

Aims at Adding Production Capacity for Gatorade and other Non-carbonated Drinks

PepsiCo on Monday said it will launch new healthier products next year and focus on growth in emerging markets, a continuation of the strategy that helped the world's No. 2 beverage company stay profitable ever as sales growth of its flagship soft drinks has slowed.

PepsiCo's new CEO Indra Nooyi, who took the reins on October 1, also said the company was on track to meet its annual target of volume and revenue growth in the mid-single digits and earnings per share growth in the low double digits.

PepsiCo. evolved from being known mostly for selling soda and salty snacks into a \$33-billion food company that has embraced the push into healthier options like Tropicana juice, Aquafina water and whole grain Quaker Oats Cereals.

The company said that moving forward, its capital expenditure as a percentage of sales would increase, and that most of the increased spending will go to expansion in developing and emerging markets and adding manufacturing capacity for Gatorade and other non-carbonated drinks.

Source: Adopted from Economic Times, Oct. 25, 2006

concept of product. Thus, product may be defined as anything that can be offered to a market to satisfy a want or need. It is offered for attention, acquisition, use or consumption.

From the customer's point of view, a product is a bundle of utilities, which is purchased because of its capability to provide satisfaction of certain need. A buyer buys a product or service for what it does for her or the benefit it provides to her. There can be three types of benefits a customer may seek to satisfy from the purchase of a product, viz., (i) functional benefits, (ii) psychological benefits, and (iii) social benefits. For example, the purchase of a motorcycle provides functional utility of transportation, but at the same time satisfies the need for prestige and esteem and provides social benefit by the way of acceptance from a group,

by riding a motorbike. Thus, all these aspects should be considered while planning for a product.

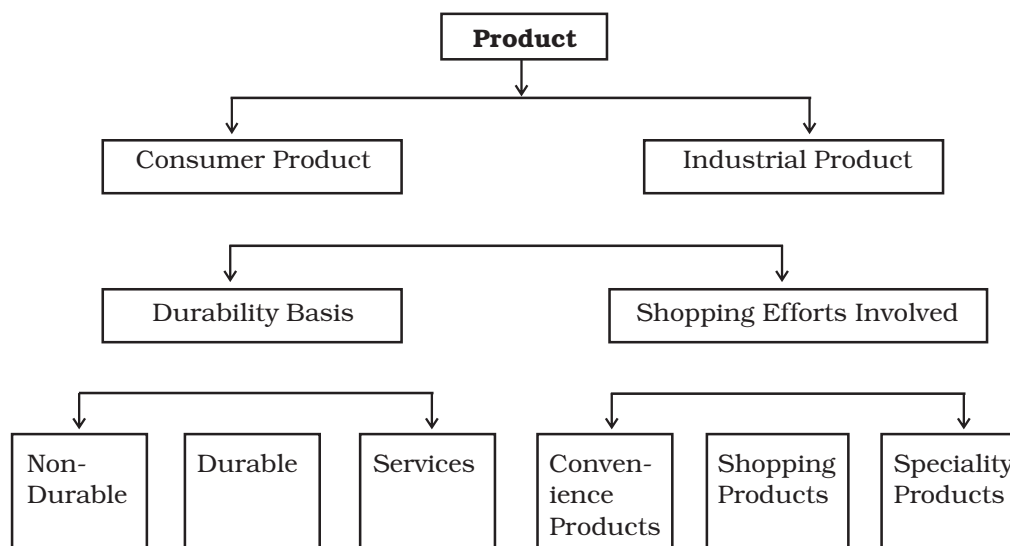
It is customer for companies to review the progress of their present products and constantly look for opportunities of diversifying into never areas. (see box on PepsiCo.)

LET US DO IT

Enlist the functional, psychological and social benefits that can be achieved by the purchase of (i) Personal computer, (ii) Colour television, (iii) Wrist watch.

CLASSIFICATION OF PRODUCT

Products may broadly be classified into two categories — (i) consumers' products, and (ii) industrial products. The consumer products may further



Classification of Product

be classified into different groups, as detailed below:

CONSUMER PRODUCTS

Products, which are purchased by the ultimate consumers or users for satisfying their personal needs and desires are referred to as consumer products. For example, soap, edible oil, eatables, textiles, toothpaste, fans, etc. which we use for our personal and non-business use are consumer goods.

The consumer products have been classified on the basis of two important factors: (A) the extent of shopping efforts involved, and (B) durability of the product. These have been explained as below:

A. Shopping Efforts Involved

On the basis of the time and effort buyers are willing to spend in the purchase of a product, we can classify the consumer product into the following three categories as here under:

1. Convenience Products: Those consumer products, which are purchased frequently, immediately and with least time and efforts are referred to as convenience goods. Examples of such products are cigarettes, ice creams, medicines, newspaper, stationery items toothpaste. etc. These products have low unit-value and are bought in small quantities. Some of the important characteristics of such products are:



Convenience Products

- (a) These products are purchased at convenient locations, with least efforts and time;
- (b) Convenience products have a regular and continuous demand, as these generally come under the category of essential products;
- (c) These products have small unit of purchase and low prices. For example the eggs are sold at Rs. 28 per dozen and the customers
- (f) Sales promotion schemes or short-term incentives such as sales contests, discount offers, etc play an important role in the marketing of such products.

2. Shopping Products: Shopping products are those consumer goods, in the purchase of which buyers devote considerable time, to compare the quality, price, style, suitability, etc., at several stores, before making



Shopping Products

- purchase them in small numbers;
- (d) Convenience products have standardised price as most of these products are branded products;
- (e) The competition in these products is high as the supply is greater than the demand. The marketers have, therefore, to heavily advertise for these products; and
- final purchase. Some of the examples of shopping products are clothes, shoes, jewellery, furniture, radio, television, etc. The important characteristics of shopping products are as below:
- (a) The shopping products are generally of durable nature, i.e., they normally survive many uses;

- (b) The unit price as well as profit margin of shopping products is generally high;
- (c) As these products have high unit price, customers compare the products of different companies before making selection;
- (d) Purchases of shopping products are generally pre-planned and there is little degree of impulse buying in these products; and
- (e) Retailers generally play an important role in the sale of shopping products as lot of persuasive effort is needed to convince the buyers to purchase them.

3. Speciality Products: Speciality products are those consumer goods which have certain special features because of which people make special efforts in their purchase. These products are such, which have reached a brand loyalty of the highest

order, with a significant number of buyers. The buyers are willing to spend a lot of time and efforts on the purchase of such products. For example, if there is a rare collection of artwork or of antiques, some people may be willing to spend a lot of shopping effort and travel long distance to buy such products. In our day-to-day life, we see people going to a particular hair-cutting saloon or restaurant, or a tailor. The demand for these goods is relatively inelastic, i.e., even if the price is increased, the demand does not come down. Some of the important characteristics of the speciality products may be summed up as follows:

- (a) The demand for speciality products is limited as relatively small number of people buy these products;
- (b) These products are generally costly and their unit price is very high;



Speciality Products

- (c) These products are available for sale at few places as the number of customers is small and are willing to take extra efforts in the purchase of these products;
- (d) An aggressive promotion is required for the sale of speciality products, in order to inform people about their availability, features, etc.; and
- (e) After sales services are very important for many of the speciality products.

B. Durability of Products

On the basis of their durability, the consumer products have been classified into three categories—Durable, Non-durable and Services.

1. Non-durable Products: The consumer products which are

normally consumed in one or few uses are called non-durable products. For example, we purchase products like toothpaste, detergents, bathing soap and stationary products etc. From the marketing point of view, these products generally command a small margin, should be made available in many locations and need to be heavily advertised.

2. Durable Products: Those tangible consumer products which normally survive many uses, for example, refrigerator, radio, bicycle, sewing machine and kitchen gadgets are referred to as durable products. These goods are generally used for a longer period, command a higher per unit margin, require greater personal-selling efforts, guarantees

Marketing of Services

India Post Has 28% Market Share Against Blue Dart's 20%

Speed Post Leads the Race in Express Mail

Speed Post has emerged as a market leader in the express mail category with a 27.55% volume share, a study commissioned by the Department of Post (DOP) and government of India shows.

According to the study, almost 46.67% crore articles were sent by express mail in 05-06. The study values the express mail industry alone (excluding logistics and cargo which account for almost 35-40% of private firm's turnover) at around Rs 1,500 crore. In value terms, while Speed Post is the leader, Blue Dart is a close second with a 20% market share, followed by DTDC with a 11.91% share and First Flight with a 10.89% share.

"This has been possible because of our competitive pricing. We are offering the same services as other private couriers do, with the same efficiency but at half the rates", added Mr. Samuel. In fact, Speed Post claims that its volumes have increased by almost 30-40% after the introduction of the One India One Rate scheme.

Express companies are hopeful that the market is going to grow further with the setting up of SEZs and greater economic activity in the country fuelled by the increasing throughput from the manufacturing sector.

Source: Adopted from Economic Times, Oct. 20, 2006

and after sales services, on the part of the seller.

3. Services: The durable and non-durable goods are tangible in the sense that these have a physical existence and can be seen and touched. Services are intangible in form. By services we mean those activities, benefits or satisfactions, which are offered for sale, e.g., dry cleaning, watch repairs, hair cutting, postal services, services offered by a doctor, an architect and a lawyer. Some of the distinguishing characteristics of services are as follows:

- (a) By their very nature, services are intangible, i.e., we can not see, feel or touch them;
- (b) A service is inseparable from its source. That means we cannot separate the service from the person providing the service;
- (c) The services cannot be stored. They are highly perishable. For example, if a tailor does not work for one week, the services he would have provided during such period go waste; and
- (d) Services are highly variable as their type and quality depends on the person providing them. That is why, there is a difference in the extent of satisfaction we get from the services provided by different people.

INDUSTRIAL PRODUCTS

Industrial products are those products, which are used as inputs

in producing other products. The examples of such products are raw materials, engines, lubricants, machines, tools, etc. In other words, industrial products are meant for non-personal and business use for producing other products.

The market for industrial products consists of manufacturers, transport agencies, banks and insurance companies, mining companies and public utilities. The important characteristics of industrial products are given below:

1. Number of Buyers: As compared to the consumer products, the numbers of buyers of industrial products are limited. For example, sugarcane is purchased by few producers of sugar, but sugar, which is a consumer product, is purchased by crores of people in our country.

2. Channel Levels: Because of limited number of buyers, the sale of industrial products is generally made with the help of shorter channels of distribution, i.e., direct selling or one level channel.

3. Geographic Concentration: Because of location of industries at certain points or regions, industrial markets are highly concentrated, geographically. For instance, the demand for power loom comes from Bombay, Sholapur, Bangalore, etc. where the textile industry is concentrated in our country.

4. Derived Demand: The demand for industrial products is derived from the demand for consumer products. For

example, the demand for leather will be derived from demand for shoes and other leather products in the market.

5. Role of Technical Considerations:

Technical considerations assume greater significance in the purchase of industrial products because these products are complex products, bought for use in business operations.

