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Uttar Pradesh Rajarshi Tandon
Open University

Master of Business Administration

M.COM-104

Marketing Management

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MARKETING MANAGEMENT

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परिमापक

अनुवाद की स्थिति में

मूल लेखक	**अनुवाद**
मूल सम्पादक	**भाषा सम्पादक**
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सहयोगी टीम

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UNIT-1 INTRODUCTION TO MARKETING

Objectives

After reading this unit, you should be able to:

- Understand what marketing is
- Understand the difference between need, want and desire
- Explain the need of marketing strategy at different levels
- What are the tasks necessary for successful marketing management?

Structure

1.1 INTRODUCTION

Though marketing is talked and discussed in business terms today, its origin goes back to the ancient civilization when man used symbols, signs and material artifacts to transact and communicate with others. The term ‘market’ originates from the Latin noun ‘Marcatus’ which means ‘a place where business is conducted’. A layman has somewhat similar connotations of the word ‘market’ which brings to his mind the vista of place where the buyers and sellers personally interact to finalize a deal. However, for the students of marketing, it has wider and deeper implications. It is not merely a place of exchange but an arrangement that provides an opportunity of exchanging goods and services for money.

Marketing, in modern times, means learning from customers, listening to customers and transforming the organization around customers. In this context, Philip Kotler has defined the term market as “an arena for potential exchanges”. Similarly, as C.K. Prahalad puts it, the future lies in co-creation – a process where companies and their customers will collaborate to come up with products and services. The marketing professionals agree that this is one of the greatest challenges and that there are no ready-made solutions available. Customer education involves putting the knowledge of one’s product at the disposal of customers. Educating the customer is tricky because it involves establishing a rapport and an emotional connection with the customer.

1.2 MEANING OF MARKETING

Some marketing experts think that what we need today is ‘customer connect’ and educating the customer is the only means to achieve this. It involves everything, skills, attitudes, behavior and knowledge – and service also as a part of customer education. William J. Stanton has defined marketing as “a total system of interacting business activities designed to plan, price, promote and place want-satisfying products and services to present and potential customers”. Marketing not only deals with goods and services but it also focuses on ideas, issues, concepts and principles.

In the present highly competitive economy, which can be called a buyer’s market, it is the customer who wields full power. Marketing is managing profitable customer relationships. The basic objective of marketing is to attract new customers by promising and offering superior value and to retain and grow current customers by delivering satisfaction. Marketing deals with customers more than any other business function, and deals mainly with customers. “Marketing is a total system of business, an ongoing process of discovering and translating consumer needs and desires into products and services, creating demand for these products and services, serving the consumers and his demand through a network of marketing channels and expanding the market base in the face of competition. Most successful firms today practice the marketing concepts. That is, marketers first identify consumer needs and then provide products that satisfy those needs, assuring the organization’s long-term profitability.

Needs

The concept of human needs is the fundamental concept underlying all marketing activities. A need is the difference between a consumer’s actual state and some ideal or desired state. They are biogenic in origin and include physiological needs for food, clothing warmth, shelter and safety. Social needs are craving for belonging and affection. Knowledge and self-expression are the other individual needs of human being. When the difference between consumer’s actual state and some ideal state is big enough, the consumer is motivated to take action to satisfy the need. Needs can be related to physical functions such as eating or to psychological ones like wanting to look good. All these needs are basic requirements of any individual, and are not a creation by marketing people.

Wants

The specific way a need is satisfied depends on an individual's history, learning experiences and cultural environment. A want is a desire for a particular product used to satisfy a need in specific ways that are culturally and socially influenced. However, how each person satisfies the need might be quite different. When an American needs food, he may want a greasy cheeseburger and fries; whereas, if an Indian needs food, he may want chapattis or rice, and coffee or tea. Wants are shaped by the society in which one lives and are described in terms of products that will satisfy needs. The only other difference between needs and wants is that while human needs are limited, wants are unlimited.

Demand

When desire is coupled with the buying power or resources to satisfy a want, the result is demand. Based on their needs, wants and buying capacity, consumers ask for or demand products which they feel will give them maximum value and satisfaction. Most of the marketing companies take pains to study and understand their customer's needs, wants and demands, based on which they plan their strategies for products and promotions.

Difference between Selling and Marketing

Most of the people use 'marketing' and 'selling' as synonyms, though there is a substantial difference between both the concepts. Selling and marketing brings different orientations to business; hence managers are expected to follow different kinds of strategies for business success.

Under selling concept, the need for some selling is taken for granted. It has a product focus and is mostly producer driven. It is only the action part of marketing and has short-term goals of achieving certain level of revenue, profit and market share. When the focus is on selling, the businessman thinks that sales must start immediately after the production schedule is complete. Also that the task of the sales department to sell whatever the production department has manufactured. Selling converts the product into cash for the company in the short run.

Under the marketing concept, the aim of marketing is to render selling superfluous. Marketing is a wider approach than selling and is dynamic in nature. With full understanding of customer demand, the product must fit or match the buyer needs entirely and it should sell itself without any promotion efforts. Its focus is on the customer rather than the product. In marketing, the process starts with the identification of consumer needs and will not end until consumer feedback is taken to measure his or her satisfaction. According to Theodore Levitt 'the difference between selling and marketing is more than semantic. A truly marketing minded firms offering is determined not by the seller but by the buyer by creating value satisfaction.

Marketing is the basic reason for the existence of a business organization. It works as the guide for all business/non-business organizations. Marketing is something which is going on all around us. Marketing people are busy calling for our attention always, to try a product or service. It is a powerful mechanism which alone can satisfy the needs and wants of consumers at the effectiveness with which its marketing strategies are formulated and implemented. It is said to be the eyes and ears of a business organization as it keeps the business in close contact with its economic, political, social and technological environment and informs it of events that can influence its activities as per requirements of the market.

1.3 DEFINITION OF MARKETING

Marketing helps in having a good range of products and suggest to the management the scope for improving and developing new products to satisfy the changing customer needs. An effective marketing effort is in accordance with ethical business practices and should be effective from both the social and business point of view. This approach emphasizes the need for efficiency in distribution. The nature, type and degree of efficiency are largely dependent upon the kind of marketing environment within which the enterprise operates. With the changing business scenario, marketing has taken the shape of value-added marketing activity, wherein the basic pressure of any marketing activity for sales in a planned way is how the four Ps, i.e., product, price, promotion and place are tuned.

In short, modern marketing begins with the customer, not with production cost, sales, technological landmarks and it ends with the customer satisfaction and social well-being. Under the market-driven economy buyer or consumer is the king.

The American Marketing Association defines marketing as "Marketing is an organizational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationship in ways that benefits the organization and its stakeholders.

Michael R. Solomon defines marketing is a process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objectives. From a broader social point of view, definition of Paul Mazur is more relevant. Mazur defines marketing as the creation and delivery of a standard of living to society. This is a much broader approach, which views the firm as an organized behavior system designed to generate outputs of value to consumers. The modern marketer is called upon to set marketing objectives, develop the market plan, organize the marketing function, implement the marketing plan or program and control the marketing program to assure the accomplishment of the set marketing objectives. There are various misconceptions about marketing. Many people assume that marketing is expenditure and it does not take care of the scarce resources of the organization. Contrary to this, an effective marketing program is always linked with a performance measure like return on investment. Marketing means managing markets to bring about profitable exchange relationship by creating value and satisfying needs and wants. Therefore, it is defined as a process by which individuals and groups obtain what they need and want by creating and exchanging products and value with others. The elements of modern marketing system are shown in figure 1.1.

The suppliers provide raw materials to produce goods. The company (marketer) and its competitors send their offers and communication to customer directly or through marketing intermediaries. The customer compares the value and satisfaction offered in each product or service and decides to buy. All these factors in the marketing system can be affected by environmental force like – demographic, economic, social, political, legal, cultural and technological etc. A company's success in marketing as a function depends on how well entire system serves the needs of final customers.

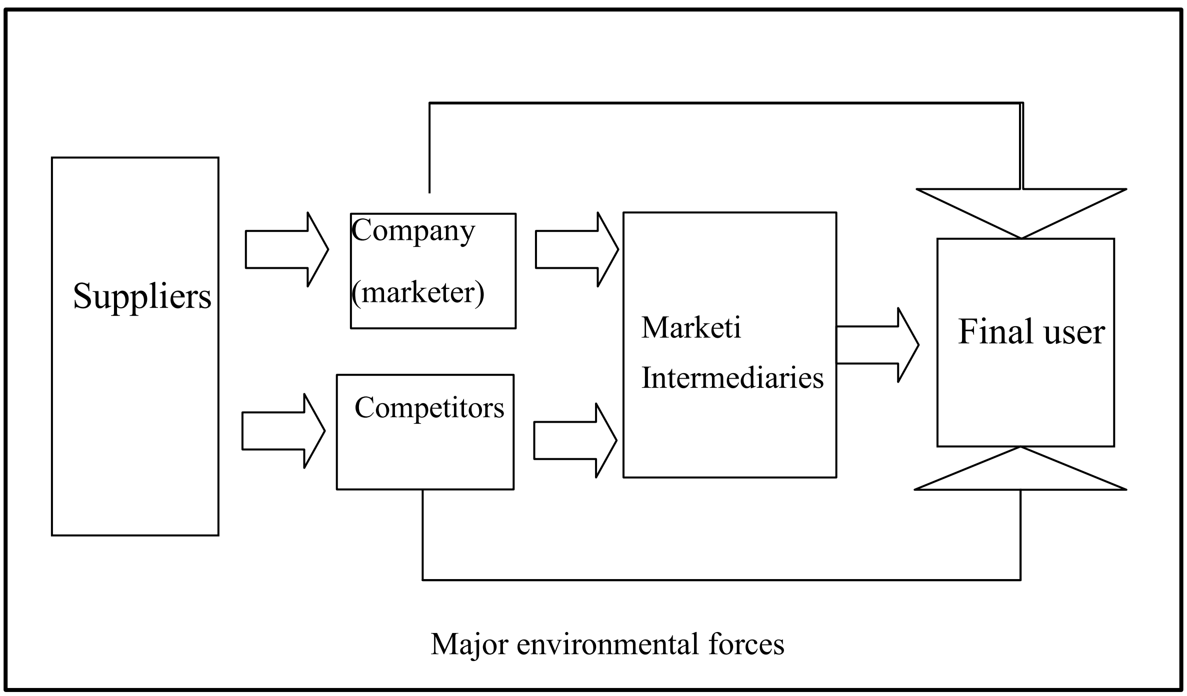

Figure 1.1 : Elements of a Modern Marketing System

1.4 MARKETING MANAGEMENT

According to Philip Kotler, "Marketing management is the art and science of choosing target markets and building profitable relationship with them. This involves getting, keeping and growing customers through creating, delivering and communicating superior value." Thus marketing management involves managing demand, which in turn, involves managing customer relationship.

Marketing as an exchange of value

To create exchange is the heart of every marketing act. An exchange occurs when something is obtained for something else in return, which means that some transfer of value occurs between a buyer and a seller. The buyer receives an object, service or idea that satisfies a need and the seller receives something he or she feels is of equivalent value. That means that something (or someone) may be worth a lot to one person but not to another. The challenge to the marketer is to create an attractive value proposition; a marketplace offering that fairly and accurately sums up the value that will be realized if the product or service is purchased. There are two pitfalls to this basic idea: First, the product or service can be oversold and the second, the product or service can be undersold.

Marketing as an exchange process has gained significance over the years, as it has tried to conceptualize marketing behavior. Though a customer can get involved in different kinds of exchanges while buying a product, the scope of understanding exchange in the context of marketing is confined to the economic institutions and consumers in the traditional sense. Broadly there are three types of exchanges: restricted, generalized and complex exchanges. For an exchange to occur, at least two people or organizations must be willing to make a trade, and each must have something the other values. Both parties must agree on the value of the exchange and how it will be carried out. Each party also must be free to accept or reject the other's terms for the exchange.

Successful marketing does not generally come about by accident, it needs to managed effectively. Three fundamental aspects of marketing management can be identified: processes, structures and outcomes. Marketing is a matching process by which a producer provides a marketing mix (product, price, promotion and physical distribution) that meets consumer demand of a target market within the limits of society. The process is based on corporate goals and corporate capabilities. Marketing process brings together producers and consumers – the two main participants in exchange.

Marketing management is a process of identifying customer needs and wants and then developing a marketing program to satisfy customer needs with a profit. So, effective marketing starts with the identification of a set of consumers and their need structure. A marketer needs to identify marketing opportunities by analyzing and scanning external environment and collecting market related information to estimate current market demand and forecast future potential. Marketing management process consists of four key stages, namely market analysis, marketing planning, implementation of the marketing program and control of the total marketing effort. Some of the basic questions which needs to asked are as follows:

Analysis : Where are we now? What are the strength and weaknesses of the company and its products? How does the company's market share compare with that of its competitors?

Planning : What is the mission of the business? Where do we want to be? What strategy will be adopted in order to achieve those objectives? What objectives should be set for the next year?

Implementation : How are we going to put into effect the strategy that will lead us to our objectives?

Evaluation and control : Did we achieve our objectives? If not, why? How can deficiencies be rectified?

The marketing manager assumes the role of a solution provider rather than a product manufacturer. Market analysis helps the marketer to identify new markets for existing products and for the new one. Marketing plan is not effective unless it is implemented. Without a proper implementation program, marketing planning exercise is just paper work. Companies typically produce a strategic marketing plan for a five-year period. Over this time period, projections can be subject to a great deal of speculative estimation. Nevertheless, a five-year strategic plan can be vital to give a sense of direction to a company's marketing efforts. Over the shorter terms, companies usually produce an annual plan which gives more details of how the strategy will be implemented over the forth-coming 12-month period.

A marketing manager has to take various decisions for developing a successful marketing program. Marketing decisions are taken under certain assumptions about the environment. Many a times, when these assumptions go wrong, marketing program fail. Environmental factors are external to the organization and beyond the control of the marketing manager. He needs to take note of the current environment and assume risk to develop opportunities and avert threats for marketing success.

1.5 MARKETING MIX

The marketer's task is to determine the best way to present a good or a service for consumer's consideration, the marketer has many decisions to make, and so he or she needs many tools. Marketing activities comes in all forms. McCarthy classified these activities as marketing- mix, which consists of the tools that are used together to create a desired response among a set of predefined consumers. Marketing mix consists of four Ps: product, price, promotion and place. These tools include the activities that introduce it to consumers.

The particular marketing variables under each P are shown in Figure 1.2. A successful marketing strategy must have a marketing mix as well as a target market for whom the marketing mix is prepared. The firm can change its price, sales force size and advertising expenditures in the short run. It can develop new products and modify its distribution channels only in the long run. The marketing mix will change according to changing marketing conditions and also with changing environmental factors like social, technical, economic and political etc. affecting each market.

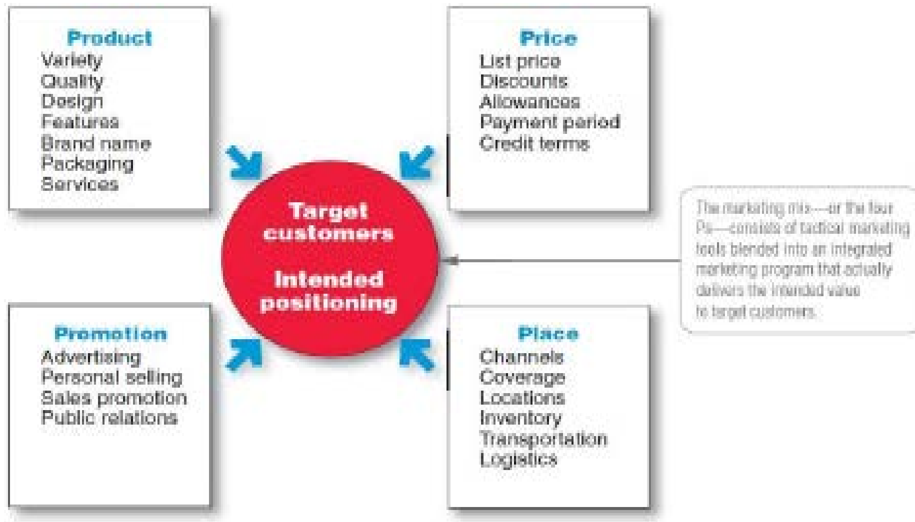

Figure 1.2 : Elements of Marketing Mix

1.6 MARKETING STRATEGY

Planning is an ongoing process of making decisions that guide the firm both in the short term and for the long term. Peter Drucker has rightly defined business planning "as a continuous process of making present entrepreneurial decisions systematically and with best possible knowledge of their futurity, organizing systematically the effort needed to carry out these decisions against expectations through organized feedback. Planning identifies and builds on a firm's strengths, and helps managers at all levels make informed decisions in a changing business environment. Planning means that an organization develops objectives before it takes action.

Strategic Planning

Strategic planning is the managerial decision process that matches the organization's resources and capabilities to its market opportunities for long-term growth. Strategic planning is long term planning by the top management. This plan specifies organization's primary goals and objectives and focuses on the entire organization. Many large firms realize that relying on only one product can be risky, so they have become multiproduct companies with self-contained divisions organized around products or brands. These self-contained divisions are Strategic Business Units (SBUs) – individual units within the firm, each having its own mission, business objectives, resources, mangers and competitors. At the SBU level, top managers typically establish a mission, conduct an analysis of the environment, set business goals, and develop growth strategies.

Characteristics of a Good Marketing Plan

A marketing plan is a document that describes the marketing environment, outlines the marketing objectives and strategy and identifies who will be responsible for carrying out each part of the marketing strategy. A good marketing plan should communicate to every member what is desired of each member, so that they have some level of goal clarity, understanding of assumptions that lie behind the goals and the context of each activity and decision. Different organizations follow different kind of planning approach. Organizations where top management sets both the goals and plan for the lower management, follows a top down approach. In some organizations each unit creates its own goals and plans, which are then approved by the top management, are called as bottom up approach. Because marketing is so central to a firm, in many cases strategic planning and marketing planning are almost inseparable. Of course, top business planners and marketing managers don't just sit in their offices dreaming up plans without any concern for the rest of the organization.

Strategic Planning at Corporate Level

Top management is involved in the corporate planning process. Corporate planning is a term used to denote a formal, comprehensive and systematic appraisal of internal environment to achieve organizational objectives.

Establishing Corporate Mission

Top management's first step in the strategic planning stage is to answer few questions such as: What business are we in? What will it be? What customers should we serve? A well-defined corporate mission guides all other decisions, including the marketing strategy of a firm. A corporate mission statement is a formal document that describes the organizations overall purpose and what it hopes to achieve in terms of its customers, products and resources. For example, DuPont's mission statement reads as "Better things for better living through chemistry". Coca-cola has a mission statement that reads as "Our challenge will be to enhance and protect the coca-cola trademark, giving shareholders an above-average return and entering new businesses only if they can perform at a rate substantially above inflation." Organizations develop mission statement to share with their multi stakeholders, including customers. The ideal mission statement is not too broad, too narrow, or too shortsighted. A mission that is too broad will not provide adequate focus for the organization. It doesn't do much good to claim.

The next step in the corporate planning process is setting up of corporate objectives. These are specific accomplishments or outcomes that an organization hopes to achieve by a certain time. Every company has a potential set of objectives such as follows:

- To grow the business profitably.
- To enhance shareholder value through a balanced program of dividends and share repurchases.
- To increase the ability to compete in global markets.
- To conduct the business as a responsible manufacturer and marketer.

Finally, corporate objectives help in narrowing down the procedure for setting goals. Goals are used to plan, control and evaluate business activities of a company. They provide source of motivation, a basis for incentive, standards of performance evaluation of the marketing personnel and to uncover the strength and weaknesses in the marketing structure of the firm. Goals should be measurable otherwise the success of a business and marketing plan cannot be measured. Goals should be acceptable to majority of peoples in the organization and should suit the company's image and market position.

The Business Portfolio

For companies with several different SBUs, strategic planning includes making decisions about how to best allocate resources among these businesses to ensure growth for the total organization. These plan allocation is on the basis of the performance of the SBU in the past, its current market position and future potential in generating revenue for the firm. Just as the collection of different stock an investor owns is called a portfolio, the range of products that a large firm owns is called its business portfolio. Having a diversified portfolio of products reduces the firm's dependence on one product or one group of customers. Portfolio analysis is a tool management uses to assess the potential of a firm's products or businesses. It helps management decide which of its current products should receive more or less of the firm's resources and which of its lines of business consistent with the firm's overall mission.

The Boston Consulting Group's Growth Share Matrix (BCG Matrix)

The BCG growth-market share matrix is developed by the Boston Consulting Group (BCG). The BCG method focuses on the potential of a firm's existing successful products to generate cash that the firm can then use to invest in new products. New products are chosen for their potential to become future cash generators. The BCG matrix involves strategic business units being positioned in a matrix on the basis of market growth rate and their market share, relative to that of the largest competitor. The vertical axis represents the attractiveness of the market, the market growth rate. It ranges from 0 to 20 percent; it can be separated into 'high' and 'low' areas. The horizontal axis shows the company's current strength in the market through its relative market share. It ranges from 0.1 to 10. Relative market share is calculated as an SBU's market share, divided by the market share of the largest competitor in the same market. Strategic business units can be positioned as a circle in the matrix. The size of the circle represents the proposition of company's sales generated by that particular business unit.

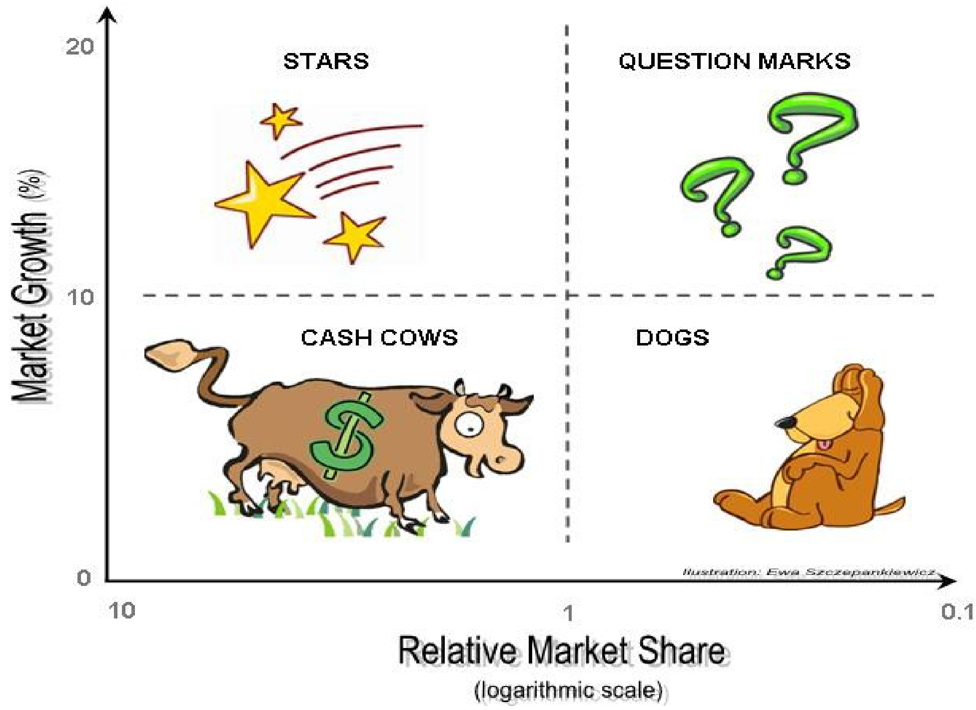

Figure 1.3 : BCG Growth-Market Share Matrix

Let's take a closer look at each cell in the grid.