6. Reciprocal Buying:

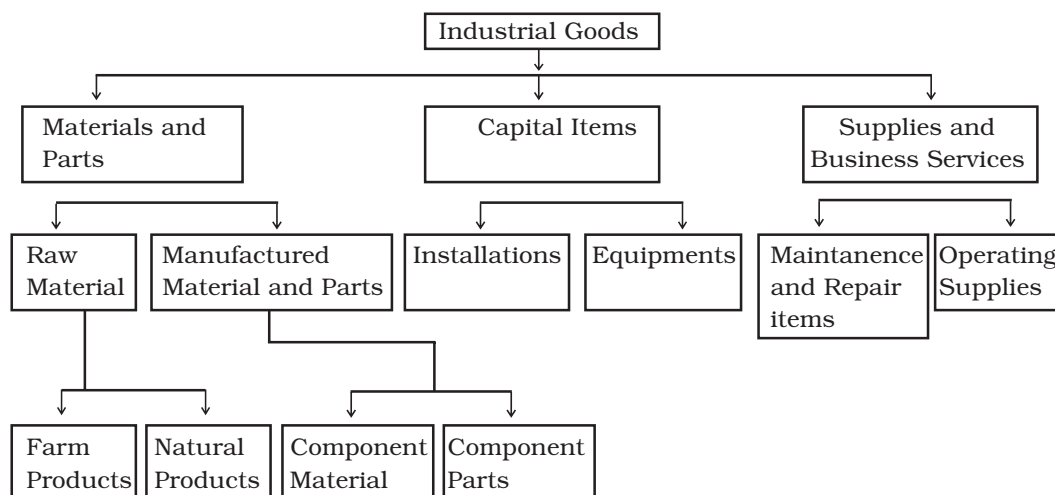
Some big companies from basic industries like oil, steel, rubber, and medicines resort to the practice of reciprocal buying. For example, Ashok Leyland may buy tyres and tubes from MRF, which in turn may buy trucks from Leyland, whenever it feels the need for the same.

7. Leasing Out: A growing trend in industrial product market is to lease out rather than to purchase the products on outright basis because of the heavy price of these products.

Classification

The industrial goods are classified into the following major categories:

- (i) *Materials and Parts:* These include goods that enter the manufacture's products completely. Such goods are of two types: (a) Raw material: including farm products like cotton, sugar cane, oil seed and natural products such as minerals (say crude petroleum, iron ore), fish and lumber; and (b) manufactured material and parts. These are again of two types – component materials like glass, iron, plastic and component parts such as tyre, electric bulb, steering, and battery.
- (ii) *Capital Items:* These are such goods that are used in the



Classification of Industrial Goods

production of finished goods. These include: (a) installations like elevators, mainframe Computers, and (b) equipments like Hand Tools, Personal Computer, Fax Machines, etc.

products have different buying motives and have different attitudes and use different approaches in the purchase of the products. For example, an industrial buyer is expected to be more rational who will study the cost of different available

Test Your Understanding III

Please check whether the following statements are true or false:

- (i) Products purchased by ultimate consumers for satisfying their personal needs are referred to as industrial products.
- (ii) Speciality products are generally costly and their unit price is high.
- (iii) Purchase of convenience products is generally pre-planned.
- (iv) Shopping products are purchased frequently, immediately and with least efforts.
- (v) Sales promotional schemes play important role in the sale of industrial products.
- (vi) Product is anything that can be offered to a market to satisfy a want or need.
- (vii) Durable products are normally consumed in one or few uses.
- (viii) Services can not be stored.
- (ix) Furniture is an example of consumer non-durable product.
- (x) Toothpaste is an example of consumer product.

(iii) *Supplies and Business Services*: These are short lasting goods and services that facilitate developing or managing the finished product. These include: (a) maintenance and repair items like Paint, Nails, etc., and (b) operating supplies like Lubricant, Computer Stationary, Writing Paper, etc.

The difference in the nature of consumer products and industrial products is important because of the fact that the buyers of the two sets of

brands, their technical specifications and the goodwill of the supplier. Whereas, the buyer of a consumer product may be more impulsive and emotional who is susceptible to advertising and various sales promotion schemes.

BRANDING

One of the most important decisions that a marketer has to take in the area of 'product' is in respect of branding. He has to decide whether the firm's products will be marketed under a brand name or a generic name.

Generic name refers to the name of the whole class of the product. For example, a book, a wristwatch, tyre, camera, toilet soap, etc. We know that a camera is a lens surrounded by plastic or steel from all sides and having certain other features such as a flash gun and so on. Similarly book is a bunch of papers, which are in a bound form, on which some useful information about a subject is printed. Thus, all products having these characteristics would be called by the generic name such as camera or book.

If products were sold by generic names, it would be very difficult for the marketers to distinguish their products from that of their competitors. Thus,

most marketers give a name to their product, which helps in identifying and distinguishing their products from the competitors' products. This process of giving a name or a sign or a symbol etc., to a product is called branding. The various terms relating to branding are as follows:

1. Brand: A brand is a name, term, sign, symbol, design or some combination of them, used to identify the products—goods or services of one seller or group of sellers and to differentiate them from those of the competitors. For example, some of the common brands are Bata, Lifebuoy, Dunlop, Hot Shot, and Parker. Brand is a comprehensive term, which has

Brands and Branding

Branding is creating a corporate brand identity for consumer, and getting that brand identity imprinted on the minds of consumer, and this requires brand positioning and brand management.

A brand today is an entity (product, service, company, person, technology, etc.), that offers a set of value exchange measures between what the owner/market seeks and the price he is willing to pay for.

It has always seemed to me that your brand is formed primarily, not by what your company says about itself, but what the company does.

— **Jeff Bezos**

A product is something made in a factory; a brand is something that is bought by the customer. A product can be copied by a competitor; a brand is unique. A product can be quickly outdated; a successful brand is timeless.

— **Stephen King**

Your brand's power lies in dominance. It is better to have 50% of one market, instead of 10% of five markets.

— **Al Ries**

Your brand image is primarily an emotional construct. Emotion is probably always more powerful in swaying people than reason. but people like to be able to rationalise their choices.

— **Drayton Bird**

Source: Adopted from Effective Executive, 2006

two components—brand name and brand mark. For example, Asian Paints has the symbol of Gattu on its pack, which is its brand mark.

2. Brand Name: That part of a brand, which can be spoken, is called a brand name. In other words, brand name is the verbal component of a brand. For example, Asian Paints, Safola, Maggie, Lifebuoy, Dunlop, and Uncle Chips are the brand names.

3. Brand Mark: That part of a brand which can be recognised but which is not utter able is called brand mark. It appears in the form of a symbol, design, distinct colour scheme or lettering. For example, the Gattu of Asian Paints or Devil of Onida or symbol of Yogkshma of LIC, or four fingers and a palm of Anacin are all brand marks.

4. Trade Mark: A brand or part of a brand that is given legal protection is called trademark. The protection is given against its use by other firms. Thus the firm, which got its brand registered, gets the exclusive right for its use. In that case, no other firm can use such name or mark in the country.

Though branding adds to the cost e.g., to the cost of packaging, labelling, legal protection, and promotion, it provides several advantages to the sellers as well as the consumers.

Advantages to the Marketers

(i) *Enables Marking Product Differentiation:* Branding helps a

firm in distinguishing its product from that of its competitors. This enables the firm to secure and control the market for its products.

(ii) *Helps in Advertising and Display Programmes:* A brand aids a firm in its advertising and display programmes. Without a brand name, the advertiser can only create awareness for the generic product and can never be sure of the sale for his product.

(iii) *Differential Pricing:* Branding enables a firm to charge different price for its products than that charged by its competitors. This is possible because if customers like a brand and become habitual of it, they do not mind paying a little higher for it.

(iv) *Ease in Introduction of New Product:* If a new product is introduced under a known brand, it enjoys the reflected glory of the brand and is likely to get off to an excellent start. Thus, many companies with established brand names decide to introduce new products in the same name. For example, Food Specialties Ltd. had a successful brand Maggie (Noodles), it extended this name to many of its new products introduced such as Tomato Ketchup, Soups, etc. Similarly Samsung extended the brand name of its Television to Washing Machines and other durable products, like Microwave oven.

Advantages to Customers

- (i) *Helps in Product Identification:* Branding helps the customers in identifying the products. For example, if a person is satisfied with a particular brand of a product, say tea leaves or detergent soap, he need not make a close inspection every time, he has to buy that product. Thus, branding greatly facilitates repeat purchase of the products.
- (ii) *Ensures Quality:* Branding ensures a particular level of quality of the product. Thus, whenever there is any deviation in the quality, the customers can have recourse to the manufacturer or the marketer. This builds up confidence of the customers and helps in increasing his level of satisfaction.
- (iii) *Status Symbol:* Some brands become status symbols because of their quality. The consumers of those brands of products feel proud of using them and adds to the level of satisfaction of the customers.

Characteristics of Good Brand Name

Choosing the right brand name is not an easy decision. What makes this

decision important is the fact that once a brand name is chosen and the product is launched in the market, changing the brand name is very difficult. So, getting it right the first time is very essential. Following are some of the considerations, which should be kept in mind while choosing a brand name.

- (i) The brand name should be short, easy to pronounce, spell, recognise and remember e.g., Ponds, VIP, Rin, Vim, etc.
- (ii) A brand should suggest the product's benefits and qualities. It should be appropriate to the product's function. e.g., Rasika, Genteel, Promise, My Fair Lady and Boost.
- (iii) A brand name should be distinctive e.g., Liril, Sprit, Safari, Zodiac.
- (iv) The brand name should be adaptable to packing or labelling requirements, to different advertising media and to different languages.
- (v) The brand name should be sufficiently versatile to accommodate new products, which are added to the product line e.g., Maggie, Colgate.
- (vi) It should be capable of being registered and protected legally.

Do it Yourself

Visit a retail store in your locality and prepare a list of the (i) number of brands available, (ii) the price of each brand, and (iii) most selling brand in respect of any three consumer non-durable products such as Toilet Soap, Detergent Powder, Cooking, Oil, Toothpaste, Tea, etc. used in your family. Which brand of each of the product selected is used in your family? Give reasons.

- (vii) Chosen name should have staying power i.e., it should not get out of date.

PACKAGING

One of the most important developments affecting the business world in recent years has been in the area of packaging. Many products, which we thought could never lend themselves to packing because of their nature, have been successfully packed e.g., Pulses, Ghee, Milk, Salt, Cold Drinks, etc. Packaging refers to the act of designing and producing the container or wrapper of a product. Packaging plays a very important role in the marketing success or failure of many products, particularly the

consumer non-durable products. In fact if one makes an analysis of the reasons for the success of some of the successful products in the recent past, it can be noted that packaging has played its due role. For example, it was one of the important factors in the success of products like Maggie's Noodles, Uncle Chips or Crax wafers.

Levels of Packaging

There can be three different levels of packaging. These are as below:

1. Primary Package: It refers to the product's immediate container. In some cases, the primary package is kept till the consumer is ready to use the product (e.g., plastic packet for socks); whereas in other cases, it is



Levels of Packaging

kept throughout the entire life of the product (e.g., a toothpaste tube, a match box, etc.).

2. Secondary Packaging: It refers to additional layers of protection that are kept till the product is ready for use, e.g., a tube of shaving cream usually comes in a card board box. When consumers start using the shaving cream, they will dispose off the box but retain the primary tube.

3. Transportation Packaging: It refers to further packaging components necessary for storage, identification or transportation. For example a toothpaste manufacturer may send the goods to retailers in corrugated boxes containing 10, 20, or 100 units.

Importance of Packaging

Packaging has acquired great significance in the marketing of goods and services, because of following reasons:

- (i) *Rising Standards of Health and Sanitation:* Because of the increasing standards of living in the country, more and more people have started purchasing packed goods as the chances of adulteration in such goods are minimised.
- (ii) *Self Service Outlets:* The self-service retail outlets are becoming very popular, particularly in major cities and towns. Because of this, some of the traditional role assigned to personal selling in respect of promotion has gone to packaging.