Stars : Stars are SBUs with products that have a dominant market share in high-growth markets. Because the SBU has a dominant share of the market, stars generate large revenue, but they also require large amount of funding to keep up with production and promotion demands. Because the market has a large growth potential, managers design strategies to maximize market share in the face of increasing competition. The firm aims at getting the largest share of loyal customers so the product will generate profits that can then be plowed into other parts of the company.

Cash Cows : Cash cows have a dominant market share in a low-growth potential market. Because there's not much opportunity for the new products, competitors don't often enter the market. At the same time, the product is well established and enjoys a high market share that the firm can sustain with minimal funding. If the firm's goal is to increase revenues, having too many cash cows with little or no growth potential can become a liability.

Question Marks : Question marks-sometimes called problem children-are products with low market share in fast-growth markets. When a business is a question mark, it suggests that the firm has failed to compete successfully. Perhaps the product offers fewer benefits than competing products. Maybe its price is too high, its distribution is ineffective or its advertising is too weak. This firm could pump more money into marketing the product and hope that market share will improve.

Dogs : Dogs have a small share of a slow-growth market. They are specialized products in limited markets that are not likely to grow quickly. When possible, large firms may sell off their dogs to smaller firms that may be able to nurture them or they may take the product off the market.

BCG growth share matrix has some limitations. SBUs have life cycles and over a period of time, they change their positions on the matrix. Merely by identifying position of a SBU does not lead to selection of a particular strategy. This is because firms do not aim for the same growth rate or relative market share. Each business unit has different potentials and needs its own strategy.

General Electric Multi Factor Portfolio Matrix

Some of the problems faced with BCG matrix can be improved in the Multi Factor Portfolio Matrix used by General Electric Corporation. This matrix involves SBUs being positioned on a matrix on the basis of market attractiveness and business strength. These two factors make excellent marketing sense for rating an SBU. Market attractiveness and business strength depend on a number of factors. The procedure involves assigning each of the factor a weight depending on its perceived importance, followed by assessing how each SBU compares on each factor on a 1 to 7 rating scale, and then computing a weighed composite rating. The size of each circle represents the size of the relevant market rather than the size of the company's business. A strong company operating in an unattractive market or a weak company operating in a strong market will never give better results to the firm. So for the business success, it is necessary that both the factors should be strong for the SBU.

Strategic Planning at the SBU Level

After discussing how strategic planning in large firms occurs at the corporate level. Now it's time to strategic planning for business unit level. Each SBU operates in a different market conditions. So the business mission should stem from the overall corporate mission and objective of the firm. It should essentially express why it is in the business portfolio of the company and what function the corporate expects it to play.

Evaluating the Environment: SWOT Analysis

For a small business or a strategic business unit, the second step in strategic planning is to assess its internal and external environment. Managers call this evaluation a SWOT analysis because it tries to identify meaningful strengths (S) and weaknesses (W) in the organization's internal environment and opportunity (O) and threats (T) coming from outside the organization-the external environment. A SWOT analysis enables a firm to develop strategies that make use of what the firm does best in seizing opportunities for growth, while at the same time avoiding external threats that might hurt the firm's sales and profits.

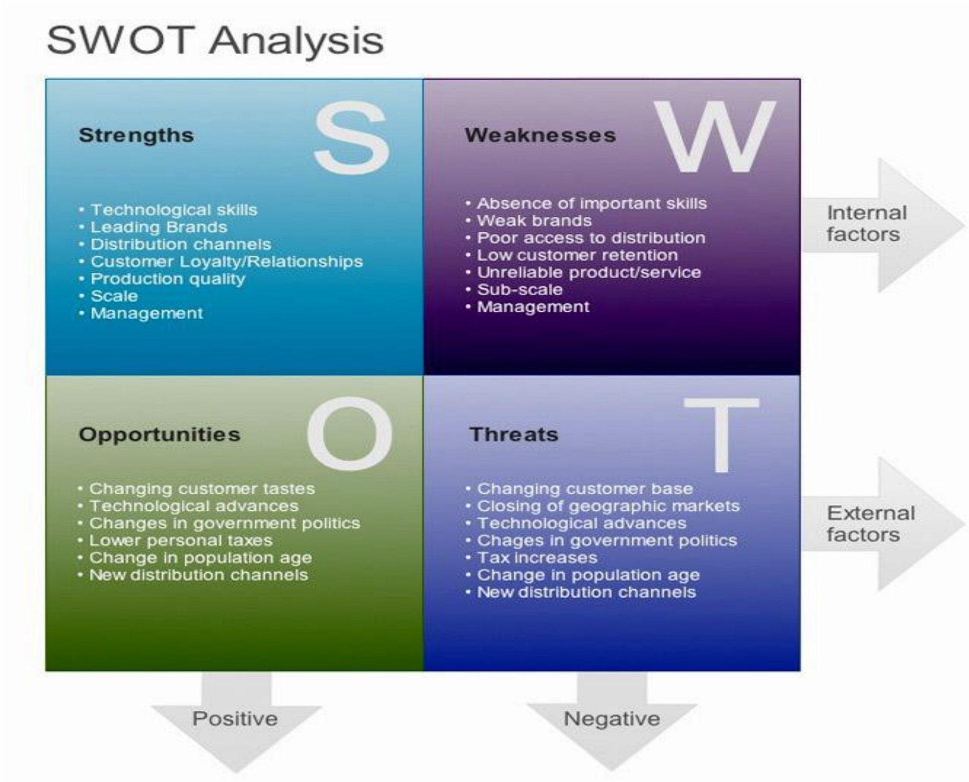

Figure 1.4 : SWOT Analysis

By internal environment, we mean all of the controllable elements inside an organization that influence how well the organization operates. Internal strength may lie in the firm's technologies. A firm's physical facilities can be an important strength or weakness, as can its level of financial stability, its relationship with suppliers, its corporate reputation and its ownership of strong brands in the marketplace. The external environment consists of elements outside of the organization that may affect it either positively or negatively. The external environment includes consumers, government regulations, competitors, the overall economy and trends in popular culture. Opportunities and threats can come from any part of the external environment. Sometimes trends or currently unserved needs provide opportunities for growth.

1.7 SUMMARY

Marketing is a dynamic and pervasive subject in business that makes the whole organization ready to serve the customers. Philip Kotler who defines marketing as a social activity directed towards satisfying customers' needs and wants through an exchange process. Marketing management is the art and science of choosing target markets and getting, keeping and growing customers through creating, delivering and communication superior customer value. Marketing are skilled at managing demand: they seek to influence the level, timing and composition of demand. Marketers are involved in marketing many types of entities: goods, services, events, information, persons, places, properties, organizations, information's and ideas.

The marketing mix is the four Ps of marketing: product, price, promotion and place. The product is what satisfies customers' needs. Products can be goods, services or ideas. The price is the assigned value or amount to be exchanged for the product. The place or channel of distribution gets the product to the customer. Promotion is the organization's efforts to persuade customers to buy the product. The four Ps are strongly interrelated, so decisions about one P influence the other as well.

Business planning includes strategic planning by top-level managers at the corporate and at the strategic business unit (SBU) level. Tactical planning is done by middle managers and operations planning by lower level managers. Decisions about the firm's portfolio of strategic business units are often made with the help of such planning tools as the Boston Consulting Group matrix, which assesses SBUs on market growth potential and the firm's relative market share. Strategic planning for SBUs or smaller businesses begins with defining the firm's business mission. Managers may determine the business growth strategy with the product-market growth matrix. Each product level within a business unit must develop a marketing plan for achieving its goals. The marketing plan is one of the most important outputs of the marketing process.

- **Marketing:** The performance of business activities that direct the flow of goods and services from producer to consumer or user.
- **Exchange:** The process by which some transfer of value occurs between a buyer and a seller.
- **Need:** Recognition of any difference between a consumer's actual state and some ideal or desired state.
- **Want:** The desire to satisfy needs in specific ways that are culturally and socially influenced.
- **Demand:** Customer's desire for products coupled with the resources to obtain them.
- **Marketing Plan:** A document that describes the marketing environment outlines the marketing objectives and strategy and identifies who will be responsible for carrying out each part of the marketing strategy.
- **Strategic Business Unit:** Individual units within the firm that operates like separate businesses, with each having its own mission, business objectives, resources, managers, and competitors.
- **Portfolio analysis:** A management tool for evaluating a firm's business mis and assessing the potential of an organization's strategic business units.

1.9 SELF-ASSESSMENT TEST

1. Go through any newspaper. Find an ad for a product that you feel gives you good value for your money. What have you learned about the concept of value from this exercise?
2. Marketing is a reflector of standards of living, compare the products available in the nineties and in this century to show how marketing has improved the standard of living of the people?
3. To understand what marketing is all about, pretend you are looking for a job, you need to market yourself. Using the four Ps, write a description of your product, price, place and promotion strategies?
4. Do you agree that marketing is a firm's most essential functional area? Write a short note to your boss about how many resources to devote to each of the major functional programs and why?

1.10 FURTHER READINGS

Peter F. Drucker, Management : Tasks, Responsibilities, Practices (New York: Harper & Row, 1972), 64-65.

E. Jerome McCarthy and William D. Perreault, Basic Marketing: A Global-Managerial Approach, 14th ed. (Homewood, IL: McGraw-Hill Irwin, 2002).

UNIT-2 MARKETING IN A DEVELOPING ECONOMY

Objectives

After reading this unit, you should be able to:

- Understand the concept of a developing economy
- Understand the relevance of marketing in a developing economy
- Understand the relevance of social marketing
- Understand the role of marketing in relation to some selected industry and service sectors.

Structure

2.1 INTRODUCTION

Before discussing the relevance and role of marketing in a developing economy let us first understand what exactly an economy means and what the significance of developing economy is. In simple terms an economy means system or range of economic activity in a country, region, or community or it is the wealth and resources of a country or region, especially in terms of the production and consumption of goods and services. Developing economy means when an economy shifts its emphasis from agriculture to industry, and it is less developed in terms of gross national product, per capita income, industrial development, infrastructure facilities, motivations and attitudes of its people etc. as compared to developed countries.

In other words, in a developing economy there is a shift in the standard of living, education and the use of technology rise. These countries are developing countries. In such locales, there may be a visible middle class, often largely composed of entrepreneurs working hard to run a successful small business. The developing economies always try to achieve growth in the gross national product through generation of additional income in various sectors of an economy such as agriculture, industry, mining and international trade in a panned manner.

2.2 MARKETING AT DIFFERENT LEVELS OF ECONOMIC DEVELOPMENT

When marketer lookout for opportunities, it helps if they consider a country's level of economic development to understand the needs of people who lives there and the infrastructure conditions with which they must deal. The economic level of a country is the single-most important environmental element to which the foreign marketer task. The attitude towards foreign business activity, the demand for goods, the distribution systems found within a country, and the entire marketing process are affected by the stages of economic growth within a country. In static economies consumption patterns become rigid and marketing is typically nothing more than a supply effort, whereas in dynamic economy consumption patterns change rapidly. Marketing is constantly faced with the challenge of detecting and providing for new levels of consumption and marketing and marketing efforts must be matched with ever changing marketing needs and wants.

Economic development puts forward a two-sided challenge:

i) A study of the general aspects of economic development is necessary to gain empathy regarding the economic climate within developing countries.

ii) The state of economic development must be studied with respect to market potential, including the present economic level and company's growth potential.

The current level of economic development prescribes the nature and degree of market potential that exists, while the knowledge of dynamism of the economy allows the marketer to prepare for economic shifts and emerging markets. Normally economic development is characterised by the increase in the national production that result in an increase in the average per capita gross domestic product (GDP). Other than an increase in the average per capita GDP most interpretations of the concept also imply a widespread distribution of the increased income. Economic development, as it is defined today, tends to mean a rapid economic growth and increased consumer demand – improvements achieved in decades rather than in centuries.

Levels of Economic Development

The best-known model for classifying countries by degree of economic development is the five-stage model presented by Walt Rostov. Each stage is a function of cost of labour, the technical capability of the buyers, the scale of operations, interest rates, and the level of product sophistication. Growth is the movement from one stage to another and countries in the first three stages are considered to be economically underdeveloped. The stages are described briefly as follows:

Level 1 – The Traditional Society

Countries in this level lack the capability of significantly increasing the level of productivity. There is a marked absence of systematic application of methods of modern science and technology. Literacy is low, as are other types of social overhead.

Level 2 – The Preconditions for Take-off

This second level includes societies in the process of transition to the take-off stage. During this period, the advances of modern science are beginning to be applied in agriculture and production. The development of transportation communications, power, education, health, and other public undertakings has begun in a small but important way.

Level 3 – The Take-off

At this level, countries achieve a growth pattern that becomes normal condition Human resources and social overheads have been developed to sustain steady development and agricultural and industrial modernization lead to rapid expansion.

Level 4 – The Drive to Maturity

After take-off, sustained progress is maintained and the economy seeks to extend modern technology to all economic activity. The economy takes on international involvement. In this level, an economy demonstrates that it has the technological and entrepreneurial skills to produce not everything but rather anything it chooses to produce.

Level 5 – The Age of High Mass Consumption

The age of high mass consumption leads to shifts in the leading economic sectors towards durable consumer goods and services. Real income per capita rises to the point where a very large number of people have significant amounts of discretionary income.

Although Rostow's classification has met with some criticism because of the difficulty of distinguishing among the five stages, it provides the marketer with some indication of the relationship between economic development and the types of products a country needs and of the sophistication of its industrial infrastructure.

2.3 RELEVANCE OF MARKETING IN DEVELOPING ECONOMY

Marketing and trade plays an important role in the economic development and overall development of a nation. These roles can be classified in terms of, (1) specialisation in activities of comparative advantages, (2) enhanced resource-use efficiency and trade and (3) advances in marketing with economic growth. A comparative advantage exists when an individual or region can produce a good, relative to the price of other goods, more cheaply than another individual or region. Through specialisation and trade, a community is better able to utilise its limited resources. Specialisation and the resulting efficiency of resource-use is the basis for economic growth and development.

As markets and economies develop, surpluses occur more frequently in profitable activities, creating new wealth, while products are moves greater distances than before. Thus, trade is a necessary ingredient for economic growth. Marketing is simply the means by which trade occurs. With economic development, the activities and tasks of marketing increase. Activities such as storage, processing, packaging and retail distribution becomes more important. Greater activity moves away from the site of production and towards marketing. This, in turns, creates employment opportunities and further specialisation. With development more economic agents may enter trade, helping to improve marketing services and in some cases allowing the market to capture external economies of scale.

Marketing for economic development is often routinely treated as a series of special cases addressing specific market segments or community attributes in general. Marketing ensures a planned economic growth in developing economy where the scarcity of goods, services, ideas and excessive unemployment, thereby marketing efforts are needed for mobilisation of economic resources for additional production of goods, services and ideas resulting in greater employment. Marketing therefore, is an economy's arbiter between productive capacity and consumer demand. In addition, marketing process is a critical element in the effective utilisation of the production resulting from economic growth and balance between higher production and higher consumption.

Effective marketing not only improves the life-style and well-being of the people in a specific economy, but upgrades world markets; after all, a developed country's best customer is another developed country. Although marketing cannot create purchasing power, it can uncover and direct that which already exists. Increased economic activity leads to enlarged markets which set the stage for economies of scale in distribution and production that may not have existed before.

General Role of Marketing

The first and foremost role of marketing is that it stimulates potential aggregate demand and thus enlarges the size of the market. Now the question is, how it helps in the economic growth of a country. The answer is that through stimulation of demand people are motivated to work harder and earn additional money to buy the various goods, services and ideas being marketed. An additional advantage is that it accelerates the process of magnetizing the economy, which in turn facilitates the transfer of investible resources.

An important role which marketing plays is that it helps in the discovery of entrepreneurial talent. Peter Drucker makes this point very succinctly when he observes that marketing is a multiplier of managers and entrepreneurs. Still another important contribution which marketing makes is that it helps in sustaining and improving the existing levels of employment. When a country advances economically it takes more and more people to distribute goods and proportionately a lesser number to make them. That is from the employment point of view production becomes relatively less significant than marketing and the related services of transportation, finance, communication, insurance, etc. which spring around it.

2.4 AREAS OF RELEVANCE

Peter Drucker emphasized the grandness of marketing in developing countries because it is capable of answering the critical need. It is a common knowledge that in most developing countries the government and its confederative enterprises own a major portion of the productive sector of the economy. Often government makes all policies which prove counterproductive to the marketing efforts of individual firms. It is, therefore, essential that the government understand marketing and its implications to further their aim at national development. The role of marketing is incomplete without giving adequate importance to the overall field of management. Implementation of good ideas requires good management. The following conditions should be met before any government embarks on a marketing approach: (a) Recognising that marketing and management are professional disciplines and (b) Recognising that in organising different governmental operations, deliberate screening of candidates for their competence in the field of management is essential. Marketing function is relevant equally to all business firms in various sectors of a developing economy. Considering the typical characteristics of a developing economy and its growth needs, it appears that certain sectors of the economy need relatively greater level of marketing effort than others. Some of the fundamental problems where marketing can become useful is as follows :

Marketing for Agricultural development and Farm Productivity

In some of the developing economies inefficient methods of irrigation, lack of mechanization in farming, inadequate supplies of fertilizers and natural disaster leads to low farm productivity. But one fundamental problem which is not recognized is lack of marketing system. If all farmers can be provided with production inputs, the financial system, the market and the agricultural knowledge they can improve the agriculture. Development of rural market system is of fundamental urgency in bringing about the necessary agricultural revolution.

Proper incentives should exist for a subsistence farmer to produce more. The most basic incentive is his access to the national markets. Marketing technology can pay a major role in enabling this phase of institutional development. The marketing system could be a part of community centre which offers a variety of services social, economic and educational to its community. The concept of community centre is not new. Its design and development needs a variety of interdisciplinary skills, of which marketing is one of critical contributors. Marketing technology can help define the economic, financial services and management components of the community centre.

Industrial and Entrepreneurial Growth

For the purpose of industrial growth many of the countries have imported sophisticated technology from western countries. This can put an extra burden on the nation’s scarce foreign exchange. In the process of technological and capital upgradation needs of small industries have been largely neglected. Industrial development has to be tied to the local community. In developing countries where high technology investments are prominent, the operations of these enterprises has suffered from managerial problems. The marketing effort required is at a medium level and calls for careful product planning informative advertising and personal selling in addition to essential packaging, storing and physical distribution. The pricing is either competitive or Government regulated. The level of marketing effort required is high in the case of semi-industrial products, pharmaceuticals and fertilizers, appliances for business and house-hold use, consumer non-durables and certain categories of engineering goods and machine tools.

Education and Manpower Planning

Developing nations need a variety of human skills to bring about economic and social development. Marketing concepts and techniques may have profound impact on meeting the nation’s manpower needs. Much of educational thrust in developing nations is restricted geographically to urban areas. Very little focus is placed on non-farming training programs to increase the productivity of rural labourers, farmers and the like. The employment practices are partly responsible for this. Very often employers do not insist on hiring personnel with appropriate educational skills. This vicious circle has to be broken to influence public attitude towards job-oriented education. The techniques of marketing research and product development can contribute in many ways to the needed educational revolution.

2.5 RELEVANCE OF SOCIAL MARKETING

Social marketing can be defined as the conception, implementation and control of programmers calculated to influence the acceptableness of social ideas and involving consideration of product planning, pricing, communication, distribution and marketing research. Social marketing follows a consumer centric approach. People must perceive their real needs and identify their real problems, which is only possible through proper participation and communication. The key areas where Social marketing approach is applied are:

a) Needs Assessment of Consumer

Needs Assessment - Gaps Analysis is very important i.e.

- What the audience should know/would like to know?
- What the audience actually does know?
- What is the GAP?

Social Marketing mainly deals with the motive of understanding the consumer and to develop products in order to satisfy their wants and needs. Whosoever is applying social marketing methods needs to know about the people whose behaviour they want to change – their aspirations and values, their beliefs and attitudes, and their current behavioural patterns. They are also required to look upon the broader social and cultural factors that influence consumer behaviour, recognizing that behavioural change is influenced by a combination of environmental as well as personal and interpersonal factors.

Unfortunately, still a lot of people incorrectly equate marketing with sales and advertising. Marketing's consumer orientation is actually the opposite of sales orientation. In contrast to the belief that sales- energizing devices are needed to bring results, a consumer orientation requires program planners to understand the consumers' desires and needs, and therefore respond as required. Social marketers believe that the behaviours being promoted should contribute to the consumers' and society's well-being.

b) Consumer Research

Any consumer orientation requires an examination of consumer perceptions of product benefits, product price, the competition's benefits and costs, and other factors that influence consumer behaviour. Program planners use consumer research findings to identify the factors to address in promoting behaviour change to the people they hope to reach.

c) Audience Segmentation

Another distinguishing feature of social marketing is audience segmentation. Audience segmentation is the process of dividing a population into distinct groups based on characteristics that influence their responsiveness to interventions. Segmentation may be used to identify subgroups. They can realistically be reached with available resources or to determine the best way to reach particular groups. Segments may differ in terms of the benefits they find most attractive, the price they are willing to pay, the best place to communicate with them or to locate services, or their differential responsiveness to promotional tactics.

d) Social Marketing (Marketing & Communication) Mix

The Four P's of marketing i.e. Product, Price, Place, and Promotion are very much relevant in case of Social marketing. Besides, four more P's can be added i.e. Partnership, Policy, Politics and Participation by audience (communication). Besides, it is also important to gauge the Competition. Goals can be reached effectively and behavioural change is bound to occur if this marketing and communication mix is followed with a positive approach.

i) Product:

product can assume a number of forms. It can be the knowledge, attitudes or behaviour that the target audience is expected to adopt. It can also be an idea, such as not using tobacco, alcohol, or other drugs. And last but not the least, the product can also be an actual related commodity such as seeds for a substitute cash crop such as wheat or corn, or a nicotine substitute to help smokers quit. The exchange for such program benefits is "costs" which may be intangible (e.g., changes in beliefs or habits) or tangible (e.g., money, time, or travel).

Product Must Be: Congruent with the recipient's values, beliefs, practices & needs. (It is important to make the participants understand the importance of message or service being talked about so that they realize its need.)

Solution to a problem

- Benefits
- Unique
- Competitive

ii) Price

Price is that part which is offered in order to avail certain benefits (service or product). It can be either cash or kind.

The key is to determine the appropriate price by participating with the target audience. The cost of adopting a product could be

- Money
- Time
- Pleasure
- Loss of self esteem
- Embarrassment
- Physic hassle
- Physical trauma
- Others

ii) Place or Channels

Channels describe the process or path through which a product reaches a consumer and the place is where the consumer can avail the product. The place could be tangible in terms of a retail outlet or intangible in terms of information delivered through a communication channel. Research is conducted to identify the places that consumer's frequent so that products and information can be placed there. Social marketing also identifies when and where a target audience will be most receptive to promotional messages i.e.

- Where is the behaviour practiced?
- Where are the decisions made?
- Where people will act?

Important Considerations for Place:

Some of the important considerations for place include:

- Will the product be available at the place where people have been instructed to go/call? Will there be enough to meet the demand?
- Is the place easy to use/access?
- Is the channel chosen for the message appropriate for that audience?
- Was the right time chosen for the message to be delivered?

iii) Promotion

The process of persuading the target audience that the product is worth its price is termed as promotion. It may include a publicity campaign through the mass media but it can also involve teaching life skills or community activities. Promotional strategies should be effectively co-ordinated with the other components of marketing mix. Promotional efforts cannot succeed if the product's benefits, price, and placement are not also in the line with the people's wants and needs. Promotion creates and sustains demand and may use a collection of advertising, public relations, promotions, media support, personal selling, etc.

v) Partnership

The social marketing organization can enhance its programme effectiveness by teaming up with other organizations pursuing similar goals. E.g. AIDS awareness programme can be jointly worked by WHO, NACO, UNAIDS and various non-government organization.

vi) Policy

Certain policy changes are essential to ensure an environment conducive for sustaining social change in the long run. E.g. Tax exemptions allowed for donations to voluntary organizations, providing special increments for undergoing critical surgeries.

vii) Politics

The social marketer often has to deal with groups other than the target audience, mobilize support and prevent resistance. Religious leaders and organizations, village heads or community leaders may be permission granting groups whose approval is necessary. Further, their participation enhances the pace with which the required critical mass is influenced in order to trigger social change faster.

viii) Participation

Participation is an important factor as only that message works which is aligned with consumers' needs & wants. Their participation is required from deciding of product, price, place & promotion.

ix) Competition

i What competes with the product?

ii How can the position of the product be more competitive?

iii What image does it have among consumers?

iv Can benefits be enhanced?

v Can costs be lowered?

e) Developing and Pre-testing the Material

A message can appeal to a variety of emotions and perceptions such as logic and reason, self-esteem, fear, and patriotism. Hence such a message has to be designed that can appeal to a variety of emotions and perceptions. The message statements and concepts should be so developed that its vocabulary, tone and appeal makes the target audience feel that this message is meant for them.

Pre-testing assesses the audience's response to the campaign. It measures recall, comprehension, and reaction - Is the message believable? It is relevant? Acceptable? What are the strong points? Pre-testing methods include:

- Focus groups—Small groups of 8 to 12 people who meet with a moderator to discuss ideas and materials. Focus groups are especially helpful in the early stages of materials development to test themes, images, and general issues.
- Interviews—In-depth interviews can be used to gauge an individual's reactions to a sensitive issue and/or specific materials.
- Central-location-intercept interviews—These interviews are held in public areas where members of the target population congregate. These areas include shopping malls, movie theatres, schools, and churches. Questions are designed for quick answers that are easily tabulated.
- Theatre testing—Many people in the same location view messages (such as public service announcements) embedded in other programming.
- Self-administered questionnaires—(mailed or delivered) This method provides access to people in rural areas or those who are not likely to attend focus groups or to be in areas for central-location-intercept interviews.
- Readability testing—Used to gauge the reading levels of materials. One widely used formula uses both sentence length and syllable counts to estimate reading levels.

f) Implementation

Promote and distribute the idea through all chosen channels.

g) Continuous Monitoring and Revision

Continuous program monitoring is highly required by social marketing to assess program efficacy in encouraging desired behaviour changes. Monitoring also aids in identifying activities that are effective and those that are not, and in making midcourse corrections in program interventions.

h) Evaluation

The on-going process that enables planners to discover strengths and weaknesses and to refine the product is known as evaluation. It is done to determine what has worked well based on the goals and objectives established at the beginning of the program. It also assesses how the program affected the beliefs, attitudes, and behaviours of the target population.

There are four main kinds of evaluation-

- Formative evaluation
- Process evaluation
- Outcome evaluation
- Impact evaluation

i) Feedback/Re-consideration

If the feedback turns out to be positive then, the idea/service may be replicated to separate target audience or separate locale may be chosen. In case any faults are pointed out then they may be rectified.

Role of Marketing in Economic Growth

Marketing plays a vital role in economic growth in the present world. It ensures the planned economic growth in the developing economy where the inadequacy of goods, services, ideas and excessive unemployment, therefore marketing efforts are needed for mobilization of economic resources for additional production of ideas, goods and services resulting in greater employment.

- Marketing accelerates the aggregate demand thereby enlarges the size of market.
- Marketing in basic industries, agriculture, and mining and plantation industries helps in distribution of output without which there is no possibility of mobilization of goods and services which is the key point for economic growth. These industries are the back bone of economic growth.
- It also accelerates the process of monetizing the economy which in turn facilitates the transfer of investible resources.
- It helps in discovery of entrepreneurial talent. Intermediate industrial goods and Semi-industrial products etc. basically marketed for industrial purpose in order to develop the industrial sector with a view to economic growth.

- In Export trade and services like tourism and baking marketing plays superior role in order to grow the economy.

Now days economic and social changes are necessary for bring about the development of a nation. Social changes are brought about in a planned manner through social marketing technology. With the speedy growing marketing business, technology is playing a more important role in the demands of analysing and utilizing the large scale information gathered from customers. To predict the accompanying business strategy by using technology, it is required to evaluate the customer performance, discover the trends or patterns in customer behaviour. For this purpose, the modern world is using the technology at a maximum level by e-commerce, Internet marketing and services etc. Even though in many developing countries, Government demands in marketing efforts in order to provide equitable distribution at minimum social costs by setting ceiling and floor prices of food grains and industrial raw materials, setting maximum whole sale and retail prices of scarce consumer products etc. which ensures the smooth flow of essential goods and even influencing the decisions pertaining to distribution and advertising. Even though the economic recession affects the market at a larger level, it plays major role in economic growth.

2.6 PHILOSOPHIES OF MARKETING

There are different concepts that guide sellers to conduct their marketing activities. For example, sellers can only focus on production and try to reduce their cost of production, or focus on improving the quality of the product. Similarly, they can pay more attention to selling and promotion. Before 1950s, marketing was basically a means of making production more efficient. In this way, different concepts have evolved to help the organizations in managing their marketing activities. These concepts are production, product, selling, marketing, societal and new-era marketing. Following are the explanations of the concepts:

a) Production Concept :

Production concept refers to the philosophy that supply creates its own demand. It means that the sale will increase automatically with the increase in production and distribution facilities. This is one of the oldest concepts and works only in few situations. It is based on the idea that the more we make, the more profitable we become. It works best in a seller's market when demand is greater than supply because it focuses on the most efficient ways to produce and distribute products. For e.g. if the management is trying to reduce the cost of production then it can do so by increasing the production. With the increase in production, economies of scale take place and the cost of production reduces, which helps to reduce prices. Similarly, the concept of production is helpful in situation when there is imbalance between demand and supply i.e. demand exceeds supply. Due to higher demand, prices start to increase therefore management can earn higher profits by increasing the production. Firms that focus on a production concept tend to view the market as a homogenous group that will be satisfied with the basic function of a product. Application of this concept leads to poor quality of service and higher level of impersonalization in business.

b) Product Concept :

Product concept states that the sellers should focus on improving the quality of their products, improve the performance, add more innovative features, etc. So basically this concept is about to attract customers by improving the quality and performance on one hand and offer attractive prices on the other. Similarly, the design, packaging and effective distribution channels of product are some of the important tactics to attract the customers. The important drawback of product concept is that it can lead to marketing myopia in which the organization overlooks the importance of other substitutes available in the industry. Another major problem with this concept is that managers forget to read the customer's mid and launch products based on their own technological research and scientific innovations.

c) Selling Concept :

The concept of selling focuses on the large scale selling and promotion activities in order to attract more customers. When product availability exceeds demand in a buyer's market, businesses may engage in the "hard sell" in which salespeople aggressively push their wares. The selling concept means that management views marketing as a sales function, or a way to move products out of warehouses so that inventories don't pile up. There are various industries which sell products which buyers do not normally think of buying. Therefore, in order to attract such buyers, these organizations should practice the selling concept. There is high risk in such marketing because the organizations try to sell the product whether the buyer likes it or not. Thus, if the buyers do not like the product then it can really spoil the reputation of the organization. Companies that still follow a selling concept tend to be more successful at making one-time sales rather than building repeat business. This approach is applicable in the case of companies that sell unsought goods like life insurance, firefighting equipment and vacuum cleaners etc.

d) Marketing Concept :

According to marketing concept, organizations should focus to analyse the needs and wants of target market and provide the desired satisfaction more effectively than competitors do. It proposes that the reason for success lies in the company's ability to create, deliver and communicate a better value proposition through its marketing offer. According to Theodore Levitt "Selling focuses on the needs of the seller and marketing focuses on the buyer. Most people mix marketing concept with selling concept but there is difference between the two. Selling concept starts with the production of the goods, focuses on promotion and sales and ends at getting profits. In contrast the marketing concept starts with a well-defined market, focuses on customer needs and wants and ends at creating long term customer relationship by effectively satisfying the needs and wants of customers. Thus with the help of marketing concept, an organization could be benefitted in the long run. Success of the marketing concept depends on enterprise-wide adaptation of marketing culture. If every department thinks about the customers and keeps them in the forefront of their decision making, then the organization can achieve a complete market oriented culture.

e) **Societal Marketing Concept :**

Societal marketing concept focuses to improve the well-being of the customers and society as a whole. Therefore, these organizations which are practicing this concept try to analyse the needs, wants and demands of the target market and deliver superior value to customers which results in overall well-being of the customers and society as well. It combines the best elements of marketing to bring social change in an integrated planning and action framework with the utilisation of communication technology and marketing techniques. Marketing is not a business activity alone but must take into account the social needs. Societal marketing concept is relatively new as compared to other marketing management philosophies.

2.7 SUMMARY

It is true that marketing in a developmental sense produces profit, but the profit is in the kind of human resource development and ultimately national development. Marketing is relevant to economic growth at all stages of development and also at micro and macro-marketing levels. The degree of relevance, however, will vary from sector to sector. The concept of marketing and its tools and techniques are equally applicable in the design, implementation and control of social programmes. For effective contribution to economic development marketing must deal with issues concerning socio-economic aspects of the nation's environment. To highlight most social causes to be effectively promoted, whether it be family planning or environmental pollution, one needs as vigorous a marketing approach as new product or service. Finally, the discussion on role of marketing in relation to some selected sectors like agriculture development and farm productivity, industrial and entrepreneurial growth highlights the importance of viewing marketing in a development sense and shows how the knowledge and technology of marketing could solve the problems of national development.

2.8 KEY WORDS

- **Economy:** The wealth and resources of a country or region, esp. in terms of the production and consumption of goods and services.
- **Product concept:** Management philosophy that emphasises the most efficient ways to produce and distribute products.
- **Selling Concept:** A managerial view of marketing as a sales function or a way to move products out of warehouses to reduce inventory.
- **Economic development:** The quantitative and qualitative changes in the economy.
- **Developing Economy:** A nonindustrialized poor country that is seeking to develop its resources by industrialization.

2.9 SELF ASSESSMENT TEST

1. Give two examples of firms that you feel reflect the philosophies of the following era. Defend your answer.
   a. Production era
   b. Sales era
   c. Marketing era
2. Explain how organizations reflect CSR and make a short conclusion to indicate the relationship between social marketing and CSR?
3. Explain how the shift in the standard of living in developing economy correlated to marketing?

2.10 FURTHER READING

Marwin E. Goldberg, Martin Fishbein and Susan E. Middlestadt: Social Marketing: Theoritical and Practical Perspectives (Lawrence Erlbaum , 1997)

R Crag Lefebvre: Social Marketing and Social Change (Jossey-Bass, 2015).

UNIT-3 MARKETING FOR SERVICES

Objectives

After reading this unit, you should be able to:

- Understand the characteristics of services and the distinctive marketing challenges they pose
- Identify the four broad "processing" categories of services
- Know the framework for developing effective service marketing strategies
- Understand the components of the expanded services marketing mix

Structure

3.1 INTRODUCTION

Today we live in a service economy. The size of the service sector is increasing in virtually all countries around the world. Just as there was a shift from the farm to the factory, the shift has now been from manufacturing to service. As a national economy develops, the relative share of employment between agriculture, industry (including manufacturing and mining) and services changes dramatically. As per the statistics of developed countries, services account for around 75 percent of jobs and 70 percent of the GNP capital is from service sector. Even in emerging economies, the service output is growing rapidly and often represents at least half of the gross domestic product (GDP). Service is no longer an industrial by-product, but has become a powerful economic engine in its own right. In developed economies, knowledge-based services-defined as those that is intensive users of high technology and have relatively skilled workforce-have been proving the most dynamic component.

An economy is called service economy when the contribution of the service sector to the GDP of the nation is more than 50 percent. USA was the first economy to be declared as a service economy way back in 1948 with about 53 percent contribution of the service sector to the GDP of the nation. Services are becoming a critical source of wealth in many ways to the economies. Economies experienced increase in employment with the growth in service sector. While the rate of employment in manufacturing sector is reducing every year, employment in the service sector is rising. In the service business we have public sector, private sector and agencies providing specialized services. Even in the manufacturing sector we have service providers such as computer operators, management experts, legal experts and financial experts etc.

3.2 THE CONCEPT OF SERVICES

The basic question that confronts everyone is what exactly a service is and why should there be a separate learning on service marketing? A different marketing approach is necessary for service marketing, because services differ from goods in many respects. One of the basic differences is that goods were objects of value over which ownership rights could be established and exchanged. Ownership implied tangible possession of an object that had been acquired through purchase, barter or gift from the producer or a previous owner and was legally identifiable as the property of the current owner, but in the sale of services, transfer of ownership will not take place.

Defining Services

According to the American Marketing Association services are "activities, benefits or satisfactions which are offered for sale or provided in connection with the sale of goods." This definition provides a limited view of services. However, this was the first major attempt to identify services differently in valuing the output of a society.

Services cover a vast array of different and often very complex activities, making them difficult to define. The word service originally was associated with the work servants did for their masters. In time, a broader association emerged, captured in the dictionary definition of "the action of serving, helping or benefitting; conduct tending to the welfare or advantage of another. Sometimes services are also defined as economic activities offered by one party to another. Often time-based, performances bring about desired results to recipients, objects or other assets for which purchasers have responsibility. In exchange for money, time and effort, service customers expect value from access to goods, labour, professional skills, facilities, networks and systems; but they do not normally take ownership of any of the physical elements involves.

One common method of defining a service is to distinguish between the 'core' and 'peripheral' elements of the service. The 'core' service offering is the 'necessary output of an organization which are intended to provide the intangible benefits customers are looking for'. Peripheral services are those which are either 'indispensable' for the execution of the core service or available only to improve the overall quality of the service bundle.

According to Christopher Lovelock there are five broad categories within the non-ownership framework:

1. **Rented goods services.** These services enable customers to obtain the temporary right to use a physical good that they prefer not to own. Example includes Fancy dress costumes.
2. **Defined space and place rentals.** Here, customers obtain use of a defined portion of a larger space in a building, vehicle or other area. Example includes a seat in an aircraft.
3. **Labour and expertise rentals.** Customers hire other people to perform work that they either choose not to do for themselves or are unable to do because they lack the necessary expertise, tools or skills. Example includes car repair.
4. **Access to shared physical environment.** These environments may be located indoors or outdoors or a combination of both. Like museums and theme parks. In return for a fee, customers rent the right to share use of the environment with other customers.
5. **Access to and usage of systems and networks.** Here, customers rent the right to participate in a specified network such as telecommunications, utilities, and banking or specialized information services. Service providers often create a veritable menu of terms for access and use in response to varying customer needs and differing abilities to pay.

In many instances, two or more of these categories may be combined. When you take a taxi, you're hiring both a driver and a vehicle.

Exercise 1

Identify a firm engaged in marketing of services:

a) Describe the nature of service which the firm is providing.

b) Describe how the firm is differentiating its service as compared to that provided by the competing firms.

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3.3 REASONS FOR GROWTH OF THE SERVICE SECTOR

What is driving the rapid growth of the service sector? Government policies, social changes, business trends, advances in information technology and globalization are among the powerful forces transforming the service markets. Collectively, these forces are reshaping demand, supply, the competitive landscape and even customer's style of decision making. The growth of service sector is a worldwide trend. As mentioned already, many economies became service economies and the others are following in their steps. Growth proportions are so significant that the service accounts for 12.5 percent in 2007, almost one-eighth of the GDP. More than 75 percent of the workforce in the US is employed in the service sector. The majority of the workforce in all developed countries in the world including UK, France, Germany, Japan, Canada and so on are engaged in service organizations. Quinn and Gangnon identified the contribution of service sector to any economy in the following respects:

1. The value added produced by service firms is very well comparable to, and even higher than the value added produced by manufacturers of goods.

2. Service industries increases productivity that is big enough to support continuing real growth in per capita income.

3. People value services at least as highly as manufactured goods. Services are not something one looks at after the goods needs have been met.

4. The service sector is at least as capital intensive as the goods sector and many service industries have a high technology impact.

The reason for the growth of the service sector can be broadly categorized into two. They are :

1. Growth in intermediate demand from firms.

With the growth of competition and the pace of change in consumer exposure and expectations forced organizations to look for specialized services. Companies started bundling the organizations and taking the services from outside, where highly professional and specialized services are available at a relatively low price. As a result, a number of service organizations have come up in the world. Manufacturing firms realized the importance of staff function when line managers sub optimal performance in decision making relating to operational activities as well as the growth of the business was identified. The concept of self-reliance by way of minimizing or avoiding dependence on other was used by the firms to reduce uncertainties.

2. **Growth in final demand from customers.**

   A majority of the population in developed economies and significant groups in developing economies are becoming more affluent year by year. There is a growth in direct demand from customers for a variety of services. The marginal utility from goods has diminished at least in a relative sense and services have grown in importance. Millions of strong middle income households in India with their desire for a variety of products and services attract many multinational companies to the country. The demand for personal services, travel, tourism, entertainment and the like depends upon the affluence of the society. Affluence reduces the scope of self-service and creates opportunities for many service people and organizations. Moreover, the tendency of the people throughout the world is to gain more leisure time so as to attend to their personal and family activities, which is an important factor in the growth of service industry.

Service Sector in the Indian Economy

A key measurement of growth of the service sector is its contribution to the Gross Domestic Product (GDP) of the country. While considering services for this purpose, there are two important dimensions that need special attention. They are the hidden services and the services in the unorganized sector. Hidden services are those that are used internally by the manufacturing organizations. The output value of such services become part of the output of the tangible goods. There are large numbers of services that are not accounted for output assessment for the purpose of GDP calculation. Personal services, maid services and a host of professional such as barber, carpenter, washer man and the like, in semi-urban and rural India have their roots going back several centuries. These services are predominant in almost all parts of the country,

Exercise 2

Identify the services which a firm uses on a regular basis in the areas of marketing, finance and government dealing in your area?

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3.4 CHARACTERISTICS OF SERVICES

Services have basically five characteristics that greatly affect the design of marketing programs. They are:

1. **Intangibility:** They cannot be seen, tasted, heard or smelt before they are bought unlike physical products. Services often include important tangible elements, such as hotel beds, restaurant meals and bank cards. However, as the non-ownership perspective implies, it is intangible element-including the labour and expertise of service employees-that dominate the creation of value in service performance.

   Implications

   Intangibility presents problems that consumers may experience difficulty in knowing and understanding what is on offer before, and even after, receipt of the service. The challenge for the service provider is to determine the extent of intangibility and the management action required to make the service more tangible.

2. **Inseparability:** Services cannot be separated from the service provider. In fact, the production, delivery and consumption of a service take place simultaneously in the buyer-seller interaction. Hence, due to inseparability, direct sale of many services is the only channel of distribution. The market for offering personal services is bound to be limited.

   Implications

   The involvement of the customer in the production and delivery of the service means that the service provider must exercise care in what is being produced and how it is produced. The latter task will be of particular significance. Therefore, proper selection and training of customer contact personnel are necessary to ensure the delivery of quality. Production and consumption are said to be separable. On the other hand, the consumption of services is said to inseparable from its means of production.

3. **Variability:** The quality of services provided by the competing firm cannot be standardized. Even the quality of the output of services sold by one seller cannot be uniform or standardized. No two customers can have exactly similar service even though they experience it simultaneously.

   Implications

   Reducing variability involves determining the causes. It may be due to unsuitable personality traits in an employee which are very difficult to detect at the selection stage. For services, variability impacts upon customers in terms not just of outcomes but also of process of production. It is the latter point that causes variability to pose a much greater problem for services, compared to goods. It can also pose problems in brand building as compared to tangible goods – for the latter it is usually relatively easy to incorporate monitoring and a quality control procedure into production processes in order to ensure that a brand stands for a consistency of output.

4. **Perishability:** Service perishes. They cannot be stored. Time element assumes unique importance. If a service is not used today, it is lost forever. It cannot be carried forward. Unutilized services are economic losses to the organization. The major challenge of these firms is to balance the supply and demand position. Thus demand management is one of the crucial tasks for the service firms.

   Implications

   Fluctuations in demand characterize service organizations and may pose problems where these fluctuations are unpredictable. Strategies need to be developed for producing a better match between supply and demand. Service differs from goods in that they cannot be stored.

   The producer of a service which cannot sell all its output produced in the current period has no chance to carry it forward for sale in a subsequent one. The Perishability of services results in greater attention having to be paid to the management of demand by evening out peaks and troughs and in scheduling service production to follow this pattern as far as possible. Pricing and promotion are two of the tools commonly adopted to tackle this problem.