(iii) *Innovational Opportunity:* Some of the recent developments in the area of packaging have completely changed the marketing scene in the country. For example, milk can now be stored for 4-5 days without refrigeration in the recently developed packing materials. Similarly, in the area of pharmaceuticals, soft drinks, etc., lots of new innovations have come in respect of packaging. As a result, the scope for the marketing of such products has increased.

(iv) *Product Differentiation:* Packaging is one of the very important means of creating product differentiation. The colour, size, material etc., of package makes real difference in the perception of customers about the quality of the product. For example, by looking at the package of a product say Paint or Hair Oil, one can make some guess about quality of the product contained in it.

Functions of Packaging

As stated above, packaging performs a number of functions in the marketing of goods. Some of the important functions are as follows:

- (i) *Product Identification:* Packaging greatly helps in identification of the products. For example, Colgate in red colour, or Ponds cream jar can be easily identified by its package.
- (ii) *Product Protection:* Packaging protects the contents of a product

from spoilage, breakage, leakage, pilferage, damage, climatic effect, etc. This kind of protection is required during storing, distribution and transportation of the product.

(iii) *Facilitating Use of the Product:* The size and shape of the package should be such that it should be convenient to open, handle and use for the consumers. Cosmetics, medicines and tubes of toothpastes are good examples of this.

(iv) *Product Promotion:* Packaging is also used for promotion purposes. A startling colour scheme, photograph or typeface may be used to attract attention of the people at the point of purchase. Sometimes it may work even better than advertising. In self-service stores, this role of packaging becomes all the more important.

Labelling

A simple looking but important task in the marketing of goods relates to designing the label to be put on the package. The label may vary from a simple tag attached to the product (such as in case of local unbranded products like sugar, wheat, pulses, etc.) indicating some information

about the quality or price, to complex graphics that are part of the package, like the ones on branded products (say the graphic of Boat and Patwar on the package of a popular brand of After Shave Lotion or of a lady offering a pen to solicit the views of the users, on the label of a detergent powder). Labels are useful in providing detailed information about the product, its contents, method of use, etc. The various functions performed by a label are as follows:

1. Describe the Product and Specify its Contents:

Let us look at some of the labels of the products used by us in our day to day life. The label on the package of a local tea company describes the company as 'Mohini Tea Company, an ISO 9001:200C Certified Company'; a popular brand of Prickly Heat Powder, describes how the product provides relief from prickly heat and controls bacterial growth and infection, giving caution forbidding its application on cuts and wounds. Package of fast food products like ready to eat Dosa, Idli or Noodles, describe the procedure of cooking these products; the Package of a toothpaste brand lists the 'Ten Teeth and Gum Problems', which the product claims to fight with its

Do it Yourself

Visit a local Grocery Shop and find out any two products which are sold both in packaged form and in loose (unpackaged) form and find out i) The product for which the sale in packaged form is greater ii) The product for which sale in loose form is greater. iii) the benefit, to the retailer in selling goods on i) packaged form and ii) unpackaged form.

'Complete Germicheck Formula'; the Package of a brand of Coconut Oil describes the product as pure coconut oil with Heena, Amla, Lemon and specifies how these are good for Hair. Thus, one of the most important functions of labels is to describe the product, its usage, cautions in use, etc. and specify its contents.

2. Identification of the Product or Brand: The other important function performed by labels is to help in identifying the product or brand. For example, the brand name of and product, say Biscuits or Potato Chips imprinted on its package helps us to identify, from number of packages, which one is our favourite brand. Other common identification information provided by the labels include name and address of the manufacturer, net weight when packed, manufacturing date, maximum retail price and Batch number.

3. Grading of Products: Another important function performed by labels is to help grading the products into different categories. Sometimes marketers assign different grades to indicate different features or quality of the product. For example, a popular

brand of Hair Conditioners comes in different categories for different hair, say for 'normal hair' and for other categories. Different type of tea is sold by some brands under Yellow, Red and Green Label categories.

4. Help in Promotion of Products: An important function of label is to aid in promotion of the products. A carefully designed label can attract attention and give reason to purchase. We see many product labels providing promotional messages for example, the pack of a popular Amla Hair Oil states, 'Baalon mein Dum, Life mein Fun'. The label on the package of a brand of Detergent Powder says, 'Keep cloth look good and your machine in top condition'. Labels play important role in sales promotional schemes launched by companies. For example the label on the package of a Shaving Cream mentions, '40% Extra Free' or package of a toothpaste mentioning, 'Free Toothbrush Inside', or 'Save Rs15'.

5. Providing Information Required by Law: Another important function of labeling is to provide information required by law. For example, the statutory warning on the package of Cigarette or Pan Masala, 'Smoking is Injurious to Health' or 'Chewing

Do it Yourself

1. Examine the label on the package of any three branded products recently purchased for use in your family and list out the type of information contained on these.
2. Find out the promotional messages given on the package of any three consumer products of your choice and comment how can these help in the sale of these products.

Tobacco is Injurious to Health'. Such information is required on processed foods, drugs and tobacco products. In case of hazardous or poisonous material, appropriate safety-warning need to be put on the label.

Thus, labels perform number of important functions relating to communicating with the potential buyers and promoting the sale of the products.

PRICING

When a product is bought, some money is paid for it. This money represent the sum of values that consumers exchange for the benefit of having or using the prdocut and is referred to as the price of the product. Similarly, money paid for the services such as fare for the transport service, premium for an insurance policy, and fee to a doctor for his medical advise represent the price of these services. Price may therefore be defined as the amount of money paid by a buyer (or received by a seller) in consideration of the purchase of a product or a service.

Pricing occupies an important place in the marketing of goods and services by a firm. No product can be launched without a price tag or at least some guidelines for pricing. Pricing is often used as a regulator of the demand of a product. Generally, if the price of a product is increased, its demand comes down, and vice-versa.

Pricing is considered to be an effective competitive weapon. In the conditions of perfect competition,

most of the firms compete with each other on the basis of this factor. It is also the single most important factor affecting the revenue and profits of a firm. Thus, most marketing firms give high importance to the fixation of price for their products and services.

Factors Affecting Price Determination

There are number of factors which affect the fixation of the price of a product. Some of the important factors in this regard are discussed as below:

1. Product Cost: One of the most important factor affecting price of a product or service is its cost. This includes the cost of producing, distributing and selling the product. The cost sets the minimum level or the floor price at which the product may be sold. Generally all marketing firms strive to cover all their costs, at least in the long run. In addition, they aim at earning a margin of profit over and above the costs. In certain circumstance, for example, at the time of introducing a new product or while entering a new market, the products may be sold at a price, which does not cover all the costs. But in the long run, a firm cannot survive unless at least all its costs are covered.

There are broadly three types of costs: viz., Fixed Costs, Variable Costs and Semi Variable Costs. Fixed costs are those costs, which do not vary with the level of activity of a firm say with the volume of production or sale. For example, rent of a building or salary

of a sales manager remains the same whether 1000 units or 10 units are produced in a week.

Those costs which vary in direct proportion with the level of activity are called variable costs. For example, the costs of raw material, labour and power are directly related with the quantity of goods produced. Let us say, if the cost of wood for manufacturing one chair comes to Rs. 100 the cost of wood for 10 chairs would be Rs. 1000. Obviously, there will be no cost of wood if no chair is produced.

Semi variable costs are those costs which vary with the level of activity but not in direct proportion with it. For example, compensation of a sales person may include a fixed salary of say Rs. 10,000 plus a commission of 5 per cent on sales. With an increase in the volume of sales, the total compensation will increase but not in direct proportion with the change in the volume of sale.

Total Costs are the sum total of the fixed, variable and semi-variable costs for the specific level of activity, say volume of sales or quantity produced.

2. The Utility and Demand: While the product costs set the lower limits of the price, the utility provided by the product and the intensity of demand of the buyer sets the upper limit of price, which a buyer would be prepared to pay. In fact the price must reflect the interest of both the parties to the transaction—the buyer and the seller. The buyer may be ready to pay up to the point where the utility from the product is at least equal to the

sacrifice made in terms of the price paid. The seller would, however, try to at least cover the costs. According to the law of demand, consumers usually purchase more units at a low price than at a high price.

The price of a product is affected by the elasticity of demand of the product. The demand is said to be elastic if a relatively small change in price results in large change in the quantity demanded. Here numerically, the price elasticity is greater than one. In the case of inelastic demand, the total revenue increases when the price is increased and goes down when the price is reduced. If the demand of a product is inelastic, the firm is in a better position to fix higher prices.

3. Extent of Competition in the Market: Between the lower limit and the upper limit where would the price settle down? This is affected by the nature and the degree of competition. The price will tend to reach the upper limit in case there is lesser degree of competition while under conditions of free competition, the price will tend to be set at the lowest level.

Competitors' prices and their anticipated reactions must be considered before fixing the price of a product. Not only the price but the quality and the features of the competitive products must be examined carefully, before fixing the price.

4. Government and Legal Regulations: In order to protect the interest of public against unfair practices in the field of price fixing, Government can intervene and regulate the price of

commodities. Government can declare a product as essential product and regulate its price. For example, the cost of a drug manufactured by a company having monopoly in the production of the same come to Rs 20 per strip of ten and the buyer is prepared to pay any amount for it, say Rs 200. In the absence of any competitor, the seller may be tempted to extort the maximum amount of Rs 200 for the drug and intervene to regulate the price. Usually in such a case, the Government does not allow the firms to charge such a high price and intervene to regulate the price of the drug. This can be done by the Government by declaring the drug as essential commodity and regulating its price. (see box)

5. Pricing Objectives: Pricing objectives are another important factor affecting the fixation of the price of a product or a service. Generally the objective is stated to be maximise the

profits. But there is a difference in maximising profit in the short run and in the long run. If the firm decides to maximise profits in the short run, it would tend to charge maximum price for its products. But if it is to maximise its total profit in the long run, it would opt for a lower per unit price so that it can capture larger share of the market and earn greater profits through increased sales.

Apart from profit maximisation, the pricing objectives of a firm may include:

- (a) **Obtaining Market Share Leadership:** If a firm's objective is to obtain larger share of the market; it will keep the price of its products at lower levels so that greater number of people are attracted to purchase the products;
- (b) **Surviving in a Competitive Market:** If a firm is facing difficulties in surviving in the market because of intense competition or introduction of a more efficient substitute by a competitor, it may resort to

NPPA Sets 20% annual Cap for drug Price Rise

Drug price watchdog National Pharmaceutical Pricing Authority (NPPA) has decided to invoke the 'public interest' clause in the drugs law more often to pressure companies to reduce prices of medicines that go up more than 20% in a year.

The pricing body has also decided to limit its communication with companies to just one reminder asking them to respond to the show-cause notice on why the drug should not be recommended for price control, sources told ET.

NPPA has now started scrutinising the fluctuations in the price-to-retailer of 48,600 formulation packs every month. Every month, two to three formulations are likely to get caught on an average.

So far, NPPA has recommended 45 cases of alleged abnormal price increase to the Chemicals Ministry for appropriate action, on which the ministry has sent notices to 11 companies asking them to reduce prices or face price control.

Source: Adopted from The Economic Times, Nov. 3, 2006

discounting its products or running a promotion campaign to liquidate its stock; and

- (c) **Attaining Product Quality Leadership:** In this case, normally higher prices are charged to cover high quality and high cost of Research and Development.

Thus, the price of a firm's products and services is affected by the pricing objective of the firm.

6. Marketing Methods Used: Price fixation process is also affected by other elements of marketing such as distribution system, quality of salesmen employed, quality and amount of advertising, sales promotion efforts, the type of packaging, product differentiation, credit facility and customer services provided. For example, if a company provides free home delivery, it has some of flexibility in fixing prices. Similarly, uniqueness of any of the elements mentioned above gives the company a competitive freedom in fixing prices of its products.

PHYSICAL DISTRIBUTION

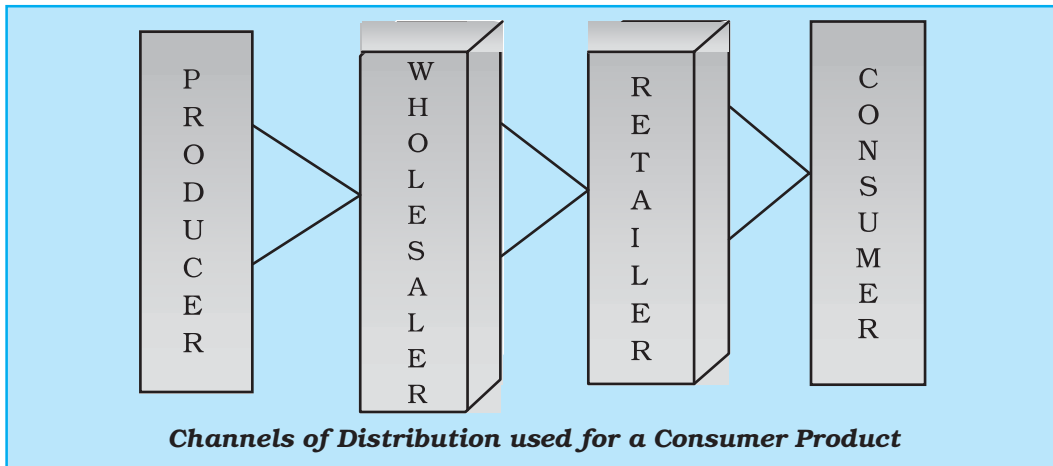
The fourth important element of marketing mix is the physical distribution of products and services. It is concerned with making the goods and services available at the right place, so that people can purchase the same. There are two important decisions relating to this aspect—one regarding physical movement of goods from producers to consumers or users and two, regarding the channels or

using intermediaries in the distribution process. These are described as follows:

Channels of Distribution

In case of large number of consumer products, the potential buyers are scattered over a wide geographical area. In order to contact these people efficiently and effectively, it is important to take the help of number of intermediaries as contacting them directly may not be cost effective and may be difficult even otherwise. For example, a manufacturer of detergent powder in Gujarat would find it very difficult to directly approach customers, say in Delhi, Thiruvananthapuram, Bhuvaneshwar, Hyderabad Srinagar and other far off places. Therefore, he/she would supply a large quantity of his/her product to a big merchant, say in Hyderabad. This big merchant would then supply detergent powder to relatively small sellers in various towns of Hyderabad. These sellers would, in turn, resell the goods to customers. In this manner, goods are distributed from the place of production to the place of consumption. These people, institutions, merchants, and functionaries, who take part in the distribution function, are called 'Channels of Distribution'. (see figure on channels)

Channels of Distribution are set of firms and individuals that take title, or assist in transferring title, to particular goods or services as it moves from the producers to the consumers. In other words, channel refers to a team of merchants, agents,



and business institutions that combine physical movement and title movement of products to reach specific destinations.

Mostly goods and services are distributed through a network of marketing channels. For example we buy merchandise of our need such as salt, bulb, tea, sugar, soap, paper, books, flour, etc., from retail sellers.

The channels bring economy of effort. This can be better understood with the help of an example. Let us say you have to buy four things, viz., Sugar, Bulb, Coffee and Ink. Most probably you would walk into a General Merchant's Shop and buy all the articles from one place. Imagine what would happen if there were no middlemen or general merchants available. In that case you would have to buy directly from the manufacturers of these products. You will have to make four contacts, each with the producer of Sugar, Bulb, Coffee and Ink. Compared to this, there was only one contact when all the things were

bought from the same general merchant. Now let us assume that there are four customers needing the same four articles. In all sixteen contacts would have to be made. In case middlemen are used, as shown in the part II of the figure, only eight contacts could be needed. Thus, use of middlemen brings economy of effort. This situation is illustrated in the preceding figure.

Apart from the economy of effort, middlemen help to cover large geographical area and bring efficiency in distribution, including transportation, storage and negotiation. They bring convenience to customers as they make various items available at one store and also serve as authentic source of market information as they are in direct contact with the customer.

Functions of Distribution Channels

Channels of distribution smoothen the flow of goods by creating possession, place and time utilities. They facilitate

movement of goods by overcoming various time, place and possession barriers that exist between the manufacturers and consumers. The important functions performed by middlemen are as follows:

1. Sorting: Middlemen procure supplies of goods from a variety of sources, which is often not of the same quality, nature, and size. For example, a wholesaler of cashew nuts may procure a large quantity from different cashew nut producing areas, which would contain nuts of varied quality and sizes. He/She then sorts the nuts into homogenous groups on the basis of the size or quality.

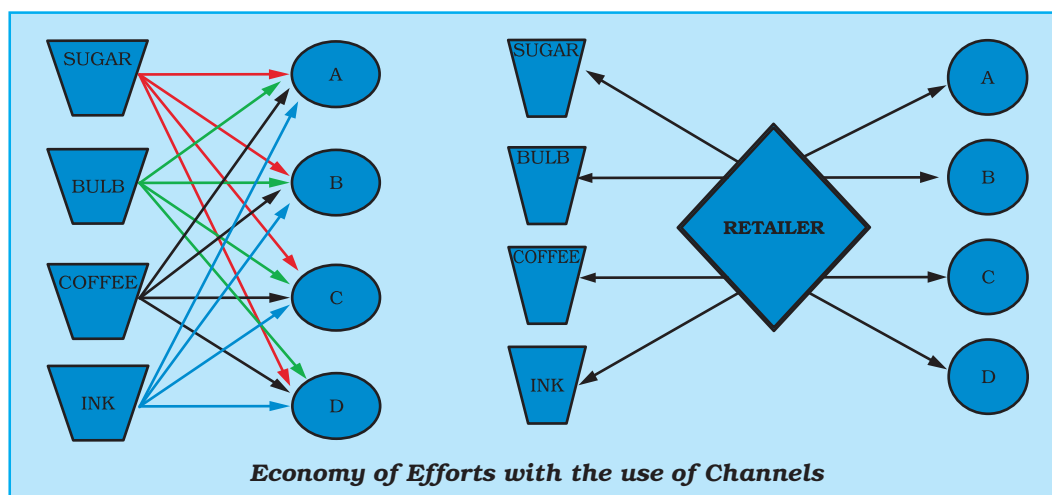
2. Accumulation: This function involves accumulation of goods into larger homogeneous stocks, which help in maintaining continuous flow of supply.

3. Allocation: Allocation involves breaking homogenous stock into smaller, marketable lots. For example,

once cashew nuts are graded and large quantities are built, these are divided into convenient packs of say 1 kg, 500 gms and 250 gms, to sell them to different types of buyers.

4. Assorting: Middlemen build assortment of products for resale. There is usually a difference between the product lines made by manufacturers and the assortment or combinations desired by the users. For example, a cricket player may need a bat, a ball, wickets, gloves, helmet, a T-shirt, and a pair of shoes. Perhaps no one manufacturer produces these products in desired combination. Middlemen procure variety of goods from different sources and deliver them in combinations desired by customers.

5. Product Promotion: Mostly advertising and other sales promotion activities are organised by manufacturers. Middlemen also participate in certain activities such as demonstrations, special displays,



contests, etc., to increase the sale of products.

6. Negotiation: Channels operate with manufacturers on the one hand and customers on the other. Arriving at deals that satisfy both the parties is another important function of the middlemen. They negotiate the price, quality, guarantee and other related matters with customers so that transfer of ownership is properly affected.

7. Risk Taking: In the process of distribution of goods the merchant middlemen take title of the goods and thereby assume risks on account of price and demand fluctuations, spoilage, destruction, etc.

Types of Channels

A manufacturer may choose from direct distribution to indirect distribution and from a short channel consisting of few intermediaries to a long channel of distribution consisting of large number of middlemen. Each form of channel network differs in number and type of middlemen involved. The major types of channels are as follows:

Direct Channel (Zero Level)

The most simple and the shortest mode of distribution is direct distribution, where in the goods are made directly available by the manufacturers to customers, without

(i) *Direct Channel (zero level)*



Indirect Channel

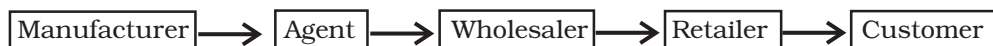
(ii) *One level Channel*



(iii) *Two level Channel*



(iv) *Three level Channel*



Types of Channels

involving any intermediary. This is also called zero level channel. A straight and direct relationship is established between the manufacturer and the customer. For example, when a manufacturer sells his goods through his own retail outlets (e.g., McDonald, Bata); it is referred to as direct channel. Similarly, mail order selling, internet selling and selling through own sales force, (e.g., Eureka Forbes) are example of direct selling or zero level channel.

Indirect Channels

When a manufacturer employs one or more intermediary to move goods from the point of production to the point of consumption, the distribution network is called indirect. This may take any of the following forms:

1. Manufacturer-Retailer Consumer (One Level Channel): In this form of arrangement one intermediary i.e., retailers is used between the manufacturers and the customers. That is, goods pass from the manufacture to the retailers who, in turn, sell them to the final users. For example, Maruti Udyog sells its cars and vans through company approved retailers. This type of distribution network enables the manufacturers to cover wide area of market while retaining control over the Channels.

2. Manufacturer-Wholesaler-Retailer-Consumer (Two Level Channel): This is the most commonly adopted distribution network for most

consumer goods like soaps, oils, clothes, rice, sugar and pulses. Here the wholesaler and retailer function as connecting links between the manufacturer and consumer. Use of two middlemen in the channel network enables the manufacturer to cover a larger market area.

3. Manufacturer-Agent-Wholesaler-Retailer-Consumer (Three Level Channel): In this case, manufactures use their own selling agents or brokers who connect them with wholesalers and then the retailers. Thus, one more level is added to the levels discussed in the proceeding arrangement. It is done particularly when the manufacturer carries a limited product line and has to cover a wide market. An agent in each major area is appointed, who in turn contact the wholesalers.

Factors Determining Choice of Channels

Choice of appropriate channel of distribution is a very important marketing decision, which affects the performance of an organisation. Whether an organisation will adopt direct marketing channels or long channels involving number of intermediaries is a strategic decision. The choice of channels depends on various factors, which are discussed as follows:

1. Product Related Factors: The important product related considerations in deciding the channels include whether the product

is an industrial or a consumer product, whether it is a perishable or a non-perishable product, what is the unit value of the product and the degree of complexity of the product.

Industrial products are usually technical, made to order and expensive products purchased by few buyers. These products require short channels i.e., direct channel or involving few middlemen.

Consumer products, on the other hand, are usually standardised, less expensive, less bulky, non-technical and frequently bought products. These can be better distributed by long network of channels, involving many middlemen. Perishable products like fruits, vegetables, and dairy products are best sold through short channels, while non-perishable products like toiletry products (e.g., soap, toothpaste, hair oil etc.), groceries

(vegetable oil, tea leaf etc.), fabrics require longer channels to reach wide spread consumers.