5. **No Ownership :** Consumers will have experience of the service but not ownership. Since the services are intangible and perishable the question of ownership doesn't arise. Convincing the customer with tangible goods on which he will have ownership through transfer of title is much easier than selling an experience where nothing remains after consumption, except the memory of it. Customer dissonance would be higher in the case of services than of goods. A service is purchased for the benefits it provides. If we closely examine the reasons why products are purchased, we find that they are bought not because of their physical, tangible features but because they provide certain intangible benefits and satisfactions. Bathing soap provides the primary benefit of cleanliness, air-conditioner provides the benefit of a cool and fresh air, comfortable environment, a mixer-cum-grinder provides convenience. The only difference between products and services is that in the latter the intangible component is greater than in the former. Thus, services can be treated as a special kind of product.

Exercise 3

Describe and distinguish the tangible and intangible aspects of the service provided by the following:

i) Bank

ii) Hair Dresser

iii) Airlines

iv) Beauty Parlour

v) Hotel

3.5 ELEMENTS OF MARKETING MIX IN SERVICE MARKETING

The nature of services poses distinct marketing challenges; hence, the 4 Ps of goods marketing are not adequate to deal with the issue arising from marketing services and have to be adapted and extended. Further, the traditional marketing mix does not cover managing the customer interface. Marketer therefore needs to extend the marketing mix by adding three Ps associated with service delivery – process, physical environment and people. Collectively, these seven elements – the "7 Ps" of service marketing – represents the ingredients required to create viable strategies for meeting customer needs profitably in a competitive marketplace.

The Traditional Marketing Mix

Product : The Service product requires consideration of the range of services provided, the quality of services provided and the level of services provided. Service product lie at the heart of a firm's marketing strategy. If a product is poorly designed it won't create meaningful value for customers, even if the rest of the 7 Ps are well executed. Attention will also need to be given to matters like the use of branding, warranties and after-sale service. Service product consists of (1) a core product that responds to the customer's primary need and (2) an array of supplementary service elements that are mutually reinforcing value added enhancements that help customers to use the core product more effectively.

Price : Customers, by contrast, see price as a key part of the costs they must incur to obtain desired benefits. Price may also play a part in differentiating one service from another and therefore the customers' perceptions of value obtained from a service and the interaction of price and quality are important consideration in many service price sub mixes. To calculate whether a particular service is "worth it," they may go beyond just money and assess the outlays of their time and effort. Service marketers, therefore, must not only set prices that target customers are willing and able to pay, but also understand – seek to minimize, where possible – other burdensome outlays that customers incur in using the service. These outlays may include additional monetary costs, time expenditures, unwanted mental and physical effort and exposure to negative sensory experiences.

Promotion : Promotion includes the various methods of communicating with markets whether through advertising, personal selling activities, sales promotion activities and other direct forms of publicity or direct forms like public relations. The communication component plays three vital roles: providing needed information and advice, persuading target customers of the merits of a specific brand or service product and encouraging them to take action at specific times. Communication, in service marketing is educational in nature, especially for new customers. Communication may be delivered by individuals such as salespeople and frontline staff, at websites, on display screens in self-service equipment and through a wide array of advertising media. An important role of a service firm's communication is to create confidence in its capabilities by emphasizing the firm's experience, credentials and expertise of its capabilities.

Place : The location of the service providers and their accessibility are important factors in service marketing. It may involve physical distribution or electronic channels, depending on the nature of the service. Many information-based services can be delivered almost instantaneously to any location in the world that has internet access. Firm's may deliver service directly to end-users or through intermediary organizations – such as retail outlets that receive a fee or commission – to perform certain tasks associated with sales, service and customer contact. Speed and convenience of place and time have become important determinants of effective distribution and delivery of services. Nowadays, a growing number of services are available 24/7, and via more and more distribution channels, including retail branches, self-service machines like ATMs, call centers and internets.

The Extended Service Marketing Mix

Since services are usually produced and consumed simultaneously, customers are often present in the firm's factory, interact directly with the firm's personnel and are actually part of the service producing process. Also, because services are intangible customers will often be looking for any tangible cue to help them understand the nature of the service experience.

3.6 CASE OF SERVICE MARKETING

Process : Some services are very complex, requiring the customer to follow a complicated and extensive series of actions to complete the process. Smart managers know that where services are concerned, how a firm does things – the underlying processes – often are as important as what it does. So, creating and delivering product elements requires design and implementation of effective processes. Manufactured products can be produced at a separate factory, under controlled conditions and checked for conformance with quality standards long before they reach the customer. For, services however, operational inputs and outputs tend to vary more widely and make customer service process management a challenge.

The extended marketing mix elements are included in the marketing mix as separate elements because they are within the control of the firm and any or all of them may influence the customer's initial decision to purchase a service as well as the customer's level of satisfaction and repurchase decisions.

People : Many services will always require direct interaction between customers and service employee despite the technological advances. All of the human resources participating in the delivery of a service provide cues to the customer regarding the nature of the service itself. How these people are dressed, their personal appearance, their attitude and behavior all influences the customer's perception of the service. Service firms need to work closely with their human resource department and devote special care in selecting, training and motivation their service employees. In addition to possessing the technical skills required by the job, these individuals also need good interpersonal skills and positive attitudes. HR managers who make strategies recognize that loyal, skilled, motivated employees who can work well independently or together in terms represent a key competitive advantage.

Physical environment : The physical environment of service includes all of the tangible representations of the services such as brochures, letterheads, business cards, report format, and equipment. In some cases, it includes the physical facility where the service is offered. The service firms need to manage "services caps" carefully, since they can have a profound impact on customer satisfaction and service productivity. Physical environment cues provide excellent opportunities for the firm to send consistent and strong message regarding the organizations purpose, the intended market segments and the nature of the service.

Golden Chariots

With Indian luxury trains being ranked among the best in the world, the romance of the Raj and the rail is a winning combination and a good example of quality service marketing. Luxury trains have become a runway success and appeals to a growing and affluent customer segment, mostly foreign tourists. The demand is so great that there are no bookings available on the Wheels for next two years, while another luxury train, Deccan Odyssey, will be as difficult to board. The society of International Railway Travelers has rater them both among the top 10 trains of the world. The other train to make it to the list is the charming Raj-era narrow gauge toy train – the Darjeeling Himalayan Railway.

According to the President of the U.S. based Society of International Railway Travelers, Eleanor Hardy, "The list of world's top 10 trains is based on our own experience and that of our writers, editors, members and staff. The trains need to meet stringent standards for service, accommodation, scenery, itinerary, off-train experience and passenger enjoyment." Considering the steep rates of tickets on these trains, compared to the average tariff of a hotel room, the success of India's state-run royal trains is even more remarkable.

When the Palace on Wheels was launched in 1984, most critics had dismissed it as a niche product with limited appeal. But it has seen a surge not only among the foreign tourists but also among domestic travelers, provoking various State Governments to join the chorus for running such trains in view of its tourist attraction value.

The service concept of Palace on Wheels ensures that the tourist travels like a maharaja and experiences the exotic romance of the land of fairy tales and royal heritage. It is a week-long trip in the comfort of modern luxury. The train covers Jaipur, Jaisalmer, Jodhpur, Sawarimadhopur, Chittorgarh, Udaipur, Bharatpur and Agra.

The Golden Chariot is a 19-coach luxury extravagance, which was launched in March 2008. A joint venture of the Karnataka State Tourism Development Corporation, the Union Ministry and the Railway Ministry, the train's interiors are inspired by the royal palaces of Karnataka. Like its predecessors, the Golden Chariot will be handled worldwide by the luxury trains, with offices strategically located around the world, is the largest consolidator for the Palace on Wheels, Heritage on Wheels and Deccan Odyssey. Like them, the USP of the new train, the first in South India, will be combining the Indian Maharaja experience with modern comforts and an itinerary that covers major tourist spots. Starting from Bangalore, it will cover Mysore, Kabini wildlife sanctuary, the world heritage site of Hampi and other popular tourist sites before reaching Goa. At Rs. 1.33 lakhs for the entire trip, inclusive of food and drink, it's hardly a bargain but has generated a great deal of interest from prospective clients in overseas markets.

Like the Palace, the Deccan Odyssey's weeklong journey starts from a strategically located city, Mumbai and covers places of major tourist's interest in the regions including Goa, Ajanta and Ellora and other World Heritage sites. The Heritage on Wheels, collaboration between Rajasthan Tourism Development Corporation and the Indian Railways, is a shorter journey restricted to Rajasthan and includes lesser known Heritage sites, while India in Wheels has the longest trip, a 17-day itinerary that combines the best of the Palace on Wheels and Deccan Odyssey. The Great Indian Royal Express has lesser stops but a more elaborate and expensive experience, which also includes the Taj Mahal, while The Royal Orient combines sites in Gujarat and Rajasthan.

What has clearly appealed to a foreign audience is the majestic setting, high-class amenities and the convenience of travelling by night and stopping by day for group tours conducted by trained guides and in premium modes of transport. The centrally air-conditioned coaches have lounges, elaborate suites and bedrooms, running hot and cold water, satellite television, modern communication and chefs, who dish out regal fare. The interconnected passenger cars make the experience akin to a travelling five-star hotel.

With a valet to cater to your every whim and fancy in the lap of opulence and luxury as you travel through some of the most breathtaking scenic landscapes in the world, it is not surprising why one would choose the railway tracks over rushed check-in counters at any of the country's airports.

(Source: India Today, March 02 2008)

3.7 SUMMARY

Service sector is one of the key contributing factors for growth of our economy and civilization. Though marketing literature is dominated by manufacturing and product-centric business practices, service marketing constitutes a strategic area, which has propelled growth and success for many organizations. Pure services and pure products are hypothetical extremes as every product today is associated with some level of service and alternatively, physical evidences are created for augmenting services and reducing customer's perception of risk. Service is defined as any activity or benefit that one party can offer to another which is essentially intangible and does not result in ownership of anything. Its production may or may not be tied to a physical product. Pure services have distinct characteristics of intangibility, inseparability, Perishability, variability and a lack of ownership.

However, goods and services are converging in terms of these characteristics. The marketing mix for manufactured products is insufficient to explain the special nature of services and hence the 4Ps concept developed in product marketing is extended in service marketing by addition of people, process and physical evidence. Service can be classified on the basis of degree of intangibility, producer versus consumer services, the status of service in the total product offer, on the extent of inseparability, on the pattern of service delivery, extent of people orientation, on the significance of the service to the purchaser, on the basis of marketable versus non marketable services and also on the basis of multiple classifications.

Service quality is an important issue in marketing of services due to the fact that both production and consumption of services occur at the same time. The quality of service will delight a customer when it exceeds the service expectations of the customers. There are five types of service quality gaps that a service marketer should try to bridge through an effective service-marketing program. The first arises between customer expectations and management perception of consumer expectation. The second gap exists between management perception and service quality perception. The third gap exists between service quality perception and service delivery. The fourth gap explains the gap between service delivery and external communications and the last gap is between perceived service and expected service by the consumer. An effective quality management program should try to develop strategies to fill the gap and create customer delight.

3.8 KEY WORDS

- **Service:** A service is defined as any activity or benefit that one player offers to another in an exchange process, which is essentially intangible and does not result in ownership of anything.
- **Intangibility:** A pure service is difficult to assess through any of the physical senses. It is a bundle of abstraction, which cannot be assessed before it is owned. This explains intangibility of services.
- **Consumer Services:** These are aimed at individual consumers and are consumed for personal reasons.
- **Tangibility:** It means physical facilities and equipment and the appearance of the personnel.
- **Responsiveness:** It means the willingness to help customers and provide prompt service.
- **Competence:** It means possession of required skills and knowledge to deliver the support services.
- **Courtesy:** Politeness, respect or friendliness in delivering the services.

3.9 SELF-ASSESSMENT TEST

1. Service Marketing is more challenging than manufactured product marketing. Explain what differences exist between product marketing and service marketing with examples from Indian markets?
2. What are service quality gaps? What strategies should you follow to fill up service quality gap?
3. Service quality dimensions are important in marketing of services. How do these dimensions affect the marketing of the following services?

   a) Banking Services

   b) Health services

   c) Education

   d) Consultancy

UNIT-4 NEW CONCEPT OF MARKETING

Objectives

After reading this unit, you should be able to:

- Narrate the importance, various categories of product, price, promotion and service mix and strategies respectively.
- Describe the concept of E-marketing, Green marketing and Relationship marketing
- Narrate the concept and component of Retail marketing and Rural Marketing
- Explain the meaning, importance, meaning, elements and benefits of Ethical Marketing

Structure

4.1 Introduction

4.2 Guerrilla Marketing

4.3 E-Marketing

4.4 Green Marketing

4.5 Retail Marketing

4.6 Rural Marketing

4.7 Niche – Marketing

4.8 Other Relevant 'P's in Marketing Mix

4.9 Emerging concepts & Practices in Marketing

4.10 Cases in Marketing

4.11 Summary

4.12 Key Words

4.13 Self-assessment Test

4.1 INTRODUCTION

Marketing process basically consists of four steps: (analyzing the marketing opportunities, (2) selecting the target market, (3) developing the marketing mix and (4) implementing and controlling. However, as a marketing executive you may come across certain terminology and issues which are not discussed in the previous units. For instance, you may come across the concept of Green marketing, which is about implementing the marketing concepts and strategies in rural areas. How Internet technology is used for marketing? How different it is to market products or services in the rural markets? Some of such issues are discussed in this unit. In specific, this unit is intended to introduce you to a variety of emerging concepts such as CRM, Green Marketing, Internet Marketing and Rural Marketing.

4.2 GUERRILLA MARKETING

Guerrilla Marketing is an advertising strategy that focuses on low-cost unconventional marketing tactics that yield maximum results. The term Guerilla Marketing was coined by Jay Conrad Levinson in his book 'Guerrilla Advertising' in 1984. It was inspired by guerrilla warfare which is an irregular warfare and relates to the small tactic strategies used by armed civilians. Many of them include ambushes, sabotage, raids and elements of surprise. Guerrilla marketing is about taking the consumer by surprise, make an unreadable impression and create ample amount of social buzz. Guerrilla marketing is said to make a far more valuable impression with consumers in comparison to more traditional forms of advertising and marketing. This is due to the fact that most Guerrilla marketing campaigns aim to strike the consumer at a more personal and memorable level. Guerrilla marketing is often ideal for small businesses that need to reach a large audience without breaking the bank. It is also used by big companies in grassroots campaigns to compliment on-going mass media campaigns.

Instead of asking that you invest money, Guerrilla marketing suggests you invest time, energy, imagination and knowledge instead. It puts profits, not sales, as the main yardstick. It urges that you grow geometrically by enlarging the size of each transaction, having more transactions per year with each customer and tapping the enormous referral power of current customers. Guerrilla marketing advocates fervid follow-up, cooperation instead of competition, "you" marketing rather than "me" marketing, dialogues instead of monologues, counting relationships instead of counting sales and aiming at individuals instead of groups. The Guerrillas realize that the process of marketing is very much akin to the process of agriculture. Their marketing plans are the seeds they plant. Their marketing activities are the nourishment they give to each plant. Their profits are the harvest they reap. They know that profits don't come in a short time.

Basic Principles of Guerrilla Marketing:

Pursuing the analogy with Mao-Tse Tung's Guerrilla warfare tactics seven rules can be identified which illustrate the principles on which Guerrilla marketing relies. These are:

1. Concentrate your resources (time, place, and topic) to achieve temporary superiority.
2. Sell the ideology along with the product, not the product alone.
3. Identify established patterns, analyze them and overcome these patterns.
4. Search for synergies.
5. Try to outsmart any perception filters established in your target group.
6. Do not go the direct way; try to find the detours offering alternatives.
7. Be flexible and agile instead of building strongholds.

Looking at these rules, one can find several aspects that are not far from the "standard" marketing strategies. Some aspects, however, have completely different approaches. Guerrilla marketing is based on marketing the implicit attributes of products or services rather than their explicit, functional aspects. Rather than introducing the product itself, by introducing the idea that comes with it, it addresses the emotional ideology bound up with the product. This is done with the superiority of attention obtained at least in the very moment of communicating. Thus, Guerrilla marketing tries to target the emotional aspects of a buying decision by differentiating a product on an ideological level rather than a functional level. There are a number of key principles that characterize Guerrilla marketing. These can be remembered by the acronym NEAPS.

Networks : business should constantly look to make contacts and build relationships.

Energy : remember that every contact and every day is an opportunity to market your company. This is called 360-degree marketing.

Activity: be aware that there are always opportunities to make your product known and find ways of doing this when the opportunity arises.

Presence : find ways to make your business known to the market. This could be through chat rooms, emails, forums, discussion boards, radio, magazines, street posters, and so on.

Smart : make sure that you do not offend customers.

Differentiating Guerrilla Marketing from Traditional Marketing

Guerrilla marketing is marketing that is unconventional, non-traditional, not by-the-book and extremely flexible. Some of the factors that make it different from traditional marketing are:

1. The usage of time, money and energy instead of only money.
2. Use of the science of psychology, actual laws of human behavior not guesswork.

3. Instead of being oriented to companies with limitless bank accounts, Guerrilla marketing is geared to small business.

4. Guerrillas grow profitably and then maintain their focus instead of growing large and diversifying.

5. Instead of encouraging you to advertise, Guerrilla marketing provides you with 100 different marketing weapons; advertising is only one of them. Instead of growing linearly by adding new customers, Guerrilla grow geometrically by enlarging the size of each transaction, generating more repeat sales, leaning upon the enormous referral power of customers and adding new customers.

Methods for Guerrilla Marketing:

There is a list of some methods for Guerrilla marketing that can be used. These methods are:

- Product give-away, including free demonstration and consultation.
- Intrigue – generating mystery to engage customers.
- Peer marketing – bringing people with similar interests or ages together to build up interest in the product.
- SMS text and video messaging.
- Roach baiting and buzz marketing – using actors to behave as normal customers to create interest, controversy or curiosity in a product or service.
- Live commercials – using people to do live commercials in key places such as clubs and pubs.
- Bill stickers – an approach used to promote DJs and club events.

Guerrilla marketing encompasses marketing approaches such as buzz marketing, viral marketing and grass root marketing. Guerrilla marketing employs give-away and contests, special events and "happenings", and street teams and other highly visible marketing teams. The Guerrilla marketing approach is a low-cost, high impact form of marketing that stresses creativity and capitalizes on the immediacy of needs. It is an approach that is flexible and responsive to changing conditions and relies on a willingness to try many different approaches. Above all it is fun and attention catching. Also called extreme marketing or feet-on-the-street marketing, a Guerrilla campaign has no preset rules or boundaries. Guerrilla marketing uses a combination of engaging vehicles including elements of public relations, advertising and marketing into an offensive promotion strategy to reach consumers through a variety of means. The element of surprise may be Guerrilla marketing's greatest attribute.

Reasons to use Guerrilla Marketing

Guerrilla marketing techniques have been used by a number of brands both large and small, in different situations. A common reason to use

Guerrilla marketing techniques is to find new way to communicate with consumers. Nike sought to communicate with consumers through instant messaging. In a competition titled Speed Mob, pairs of participants were sent questions about new Nike products via instant messages; the first participant to answer the questions correctly progressed to the final round. Another reason to use Guerrilla marketing is to interact with an audience. In 2005, Burger King implemented a Guerrilla marketing campaign to increase sales by 25’K in Asian countries. The campaign designed by Ogilvy Red Card, aimed to attract more consumers into Burger King’s restaurants. Some of the steps included “putting IBK on T-shirts and placing them on statues of Ronald McDonald, placing large footprints from McDonald’s to Burger King, and putting signs on empty benches that said ‘gone to BK – Ronald’.

4.3 E-MARKETING

E-marketing or online marketing is the fastest growing form of direct marketing. Recent technological advances have created a digital age. Widespread use of the internet and the other powerful new technologies are having a dramatic impact on both buyers and the marketers who serve them. Internet advertising comprises not only advertising that is shown on websites, but also other kinds of online activities like email and social networking. Every aspect of internet marketing is digital, meaning that it is electronic information that is transmitted on a computer or similar device, though naturally it can tie in with traditional offline advertising and sales too.

E-marketing has three cornerstone principles:

1. **Immediacy :** The web changes at a blistering pace and online audiences, whose attention spans are short, expect on-the-minute update and information. To keep the favour and attention of this group, you must respond to online messages and internet with communities as quickly as possible.
2. **Personalization :** Customers online are no longer faceless members of a broad target audience-they are individuals who want to be addressed personally. Use the wealth of personal information available online to your benefit by targeting the relevant people precisely and personally.
3. **Relevance :** Communication online must be interesting and relevant to the reader, otherwise it will simply be ignored. With all the information that is competing for your audience’s attention, you must find a way to stand out and engage readers. The best way to do this is by giving them exactly what they want, when they want it.

Internet marketing today

Throughout its history, the internet has reinvented itself many times – and the changes are far from over. The current web is dominated by socializing, cooperation, sharing and personal entertainment. It is a space both for work and play – an essential tool for virtually every business and the go-to repository for all forms of media culture products. People of all ages are spending more and more time online, and are turning to the internet for better services, convenience and life-enhancing tools: just consider how people use online shopping, online banking, web communities that cross all boundaries, instant news and updates, social networks and chat, self-expression and any of the dozens of other things that the web makes possible. 2010 was the first year where online advertising spends overtook the amount of money spent on newspaper advertising in the USA. It was the same year that online readership overtook traditional newspaper readership, which illustrates just how large an impact the internet has had on the marketing and advertising industry.

Why you need to be online

- Your market and competitors are already there. If you market and sell products or services to a middle-class clientele, you need to extend your strategy to include the internet.
- Web users expect the highest convenience and information at their fingertips. All companies need a website as their central point of contact. If your details don't come up in a web search, you will be ignored.
- Customers are fickle. They will not expend a lot of energy to find you online. Even worse, if your competitor is easy to find online, your potential customers will happily turn to them.
- Since South Africans are using, socialising and buying on the web – and especially because current advertising spend is still very low – now is an excellent time to move your marketing into the online sphere and capitalize on a new and connected audience.
- Audiences want to interact with and converse about your brand and products. Give them the opportunity to do it in a mediated space, and become part of the discussion.
- Online marketing is almost always cheaper and more targeted than traditional. You can reach the best customers at the lowest price. When done smartly, your online marketing plan will integrate seamlessly with your traditional tactics, won't cost a fortune and will expose you to a market that you had previously been invisible to.

Marketing and the Internet

Much of the world's business today is carried out over digital networks that connect people and companies. The Internet, a vast public web of computer networks, connects users of all types all around the world to each other and to an amazingly large information repository. Internet usage continues to grow steadily. Last year, internet household penetration in the USA reached 64 percent, with more than 205 million people now using the internet at home or at work. The internet has given marketers a whole new way to create value for customers and build customer relationships. The web has fundamentally changed customer's notion of convenience, speed, price, product information and service. E-marketing encompasses a number of activities and these are increasingly changing as digital resources develop and evolve in both functionality and marketing applicability.