If the unit value of a product is low as in case of most convenience products, long channels are preferred while in case of high value products, shorter channels may be used. Similarly, in case of complex products requiring technical details as in case of most industrial or engineering products, short channels are preferred but if the product is a non-complex one, it is sold through long channels, involving number of intermediaries.

2. Company Characteristics: The important company characteristics affecting the choice of channels of distribution include the financial strength of the company and the degree of control it wants to hold on other channel members. Direct selling involves lot of funds to be invested in

India to have Variants of \$ Store

It's the cheap and cheerful concept that has worked all over the world. Now, its coming to your friendly neighbourhood mall but retail marketers are offering it with a weak or two.

Though the concept, relatively new to the Indian market, retailers are trying to aggressively foray region's low-cost daily-use retail segment. Idea is to enable a customer buy a range of products its for or less than Rs 99. This being the template, retailers have introduced nations to suit there business models. The store range of largely food, healthcare and products.

Home stores has gone a step further to introduce some interesting modifications to the basic idea of a dollar-and-dime store. "We believe that pricing all products at a flat Rs 99 will be a rigid approach. We have introduced four different price slabs to make it more attractive and reach a broader customer profile.

Homemaker's group has modified the idea even further by introducing bargain pricing on its products with the help of a two-digit price band. So customers visiting the Homemakers shops will not only get products between Rs 10 and Rs 99, they will also have more price positioning options.

Source: Adopted from The Economic Times, Dec. 16, 2005

fixed assets say for starting own retail outlets or engaging large number of sales force. Indirect selling through intermediary does not involve deployment of huge funds on these aspects. Thus, if the firm has plenty of funds it may go for direct distribution. If spare funds are not available, it may go for indirect channels.

Similarly if the management want to have greater control on the channel members, short channels are used but if the management do not want more control over the middlemen, it can go in for longer channel or large number of intermediaries.

3. Competitive Factors: The choice of channel is also affected by the channel selected by competitors in the same industry. If the competitor's have selected a particular channel say Chemist shops for the sale of toiletry products like hair oil, the other firm may also like to select the similar channel. In some cases producers may want to avoid the channels used by competitors. For example if other cosmetic producers have chosen big retail stores for the sale of their products, a particular firm may like to adopt door to door selling. Thus, it will depend upon the policy of the firm – whether it wants to go with the competitors or be different from them. The changing global marketing environment has lead to adoption of newer channels. (see box)

4. Market Factors: Important market factors affecting the choice of channel of distribution include size of market, geographical concentration of

potential buyers and quantity purchased. In case the number of buyers is small, like for most industrial products, short channels are used. But if the number of buyers is large, as in case of most convenience products like soft drink, toothpaste etc., longer channels involving large number of intermediaries are used.

If the buyers are concentrated in a small place, short channels may be used but if the buyers are widely dispersed over a large geographical area, longer channels may be used. Similarly if the size of order is small, as in case of most consumer products, large number of intermediaries may be used. But if the size of order is large, direct channels may be used.

5. Environmental Factors: Other important factors affecting the choice of channels of distribution include environmental factor such as economic condition and legal constraints. In a depressed economy marketers use shorter channels to distribute their goods in an economical way.

PHYSICAL DISTRIBUTION

Once goods are manufactured, packaged, branded, priced, and promoted, these must be made available to customers at the right place, in right quantity and at the right time. For example, a person convinced about the quality etc. of a product, say, a detergent bar, wants to purchase the same. He/She goes to a retail outlet and asks for the product. If that product is not available in that shop,

he/she may purchase some of the alternative brand available. This way a sure sale is lost because goods were not available at the place where the customer wanted to purchase. Thus, it is an important responsibility of the marketers to make the product physically available at a place where the customers would like them to buy. The physical handling and movement of goods from place of production to the place of distribution is referred to as physical distribution, which is a very important element of marketing mix.

Physical distribution covers all the activities required to physically move goods from manufacturers to the customers. Important activities involved in the physical distribution include transportation, warehousing, material handling, and inventory control. These activities constitute major components of physical distribution.

Components of Physical Distribution

The main components of physical distribution are explained as follows:

1. Order Processing: In a typical buyer-seller relationship order placement is the first step. Products flow from manufacturers to customers via channel members while orders flow in the reverse direction, from customers to the manufacturers. A good physical distribution system should provide for an accurate and speedy processing of orders, in the absence of which goods would reach the customers late or in wrong quantity

or specifications. This would result in customer dissatisfaction, with the danger of loss of business and goodwill.

2. Transportation: Transportation is the means of carrying goods and raw materials from the point of production to the point of sale. It is one of the major elements in the physical distribution of goods. It is important because unless the goods are physically made available, the sale cannot be completed.

3. Warehousing: Warehousing refers to the act of storing and assorting products in order to create time utility in them. The basic purpose of warehousing activities is to arrange placement of goods and provide facilities to store them. The need for warehousing arises because there may be difference between the time a product is produced and the time it is required for consumption. Generally the efficiency of a firm in serving its customers will depend on where these warehouses are located and where are these to be delivered.

Generally larger the number of warehouses a firm has, lesser would be the time taken in serving customers at different locations but greater would be the cost of warehousing and vice-versa. Thus the firm has to strike a balance between the cost of warehousing and the level of customer service.

For products requiring long-term storage (such as agricultural products) the warehouses are located near production sites. This helps in

Nothing Beats Word of Mouth in India

Nothing sways an Indian buyer's choice more than a word of reassurance from the people he knows. Now even high octane media blitz. A global online survey conducted by ACNielsen puts word of mouth communication and referencing as the biggest influence than conventional advertising on consumers in their buying decisions. In big ticket purchases like cars, mobile phones and home loans, the study says that almost 50% of consumers in India rely on the references from their friends and relatives while making their decisions.

The story is different in developed economies. Take the case of automobiles. In markets like the US, Canada and Japan more people are influenced by conventional advertising by automobile companies, in developing markets like India, Malaysia and Thailand it's the neighbour or the colleague who tips the scales one way or the other. "In case of luxury goods, the psyche of Indians has always been different. Buying a car is a family decision, so it is only natural that all the members of the family will talk to all the other users of a similar products, who they know", General Motors India director P Balendran said:

"No wonder, large automakers in India spend as much on customer satisfaction as advertising, and recognitions like the JD Power Customer Satisfaction awards taken so seriously."

When the whole world is going crazy with Inter net and mobile marketing, it is interesting that for Indians it's still conventional advertising and word of mouth campaigns that sways their choices. Unlike in the West, Indians come from a very closely-knit society where people get influenced by their peers, relatives and local celebrities. People are more than willing to accept a brand if it's endorsed by their favourite superstar or is recommended by their close associates," AC Nielsen (south Asia) ED Sarang Panchal says:

"However, in markets like the US, previous experience with the products is the strongest influencer overall and particularly when it came to buying cars (49%), choosing a banks (46%), mobile phone (39%) and loans (35%). World of mouth is a priority while buying weight loss products and mobile phones."

Source: Adopted from Economic Times, Oct. 24, 2006

minimising the charges on transportation of the goods. On the other hand, the products which are bulky and hard to ship (machinery, automobiles) as well as perishable products (bakery, meat, vegetables) are kept at different locations near the market.

4. Inventory Control: Linked to warehousing decisions are the inventory

decisions which hold key to success for many manufacturers, especially those where the perunit cost is high. A very important decision in respect of inventory is deciding about the level of inventory. Higher the level of inventory, higher will be the level of service to customers but the cost of carrying the inventory will also be high because lot

of capital would be tied up in the stock. Thus, a balance is to be maintained in respect of the cost and customer satisfaction. With advancements in computers and information technology the need for keeping higher inventory is reducing and the new concept of Just-in-Time-Inventory decision is becoming popular in an increasing number of companies.

The decision regarding level of inventory involves prediction about the demand for the product. A correct estimate of the demand helps to hold inventory and cost level down to a minimum. This not only helps the firm in terms of the cash flows but also in terms of its ability to maintain production at a consistent level.

The major factors determining inventory levels include:

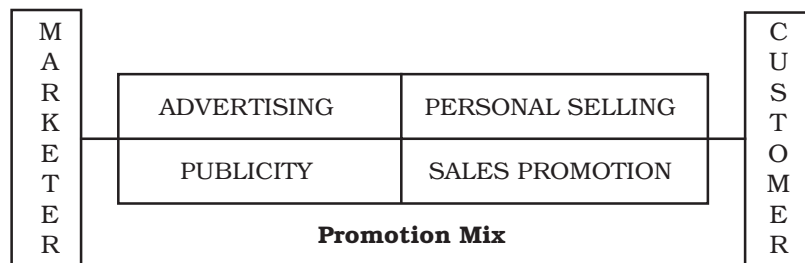
- (a) firm's policy regarding the level of customer service to be offered. Higher the level of service greater will be the need to keep more inventories;
- (b) degree of accuracy of the sales forecasts. In case more accurate estimates are available, the need

for keeping very high level of inventory can be minimised;

- (c) responsiveness of the distribution system i.e., ability of the system to transmit inventory needs back to the factory and get products in the market. In case the time required to respond to the additional demand for the products is high there is a need to maintain higher inventory. But if the additional demand can be met in less time, the need for inventory will also be low; and
- (d) cost of inventory, which includes holding cost such as cost of warehousing, tied up capital, etc and the manufacturing cost.

PROMOTION

A company may produce a good quality product, price it appropriately and make it available at the selling points, which are convenient to customers. But in spite of all this, the product may not sell well in the market. There is a need for developing proper communication with the market. In the absence of communication, the customers would



Promotion Mix

Marketing Communications

not be able to know about the product and how it can satisfy their needs and wants or may not be convinced about its utility and benefits.

Promotion refers to the use of communication with the twin objective of informing potential customers about a product and persuading them to buy it. In other words, promotion is an important element of marketing mix by which marketers makes use of various tools of communication to encourage exchange of goods and services in the market.

PROMOTION MIX

Promotion mix refers to combination of promotional tools used by an organisation to achieve its communication objectives. Various tools of communication are used by the marketers to inform and persuade customers about their firm's products. These include: (i) Advertising, (ii) Personal Selling, (iii) Sales Promotion, and (iv) Publicity. These tools are also called elements of promotion mix and can be used in different combinations, to achieve the goals of promotion. For example consumer goods firms may use more of advertising through mass

media while the industrial goods firms may be using more of personal selling. What combination of these elements is used by a firm will depend upon various factors such as nature of market, nature product, the promotions budget, objectives of promotion, etc. Let us first know about these elements in some details.

ADVERTISING

We generally come across hundreds of advertising messages everyday, which tell us about various products such as toilet soaps, detergent powder, soft drinks and services such as hotels, insurance policies, etc.

Advertising is perhaps the most commonly used tool of promotion. It is an impersonal form of communication, which is paid for by the marketers (sponsors) to promote some goods or service. The most common modes of advertising are 'newspapers', 'magazines', 'television', and 'radio'.

The important distinguishing features of advertising are as follows:

- (i) *Paid Form*: Advertising is a paid form of communication. That is, the sponsor has to bear the cost of

Advertising

"If you're trying to persuade people to do something, or buy something, it seems to me you should use their language, the language in which they think."

—David Ogilvy

"We find that advertising works the way the grass grows. You can never see it, but every week you have to move the lawn."

—Andy Travis

communicating with the prospects.

- (ii) *Impersonality*: There is no direct face-to-face contact between the prospect and the advertiser. It is therefore, referred to as impersonal method of promotion. Advertising creates a monologue and not a dialogue.
- (iii) *Identified Sponsor*: Advertising is undertaken by some identified individual or company, who makes the advertising efforts and also bears the cost of it.