Global trends

The internet marketing field hasn't stood still. Here are some of the current trends:

Social media marketing: Whether it is a fad or here to stay, social media has made an indelible mark on the web landscape and, concurrently, on marketing tactics. Social media marketing involves using peer recommendations, sharing, building brand personality and addressing the market as a heterogeneous group of individuals. It also uniquely encourages customers to create content and buzz around a product themselves.

- **Viral marketing :** This form of marketing involves the exponential spread of a marketing message by online word of mouth (sometimes referred to a "word of mouse"). A major component of viral communication is the meme – a message that spreads virally and embeds itself in the collective consciousness ("Don't touch me on my studio" is a recent South African example). Viral marketing is closely tied to social media, since social media platforms and their sharing functionality are the main way that a message is able to "go viral" online. Keep in mind, however, that viral marketing does not make a holistic online marketing campaign and should be just one of many tools used to create awareness and encourage interaction.

- **Brand as product :** More than ever before, brands are creating personas and identities around themselves rather than the products they sell. The online space allows customers to interact and converse with the brand personally and directly.

- **Ad fatigue :** Web users have become very familiar with online advertising and have learned to tune it out – or have even installed programs like Ad Block Plus to block it altogether. Marketers today have to think of very innovative and eye-catching strategies to entice wary viewers.

- **Targeting :** Virtually all online advertising is targeted to reach specific readers. Unlike the broad-strokes targeting done in traditional marketing (placing an advert in a relevant magazine, for example), web targeting can be extremely precise. With the immense amount of personal and usage data currently available, targeting can be done automatically and extremely successfully.

- **Golden oldies :** Despite all the exciting new strategies, email and website marketing remain among the most useful and effective techniques. These strategies do, of course, use new tools and tactics (like advanced tracking, integration with social networks and customer-generated content), but their essence stays the same.

The future of internet marketing

Naturally, it is impossible to predict what the future of internet marketing will hold, but two things are certain :

1. The field is growing and will become the largest and most important marketing sector in coming years.
2. The growth will be driven by new innovations in technology.

On top of that, web users are becoming more aware and marketing savvy, and their attention spans are shortening as desirable content becomes ever more quickly available. This market is more likely to challenge debate and denigrate a brand – but it is also more likely to share good content and products with an exponentially growing social circle.

Technology and convergence

Convergence is the process by which many technologies meld into one. Consider your cell phone: it makes calls, has a small camera, functions as a web browser and calendar and probably does a range of other software-based tasks. This is a good example of a basic convergence device: many functions are compressed into one piece of technology. Many devices are far more complex. Apple's new iPad tablet computer performs thousands of possible function and can be used as a portable computer, document reader, web browser, media platform and so on.

4.4 GREEN MARKETING

Convergence also happens between seemingly unrelated devices. For example, some advanced refrigerators include a small computer and internet connection: the appliance monitors what food is in stock and automatically orders the necessary replacements at an online grocery shopping site when you run low. Child-protection devices monitor a child's location over GPS and its vital signs with a range of sophisticated equipment. Content can now move seamlessly between desktop and mobile devices. In an always-connected, converging world, marketing will have to adapt constantly and spread along these new technological lines.

Consumer control

The internet has already affected a radical shift in the way that media and consumers interact. Traditional media have a one-to-many approach: the media outlet beams its message down to a host of passive consumers. The web, however, relies on many-to-many interaction: anybody can post content or comment on what they see, and media outlets no longer have complete power over their broadcast message. In the world where everything is social and shared, the consumer has a lot of power – and it is likely to grow. Marketing agencies foresee that they will need to hand even more control over to customers, who want to engage on deeper and more significant levels with content. The trend may go so far as letting customers create and mediate marketing content, with agencies keeping oversight and steering from the sidelines.

A majority of people believe that green refers solely to the promotion or advertising of products with environmental characteristics. Terms like Phosphate Free, Recyclable, Refillable, Ozone Friendly and Environmental Friendly are some of the things consumers most often associate with green marketing. While these terms are green marketing claims, in general green marketing is a much broader concept, one that can be applied to consumer goods, industrial goods and even services. For example, around the world there are resorts that are beginning to promote themselves as "Eco tourist" facilities, i.e., facilities that "specialize" in experiencing nature or operating in a fashion that minimize their environmental impact.

Thus, green marketing incorporates a broad range of activities, including product modification, changes to the production process, packaging changes as well as modifying advertising. Yet defining green marketing is not a simple task. Indeed, the terminology used in this area has varied, it includes: Green marketing, Environmental Marketing and Ecological Marketing. While green marketing came into prominence in the late 1980s and early 1990s, it was first discussed much earlier. The American Marketing Association (AMA) held the first workshop on "Ecological Marketing" in 1975. At this workshop, ecological marketing was defined as: the study of the positive and negative aspects of marketing activities on pollution, energy depletion and non-energy resource depletion. This early definition has three key components,

- It is a subset of the overall marketing activity
- It examines both the positive and negative activities
- A narrow range of environmental issues are examined.

A broader definition of Green marketing is, it consists of all activities designed to generate and facilitate any exchange intended to satisfy human needs or wants, such that the satisfaction of these needs and wants occurs with minimal detrimental impact on the natural environment.

Importance of Green Marketing

The question of why green marketing has increased in importance is quite simple and relies on the basic definition of economics: Economics is the study of how people use their limited resources to try to satisfy unlimited wants. Thus mankind has limited resources on earth, with which he/she must attempt to provide for the world's unlimited wants. In market societies where there is "freedom of choice", it has generally been accepted that individuals and organizations have the right to attempt to have their wants satisfied. As firms face limited natural resources, they must develop new or alternative ways of satisfying these unlimited wants. Ultimately green marketing looks at how marketing activities utilize these limited resources, while satisfying consumers wants individual and industry, as well as achieving the selling organizations objectives.

Reasons for Using Green Marketing

There are several reasons for firms increased use of green marketing. Five possible reasons cited are:

1. Organizations perceive environmental marketing to be an opportunity that can be used to achieve its objectives.
2. Organizations believe they have a moral obligation to be more socially responsible.
3. Governmental bodies are forcing firms to become more responsible.
4. Competitor's environmental activities pressure firms to change their environmental marketing activities.
5. Cost factors associated with waste disposal or reduction in material usage forces firms to modify their behavior.

Opportunities

It appears that all types of consumers, both individual and industrial are becoming more concerned and aware about the natural environment. In a 1992 study of 16 countries, more than 50% of consumers in each country, other than Singapore, indicated they were concerned about the environment. There are numerous examples of firms who have strived to become more environmentally responsible, in an attempt to better satisfy their consumer needs.

McDonald's replaced its clam shell packaging with waxed paper because of the increased consumer concern relating to polystyrene production and ozone depletion. In a similar case Xerox introduced a "high quality" recycled photocopier paper in an attempt to satisfy the demand of firms for less environmentally harmful products. This is not imply that all firms who have undertaken environmental marketing activities improve their behavior. In some cases firms have misled consumers in an attempt to gain market share. In other cases firms have jumped on the green bandwagon without considering the accuracy of their behavior, their claims or the effectiveness of their products. This lack of consideration of the true "greenness" of activities may result in firms making false or misleading green marketing claims.

Social Responsibility

Many firms are beginning to realize that they are members of the wider community and therefore must behave in an environmentally responsible fashion. This translates into firms that believe they must achieve environmental objectives as well as profit related objectives. This results in environmental issue being integrated into the firm's corporate culture. Firms in this situation can take two perspectives; (1) they can use the fact that they are environmentally responsible as a marketing tool; (2) they can become responsible without promoting this fact. There are examples of firms adopting both strategies. Organizations like the Body Shop heavily promote the fact that they are environmentally responsible. While this behavior is a competitive advantage, the firm was established specifically to offer consumers environmentally responsible alternatives to conventional cosmetic products. This philosophy is directly tied to the overall corporate culture, rather than simply being a competitive tool. An example of a firm that does not promote its environmental initiative is Coca-Cola. They have invested large sum of money in various recycling activities, as well as having modified their packaging to minimize its environmental pressure. While being concerned about the environment, Coke has not used this concern as a marketing tool. Thus many consumers may not realize that Coke is a very environmentally committed organization.

Governmental Pressure

As with all marketing related activities, governments want to "protect" consumers and society; this protection has significant green marketing implications. Governmental regulations relating to environmental marketing are designed to protect consumers in several ways, (1) reduce production of harmful goods or by-products; (2) modify consumer and industry's use and/or consumption of harmful goods; (3) ensure that all types of consumers have the ability to evaluate the environmental composition of goods.

Governments establish regulations designed to control the amount of hazardous wastes produced by firms. Many by-products of production are controlled through the issuing of various environmental licenses, thus modifying organizational behavior. In some cases, governments try to "induce" final consumers to become more responsible. Thus government's attempts to protect consumers from false or misleading claims should theoretically provide consumers with the ability to make more informed decisions.

Competitive Pressure

Another major force in the environmental marketing area has been firm's desire to maintain their competitive position. In many cases firms observe competitors promoting their environmental behavior and attempt to emulate this behavior. In some instances, this competitive pressure has caused an entire industry to modify and thus reduce its detrimental environmental behavior. For example, it could be argued that Xerox's "Revive 100% Recycled paper" was introduced a few years ago in an attempt to address the introduction of recycled photocopier paper by the manufacturers.

Cost or Profit Issue

Firms may also use green marketing in an attempt to address cost or profit related issue. Disposing of environmentally harmful by-products, such as polychlorinated biphenyl (PCB) contaminated oil are becoming increasingly costly and in some cases difficult. Therefore, firms that can reduce harmful waste may incur substantial cost saving. In these cases, they often develop more effective production processes that not only reduce waste, but reduce the need for some raw material.

Some Issue/Problems with going Green

No matter why a firm uses green marketing there are a number of potential problems that they must overcome. One of the main problem is that using green marketing must ensure that their activities are not misleading to consumers or industry and do not breach any of the regulations or laws dealing with environmental marketing. Green marketing claims must: Clearly state environmental benefits;

- Explain environmental characteristics;
- Explain how benefits are achieved;
- Ensure comparative differences are justified;
- Ensure negative factors are taken into consideration;
- Only use meaningful terms and pictures.

4.5 RETAIL MARKETING

Another problem firm's face is that those who modify their products due to increased consumer concern must contend with the fact that consumer's perceptions are sometimes not correct. Take for example the McDonald's case where it has replaced its clam shells with plastic coated paper. There is ongoing scientific debate which is more environmentally friendly. Since scientific evidence suggests that when taking a cradle-to-grave approach, polystyrene is less harmful. If this is the case McDonald's bowed to consumer pressure, yet has chosen the more environmentally harmful option.

Retailing is the set of business activities that adds value to the products and services sold to consumers for their personal or family use. It is responsible for matching supplies of manufacturers with the demand of consumers. The retailer performs many activities like anticipating and forecasting consumer requirements, developing an ideal assortment of products, acquiring and processing marketing information, bulk breaking to suit individual customer requirements and sometimes performs the financing function. Many institutions including manufacturers, wholesalers also do retailing. Although most retailing is done in retail stores, in recent years' non-store retailing has been growing much faster than on-store retailing. Non-store retailing includes selling to final consumers through direct mail, catalogue, telephone, Internet, TV home shopping shows, door-to-door contact and vending machines etc.

Retailing differs from marketing in the sense that it refers to only those activities, which are related to marketing goods and/or services to final consumers for personal, family or household use. Marketing however is an integrative process of planning and executing the conception, pricing, presentation and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objectives. Retailing is an intrinsic part of our daily lives. A successful retailer has to satisfy the customers through a high level of customer service and wide assortments of goods and services of customer's choice.

Functions of Retailing

Retailers are crucial players in the emerging market scenario. Large brands are running first to get into the desired retail formats to cater to the growing middle class of India. Retailers perform various functions like providing assortments, sorting, breaking the bulk, rendering services, bearing risk, channel of communication and transport and holding inventory. They significantly contribute towards increasing the product value and satisfying the consumers.

Providing Assortments : Offering an assortment enables customers to choose from a wide selection of brands, design, sizes, colors and prices in one location. Manufacturers specialize in producing specific types of products, for example, Kellogg's makes breakfast cereals and Campbell makes soups. If each of these manufacturers had its own stores that only sold its own products, consumers would have to go to many different stores to buy groceries to prepare a single meal. Retailers offer assortment of multiple products and brand for consumer convenience.

Sorting : Manufacturers make one single line or multiple product lines and will always prefer to sell their entire output to few buyers to reduce their costs. Final consumers will prefer to buy from a large variety of goods and services to choose from and usually buy in smaller quantities. Retailers have to balance between demands of both the sides, by collecting a combination of goods from different producers, buying them in large quantities and selling them to individual consumers in smaller quantities. The process is called sorting and under this process, the retailer undertakes activities and performs functions that add value to the products and services while selling them to consumers.

Breaking Bulk : Retailers offer the products in smaller quantities tailored to individual consumers and household consumption pattern. This reduces transportation costs, warehouse costs and inventory cost. This is called breaking bulk. The word 'retailing' is drawn from French, which means 'cutting a piece off', which shows the true function of a retailer.

Rendering Services : Retailers provides credits facilities to the customers. They display products, which attract the customers. Retailers keep ready information on hand to answer queries of the customers. They provide services by which the ownership can be transferred from manufacturer to the end consumers with convenience. They also provide product guarantee from owner's side, after sale services and dealing with consumer complaints.

Risk Bearing : The retailer bears a different kind of risk to the manufacturers and wholesalers. Even the customers can come back to the retail point and return the product. In that case the risk of product ownership many times rests with the retailers. Many companies have buy back schemes and return schemes whereby the retailers can return the unsold items.

Holding Inventory : A major function of retailers is to keep inventory so that products will be available for consumers. Thus, consumers can keep a much smaller inventory of products at home because they can easily access from the nearby retailers. Retailers inventory allows customers instant availability of the products and services.

Transport and Advertising Function : Retailers also help in transport and advertising function. The larger assortments are transported from wholesaler's point by retailers own arrangements and many times, the retailers deliver the goods at final consumer's point. So, retailers provide assistance in storage, transportation and advertising and pre-payment merchandise. The percentage that a retailer gets from the sale price depends on the number of function that the retailer does for the manufacturer.

Importance of Retailing

Retailing is the last stage in the channel of distribution, which comprises all the business and people involved in the physical movement and transfer of ownership of goods and services from producer to customers. Retailers collect an assortment of goods and services from various sources, buy them in large quantities and offer to sell them in small quantities to consumers. As s result, each manufacturer becomes more efficient and the final consumers are pleased with the available selection.

Wide retail assortments let consumers do one-stop shopping and they can choose and buy the product version and at the amount desired. Retailers communicate both with customers and with manufacturers and wholesalers. From ads, sales people and displays, shoppers learn about the availability and characteristics of goods and services, store hours, sales and so on. Manufacturers, wholesalers and others are informed about sales forecast delivery delays, customer complaints, defective items and more. Many goods and services have been modified due to feedback received by suppliers.

Basic Tasks of Retailing

The most fundamental task that retailing does is getting consumers into the store, converting them into customers and operating as efficiently as possible. It is not easy to successfully complete these three basic tasks. After all, inducing a person to part with his/her hard earned cash is not an easy job. Hence, retailing is not only the last step but also a decisive one that determines whether the efforts made were fruitful or wasted. Retailing strategy is carefully planned after identifying the target market and finalizing the target market. Retail segmentation is a method used to break down heterogeneous consumer populations into smaller more homogeneous groups, based on their characteristics. Because any single retailer cannot serve all potential customers, it is important that it segments the market and selects a target market. A target market is that segment of the market that the retailer decides to pursue through his marketing efforts. Retailers in the same line of trade pursue different target markets.

When the target is clearly identified then the retail can plan factors like location, assortment of merchandise, pricing and ambience. Targeting enables the retailers to efficiently utilize his/her scarce financial resources and efforts to position their products in a favorable light in the minds of the customers. A retailer device his positioning strategy in such a way that he is able to project a better and different image relative ti his retail category and its competitors and elicits consumer response to that image. The image perceived in the minds of customers induces the buyers to transact and repeat the same purchase behaviour over a period of time leading to store loyalty. So, segmentation, marketing and positioning helps the retailers to develop his retail strategy.

A retail strategy is the overall plan or framework of action that guides a retailer to use his scarce resources to achieve his objectives. It has the ability to influence activities of the retail organization and its responses to competitive forces. There are six steps involved in the development of a retail strategy. The manager defines the business of a firm in terms of orientation towards a particular sector. He should set short-term and long-term objectives, with regards to image and profitability. He should identify the target market towards which all efforts should be directed on the basis of customer characteristics and needs. There should be a decision regarding the broad direction of the company must take in future of retailing like pricing, location and channel member decision. Finally, he should receive the plan depending on the nature of the internal and external environment. A retail strategy combines both controllable and uncontrollable variables. The following table explains the set of controllable and uncontrollable variables:

Controllable Variables	Uncontrollable Variables
Store location Managing a business Merchandise management and pricing Communicating with customer	Consumers Competition Technology Economic conditions Legal restrictions

The retail concept has guidelines, which must be followed by the retailers, irrespective of their size, structure, channel design and medium of selling. The retail concept is deployed to reach its target market and achieve the firm's objective. The retailing mix brings the firm's objectives in final and practical form.

Retail Mix

It describes how major factors like price and merchandise are traded off against other retail factors like service, location, marketing communication, quality and store's ambience to form an overall store image, create value for customers and produce profit for the retailer. While developing a retail marketing strategy, the marketing manager can use these elements to design final retail management program.

Service: In retailing, the word 'service' describes the personal attention and amenities a store provides to its customers. Most stores offer at least some services. The help of a trained sales staff, for example adds value for customers. Other types of services provided by retailers include credit facilities, extended financing, gift-wrapping, and installation and customizing to suit individual customer requirements.

Location: This is the most important factor in a retailing decision. People will always look for location choice before going to a store. Even though today's consumer is highly mobile, the convenience of location is still one of the top criteria people use in choosing where to shop. This is especially true for fast moving consumer goods and durables business.

Ambience: Most successful stores have distinct images called store personalities. This is the result of many factors besides price and quality. Retailers often talk about atmosphere of ambience, when describing their image. Atmosphere reflects the environment both outside and inside the store; it includes window display, signage, décor, furniture, store layout, lightning, sound such as music and even scents.

Marketing Communication: A store's image as well as other information about the merchandise for sale is communicated largely through advertising and in-store promotional materials. The store front and display windows, store layouts and merchandise display help gain consumer enthusiasm, present a fresh look, introduce new product categories and reflect changing seasons and themes. Marketing communication is a key issue for Pantaloon stores as they put banners, posters and other point of purchase displays in the store before every new launch or beginning of a sales promotion program.

Pricing: Pricing refers to retailer's comparative strategy with respect to competitors. Many discount stores achieve greater success due to this pricing variation. Various pricing methods include prestige pricing, competitive pricing and penetration pricing to attract target consumers.

Retail Formats

The growth in retail power and influence has originated from the concentration of trade into the hands of fewer larger enterprises. The change in retail industry is due to various factors like liberalization, changes in regulation, globalization and consumer preferences. While international chains are looking for newer markets and manufacturers; the producers are also looking for different kinds of retail formats to cater to their target markets.

Mom and Pop Stores and Kirana Stores

Mom and Pop stores are the traditional independent stores, which are spread across the country and cater to a large chunk of population. The real growth in Indian retailing is happening in these kinds of stores. Though the emergence of organized formats have brought more competition to the Pop and Mom stores and Kirana stores, but the level of proximity these store enjoy has given them a comparative advantage over others. Such kinds of stores are found everywhere in India and mostly in small towns in India.

Department Stores

These kinds of stores are found in USA. Example of such kinds of stores includes JC Penney, Sears and Montgomery ward. A department store must have at least 2500 square meters of space. It must offer a product range that is both wide and deep in several product categories. These kinds of stores are slowly becoming non-profitable. These players are not going out of market but they are turning out to be variety stores to cater to large markets.

Discount Stores

These are big stores like Wal-Mart, which is the biggest retailer in the world. These along with category killers have changed the landscape of the retails industry. The discount stores are likely to dominate the future retailing in India. These big stores achieve economy of scale and hold substantial power in the market. Their capacity and technology usage are so high that they control more of the marketing network than the manufacturer.

Category Killers

These retailers dominate one area of merchandise like sports goods, office depot's etc. These category killers buy such a huge quantity that they can offer prices at abysmally low levels, even manufacturers cannot match. The future of this category of stores is brighter than many of the general discounters.

Specialty Stores

These stores include Body Shop, Crate and Barrel and Victoria Secrets. These stores concentrate on one type of merchandise and offer in a manner that makes it special. Some of these stores are high-end stores like Tiffany's. Many of these stores also cater to prices conscious customers. Many of these stores are so successful that departmental stores have started following such models. There is likely to be a growth in home furnishing and home Improvement category of specialty stores.

Superstores and Hyper Markets

The super markets and hyper markets are becoming more popular in the face of declining of departmental stores. These stores are situated outside traditional shopping centers and enjoy greater accessibility by car, greater economies of scale and the benefits of being built for a special purpose. While a super store is around 25000 square feet of selling space, a hypermarket has around 50000 square feet of selling space. These are large stores selling primarily groceries in some countries. In many countries the term implies large stores and special formats, offering a strong depth of assortments.

E-tailers

Many of the popular store formats have their online storefronts but there is a growing class or e- tailers or virtual retailers in the Internet space. One of the successful models is www.amazon.in. Another popular discount e-tailer is www.flipkart.com, which uses reverse auction pricing model to cater to the online shoppers. Few more are www.ebay.in, www.snapdeal.com, www.myntra.com, www.jabong.com, www.shopclues.com, www.homeshop18.com, www.aliexpress.com, www.lenskart.com, www.reliancedigital.in, etc. Since e-commerce and online shopping are on a rise, we are likely to see successful e-tailers in the coming period of time.

4.6 RURAL MARKETING

A few years ago, the rural market in India was an unknown territory and many companies were not interested in entering the rural markets of India, as the demand pattern was fragile, seasonal, purchasing power was scantly distributed among a few wealthy landlords. Communication, transportation and infrastructure were the main blocks for growth of rural market and penetration of urban products in rural markets. But these things are the story of the past and now everyone is looking at rural markets as the next growth driver in Indian market.