Merits of Advertising

Advertising, as a medium of communication, has the following merits:

- (i) *Mass Reach*: Advertising is a medium through which a large number of people can be reached over a vast geographical area. For example, an advertisement message placed in a national daily reaches lakhs of its subscribers.
- (ii) *Enhancing Customer Satisfaction and Confidence*: Advertising creates confidence amongst prospective buyers as they feel more comfortable and assured about the product quality and hence feel more satisfied.
- (iii) *Expressiveness*: With the developments in art, computer designs, and graphics, advertising has developed into one of the most forceful medium of communication. With the special effects that can be created, even simple products

and messages can look very attractive.

- (iv) *Economy*: Advertising is a very economical mode of communication if large number of people are to be reached. Because of its wide reach, the overall cost of advertising gets spread over numerous communication links established. As a result the per-unit cost of reach comes low.

Limitations of Advertising

The following are the major limitations of advertising as a tool of promotion:

- (i) *Less Forceful*: Advertising is an impersonal form of communication. It is less forceful than the personal selling as there is no compulsion on the prospects to pay attention to the message.
- (ii) *Lack of Feedback*: The evaluation of the effectiveness of advertising message is very difficult as there is no immediate and accurate feedback mechanism of the message that is delivered.
- (iii) *Inflexibility*: Advertising is less flexible as the message is standardised and is not tailor made to the requirements of the different customer groups.
- (iv) *Low Effectiveness*: As the volume of advertising is getting more and more expanded it is becoming difficult to make advertising messages heard by the target prospects. This is affecting the effectiveness of advertising.

Value AD

Government Shining

It's not the heavy weight in the FMCG sector which are ruling the roost as top advertisers on the tube, but surprisingly it's the government departments and public sector units. Apart from Procter & Gamble, Bajaj Consumer Care, Joyco and Eicher Motors, the list of top advertisers across television and print is dominated by Sarkari outfits flaunting their new found passion for mass-media led public communication.

Top Five Advertisers on Television

	Ad Time (in '000 seconds)
Procter & Gamble Home Products	799
Central Excise Department	375
West Bengal Information and Culture	275
Joyco India Ltd.	227
Bajaj Consumer Care Ltd.	165

Print

	Ad Volume (Col.com in'000)
Sikkim/Royal Govt. Of Bhutan	416
Ratan Ayurvedic Sansthan	388
Government Of Mizoram	251
Ministry Of Petroleum and Natural Gas	209
Eicher Motors Ltd.	157

Source: Adopted from The Economic Times

OBJECTIONS TO ADVERTISING

In the proceeding sections, you have noted the merits and limitations of advertising. Though advertising is one of the most frequently used medium of promotion of goods and services, it attracts lot of criticism. The opponents of advertising say that the expenditure on advertising is a social waste as it adds to the cost, multiplies the needs of people and undermines social values. The proponents, however, argue that advertising is

very useful as it increases the reach, brings the pay unit cost of production down and adds to the growth of the economy. It is therefore, important to examine the major criticisms against advertising and see the extent to which these are true. This is taken up as follows:

1. Adds to Cost: The opponents of advertising argue that advertising unnecessarily adds to the cost of product, which is ultimately passed on to the buyers in the form of high

prices. An advertisement on TV, for a few seconds, for example, costs the marketers several lakhs of rupees. Similarly an advertisement in print media say in a newspaper or a magazine costs the marketers a large amount of money. The money spent adds to the cost, which in an important factor in fixation of the price of a product.

True, advertisement of a product costs lot of money but it helps to increase the demand for the product as large number of potential buyers come to know about the availability of the products, its features etc. and are persuaded to buy it. The increased demand leads to higher production, which brings with it the economies of scale. As a result, the per unit cost of production comes down as the total cost is divided by larger number of units. Thus, the expenditure on advertisement adds to the total cost but the per unit cost comes down which in fact lessens the burden of consumers rather than adding to it.

2. Undermines Social Values: Another important criticism of advertising is that it undermines social values and promotes materialism. It breeds discontent among people as they come to know about new products and feel dissatisfied with their present state of affairs. Some advertisements show new life styles, which don't find social approval.

This criticism is not entirely true. Advertisement in fact helps buyers by informing them about the new products, which may be improvement

over the existing products. If the buyers are not informed about these products, they may be using inefficient products. Further, the job of an advertisement is to inform. The final choice to buy or not to buy anyway rests with the buyers. They will buy if the advertised product satisfies some of their needs. They may be motivated to work harder to be able to purchase these products.

3. Confuses the Buyers: Another criticism against advertisement is that so many products are being advertised which makes similar claims that the buyer gets confused as to which one is true and which one should be relied upon. For example, we may note similar claims of whiteness or stain removing abilities in competing brands of detergent powder or claims of whiteness of tooth or 'feelings of freshness' in competing brands of toothpaste that it is sometimes confusing to us as to which one to buy.

The supporters of advertisement, however, argue that we are all rational human beings who make our decisions for purchase of products on factors such as price, style, size, etc. Thus the buyers can clear their confusion by analysing the information provided on the advertisements and other sources before taking a decision to purchase a product. However, this criticism cannot be completely overruled.

4. Encourages Sale of Inferior Products: Advertising does not distinguish between superior and inferior products and persuade people to purchase even the inferior products.

In fact superiority and inferiority depends on the quality, which is a relative concept. The desired level of quality will depend on the economic status and preferences of the target customers. Advertisements sell products of a given quality and the buyers will buy if it suits their requirements. No advertisement should however, make false claim about the quality of a product. If a firm makes a false claims it can be prosecuted for the same.

5. Some Advertisements are in Bad Taste: Another criticism against advertising is that some advertisements are in bad taste. These show something which is not approved by some people say advertisements showing women dancing when not required or running after a man because he is wearing a particular suit or using a particular perfume are certainly not good. Some advertisements distort the relationship like employer employee and are quite offensive.

Celebrities' Influence on Brands' Performance

Example of ad campaigns featuring celebrities, which resulted in brand building and growth in volumes.

Cadbury's and Amitabh Bachchan: The commercial, a testimonial by Bachchan on a factory visit, was launched to rebuild the trust in the brand. Twelve weeks after the campaign was launched, the sales reached 90 per cent of volumes prior to the worm crisis. Big B's presence helped the company to get media coverage that added to the campaign's impact.

Santro and Shah Rukh Khan: Shah Rukh was roped in Santro ad to strike an immediate bond with the consumers. Shah Rukh Khan is an unconventional superhero with a quirky acting style that matched the image of Santro.

Titan and Aamir Khan: Both are considered to be Indian icons and have made a mark internationally; the obsession with detail is common to both, as also a sense of style. The Mangal Pandey look, which was unconventional, made the advertisement stand out, along with the fact that Aamir is less exposed than the other celebrities.

Munch and Rani Mukherjee: The campaign for Munch was aired on TV roped Rani Mukherjee to give "a big brand feel". The company got incredibly good result in recall and the ad was a big hit with kids. Rani was used as a consumer and not as a filmstar.

Sachin Tendulkar and Boost: Research indicated that the brand's association with Sachin has consistently been successful in strengthening the brand's core values and building brand stature. Kids look up to Sachin as a true hero, want to emulate everything that he does and can't seem to get enough of him.

Source: Adopted from Indian Journal of Marketing, Oct. 5, 2006

We have seen the views of the opponents and the proponents of advertising. There may be some chances of misuse of advertising as a tool, which can be properly safeguarded by the law or by developing a code of conduct by the advertisers, for their self regulation. However, most of the criticism against advertising are not entirely true. In the changed economic environment of globalisation, advertising is considered as an important tool of marketing. It helps a firm in effectively communicating with its target market, increasing the sale and there by reducing the per unit cost of production. It is not a social waste, rather it adds value to the social cause by giving a boost to production and generating employment.

PERSONAL SELLING

Personal selling involves oral presentation of message in the form of conversation with one or more prospective customers for the purpose of making sales. It is a personal form of communication. Companies appoint salespersons to contact prospective

buyers and create awareness about the product and develop product preferences with the aim of making sale.

Features of Personal Selling

- (i) *Personal Form*: In personal selling a direct face-to-face dialogue takes place that involves an interactive relationship between the seller and the buyer.
- (ii) *Development of Relationship*: Personal selling allows a salesperson to develop personal relationships with the prospective customers, which may become important in making sale.

Merits of Personal Selling

- (i) *Flexibility*: There is lot of flexibility in personal selling. The sales presentation can be adjusted to fit the specific needs of the individual customers.
- (ii) *Direct Feedback*: As there is direct face-to-face communication in personal selling, it is possible to take a direct feed back from the customer and to adapt the presentation according to the needs of the prospects.

Personal Selling

'Most people think 'selling' is the same as 'talking'. But the most effective salespeople know that listening is the most important part of their job.'

—Roy Bartell

'You don't close a sale, you open a relationship if you want to build a long-term, successful enterprise.'

—Patricia Fripp

(iii) *Minimum Wastage*: The wastage of efforts in personal selling can be minimised as company can decide the target customers before making any contact with them.

ROLE OF PERSONAL SELLING

Personal selling plays a very important role in the marketing of goods and services. The importance of personal selling to businessmen, customers and society may be described as below.

Importance to Businessmen

Personal selling is a powerful tool for creating demand for a firm's products and increasing their sale. The importance of personal selling to a business organisation may be described as follows:

- (i) *Effective Promotional Tool*: Personal selling is very effective promotional tool, which helps in influencing the prospects about the merits of a product and thereby increasing its sale.
- (ii) *Flexible Tool*: Personal selling is more flexible than other tools of promotion such as advertising and sales promotion. It helps business persons in adopting their offer in varying purchase situations.
- (iii) *Minimises Wastage of Efforts*: Compared with other tools of promotion, the possibility of wastage of efforts in personal

selling is minimum. This helps the business persons in bringing economy in their efforts.

- (iv) *Consumer Attention*: There is an opportunity to detect the loss of consumer attention and interest in a personal selling situation. This helps a business person in successfully completing the sale.
- (v) *Lasting Relationship*: Personal selling helps to develop lasting relationship between the sales persons and the customers, which is very important for achieving the objectives of business.
- (vi) *Personal Rapport*: Development of personal rapport with customers increases the competitive strength of a business organisation.
- (vii) *Role in Introduction Stage*: Personal selling plays very important role in the introduction stage of a new product as it helps in persuading customers about the merits of the product.
- (viii) *Link with Customers*: Sales people play three different roles, namely persuasive role, service role and informative role, and thereby link a business firm to its customers.

Importance to Customers

This role of personal selling becomes more important for the illiterate and rural customers, who do not have many other means of getting product information.

The customers are benefited by personal selling in the following ways:

- (i) *Help in Identifying Needs:* Personal selling helps the customers in identifying their needs and wants and in knowing how these can best be satisfied.
 - (ii) *Latest Market Information:* Customers get latest market information regarding price changes, product availability and shortages and new product introduction, which help them in taking the purchase decisions in a better way.
 - (iii) *Expert Advice:* Customers get expert advice and guidance in purchasing various goods and services, which help them in making better purchase.
 - (iv) *Induces Customers:* Personal selling induces customers to purchase new products that satisfy their needs in a better way and thereby helps in improving their standards of living.
- economic growth is influenced by personal selling.
- (ii) *Employment Opportunities:* Personal selling offers greater income and employment opportunities to the unemployed youth.
 - (iii) *Career Opportunities:* Personal selling provides attractive career with greater opportunities for advancement and job satisfaction as well as security, respect, variety, interest and independence to young men and women.
 - (iv) *Mobility of Sales People:* There is a greater degree of mobility in sales people, which promote travel and tourism in the country.
 - (v) *Product Standardisation:* Personal selling increases product standardisation and uniformity in consumption pattern in a diverse society.