Today, rural markets are in the focus of Indian marketers for various reasons that include the current and future potential of the market. The size of the market covers two thirds of the country's population and half of the national income comes from the rural population. The country is classified into more than 400 districts and around 63,00,000 villages, which can be classified on the basis of literacy level, fragmented income level, different degree of penetration and geographic distance from urban markets. These classifications help in arriving at a market size that offers opportunities and challenges to urban marketers. For the purpose of convenience, we would take the definition adopted by the Government of India that "whatever is not urban is rural". The government of India defines urban as one that follows any of the following three sets of criteria:

- Presence of a Municipal Council, Cantonment, etc. or a minimum population density of 5000 persons;
- A population density of 400 persons per sq. km;
- At least 75% of the male population is engaged in non-agricultural activities.

While the rural market certainly offers a big attraction to marketers, it is one of the most difficult markets, requiring from the marketers a considerable amount of investment. It should be mentioned here that more than investments, what is required is an understanding the psyche of the rural consumer and this is indeed the most daunting tasks as reflected from the failure of many major brands in the rural markets.

Opportunities In Rural Markets

Rural marketing provides challenges and opportunities for marketers. If these challenges are taken care of through careful market planning and strategy building, it is possible to get success in rural markets in India.

Untapped Potential

It offers a great chance for different branded goods as well as services for larger number of customers. This market is largely unexploited by marketers. It is estimated by Unilever that out of five lakh villages in India, only one lakh has been tapped so far, which goes on to indicate the market potential of the rural market.

Market Size and Potential

The size of India's rural market is stated as 12.2 percent of the total world population. This means 12.2 percent of the world's consumers live in rural India. In India, rural households from about 72 percent of the total households and this constitute a huge market by any standard.

Current Consumption

The purchase and consumption of certain durables and non-durables by consumers in rural areas is more than in urban areas. Some of the durables for which the demand in rural areas is more than of urban areas are sewing machine, radios, wristwatches, bicycles etc. It is estimated that for washing machine and durables, the annualized growth has been at a rate of 37% and 25% respectively, which is outstanding by any standards.

Increasing Income

Different programs undertaken by the government have helped to improve the economic situation of the rural areas. The increase in income is seen in both absolute values as well as in the increase in average number of days of occupation in a year.

Accessibility of Markets

Though the road network hasn't developed to the best possible extent but a fiar amount of development has been made in many regions, making these regions accessible from the urban region and making it easier for supplying products to these regions.

Competition in Urban Areas

The urban market is getting saturated and thus is unable to provide the much needed market to many companies and in search of greener pastures, many of these companies are now targeting the rural market.

Challenges In Indian Rural Markets

Mismatch of Urban Focused Strategy to Rural Markets

Many companies have tried to push their urban produce to the rural heartland and have often failed in their initiatives. There are various reasons for which the urban marketing strategy does not fit into rural marketing structure and it needs a reorientation by looking at the competitive landscape and challenges of the rural market.

Lack of Retail Infrastructure

According to the Indian Market Research Bureau (IMRB) study, 60, 000 of the approx. 0.6 million villages in India did not have a retail outlet of any kind. Further, the outlet density in rural India is lower than that in urban India. Thus, it is more difficult to make a product available to a rural consumer than to an urban one. Moreover, the availability of retail infrastructure is directly linked to the village size. Thus, many small villages may not even have a shop from which the product can be made available to the rural consumers. Augmenting infrastructure at the retail level is a difficult task because it involves motivating someone to discard an alternative occupation, such as farming and start a shop. Further, even if there is willingness to open a retail shop the person may not possess the necessary capital to buy stocks.

Vast and Unevenly Distributed Purchasing Power

Although rural India accounts for a significant share of the total consumption in a number of categories, the consumption tends to be geographically dispersed because of the sparse distribution of population and unevenness of purchasing power.

Lack of Storage, Handling and Communication Infrastructure

For a tiered distribution channel to function, adequate storage, handling and transport and communication infrastructure is required. Pucca roads connect only 33% of the total villages in India. Further, the connected villages are not equally distributed across regions. While pucca road connects 57% of villages in the South zone, the same in the East zone connects only 20 %. Similarly, only 1.2% of villages in India have railway stations.

Seasonal Demand Pattern

Agriculture is the primary source of income in rural India. With agriculture being a seasonal activity, the demand pattern also tends to be seasonal. The demand is typically high during the peak crop harvesting and marketing season. The seasonality of demand implies low sales in the lull months, which again affects the viability of operations of the members of the distribution channel.

Importance of Rural Market

Though the rural markets are fragmented and consumer's purchasing power is not comparable to urban consumers, that does not in any way lessen the importance of rural markets in the Indian marketing environment as the following factors will indicate:

Size of Rural Market

An analysis of National Sample Survey data shows that of the total expenditure on manufactured consumer's goods, 75% is spent in rural India. The percentage has remained almost unchanged since 1960-61. Though per capita consumption and expenditure on manufactured consumer items is low in rural areas, the market is approximately three times larger. On the assumption that all persons or families above the poverty line from the market for some branded consumer goods, this market has a size of 62 million households.

Rural Market in Value Terms

For non-food consumption items, the size of the market in current prices was Rs. 5500 crores in 1970-71 and Rs. 27000 crores in 1999-2000. Assuming the rural population above the poverty line mainly consumes these items, it represents annual expenses of Rs. 15.6 per head per annum. In real terms, however, the growth has been very modest at 3.5 per cent per annum due to a number of factors such as:

- Lack of concerted effort by the organized sector to penetrate the rural market.
- Averages are misleading in this type of analysis, as peak opportunities, which occur in certain pockets, may not be fully realized.

Rural Target Population

Wealth distribution in rural India is uneven and the top 13 percent of the farmers land holdings account for 37 percent of cultivated areas. Further, NSS data show that the top 10 percent of the rural population accounts for about 37 percent of the expenditure on consumer goods. However, with the increase spread of the rural income, consumer goods are expected to make substantial penetration into the lower income strata by the normal percolation effect.

There is an increasing cross flow of population between urban and project town centers which act as conduits for cross flow of products and ideas, thus supplementing the demand for such products and ideas supplementing the demand for such products.

Sources of Rural Purchasing Capacity

There are various sources, which contribute to purchasing capacity in rural areas. A few of them are listed below:

Marketable Agricultural Surplus and Rural/urban Terms of Trade: So far as manufactured consumer goods are concerned; regression analysis reveals that there is a 0.7 percent rise in consumption for every 1 percent increase in marketable surplus of food grains. As the surplus is increasing every year, there will be increasing purchase capacity with farmers.

Remittances: The traditional remittances from within the country are now being supplemented in several states by remittances from overseas. In 1998 total inward remittances in the state of Kerala were estimated at Rs. 1400 crores. This creates new consumption and purchasing patterns among the rural population.

Government Expenditure: Investments in flood control and irrigation facilities, for rural development and associated programs is increasing day by day. Benefits from these programs will generate additional income leading to increasing in purchasing power for rural customers, which can be expected to support consumption of manufactured items. Further, these investments are expected to augment the income generation process from land in future years, which in turn, will accelerate the growth of rural markets.

Dispersal of Industry: The investment in the development of backward areas will greatly speed up the income generation process in rural areas. Government is giving tax holidays and other incentives for industries to move towards rural areas, so that urban congestion can be avoided and there would be parity in rural development.

Developing Rural Marketing Strategy

Developing marketing strategy for rural markets is a difficult task and one cannot replicate an urban marketing strategy for rural markets. If rural markets have to be developed, each of the marketing elements like product, price, distribution and promotion should be performed in a different manner that in urban market. Segmenting rural markets is a difficult task due to wide variety in the consumption pattern and scarce distribution of potential customers among the rural population. Demographic characteristics like age, gender, occupation and social status can be used for market segmentation. Socioeconomic characteristics can also be used for the same. Other than the conventional methods of segmentation, we can also use few more variables like land holding pattern, irrigation facilities, progressiveness of the farmers, cropping pattern, and education level and occupation categories.

Segmentation on the basis of land holding pattern classifies customers into marginal farmers, small farmers, semi medium farmers, medium farmers and large farmers. The other segments include landless laborers, people working in non-farm sectors including rural craftsmen, agricultural labors and artisans. Rural markets can also be segmented from sociological perspective. This perspective classifies rural customers into following categories:

- Rich farmers who belong to the dominant caste of the areas
- Small peasants or marginal farmers owning uneconomic land holding
- Proprietors of land
- Tenant farmers operating on rented lands belonging to large landholders and working on small uneconomic land holding
- Agricultural laborers who work on the fields of rich farmers and landlords.
- Artisans and others, including the unemployed.

Segmentation on the basis of land holding is appropriate for agricultural product marketing. Segmentation on the basis of sociological perspective holds good for consumables and durables. Rural marketers use appropriate methods of segmentation for their products and services by taking a combination of segmentation bases for developing a successful marketing strategy.

4.7 NICHE – MARKETING

Niche markets are an attractive opportunity available to small businesses forced to compete against the scale economies that larger competitors are able to achieve. Niche markets consist of groups of consumers (market segments) within the larger marketplace who have similar demographic, buying behavior, and/or lifestyle characteristics. Examples include food buyers who prioritize quality assurances and source of production, and consumers who seek an easy preparation entrée available in convenient form. Even consumers with the same buying behavior may have differing motivations (which are essential elements to know for marketing and promotion). For example, organic consumers used to be identified by their concern for their environment, but now there are entirely different segments of consumers who buy organics because they perceive those foods as having higher nutritional benefits. Understanding target consumer segments is a crucial factor in determining whether an operation has the resources, interests, and business elements necessary to meet the needs of prospective customers.

Once the like-minded consumers have been identified, it may be helpful to name or label them (called “clustering”), as a way of facilitating targeted marketing activities and “branding” of the venture’s offerings. Clustering of consumers also allows a business to plan more targeted and effective marketing activities, especially if the venture understands the consumers’ motivations for buying products or visiting specific shopping or tourism venues. In addition, consumer clustering may also help with estimating potential visitor numbers and appropriate price points for different customer groups. For example, consider a venture that wishes to market to a customer group that prioritizes convenience. If it takes more marketing resources to get the venture’s product in ready-to-eat form or to nearby markets (farmers’ markets or direct deliveries), then the prices charged can be higher for this customer group to offset the additional resources. In comparison, this method of marketing would not work for a customer group that prioritizes price and is willing to go out of the way to locate lower-cost items

After the niche is identified, the next step is to find this buying public and grab their attention. This takes thoughtful promotional planning and development of messages to connect with potential buyers. Marketing materials, such as websites, brochures, personal communications, packaging, public image, etc., need to integrate credible claims, motivational messages, and consistent images to connect to (and build loyalty with) niche market consumers.

Essential elements of a niche marketing strategy to consider include:

- Know the customers: Segmenting the overall market allows the business manager to target what the business venture can offer.

- Set clear goals and objectives for what the business hopes to achieve by following a niche marketing approach: Reach new customer segments? Lower marketing costs? Secure premium pricing?

- Does niche marketing match up with the resources, capabilities and preferences of the venture?

Five Stages to Fully Address the Niche Opportunity

There are five stages to consider when attempting to address niche marketing opportunities. These stages are strategic planning, defining the mission and objectives, strategies and action, monitoring key projects and objectives, and organizational realignment.

1. **Strategic Planning**

   Strategic planning encompasses many of the issues discussed above, including the assessment of market opportunities, as well as an inventory of internal resources, values, potential strengths/capabilities (addressed in more depth below), and any weaknesses/shortfalls of the current operation. In short, the overall strategy provides a "road map" to attaining the objectives of the operation and its owners, while staying true to their vision and mission.

2. **Define Mission and Objectives**

   The mission is the operation's statement about why it exists, and sets the tone of what the company and its products' image should be at the very highest level of the operation. There should be a broad-based buy-in to this mission from owners, employees, other important stakeholders, and maybe even targeted customers. In essence, the mission explains the culture of the business to both internal players and external consumers.

   The goals/objectives start narrowing the mission into workable pieces and set a direction for where different elements of the business should or could be to effectively deliver on the mission of the operation. Although these goals should continue to be forward thinking and broad-based, stakeholders should be able to see directed resources, market-driven actions, and business activity changes that may emerge to support the strategic direction chosen by the operation's management.

3. **Strategies and Action**

   To begin taking specific actions, with timelines and measurable outcomes that will support the broader mission, strategies, and goals of the business, it may be most effective to develop a work plan. That plan should include a key personnel list, timeline for the activity, a list of resources or budget needed to execute the plans, and any other relevant information (partners, pertinent legal or regulatory issues, and connections to other pieces of the work plan). Although a sufficient level of detail on all the actions to be taken may seem overwhelming, it will provide a realistic inventory of what needs to be accomplished and divide the actions into small enough units to facilitate timely action (rather than inaction due to being overwhelmed by the scale of larger goals of the company). Remember that actions are both effective and realistic steps to achieving the operation's strategy. In short, this step requires the operation to build a plan of execution.

4. Monitoring Key Projects/Objectives

Monitoring a firm's progress towards its goals is one of the most crucial actions during the first years of a new (or significantly changed) enterprise. Determine key projects and areas of potential success within the work plan established above, and then decide on specific measurable elements that will allow the operation to monitor success. These elements should not all be financial indicators, as too many businesses focus on financial goals before they can realistically be met. In addition to monitoring sales growth, visitor numbers, and profits, the operation might also monitor full deployment of resources (land, buildings, employees, etc.), customer satisfaction and return visits, or employee feedback on their participation in the enterprise.

As part of monitoring, the operation should report on key strategies and objectives, following up on any deadlines or specific measurable elements that were set. There should be clear accountability to a person in the organization (or key partner), while being cognizant of guarding against overly loose or tight management (since both will stymie leadership development). Each step in monitoring and redirecting should be used to maintain forward motion towards attaining the change or growth goals of the operation.

What signals will trigger changes or growth for the enterprise? This is an important question since the early years of a new niche marketing plan will require great flexibility and adaptive management responses. The frequency of monitoring will also affect how much time is given for marketing efforts to prove themselves, and how quickly the operation can respond to consumer wishes.

5. Organizational Realignment

In order to clearly link the objectives and strategies of any new niche venture, it is likely that the management will have to consider an organizational realignment of resources, human capital and marketing efforts. To be successful in niche marketing, it is important to align the structure and culture of the business and the personal lives of the owners in ways that are compatible with the niche the business hopes to operate within. This may include a change in the levels of family involvement, the privacy or solitude available on the farm or ranch, the choice to “brand” the owners’ family heritage and approach to farming, or even relinquishing control of some business activities to marketing or community partners.

The Decision to Market in a Niche

Even after developing a plan to enter a niche market, it is important to pick one point in the planning process to finally decide whether the new niche venture is feasible, and if so, fully commit to the plan. There are a number of elements that should enter into that final decision:

- **A**cknowledge the present
- **B**e aware of intent/vision
- **C**ontrol dreams:
- Manage within means
- **D**etermine the risks

Note that the first two are deliberate visioning and the second two are bringing realism.

In the end, the management and stakeholders of a farm or ranch must consider how to answer the question of whether their operation needs growth, change, or exit from the market. Niche marketing is only one of the potential enterprise diversification strategies that may affect this “big picture” thinking.

4.8 OTHER RELEVANT ‘P’s IN MARKETING MIX

PERFORMANCE:

Performance refers to the delivery of superior experience of a luxury brand at two levels – first, at a product level and second, at an experiential level.

At a product level, fundamentally it must satisfy the functional and utilitarian characteristic as well as deliver on its practical physical attributes – a recipe of quality or design excellence ingredients like craftsmanship, precision, materials, high quality, unique design, extraordinary product capabilities, technology & innovation. For example: On their 70th anniversary, Patek Philippe unveiled a new complicated wristwatch. Along with a unique column wheel chronograph movement, the day and month appear in a double window at 12 o’clock, with a hand indicating the date around the moon phase. The leap year is displayed in a small round window at 4:30 opposite a matching window for the day/night display at 7:30. Like all the brand's grand complications, it has two interchangeable backs - one in sapphire crystal that reveals the movement complexity and the elegance of its finishing, the other, a white gold solid back that can be personalized with a dedication or an engraving.

Omega Speedmaster Chronograph – the moon watch: Selection by NASA, a walk in space in 1965 and since 1969 six mission to the moon is what makes this series with extraordinary capabilities. After it became a life-saving instrument during the Apollo 13 mission, the Speedmaster went on to become a symbol of peace, as both American & Soviet astronauts wore it in the first joint space-mission during the cold war. It never left the Space Program as it still the only watch certified by NASA for all EVAs (Extra-Vehicular Activities). A luxury brand must perform at an experiential level as well, i.e. the emotional value of the brand the consumers buy into – beyond what the product is to what it represents. For example: Rolex stands of symbol of heroic achievement & Tiffany is a symbol of love and beauty.

PEDIGREE:

Many luxury brands have a rich pedigree and extraordinary history that turn in to an inseparable part of the brand's mystique. This mystique is generally built around the exceptional legendary founder character of the past, making up an integral part of the brand story and brand personality. So, when consumers buy say a Cartier or a Chanel product - it is not only because of the product performance factor, but subconsciously they are also influenced by the brand's rich lineage, heritage and the years of mastery. Coco Chanel started her business in 1913 and within a few decades, became a revolutionary couturier. With Chanel Coco Mademoiselle campaigns in 1981, 2008, 2009 & the recent 2011, Chanel has continuously leveraged its pedigree / brand mystique. Similarly, Rolls-Royce celebrated the 100th anniversary of its iconic emblem, the Spirit of Ecstasy with '100 cars for 100 years' and featured a collection of Rolls-Royce models, supplied by members of the Rolls-Royce Enthusiasts' Club, dating back to 1911.

PAUCITY:

Over-revelation-and-distribution of luxury brand can cause dilution of luxury character, hence many brands try to maintain the perception that the goods are scarce. Case in point - Burberry diluted its brand image in the UK in the early 2000s by over-licensing its brand, thus reducing its image as a brand whose products were consumed only by the elite. Gucci, now largely sold in directly-owned stores, following a nearly crippling attempt to widely license their brand in the 1970s and 1980s.

Broadly, there's natural paucity (the actual scarcity), the technology-led paucity and the tactical- driven paucity.

Natural paucity is triggered by scarce ingredients like platinum, diamonds, etc. and/or those goods that require exceptional human expertise, for example handcrafted quality that constraints the mass production.

Technology-driven paucity is as a result of conception-time involved in continuous innovation and research-&-development process.

Tactical- driven paucity are more promotional in nature such as the limited editions or the special series to generate artificial desire and demand. Another deviation within this is the customization of luxury good, e.g. Garson USA custom made a diamond-encrusted Mercedes SL600 for Prince Al-Waleed bin Talal of Saudi Arabia in 2007.

PERSONA:

The persona of a luxury brand is largely a result of – first, its distinctive projection plus coherence of its applications across consumer touch-points and second, the brand communication through its advertising.

The visual brand identity captures the brand's personality, mystique & emotional values in a nutshell. The distinct and consistent orchestration of the identity is central to establishing the visibility, familiarity & common identifiable brand imagery. The visual brand orchestration can manifest by way of its coherent application of its identity, the brand color(s), the other design elements like icons, the uniquely identifiable design, branded environment and even the tone-of-voice. While the luxury brand's visual identity is a fairly stable factor, luxury brand advertising is a more dynamic and versatile marketing vehicle. While the pedigree of the brand has its role, keeping-up the contemporary-appeal and the newness-factor is crucial for enduring brand relevance. Therefore, luxury advertising not only needs to generate the desire for the seasonal collection, but at the same time it must also enhance the brand's cool-quotient, thereby making it continuously desirable and aspirational. At an overall level, luxury advertising messages can be observed:

- As more emotional and sensual to distance it from mass-premium brands
- Create a world and an aura that is truly exceptional to their brand signature
- Generate major differentiation in its production and execution

One of the relatively new trends within luxury brand communication is the use of the long-form- commercials or the short-film-videos to generate interest with the online audience. It is clearly a pursuit where luxury brands are looking to bridge the gap between the familiar world of print and the fast-evolving world of online. It has also proved impactful as in a matter of few minutes, the viewer can have a clear understanding of the brand image or the story the brand is trying to convey or simply promotion of the new collection. Apart from these, with the intent of enhancing the 'emotional connections' with discerning mindsets, luxury brands have been exploring the digital space by engaging them in their activation programs. The objective is to generate a genuine affinity with the brand that transcends beyond the product, to an extent where, the consumers feel that they have found a soul mate. Some of the luxury brands have also utilized the social media. The objective may not necessarily be, as deep as, engaging the audience in their storytelling, but it has been done largely to generate the desire or the lust for the brand or the product. It is also an effective tool to keep-up the contemporary-appeal and the newness-factor by having a continuous dialogue.

PUBLIC FIGURES:

Public-figure or celebrities have been traditionally employed as one of the marketing mix in luxury brand advertising and they still continue to garner attention, credibility and impact. Public figures can span from film-stars to music personalities, from sports personalities to royal families and even the designer themselves. But because celebrity endorsements are no longer exclusive to luxury space and extensively used (and abused) across mass categories, it takes a different meaning when it comes to luxury brand endorsement.

Not only does the public figure's associated values and personality have to resonate with that of the luxury brand's aura, but there's a distinct difference in the way celebrity role is crafted, executed and strategically utilized. Beyond traditional advertising (largely print in selected media), less in-your-face advertising tools are employed like accessorizing or dressing celebrities for their walk down the red carpet, product placements within movies and television programs, invites to special events. This strategy attempts to remove the appearance of "selling" while still promoting the product by making it seem as a part of the celebrity's lives, thereby positively affecting consumer's attitudes, brand value & purchase intention. Long-form-commercials / short-films have also utilized the celebrity-factor. Chanel for instance recently created 3-minute short film with actress Keira Knightley who replaced Kate Moss in its ads for its Coco Mademoiselle fragrance. Other previous faces of Chanel have included French star Catherine Deneuve and Nicole Kidman, who represented Chanel No. 5.

Similarly, as a part of their 'core values' campaign, Louis Vuitton used their website as the online medium to showcase their celebrity endorser's journey, their story to bring to life how the brand has been promoting the art of travel and inspiring legendary journeys.

PLACEMENT:

The retail branded environment in luxury branding is all about heightening the consumer's brand experience and amplifying the brand aura. Hence, the branded environment, the movement of truth, is where it must "live" the brand by orchestrating immaculate detailing that engages all senses of the discerning audience.

Starting from the choice of store location, the chain of touch-points consumer interacts, the salesperson's presentation and the impact of each touch-point is critical in creating a unique indulging experience. That said, today's evolving luxury consumers are increasingly seeking beyond the typical sophisticated, over-the-top, cosmetically elegant presentation or even the exclusive invites, privileged previews. With the increasing democratization of luxury brands and the rapid emergence of massive brands – the luxury consumers have become more discriminating and demanding. They are seeking a more knowledgeable and professional assistance, a trusted and reliable collaboration helping them to manage their stature and lifestyle. Not only has this led to the new business offerings like Quintessentially (more below), but also luxury brands are increasingly investing in training and empowering their sales staff. Another important point to note within the placement factor is that it is not limited to the physical environment where the brand retails, but it extends to all the environments or consumer touch- points that the brand associates itself with. This spans from the extremely selective niche media where it advertises to the sports, the events, art, conversations that it places itself with.