Importance to Society

Personal selling plays a very productive role in the economic progress of a society. The more specific benefits of personal selling to a society are as follows:

- (i) *Converts Latest Demand:* Personal selling converts latest demand into effective demand. It is through this cycle that the economic activity in the society is fostered, leading to more jobs, more incomes and more products and services. That is how

SALES PROMOTION

Sales promotion refers to short-term incentives, which are designed to encourage the buyers to make immediate purchase of a product or service. These include all promotional efforts other than advertising, personal selling and publicity, used by a company to boost its sales. Sales promotion activities include offering cash discounts, sales contests, free gift offers, and free sample distribution. Sales promotion is usually undertaken to supplement other promotional efforts such as advertising and personal selling.

Companies use sales promotion tools specifically designed to promote to customers (e.g., free samples, discounts, and contests), tradesmen or middlemen (e.g., cooperative advertising, dealer discounts and dealer incentives and contests) and to sales person (e.g., bonus, salesmen contests, special offers). Sales promotions include only those activities that are used to provide short term incentives to boost the sales of a firm.

Merits of Sales Promotion

- (i) *Attention Value:* Sales promotion activities attract attention of the people because of the use of incentives.
- (ii) *Useful in New Product Launch:* Sales promotion tools can be very effective at the time of introduction of a new product in the market. It induces people to break away from their regular buying behaviour and try the new product.
- (iii) *Synergy in Total Promotional Efforts:* Sales promotion activities are designed to supplement the personal selling and advertising efforts used by a firm and add to the over all effectiveness of the promotional efforts of a firm.

Limitation of Sales Promotion

- (i) *Reflects Crisis:* If a firm frequently rely on sales promotion, it may give the impression that it is unable to manage its sales or that there are no takers of its product.

- (ii) *Spoils Product Image:* Use of sales promotion tools may affect the image of a product. The buyers may start feeling that the product is not of good quality or is not appropriately priced.

Commonly used Sales Promotion Activities

- 1. Rebate:** Offering products at special prices, to clear off excess inventory. Example, a car manufacturer's offer to sell a particular brand of car at a discount of Rs 10,000, for a limited period.
- 2. Discount:** Offering products at less than list price. Example, a shoe company's offer of 'Discount Up to 50%' or a shirt marketer's offer of '50+40% Discount'.
- 3. Refunds:** Refunding a part of price paid by customer on some proof of purchase, say on return of empty foils or wrapper. This is commonly used by food product companies, to boost their sales.
- 4. Product Combinations:** Offering another product as gift along with the purchase of a product, say offer of a pack of ½ kg of rice with the purchase of a bag of Aatta (wheat flour), or 'Get 128 KB Memory Card Free with a Digicam' or Buy a TV of 25+ and Get a Vacuum Cleaner Free' or '100 Gm Bottle of Sauce Free With 1 kg Detergent.'
- 5. Quantity Gift:** Offering extra quantity of the product commonly used by marketer of toiletry products. For example, a shaving cream's offer of '40% Extra' or A Hotel's offer of

“Take a 2 Night 3 Days Package At the Hotel and Get an Extra Night Stay At Just Rs 500” or ‘Buy 2 Get 1 Free’ offer of a marketer of shirts.

6. Instant Draws and Assigned Gift: For example, ‘Scratch a Card’ or ‘Burst a Cracker’ and instantly win a

Refrigerator, Car, T-shirt, Computer, with the purchase of a TV.

7. Lucky Draw: For example, the offer of a bathing soap to win a gold coin on lucky draw coupon for free petrol on purchase of certain quantity of petrol from given petrol pump or lucky

The Mall
150
STORES
Celebrations

FOOD Bazaar

Sugar 5Kg MRP:Rs.125 Rs. 95	Squash 700 ml (Lemon & Orange) Rs. 65 Buy 2 Get 1 Free
Hambone 5Kg. MRP:Rs.300 Rs. 250	Biscuits 800g + 400g (2) Combi Pack Rs. 66 - Rs. 50

APPAREL

Kids Apparel
 Buy 2 Get 1 Free
 Rs. 200/- and above

ELECTRONICS

Branded 53 cms (21")
 Flat CTY
 MRP Rs. 2000/-
 Rs. 5199/-

MOBILES

Get assured APPAREL GIFT
 VOUCHER worth Rs. 700/-
 on purchase of handset of
 Rs. 3000/- & above

TOILET CLEANER

Buy 500 ml.
 Toilet Cleaner.
 MRP Rs. 50/-
 Get a bar of soap 100g.
 MRP. Rs. 15/-
FREE

draw coupon on purchase of easy undergarment and win a car offer.

8. Usable Benefit: 'Purchase goods worth Rs 3000 and get a holiday package worth Rs 3000 free' or 'Get a Discount Voucher for Accessories on Apparel Purchase of Rs 1000 and above.'

9. Full finance @ 0%: Many marketers of consumer durables such as Electronic goods, automobiles etc offer easy financing schemes such as '24 easy instalments, Eight Up Front and 16 To Be Paid as Post Dated Cheques'. However, one should be careful about the file charges, which sometimes is nothing but interest recovered in advance.

10. Sampling: Offer of free sample of a product, say a detergent powder or tooth paste to potential customers at the time of launch of a new brand.

11. Contests: Competitive events involving application of skills or luck, say solving a quiz or answering some questions.

PUBLICITY

Publicity is similar to advertising, in the sense that it is a non-personal form of communication. However, as against advertising it is a non-paid form of communication. Publicity generally takes place when favourable news is presented in the mass media about a product or service. For example, if a manufacturer achieves a breakthrough by developing a car engine, which runs

on water instead of petrol, and this news is covered by television or radio or newspapers in the form of a news item. It would be termed as publicity because the engine manufacturer would benefit from such dissemination of information about its achievement by the media but would not bear any cost for the same. Thus, the two important features of publicity are that:

- (i) Publicity is an unpaid form of communication. It does not involve any direct expenditure by the marketing firm; and
- (ii) There is no identified sponsor for the communication as the message goes as a news item.

In publicity, as the information is disseminated by an independent source, e.g., the press in the form of news stories and features, the message has more credibility than if that comes as a sponsored message in advertising.

Also, as the message goes in the form of a news rather than direct sales communication, it can reach even to those persons who otherwise may not pay attention to paid communication.

However, an important limitation of publicity is that as a medium of promotion, it is not within the control of a marketing firm. The media would cover only those pieces of information, which are news worthy and which symbolise some achievement in the field. Thus, a firm can't use publicity to actively promote its products.

The major differences between advertising and personal selling are as follows:

Difference between Advertising and Personal Selling		
S. No.	Advertising	Personal Selling
1.	Advertising is an impersonal form of communication.	Personal selling is a personal form of communication.
2.	Advertising involves transmission of standardised messages, i.e., same message is sent to all the customers in a market segment.	In personal selling, the sales talk is adjusted keeping view customer's background and needs.
3.	Advertising is inflexible as the message can't be adjusted to the needs of the buyer.	Personal selling is highly flexible. as the message can be adjusted.
4.	It reaches masses, i.e., a large number of people can be approached.	Only a limited number of people can be contacted because of time and cost considerations.
5.	In advertising the cost per person reached is very low.	The cost per person is quite high in the case of personal selling.
6.	Advertising can cover the market in a short time.	Personal selling efforts take a lot of time to cover the entire market.
7.	Advertising makes use of mass media such television, radio, newspaper, and magazines.	Personal selling makes use of sales staff, which has limited reach.
8.	Advertising lacks direct feedback. Marketing research efforts are needed to judge customers' reactions to advertising.	Personal selling provides direct and immediate feed back. Sales persons come to know about the customers' reactions immediately.
9.	Advertising is more useful in creating and building interest of the consumers in the firms products.	Personal selling plays important role at the awareness stage of decision making.
10.	Advertising is more useful in marketing to the ultimate consumer's who are large in numbers	Personal selling is more helpful in selling products to the industrial buyers or to intermediaries such as dealers and retailers who are relatively few in numbers.

KEY TERMS

Marketing	Brand Mark	Market Packaging
Marketing Management	Labelling	Marketing Mix
Channels of Distribution	Marketing Offering	Physical Distribution
Consumer Product	Promotion	Industrial Product
Promotion Mix	Convenience Product	Advertising
Shopping Product	Personal Selling	Speciality Product
Publicity	Generic Name	Sales Promotion
Brand	Brand Name	Trade Mark

SUMMARY

In the traditional sense, the term 'market' refers to the place where buyers and sellers gather to enter into transactions involving the exchange of goods and services. But in modern marketing sense, it refers to a set of actual and potential buyers of a product or service.

What is Marketing: The term marketing has been described as performance of business activities that direct the flow of goods and services from producers to consumers. Marketing is not merely a post-production activity. It includes many activities that are performed even before goods are actually produced and continue even after the goods have been sold.

In Modern Times: Marketing is described as a social process by which individual groups obtain what they need and want through creating offerings and freely exchanging products and services of value with others. Marketing is not merely a business phenomena or confined only to business organisations. Marketing activities are equally relevant to non-profit organisations

What can be Marketed: Anything that is of value to the other can be marketed. It can be a product or a service or a person or a place or an idea. It can also be an experience, properties, events, information or organisation.

Marketing management means management of the marketing function. It refers to 'The art and science of choosing target markets and getting, keeping and growing customers through creating, delivering and communicating superior customer value of management.'

Marketing and Selling: Many people confuse 'selling' for 'marketing'. However, selling is only a part of the process of marketing. The main focus of selling is on affecting transfer of title and possession of goods from sellers to users. Marketing activities put greater thrust on maximising customer's satisfaction.

Marketing Management Philosophies: The different business philosophies or concepts guiding the marketing efforts are: (i) *Production Concept* which assumes that availability and affordability of the product are the key to the success of a firm and puts greater emphasis on improving the production and distribution efficiency of the firms. (ii) *Product Concept* assumes that product improvement is, the key to profit maximisation of a firm; (iii) *Sales Concept* assumes that the customers would not buy, or not buy enough, unless they are adequately convinced and motivated to do so, It is believed that aggressive selling and promotional efforts are important to make customers buy their products. (iv) *Marketing Concept* implies that focus on satisfaction of customer's needs is the key to the success of any organisation in the market. (v) *The Societal Marketing Concept* is the extension of the marketing concept as supplemented by the concern for the long-term welfare of the society.

Functions of Marketing: The important functions of marketing include Gathering and Analysing Market Information, Marketing Planning, Product Designing and Development, Standardisation and Grading, Packaging and Labelling, Branding, Customer Support Services, Pricing of Products, Promotion, Physical distribution, Transportation, Storage or Warehousing.

Role of Marketing: By adopting marketing orientation, an organisation whether profit making or non-profit making, can achieve its goals in the most effective manner. Also marketing acts as a catalyst in the economic development of a country and helps in raising the standards of living of people.

Marketing Mix is a set of marketing tools that the firm uses to pursue its marketing objectives in a target market. The variables or elements of marketing mix have been classified in to four categories, popularly known as four Ps of marketing viz., Product, Price, Place and Promotion. These elements are combined to create an offer.