PR (PUBLIC RELATIONS):

PR in luxury branding plays an enormous role in image proliferation of the brand, thereby subtly influencing public opinion. It is also employed to convey other supporting messages and attributes of the brand which cannot be explicitly captured in advertising, but by no means are less important to create brand's personality, mystique and emotional values – whether it's via the pedigree factor or via public-figure any of the previous 7 P's mentioned.

It is also a sophisticated branding machine for maintaining ongoing relevance and dialogue with the luxury consumer, especially so in fashion, technology and seasonal trends driven categories. At a tactical level, PR is utilized to generate buzz & convey the brand news, point of views of inspirers and influencers (celebrity talk or the designer speak), a crucial support for brand activation (like the fashion weeks, sport-events, themed previews, etc.).

4.9 EMERGING CONCEPTS & PRACTICES IN MRKETING

a. CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

Customer Relationship Management (CRM) is about the corporate values and systems (IT and Non IT) which help an organization manage its relationships with its customers. CRM is supported by technology but technology alone will not result in long term fruitful relationships with your customers. A successful CRM strategy involves effectively targeting customers for your products and providing the products in a manner that customers want; technology alone will not do this. Click here to find out more about how to build long term relationships with customers.

CRM Using Databases

One aspect of CRM is the use of databases or detailed records about your customers. Ideally customer information should be more than a list of names and addresses as you will use it to help you manage your relationships with customers. The customer information held by each business will differ for example insurance companies will record when a customer's insurance should be renewed whilst a supermarket will record what each customer buys so that they can analyse shopping habits. Whilst other businesses will record date of birth so that they can target the relevant age group and carry out relationship building activities such as sending customers birthday greetings.

CRM Information Analysis through Software

After information about each customer has been collected, it needs to be collated and analysed. A sole trader may decide to do this manually by looking through customer records but for large companies with millions of customers this is impractical. Instead large businesses have IT software to collate and analyze customer information. Once collated, software will analyze the information and automatically carry out relationship management and marketing activities. For example, software will automatically send customer’s renewal letters at the relevant time. Collated customer information may also be used to run reports which help the business to write business plans and design corporate strategy.

CRM System Benefits

CRM systems can help an organization build customer relationships in a number of different ways:

- CRM databases can help the organization to segment their most profitable customers so that they know who to direct their marketing activities at.
- Help the organization to identify which products are likely to appeal to customers based on their purchase history/patterns.
- Help identify light and medium users of the business with the potential to grow into heavy users.

- CRM can help businesses personalize their customer service for each customer

There are many benefits to CRM but these will need to be balanced against the costs of collating, maintaining and analyzing CRM data. For large corporations who know how to yield profits through CRM, the benefits will outweigh the costs but small businesses may need to proceed with caution.

b. RELATIONSHIP MARKETING

Relationship marketing involves developing long term relationship with customers so that they provide you with ongoing business. An organization must exceed customer satisfaction expectations to retain and develop long term relationships with customers. Traditional transactional marketing used to focus on attracting customers for "one off sale" rather than repeat business. It takes a lot of work to persuade customers to make their first purchase with you, but if you can persuade customers to give you repeat business it will cost you less money and time. So it makes sense to keep existing customers happy!

Attracting and Retaining Customers

Relationship marketing involves the organization implementing strategy to attract and retain customers over the long term. Methods used to attract customers include lots of marketing campaigns promoting the firm, its products, its brands and its special (pricing) offers. Methods used to retain customers include good quality products, competitive prices, loyalty cards, a focus on customer satisfaction, excellent customer service and even individual account managers for larger or premium clients.

Customer Satisfaction Monitoring

Long term customer relationships require customer satisfaction even when things do not go to plan. So firms will continuously monitor how their customers are feeling about the service they have provided. For example, Travelodge email customers, a feedback form after they have spent the night in one of their hotels. Methods used to monitor customer satisfaction include:

- Focus Groups
- Personal Interviews
- Questionnaires
- Mystery Shoppers
- Customer Complaints
- Employee Feedback

- Suggestion Boxes
- Online surveys and
- General customer comments.

After each monitoring session a firm will review the results and plan how they can rectify areas causing dissatisfaction. They will also look at how they can build on areas/things that are making customers happy.

Benefits of relationship marketing

Retaining customers for the long-term offers many benefits. The aim is for the company to obtain life time custom. Some of the benefits of relationship marketing include:

- Loyal customers will recommend your business to others, thus expanding your business for you.
- Loyal customers are willing to try some of your new products, because they trust you.
- Customers will be willing to pay more for your services/products if there are adjustments in pricing because they are loyal to you and trust your services/products.
- Loyal customers will tell you about problems with your products/services enabling to improve your products/services.
- The ultimate benefit will be an increase sale, market share and dominance.

c. INTERNAL MARKETING

Internal marketing is all about the relationship an employer forms with its employees. It is said that staff should be seen as internal customers and their needs should be met, as well as external customers. But why care about internal customers? This is quite simple to answer. Motivated staff will work harder and give your external customers a better service. This will help improve the firm's reputation, sales and market share over the long term.

Communication

Part of internal marketing is all about communication and making sure the staff share the overall vision and goals of the firm, systems like the intranet and staff newsletters aid in sharing these common values.

Empower and Train Employees

Empowerment and giving staff responsibility is an important part of the internal marketing role. Staffs that are given responsibility usually perform better for the firm as they try their best to help the firm reach their goals. If staff need to be trained to take on responsibility, then the firm should be able to offer this to show that they are interested in their skills development.

Motivate Employees

Understanding staff and what motivates them is also very important. Many motivation theories such as Maslow and Herzberg have tried to pinpoint how staff can reach their full potential

Reward and Recognize Employee Achievement

Rewards and recognition by the firm is also very important, staff that are praised feel a sense of satisfaction that encourages them to work harder. Culture is also an important part of the internal marketing process. Staff across departments and levels should share the same values, these values could simply be about putting the customer first and responding to customer needs as fast as possible.

d. ETHICAL MARKETING

Ethical marketing is about making marketing decisions that are morally right. The morality of the marketing decision can encompass any part of marketing including sourcing of raw materials, staff employment and product advertising and pricing. Each person's view of morality is different; it is based on personal values and experiences. This creates a challenge for companies who want to pursue ethical marketing in a manner that will appeal to customers.

Examples of marketing decisions that involve ethics

Does the firm exaggerate the benefits of its products on its packaging? Are claims overstated? Many firms make bold claims to help sell their products. Are such claims morally wrong or merely "advertising puff"?

Is it morally wrong to adopt high pressurized selling techniques or focus on customer groups that are vulnerable e.g. pensioners? Vulnerable customer groups have needs? Can you get customers to buy without pressurized selling?

Firms need to make profits, a reduction in production costs increases profit margins. Is it morally wrong to negotiate tough contracts with suppliers to reduce production costs when it will reduce the supplier's profit margin?

Why do businesses want to adopt ethical marketing?

Some businesses are set up because the founders feel strongly about an issue and they would like to deal with issue through the business. Whilst other businesses pursue ethical marketing because they feel that is what customers expect from them. Some consumers buying products and services because they feel that the products, services (or organizations responsible for them) are ethical. In response to this consumer demand organization have increased their focus on ethical marketing. The UK Co-operative bank is good example of an organization that tries to follow an ethical principal, based on what their customers feel strongly about.

How do companies begin the ethical marketing process?

After a company has decided to implement ethical marketing it will need to make the following decisions:

- Define what is ethical.
- Decide which branch of ethics it will subscribe to.
- How will the ethical approach to marketing be implemented?
- In which areas of the firm's operations will ethical marketing be implemented e.g. employees, suppliers, consumers/clients, production techniques, distribution or the whole value chain.
- Complete an analysis of how much ethical marketing will cost and compare this against the likely benefits of ethical marketing. This will help them decide whether they would like to pursue ethical marketing.

Challenges of Ethical Marketing

Ethical marketing requires marketing strategies that are ethical and reflect consumer and market expectations. It is not easy to define the term ethical or identify which ethical decisions cater to market expectations. An individual's view of ethics and morality is influenced by a variety of things including their culture, background, experience, upbringing/family, peers, community, religion and country. Balancing ethics and remaining competitive can be difficult. If ethical marketing involves considering the needs and welfare of suppliers, employees and customers it could add to business costs. For example, Fair trade products provide producers with a minimum price. When business costs increase profit margins reduce or the costs are passed onto customers through price increases. However, if firms can adopt ethical marketing which reflect market expectations, it may make them more appealing to customers and therefore create a competitive edge.

4.10 CASES IN MARKETING

Singapore Airlines

Being first has always been the strategic marketing mantra of Singapore Airlines (SIA). Today it is recognized as one of the world's leading international airlines having started from its humble beginnings in 1972. But being small was not an obstacle since it relied on the soft-ware of airline marketing – its service differentiation. This all began with a positioning statement which read as follows: "To present Singapore Airlines as a competent, modern, international airline of Asian origin, offering the best in-flight service in the world." The iconic Singapore Girl helped SIA to establish itself as a symbol of excellence in customer service, both in the air and on the ground, and over the past 30 plus years, SIA has garnered numerous awards and accolades for being an outstanding airline. But being number one means things don't remain constant. SIA has to constantly jockey for market share from the likes of major Asian players such as Cathay Pacific and Thai International Airways, along with global players such as British Airways and Qantas.

Innovation is the key to differentiating an airline from its competitors. Apart from new aircraft acquisition, airlines like SIA are always on the cutting edge of introducing new products to enhance the flying experience, whether it is the latest technology in in-flight entertainment or the widest seats in first and business classes. In January 2004, the airline launched the world's longest nonstop commercial flight from Singapore to Los Angeles and New York. The momentum to be first has never stopped.

SIA's next move was to acquire the world's largest commercial jet – the Airbus A380. After a two-year delay, SIA was finally able to take delivery of the aircraft and be the first airline to fly the A380. The A380's maiden flight took place on October 26th 2007 to Sydney, Australia. The challenge for SIA will now be to sustain its leadership position in the highly competitive passenger air travel market now that several of its main rivals have already ordered the Airbus A380. (Emirates Airlines from the Middle East has already placed firm orders for 58 airplanes of this model). The fight for passenger share in the intensively-fought battle in the sky will become more pronounced in the next two years.

1. Briefly discuss the approaches that SIA has used to stay competitive in the global airline industry.

2. Discuss how service differentiation enables an airline such as SIA stay ahead in the fight for market share.

3. Does being first always translate into a successful marketing strategy? Give examples of companies that have tried to be first through product and service innovations and yet not achieved comparable success as market leaders.

Asia Haier Group

From its humble beginnings more than 18 years ago, Haier's sales rose by 11,600 times while its product offering grew from a single refrigerator model to nearly 70 products in almost 11,000 designs. More significantly, its brand value rose by some eight times between 1995 and 2000. Haier is now China's leading maker of washing machines and ranks second in refrigerator sales worldwide.

The Haier Group is stepping up its efforts to build a global brand on the scale of Samsung or Sony. Haier already has a global manufacturing presence. Products such as washing machines and refrigerators are sold across the U.S. in chains such as Wal-Mart, as well as in Europe. Haier has also created some popular products, such as a mini-fridge sized to fit a six-pack of beer and a pizza box that has become a hit with college students.

Those popular products and an international distribution network have helped Haier become a top contender in the race among Chinese companies to build global brands.

One example of a successful foray into global markets was its approach to getting into the Indian market. Shortly after India began dropping its import barriers in the late 1990s, low-priced Chinese toys, batteries, and other consumer goods flooded the market at a steep discount from local offerings. However, stories began to circulate of defective Chinese products, such as batteries losing their charge after a single use. Companies such as TCL tried to sell their products cheaply as well, reinforcing the reputation that Chinese brands are sub-standard. Many Indian consumers believed that China was a technologically backward country. Haier was determined not to repeat these early mistakes of its predecessors. Rather than stressing affordability, Haier positioned its TV sets, refrigerators, and air-conditioners as premium quality with prices on par or in some cases higher than those of its competitors. This approach has been used successfully in India by LG and Samsung.

While it doesn't have the strongest brand name, the company has continued to expand its product range. In addition to household appliances, it produces high-end products such as flat-screen TVs, computers and mobile phones. Now that its product range is starting to look more like Samsung's showroom, Haier wants to re-create its Korean rival's successful image transformation from cheap Sony knockoff to high-tech powerhouse.

1. What are the challenges faced by Asian brands when venturing into global markets?
2. How can Haier learn from the success of a number of Asian brands such as LG and Samsung in ensuring that it meets with similar success in global markets? Discuss this topic from the point of view of each of the elements of the marketing mix.

3. Can Haier develop global products that suit all markets? What are some of the limitations faced in using a standardized product or promotions strategy?

4.11 SUMMARY

The Internet is a worldwide means of exchanging information and communicating through a series of interconnected computers. Started as a U.S Defense Department project, the Internet, or information superhighway is now accessible to anyone with a computer and a modem. While the Internet offers a variety of services to users, the most powerful and popular is the World Wide Web (WWW), commonly referred to as the Web. In fact, many use the terms Internet and World Wide Web synonymously. For marketers, a number of Internet features offer potential, but it is the Web that has developed as the commercial component.

Green Marketing or Environmental Marketing or Ecological Marketing consists of all. Activities designed to generate and facilitate any exchanges intended to satisfy human needs or wants, such that the satisfaction of these needs and wants occurs, with minimal detrimental impact on the natural environment. As firms face limited natural resources, they must develop new or alternative ways of satisfying these unlimited wants. That is where green marketing looks at how marketing activities utilize these limited resources, while satisfying consumers wants. There are several reasons for the popularity of green marketing such as better market opportunities, social responsibility, government pressure, competitive pressure, cost or profit issues, etc. Social marketing is the application of marketing technologies developed in the commercials sector to the solution of social problems where the bottom line is behavior change. It involves the analysis, planning, execution and evaluation of programmes designed to influence the voluntary behaviour of target audiences to improve their personal welfare and that of society. Along with the traditional 4 Ps of marketing (i.e., Product, Price, Promotion and Physical distribution), marketing mix for social marketing comprises of additional 3 Ps viz., Publics, Partnership and Policy. In India, 70% of population lives in rural areas. There is a huge rural market in India, which is distinctively different from urban markets. For marketing of goods and services to rural markets, differential marketing efforts are required. Most of the FMCGs and large number of consumer durable companies realized the potential demand in rural markets, and designing specific marketing efforts to tap the rural demand.

Relationship marketing builds strong economic, technical and social ties among the stakeholders. It cuts down on transaction costs and time. In most successful cases, transactions move from being negotiated each time to being a matter of routine. The ultimate outcome of relationship marketing is the building of a unique company asset called a ***marketing network,*** which consists of the company and its supporting stakeholders (customers, employees, suppliers, distributors, retailers, ad agencies, and others) with whom it has built mutually profitable business relationships. Increasing the competition is not between companies but between marketing networks. The cardinal principle is simple: Build an effective network of relationships with key stakeholders, and profits will follow.

4.12 KEY WORDS

- **Guerrilla Marketing:** Guerrilla Marketing is an advertising strategy that focuses on low- cost unconventional marketing tactics that yield maximum results.
- **Green Marketing:** This is also referred to as Environmental Marketing or Ecological Marketing. Green Marketing consists of all activities designed to generate and facilitate any exchange intended to satisfy human needs or wants, such that the satisfaction of those needs and wants occur with minimal detrimental impact on the natural environment.
- **Relationship Marketing:** The process of creating, maintaining and enhancing strong value laden relationships with customers and other stakeholders.
- **Services:** Intangible and separately identifiable activities which provide satisfaction, and which are not necessarily tied to the sale of a product or another service.
- **Social Marketing:** Designing, implementing and controlling of programmes seeking to increase the acceptability of a social idea, cause or practice among a target group.

4.13 SELF-ASSESSMENT TEST

1. What do you mean by Green Marketing?
2. What are the challenges faced by marketers in rural marketing in India?
3. Explain the concept of relationship marketing. Explain the main elements of relationship marketing.
4. How marketing on Internet is different? State the advantages and limitations of marketing on Internet.
5. Explain Green marketing? Explain various problems associated with green marketing?

Uttar Pradesh Rajarshi Tandon Open University

Master of Business Administration

M.COM-104

Marketing Management

BLOCK

2

MARKETING DIMENSION

UNIT-5

Planning Marketing Mix

UNIT-6

Market Segmentation

UNIT-7

Market Organization

UNIT-8

Marketing Research and its Application

परिशिष्ट–4
आन्तरिक कवर–दो का प्रा्रूप
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परिमापक

अनुवाद की स्थिति में

मूल लेखक अनुवाद

मूल सम्पादक भाषा सम्पादक

मूल परिमापक परिमापक

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प्रूफ रीडर

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UNIT-5 PLANNING MARKETING MIX

Objectives

After reading this unit, you should be able to:

- Understand significance of various elements of the marketing mix activities,
- Understand the importance of marketing mix in marketing planning
- Explain the relationship between marketing mix and marketing strategy
- What is optimum marketing mix

Structure

5.1 INTRODUCTION

Neil Borden in the year 1953 introduced the term Marketing mix, an extension of the work done by one of his associates James Culliton in 1948. Marketing Mix is a combination of several ideas and plans followed by a marketing representative to promote a particular product or brand is called marketing mix. Several concepts and ideas combined together to develop final strategies helpful in making a brand popular amongst the masses form marketing mix.

Marketing Mix is one of the most significant concepts in marketing management. For attracting consumers and for sales promotion, every manufacturer has to concentrate on four basic elements/components. These are: product, pricing, distributive channels (place) and sales promotion techniques. An equitable combination of these marketing elements is called Marketing Mix. It is the blending of four inputs (4 Ps) which form the core of marketing system. This marketing mix is marketing manager's tool for achieving marketing objectives/targets. He has to use the four elements of marketing mix in a rational manner to achieve his marketing objectives in terms of volume of sales and consumer support.

Product : Goods manufactured by organizations for the end-users are called products.

Price : The money which a buyer pays for a product is called as price of the product.

Place : Place refers to the location where the products are available and can be sold or purchased.

Promotion: Promotion refers to the various strategies and ideas implemented by the marketers to make the end - users aware of their brand.

Many of the times marketing research-the systematic gathering of information to solve marketing problems, is also included in marketing mix.

Activity A

Explain some marketing activities which are grouped under each one of the 4Ps.

Product	**Price**	**Promotion**	**Place**
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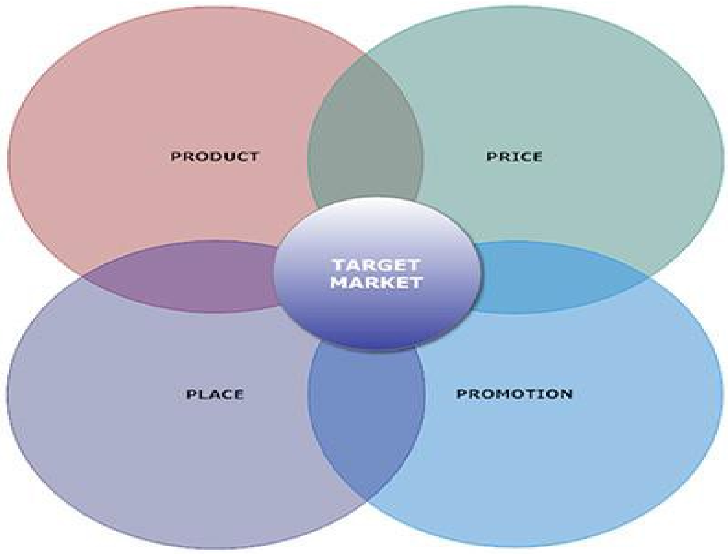
5.2 THE ELEMENTS OF MARKETING MIX

This section describes each of the four P's given by E. Jerome McCarthy in greater detail. Marketing mix is made up of four elements namely PRODUCT, PRICE, PROMOTION and PLACE that constitute the heart of marketing decisions from the angle of marketer. The marketing mix is predominately associated with the 4P's of marketing, the 7P's of service marketing, and the 4 Cs theories developed in the 1990s.

Marketing Mix 4 Ps



Product Activities

1. A product is the central idea behind any marketing planning and decides the business success or failure of the organization. It is a set of complex tangible and intangible attributes, including:

    a. Packaging,

    b. Colour, Price

    c. Labeling of a product,

    d. Branding and trade mark given to a product.

    e. Product servicing and channel of distribution.

    f. Product pricing.

    g. Guarantees and warranties of the product.

    h. Product innovation.

    i. Special features of the product from the marketing point of view.

Managing product component involves product planning and development. Here, the decisions are required to be taken regarding product range, branding, packaging, labeling and other features of the product. The product manufactured for market should be as per the needs and expectations of consumers.

The objective of the marketer while planning for the marketing offering is to maximize the value proposition. The simplest definition of value is the difference between benefit and cost. A customer will always evaluate the benefits that he will get from the ownership of the product for the cost he has to bear for the ownership.

Activity B

List the product attributes that a customer would want in the case of the following products:

a) Air Conditioner

b) Laptop

c) Luxury car

d) Soft drink

e) Camera

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Pricing Activities

Price is the exchange value of goods and services in terms of money. Price plays a crucial role in both commodity as well as branded product market. Generally, marketers consider the following factors in setting prices:

Objectives of business: Objectives relates to rate of growth, market share, maintenance of control or ownership and finally profit. A pricing policy should never be established without full consideration as to its impact on the other policies and practices of the firm.

Competitive environment: Pricing policy has practical significance only where there is a considerable degree of imperfection in competitive structures and where there is some room for managerial discretion. Severe competition may indicate a lower price than when there is monopoly or little competition.

Nature of price sensitivity: The factors like variation in the effectiveness of marketing efforts, nature of the product, importance of after sales service etc., may generate insensitivity to price.

Cost: What it costs to produce and market the product, i.e., both production cost and the distribution cost.

Social responsibility: Price affects a number of parties, such as employees, shareholders and the public at large. These should be considered in pricing.

Besides the above listed factors there are other governing prices which may be divided into external and internal factors. The external factors include elasticity of supply and demand, goodwill of the company, trend in the market, purchasing power of the buyer, and the government policy towards prices. The internal factors include the management policy towards gross margin and sales turnover. For example, how much can be produced within a certain period of time.

Promotional Activities

The marketing manager needs to communicates and promote the final product to consumer through various channels of communication. Promotional activities consist of these various means of communicating persuasively with the target audience. The most important promotional methods include:

Advertising: Advertising is a public announcement, formerly by town criers, now usually by newspapers, posters, television or radio. Advertising is a paid, non-personal communication with an identified sponsor, with two distinct goals of informing people and increasing sales.