Product: In common parlance, the word 'product', is used to refer only to the physical or tangible attributes of a product. In marketing, product is a mixture of tangible and intangible attributes, which are capable of being exchanged for a value, with ability to satisfy customer needs. It is anything that can be offered to a market to satisfy a want or need. Products may broadly be classified into two categories—industrial products and consumers' products. Products, which are purchased, by the ultimate consumers or users for satisfying their personal needs and desires are referred to as consumer products. On the basis of shopping efforts involved, the products are classified as Convenience Product, Shopping Products and Speciality Products. On the basis of their durability, consumer products have been classified into categories—Durable, Non-durable and Services.

Those activities, benefits or satisfactions, which are offered for sale, e.g., dry cleaning, watch repairs, hair cutting, are called services.

Industrial products are those products, which are used as inputs in producing other products. These are broadly classified in to (i) Materials and Parts, (ii) Capital Items, and (iii) Supplies and Business Services.

Generic name refers to the name of the whole class of the product. For example, a book, a wristwatch, and tyre. A brand is a name, term, sign, symbol, design or some combination of them, used to identify the products—goods or services of one seller or group of sellers and to differentiate them from those of the competitors. That part of a brand, which can be spoken, is called a brand name.

That part of a brand which can be recognized but which is not utter able is called brand mark. Brand mark appears in the form of a symbol, design, distinct colour scheme or lettering. Brand or part of a brand that is given legal protection is called trademark.

A good brand name should be short, easy to pronounce, spell, recognize and remember; Should suggest the product's benefits and qualities; be distinctive; be adaptable to packing or labelling requirements; be sufficiently versatile to accommodate new products; be capable of being registered and protected legally and have staying power i.e. it should not get out of date.

Packaging: The act of designing and producing the container or wrapper of a product is referred as packaging. There can be three different levels of packaging. viz Primary package, Secondary packaged, Transport package. Packaging performs a number of functions in the marketing of goods. Some of the important functions, include Product identification; Product protection; Facilitating the use of the product and Promotion of goods and services.

Labelling: A simple looking but important task in the marketing of goods relates to designing the label to be put on the package. The label may vary from a simple tag attached to the product to complex graphics that are part of the package. The most important functions of labels include i) describing the product ii) help in identifying the product or brand; iii) help in grading the products into different categories; and aids in promotion of the products.

Pricing: Price may be defined as the amount of money paid by a buyer or received by a seller in consideration of the purchase of a product or service. Generally, if the price of a product is increased, its demand comes down, and vice-versa. Pricing is considered to be an effective competitive weapon. It is also the single most important factor affecting the revenue and profits of a firm.

The factors affecting price determination are (i) Product Cost (ii) The Utility and Demand (iii) Competition (iv) Government and Legal Regulations and v) Marketing Methods Used.

Physical Distribution: There are two important decisions relating to this aspect-one regarding physical movement of goods and two, regarding the channels.

Channels of Distribution are set of firms and individuals that take title, or assist in transferring title, to particular goods or services as it moves from the producers to the consumers. Channels of distribution smoothen the flow of goods by creating possession, place and time utilities. The important functions performed by middlemen are: (i) Sorting; (ii) accumulation; (iii) allocation; (iv) assorting; (v) product promotion; (vi) negotiation; and (vii) risk taking:

Types of Channels: (I) Direct distribution channels are those where in the goods are made directly available by the manufacturers to customers, without involving any intermediary; include (II) Indirect Distribution Channels include i. Manufacturer - Retailer – Consumer (One Level Channel) ii. Manufacturer - Wholesaler - Retailer- Consumer (Two Level Channel) iii. Manufacturer - Agent - Retailer- Consumer (Three Level Channel) Factors Determining Choice of Channels include i. Product Related Factors; ii. Company Characteristics iii. Competitive Factor iv. Market Factor; and v. Environmental Factor.

Physical Distribution Covers all the activities required to physically move goods from manufacturers to the customers. The main component of physical distribution are. i. Order Processing; ii. Transportation; iii. Warehousing; and iv. Inventory Control: Just-in-Time-Inventory.

Promotion: Promotion refers to the use of communication with the twin objective of informing potential customers about a product and persuading them to buy it. There are four major tools, or elements of promotion mix, which are. (i) Advertising, (ii) Personal Selling, (iii) Sales Promotion, and (iv) Publicity. These tools are used in different combinations to achieve the goals of promotion.

Advertising is the most commonly used tool of promotion. It is an impersonal form of communication, which is paid for by the marketers (Sponsors) to promote some goods or service. The merits of advertising, as a medium of communication, include i. Mass reach ; ii. Enhancing customer satisfaction and confidence iii. Expressiveness; and iv. Economy

The limitations of advertising are that it is (i) less forceful (ii) lacks Feedback (iii) inflexibility (iv) low effectiveness The most common Objections to Advertising are that it i. adds to cost; ii. undermines social Values; iii. confuses the buyers; and iv. encourages sale of Inferior Products:

Most of the criticisms against advertising are not fully true. Advertising is therefore considered an essential function of marketing.

Personal Selling involves oral presentation of message in the form of conversation with one or more prospective customers for the purpose of making sales. Personal Selling plays important role for the business persons as well as for the society

Sales Promotion refers to short-term incentives, which are designed to encourage the buyers to make immediate purchase of a product service. These include promotional efforts other than advertising, personal selling and publicity, used by a company to boost its sales. Commonly used *Sales Promotion* Activities include Rebate, Discount, Refunds, Product Combinations, Quantity Gift, Instant Draws and Assigned Gift, Lucky Draw, Usable Benefit, Full Finance @ 0%, sampling, and contests

Publicity is similar to advertising, in the sense that it is a non-personal form of communication. However, as against advertising it is a non-paid form of communication. In publicity, as the information is disseminated by an independent source. However, an important limitation of publicity is that as a medium of promotion, it is not within the control of a marketing firm.

EXERCISES

Very short answer questions

- (i) Explain the advantages of branding to marketers of goods and services.
- (ii) List the characteristics of a good brand name.
- (iii) What is the societal concept of marketing?
- (iv) List the characteristics of convenience products.
- (v) Enlist the advantages of packaging of a consumer products.
- (vi) What are the limitations of a advertising as a promotional tool? Enlist
- (vii) List five shopping products purchased by you or your family during the last few months.

Short answer question

- (i) What is marketing ? What functions does it play with process of exchange of goods and services? Explain.
- (ii) Distinguish between the product concept and production concept of marketing.
- (iii) Product is a bundle of utilities? Do you agree? comment.

- (iv) What are industrial products? How are they different from consumer products? Explain.
- (v) Distinguish between convenience product and shopping product.
- (vi) 'Products is a mixture of tangible and intangible attributes'. Discuss
- (vii) Describe the functions of labeling in the marketing of products
- (viii) Discuss the role of intermediaries in the distribution of consumer non durable products.
- (ix) Explain the factors determining choice of channels of distribution.
- (x) Explain briefly the components of physical distribution.
- (xi) Define advertising. What are its main features? Explain.
- (xii) Discuss the role of 'sales promotion' as an element of promotion mix.

Long answer type questions

- (i) Define Marketing. How is it different from selling? Discuss
- (ii) What is the Marketing concept? How does it help in the effective marketing of goods and services.
- (iii) What is marketing mix? What are its main elements? Explain.
- (iv) How does branding help in Creating product differentiation? Does it help in marketing of goods and services? Discuss
- (v) What are the factors affecting determination of the price of a product or service? Explain
- (vi) What do you mean by 'channels of distribution' ? What functions do they play in the distribution of goods and service? Explain
- (vii) Explain the major activities involved in the physical distribution of products.
- (viii) 'Expenditure on advertising is a social waste' Do you agree? Discuss
- (ix) Distinguish between advertising and personal selling.

Projects/Assignment

- (i) Visit in a team of four-five students to different marketing organisations in your locality (retailers, wholesalers, distributors etc). Find what marketing activities are undertaken by them. Do you find any difference in the activities in the organisations visited by you? What common activities are found in these organisations? Write a report.
- (ii) Collect ten advertisements appearing in newspapers, magazines etc about recent sales promotional schemes about some consumers durable

or non durable products of your choice. Also collect some promotional material about these products written on the package of these products (cartons/wrappers/bottles etc.) and write important features of the scheme in your notebook. Make a presentation in your class about the sales promotional schemes.

Application based questions

- (i) As marketing manager of a big hotel located at an important tourist destination, what societal concerns would be faced by you and what steps would you plan to take care of these concerns? Discuss.
- (ii) Suppose you are the marketing vice president of an insurance company, planning to design a new mediclaim policy for senior citizens. What information would you like to collect to perform this task and how will you collect such information? Discuss.
- (iii) What shopping products have been purchased by you/your family in the last six months. Make a list and specify what factors influenced the purchase of each of these products.
- (iv) What information is generally placed on the package of a food product. Design a label for one of the food product of your choice.
- (v) For buyers of consumer durable products, what 'customer care services' would you plan as a manager of a firm marketing new brand of motorcycle, Discuss.

Case Problems

Nokia takes four-lane road to consumers.

NEW DELHI: After having grabbed a king-size 79% share of the Rs 15,000-crore mobile handset market in India, Nokia India has found a new way of connecting people.

The mobile handset manufacturer has embarked upon a brand new retail strategy that is based on a classification of its consumers into four major groups that separates people in terms of usage, income level and lifestyle.

The classification is based on an extensive survey – the Nokia Segmentation Study—that was carried over two years involving 42,000 consumers from 16 countries. It studied the impact lifestyle choices and attitudes have on the mobile devices consumers buy and how they use them.

The strategy, which was announced globally in June last year, is being unfolded in India now. While the nitty-gritty of the new strategy is still being

worked out, it is likely that the company would follow separate marketing strategies for the four different segments. The advertising campaigns could be different for the segments.

Nokia's entire product portfolio has now been re-aligned towards these four groups to address the specific needs of each. The first of these segments Live, aimed a first time users whose basic need is to stay in touch with voice as the main driver, would have basic handsets low on features and price.

"These may be functional phones but the target group for these phones range from SEC C (low socio-economic class) to SEC A1+ (very high socio-economic class) markets," says Nokia India marketing head Devinder Kishore. The second segment Connect looks at more evolved users who look for more functionality and features and connectivity. Accordingly, phones in this segment would have GPRS, camera and music capabilities.

The next two categories, Achieve and Explore, are aimed at high-end users and have Nokia's top-end handsets. For example, Achieve segment looks at enterprise users who need to have business functionalities in their phones. Nokia's new E-series has been put under this segment with handsets having QWERTY keyboards and full Internet capabilities.

Aimed at high-end lifestyle users, Explore would be the most prominent segment for the company in the coming years. Says Nokia India multimedia business director Vineet Taneja, "This segment would see the most vibrant growth in the coming year. It will look at five different areas – applications, imaging, mobile TV, music and gaming. We are fast developing the ecosystem to support these areas."

Nokia acquired music solution and content provider LoudEye and GPS solution provider Gate5. It is all slated to launch its most high-profile handset, which boasts of having a 5 mega pixel camera and GPS capabilities apart from iPod quality music, in February.

Says Taneja, "There is increasing demand for convergence and multiple functionalities in high-end handsets. The N-series will try to address that." Nokia feels that the new platform strategy wherein different handsets are launched under a platform, like the N-Series, will become a status and style statement and drive numbers.

Source: www.economictimes.indiatimes.com

Question

1. Identify the four market segments that Nokia plans to address as per the news report above.
2. What is the basis of classification of the market used by the company?
3. What do you mean by realignment of product portfolio? Illustrate this from the case above.
4. Identify the points that can be highlighted in marketing campaigns for each segment.
5. What are the different considerations in the mind of consumers of each segment while purchasing mobile phones as given in the above case?