Personal Selling: It is one of the oldest professions in the world. The people who do the selling go by many names; salespeople, sales representatives, district managers, account executives, agents to name just a few. Modern salespeople are well-educated, well-trained professionals who work to build and maintain long-term customer relationships.

Sales Promotion: These are short term programs aimed at maximizing sales in a period of time. The marketer utilizes displays, demonstrations, premiums, contest to supplement advertising and personal selling.

Publicity and Public relation: It is the broadest of the marketing communication disciplines, involving a wide range of activities and specializations and is used to deliver corporate and brand messages. Public relation usually addresses itself to a wider public than the firm's customers. Successful strategies tend to be long-term and plan for all eventualities.

Each category involves specific promotional tools used to communicate with consumers. For example, advertising includes broadcast, print, internet, outdoor and other forms. Sales promotion includes discounts, coupons, displays and demonstrations. Personal selling includes sales presentations, trade shows, and incentive programs. Public relations includes press releases, sponsorships, special, special events, and Web pages. And direct marketing includes catalogs, telephone marketing, kiosks, the internet, and more.

At the same time, marketing communication goes beyond these specific promotion tools. The product's design, its price, the shape and color of its packages, and the stores that sell it- all communicate something to buyers. Thus, although the promotion mix is the company's primary communicate activity, the entire marketing mix- promotion and product, price, and place-must be coordinated for greatest communication impact.

Place or Distribution related Activities

Basically, place or distribution activities are used to transfer ownership to consumers and to place products, services and ideas at the right time and place.

Distribution may be the final "frontier" for marketing success. After years of hype many consumers no longer believe that "new and improved" products really are new and improved. Nearly everyone, even upscale manufacturers and retailers, tries to gain market share through aggressive pricing strategies. Advertising and other forms of promotion are so commonplace they have lost some of their impact. Marketers know that place may be the only one of the four Ps offering an opportunity for competitive advantage. Distribution is made up of two components:

1. Physical Distribution
2. Channels of distribution

Physical distribution refers to the activities used to move finished goods from manufacturers to final customers. Physical distribution activities include order processing, warehousing, material handling, transportation and inventory control. This process impacts how marketers physically get products where they need to be, when they need to be there and at the lowest possible cost.

1. **Inward transport**: It moves materials from suppliers to an organisation's receiving area. For this, managers have to choose the type of transport (road, rail, air, etc.), find the best transport operator, design a route, make sure that all safety and legal requirements are met, ensure deliveries on time, and keep costs low, and so on. Receiving makes sure that materials delivered match an order, acknowledges receipt, unloads delivery vehicles, inspects materials for damage, and sorts them.

2. **Warehousing**: It stores or moves materials from the receiving area into storage and makes sure that they are available when needed. Warehousing also looks after stored materials, giving the right conditions, treatment and packaging to keep them in good condition. This is particularly important with, say, frozen food, drugs, alcohol in bond, chemicals, animals, and dangerous goods.

3. **Stock control** sets the policies for inventory. It considers the materials to store, overall investment, customer service, stock levels, order sizes, order timing, and so on.

4. **Material handling:** Is the general term for moving materials within an organisation. Every time that materials are moved around operations, it uses materials handling, whose aim is to give efficient movements, with short journeys, using appropriate

equipment, with little damage, and using special packaging and handling where needed.

5. **Order picking**: It finds and removes materials from stores. Typically, materials needed for a customer order are located, identified, checked, removed from racks, consolidated into a single load and moved to a departure area for loading onto delivery vehicles. Packaging wraps materials to make sure that they are properly protected during movements so that damage is kept to a minimum. Outward transport takes materials from the departure area and delivers them to customers (with concerns that are similar to inward transport).

6. **Physical distribution:** It is a general term for the activities that deliver finished goods to customer's Physical distribution is a general term for the activities that deliver finished goods to customers, including outward transport. It is often aligned with marketing and forms an important link with downstream activities.

Marketing Mix 7P's

The 7Ps model is a marketing model that modifies the 4Ps model. The 7Ps is generally used in the service industries.

Here is the expansion from the 4Ps to the 7Ps marketing model:

Let is describe the 3 P's important for service marketing in addition to 4 P's mentioned above.

People

Of course, both target market and people are directly related to the business. Thorough research is important to discover whether there are enough people in your target market that is in demand for certain types of products and services. The company's employees are important in marketing because they are the ones who deliver the service. It is important to hire and train the right people to deliver superior service to the clients, whether they run a support desk, customer service, copywriters, programmers…etc.

When a business finds people who genuinely believe in the products or services that the particular business creates, it's is highly likely that the employees will perform the best they can. Additionally, they'll be more open to honest feedback about the business and input their own thoughts and passions which can scale and grow the business.

This is a secret, "internal" competitive advantage a business can have over other competitors which can inherently affect a business's position in the marketplace.

Process

The systems and processes of the organization affect the execution of the service. So, you have to make sure that you have a well-tailored process in place to minimize costs. It could be your entire sales funnel, a pay system, distribution system and other systematic procedures and steps to ensure a working business that is running effectively.

Tweaking and enhancements can come later to "tighten up" a business to minimize costs and maximize profits.

Physical Evidences

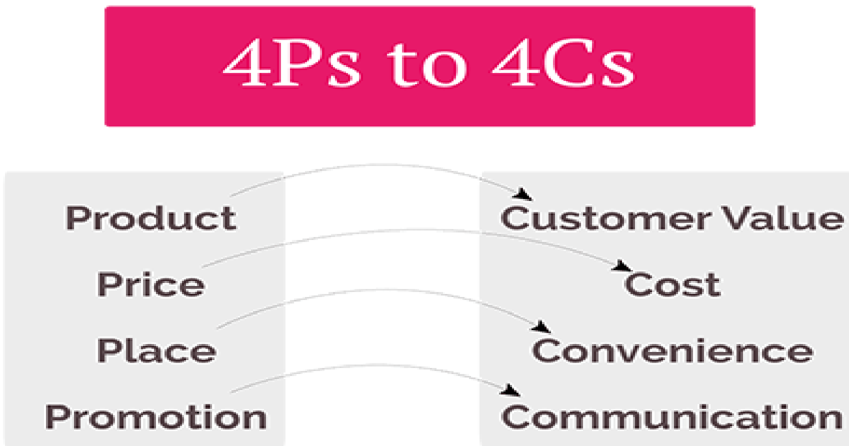
In the service industries, there should be physical evidence that the service was delivered. Additionally, physical evidence pertains also to how a business and its products are perceived in the marketplace. It is the physical evidence of a business' presence and establishment. A concept of this is branding. For example, when you think of "fast food", you think of McDonalds. When you think of sports, the names Nike and Adidas come to mind. You immediately know exactly what their presence is in the marketplace, as they are generally market leaders and have established a physical evidence as well as psychological evidence in their marketing.

They have manipulated their consumer perception so well to the point where their brands appear first in line when an individual is asked to broadly "name a brand" in their niche or industry.

5.3 AN ALTERNATE MARKETING MIX

Traditionally, the marketing mix is a combination of 4P's and is more business oriented. These 4P's are product, price, place, and promotion. Another version of this marketing mix is the 4C's model. The

4Cs marketing model was developed by Robert F. Lauterborn in 1990. It is a modification of the 4Ps model. It is not a basic part of the marketing mix definition, but rather an extension. Here are the components of this marketing model:



This model is more consumer oriented and this focus has led to a primary use in niche marketing. This does not exclude it for use in products serving a mass market however. This alternate marketing mix is made up of four key variables:

- Consumer/Customer Value
- Cost
- Communication
- Convenience

The 4P's and 4C's can be taken as two sides of the same coin, with one being a buyer's perspective and the other, a seller's. But considering the marketing mix from a 4C perspective is not just an exercise in semantics. Instead, it reflects a change in mindset to encourage marketers and executives to view their entire process and value chain from the customer's point of view.

Development of the 4C Model

According to Annmarie Hanlon of Smart Insights, there are two 4C models within the marketing domain which should not be confused with each other. One is the 4C model for marketing communications. This was put forward by Jobber and Fahy in 2009, and is a combination of four factors: clarity, credibility, consistency and competitiveness.

The other model relates to the marketing mix and was proposed by Lauterborn in 1990. The Lauterborn model is what we are focusing on for entrepreneurs in this article.

The idea or this model stems from an article written by Bob Lauterborn in 1990. This article was featured in Advertising Age, and in it Lauterborn stated that the 4P's were no longer relevant and did not help today's marketer address any real issues. He listed the variables he felt were necessary instead. He began with 'consumer wants and needs' as the key focus for product-led companies who tend to make products that the customer does not want. His second variable was the 'cost to satisfy' based on the irrelevance of price among many other factors. The third factor is the 'convenience to buy', an interesting concept in today's world of 24/7 availability. The last variable was 'communication', with a proposal that instead of a more manipulative promotion, communication should be a two-way dialogue between the customer and the company.

THE 4C's EXPLAINED

The Goal of the 4C's

Through its focus on the customer, the 4C's marketing mix is a step away from the traditional mass marketing concept. In mass marketing, the company selling a product has a tendency to view the audience as just that – a large featureless mass – with no in depth understanding of what the customer truly wants from a product. The 4C's divert action towards niche marketing instead, where the conversation is often closer to one-to-one and there is more of an effort to understand who the customer is and what their actual needs are.

For niche marketing, it is necessary to access detailed market research to identify those markets which are not rife with competition but may prove to be lucrative. Once this kind of market is identified and understood, the 4C's can be brought into effect.

What Are the 4C's?

In studying the 4C's, it makes sense to view them in comparison to the incumbent 4P's for a more detailed view of both marketing mixes. It may be in the best interests of a marketer to consider both the consumer's point of view and the organization's.

1) **Consumer (and Product)**

   Here, instead of beginning the story with a product itself, the focus is on selling only what the customer specifically wants to buy. This means that it becomes an absolutely vital activity for the marketer to spend time studying these consumer wants and needs in-depth. Only this detailed understanding will allow a company to sell with accuracy what the customer will buy.

   At the core of any marketing effort is the product itself. This however, is just one piece of the puzzle. The product must be something that the customer finds desirable and there must be something unique about it that sets it apart from all the rest of the competition. The most effective way to achieve this is to first find the right untapped market, and then develop the product instead of trying to fit a ready-made product into a market. Product testing, therefore, becomes a key element of both the product variable and the customer variable. The understanding should be of what the product can give the customer both in the eyes of the manufacturer and in the eyes of the consumer.

2) Cost (and Price)

When understood correctly, the cost variable gives more detailed information about the customer than the price variable does. A good way to understand the difference in price and cost is given here. Price is the amount of money that a consumer will be willing to pay to acquire a good or service. On the other hand, cost is the amount that goes into the production of a good or service. This is the sum of the value of all inputs to production such as land, labor, capital and enterprise.

Within the total cost to satisfy a customer need, price becomes one of the many factors. Other factors may include the cost of time to acquire the product, the cost of conscience when it comes to consuming the product, the total cost of ownership, the cost to change to a new product and the cost of not selecting an alternative.

There is a common misconception among marketing professionals that the main motivation for a product purchase is the price. Though price based positioning may provide some initial success, in the long term, this turns out to be a less successful move. If the product is given a price that undercuts cost to gain the market, then the company will be at a disadvantage. If the product is priced at a premium without understanding its value to a customer, it will never be purchased.

Instead, a focus on cost to satisfaction will mean that there is more important information being taken into account than just the purchase price. A focus on this C will help find ways to actually increase the price of the item while decreasing the cost to satisfaction through measures that have a minimal influence on the company's bottom line.

3) Communication (and Promotion)

Lauterborn considers promotion to be a manipulative factor driven only by the seller. Instead, he viewed communication as a more cooperative activity and driven more by the consumer of a product.

A traditional marketing mix uses promotion as a tool to put information about the product in front of the customer. Promotion and its methods continue to evolve with new avenues and means to reach the consumer. Though these methods of promotion remain effective, a niche marketing focus needs a bit more.

Communication will work toward creating a meaningful relationship with the customer with a focus on what they need and what their lifestyle is. The focus is wider and more inclusive of the different forms communication can take. There is more of a give and take between buyer and seller. Looking at advertising as this form of communication can help a marketer understand their market better and increase sales and customer loyalty.

4) Convenience (and Place)

The proliferation of online marketplaces, credit cards, catalogues and cell phones has made the provision of products to the customer a whole new ball game. A customer is not bound to actually go to a physical location to meet a need and there is an endless variety of places online to do so. This means that a marketer needs to be aware of how a particular customer group likes to make their purchases in order to make it convenient for them to buy. While place from the 4P model took into account the traditional value chain involved in getting a product into a customer's hand, the convenience variable considers much more.

USING THE 4C MODEL

For a small business owner, the 4C's can provide a much-needed edge over the customers if understood and used in the best possible way. This model can also help a small business take on bigger and more established competitors. The key point, repeated often, is to remember to identify and understand target consumers as well as their needs and wants. The next step is to offer tailored products and services that are meaningful to the customer and can lead to increased sales.

A very easy way to use the model for an entrepreneur is given below. There is a simple template that can be used as well as a few key questions to ask.

Quite simply, the company can list the current situation for each of the 4C's in the first column. In the next column, a benchmark organization can be used to compare. This can be a top competitor for the organization and one it aspires to beat. The last column can be used to highlight actions that can be taken to reach the desired position in the market.

Some questions to ask regarding each of the 4C's include:

Customer

- What is the competitive advantage?
- Who is/are the most appropriate target customer(s)?
- What are their needs and wants?
- What is the product or service worth to the consumer?
- Is the customer driving all decision making?

Cost

- What is the price you mean to charge the customer?
- Has there been adequate research to determine this amount?
- Is this figure reasonable and affordable?
- Is the figure profitable for the company?
- What is the total cost that a customer will incur when acquiring the product?
- What considerations apart from price will encourage a customer to buy?
- Is the value of the product to the customer enough to support all the costs?

Communication

- Is there a communication plan in place to ensure meaningful customer dialogue?
- Is the link between this communication and resulting customer confidence and sales understood?
- Does the communication answer questions the customer may have such as, 'What's in it for me?'
- Is there a social media strategy planned to both promote a product and gather customer insights?
- Is there a plan to adapt communications to each of the target markets?

Convenience

- What are potential barriers a customer may face in locating and purchasing a service?
- How do you plan to remove these barriers?
- Do you have an informative and easy-to-navigate website in place?
- Is the website optimized for mobile use?
- If you sell online, are the purchase, payment and fulfillment processes secure and intuitive?
- Is your product available to buy through multiple channels?
- Is there adequate customer support in place?

EXAMPLE OF USING THE 4C's IN CONTENT MARKETING

The 4C's of marketing can be very valuable for marketers looking to generate consumer oriented and relevant content and product messages.

The 4C thinking will help these marketers connect with their audience and turn the consumer into an advocate of the brand.

- **Consumer –** The content should be focused on the customer and not on you, the company. This means the content needs to be full of useful insights, tips, best practices and news for the audience to use in order to meet their needs. From a practical perspective, the audience is more likely to keep coming back for content that relates to them directly instead of to the company. As an example, a fashion retailer should give tips on how to dress for a particular season or event, insight into trends and how-to guides, among others. This approach helps build lasting relationships with consumers, keeps bringing them back, and turns them into advocates for the brand.
- **Cost –** This includes not only the monetary cost of the product, but also the cost of using it. In content marketing, this means that an article needs to be easy to read, have a practical yet attractive layout and the right language. Cost-effective content will mean a well written and well-presented website which is easy to navigate and is optimized for different screens and people.
- **Communication –** The internet has offered the savvy marketer a variety of options for forming communication links with their target audience. From Instagram for photos, to Twitter for promotions, YouTube for detailed videos and Facebook for networking, there is an ever-increasing pool of options to choose from based on what the audience requires. The right channel for the right audience is what helps ensure successful dissemination of the message.
- **Convenience –** In a content marketing situation, convenience will translate into how often the consumer reads the content. Any number of factors will reduce this convenience, such as too many pop-ups or adverts or lack of optimization for a mobile device. Even with good search engine optimization, it may not be enough to assume that the consumer will find you. Instead the content needs to be easy to access through multiple channels such as email, newsletters, blog features and social media posts and reposts.

5.4 THE PLACE OF MARKETING MIX IN MARKETING PLANNING

All these elements of marketing mix are arrived upon and implemented in the broad framework of a marketing plan. Therefore, to appreciate the relationship between the marketing planning process and the elements of the marketing mix, let us describe various components of a marketing plan.

A Typical marketing plan consists of the following components:

- Description of the current marketing situation;
- Identification of the problems and opportunities;
- Definition of the objectives of the marketing plan;
- Designing the marketing strategy;
- Developing a marketing plan;
- Estimating the necessary appropriations.

In other words, what is needed is constant monitoring, redefinition, adaptation and re-evaluation of objectives and strategy, its implementation and control in an effort to obtain maximum payoff from ever-changing market situation.

The irony is that many of the expensive marketing plans end up on a shelf and rarely get implemented. The simple plans, if researched and implemented effectively, have the greatest impact. Regardless of the scope, it should be a fluid document, based on solid research, with an understanding of where you fit in the competitive landscape, and MUST include attainable and measurable outcomes.

Market Research

Collect, organizes, and record information pertinent to the market you want to target, and include both the controllable and uncontrollable variables that influence this market. You need to consider:

- What market dynamics influence your market?
- Which customers have the most need and who should you target?
- Which potential partners can help you reach your customers?
- What are the buying behaviour characteristics?
- What product or service already satisfies this market and which competitors offer similar services?
- What are current sales in this industry and who seems to have the lion's share?
- What benchmarks in the industry should you measure yourself against?
- What channels or suppliers will you need to rely on? Are there any barriers preventing you from reaching your market?

Target Market

Understand where your product / service fits in the market and describe who you want to reach, why this is important and how you're going to do it. The best approach is to find a gap where there is customer demand, and where your competitors are not satisfying this demand as well as you could do it.

Product / Service

Describe your product. How does your product relate to the market? What does your market need, what do they currently use, what do they need above and beyond current use? What added value can you offer that can over meet customer expectations?

Competition Describe your competition. Develop your "unique selling proposition.", which should be articulated as a "unique customer value" What makes you stand apart from your competition? What is your competition doing better, the same or worse than you and where is the gap?

Your overall business strategy and statement of intent

Write a few sentences that state who you're selling to, what you're selling and what makes you distinct. Challenge your business concept across all the areas of your business to ensure it holds up under scrutiny.

Market Strategies

Write down the marketing and promotion strategies that you want to use or at least consider using to include:

- Partnering & Networking
- External communication – Advertising, publicity, promotions, sales collateral, online media
- Internal communication – staff and partners
- Training programmes

Pricing, Positioning and Branding

From the information you've collected, establish strategies for determining the price of your product, where your product will be positioned in the market and how you will achieve brand awareness.

Budget Match strategies to budgets. What strategies can you afford? What can you do in house, what do you need to outsource?

Marketing Goals Establish quantifiable marketing goals. This means goals that you can turn into numbers. For instance, your goals might be to gain at least 30 new clients or to sell 10 products per week, or to increase your income by 30% this year. Your goals should include sales, profits and customer satisfaction criteria.

Monitor Your Results

Test and analyze. Identify the strategies that are working through customer feedback:

- Surveys
- Online polls

- Blogs
- Database management tools

By researching your markets, your competition, and determining your unique positioning, you are in a much better position to promote and sell your product or service. By establishing goals for your marketing campaign, you can better understand whether or not your efforts are generating successful results.

Be sure to use your plan as a living document. Successful businesses review the status of their campaigns against set objectives. This ensures ongoing improvements to your marketing initiatives and helps with future planning.

Developing the marketing program

After designing the 'game plan' or the broad marketing results, the marketer will try to develop or elaborate each element of the marketing strategy. The questions like this following will need to be answered in developing each element.

- What will be done?
- When it will be done?
- Who will do it?
- How much it will cost?

5.5 THE RELATIONSHIP BETWEEN MARKETING MIX AND MARKETING STRATEGY

If you refer to the definition of marketing strategy offered earlier in this unit, you will find that marketing mix is one of the broad decision areas of the marketing strategy. Its other decision areas relate to target markets, market positioning and marketing expenditure levels.

That is, marketing strategy is a broad concept of how resources are to be deployed to achieve market success. If you examine the content of a marketing strategy you will find that it shows how the proposed key features of the firm's offering (product, price, promotion and distribution) are intended to achieve the firm's objectives.

Marketing strategy is composed of a set of sub-strategies concerned with competition, segmentation (market positioning or market niche and target markets), pricing, promotion and distribution. How these sub-strategies are related defines the structure of the strategy and determines whether or not they form an effective plan of action. Structural criteria cover the following:

Coherence: do all the sub-strategies fit together in focusing on the market?

Consistency: are there any inconsistencies among the individual elements?

Contribution: does each sub-strategy or element of the strategy make a distinct contribution?

Relative significance: has the relative significance of each of the various strategies been determined?

Product, price, promotion and place or distributions are the factors that, within limits, are capable of being influenced or controlled. Marketing strategy can be viewed as reflecting a marketing mix of these four elements.

Therefore, marketing mix is the mixture of controllable marketing elements (activities, tools or instruments) that the firm uses to pursue the desired level of sales in the target market. In other words, in taking marketing mix decisions or in planning the specific combination of marketing tools, the marketer should find out:

- which of the various marketing elements are most effective in the target market environment,
- in which combination.

The Marketing Mix and Strategy Matrix

Since marketing mix decisions are part of the marketing strategy aspects, i.e., they are interdependent, the two have been combined together in the form of a matrix. This matrix shows the strategic aspects in the overall marketing plant and their inter-relatedness. It also emphasizes the way in which the marketing mix decisions should be approached i.e., by combining the marketing strategy decisions with the marketing mix decisions. To help you to further understand the relationship between marketing mix and marketing strategy we are listing below some of the appropriate and matching marketing mix variables that may be decided upon in the context of marketing strategy decisions.

Product : options, models to be marketed, modifications for specific target market, if any, product simplification, invention, service and warranty system, spare parts.

Price : skimming vs. penetration, price relative to current and potential competition.

Promotion : budget, theme, media, timing. If major resources are to be committed, include plan for measurement of promotional effectiveness. Feedback from the market place, marketing research.

Distribution channels : mode of market entry. Functions to be performed by channel members. Margins, promotional allowances (if any). Short-terms vs. long-term commitments.

Key Element in the Marketing Mix

Another point you should understand is that every market has its own logic. Its understanding in terms of the emphasis that need be placed on a particular element of the marketing mix is often a necessary condition for success. That means the key element in a particular marketing situation has to be identified. A number of factors would determine the key element and these are:

- the product,
- the type of market (for example, whether industrial or consumer),
- stage in evolution (emerging, transition and decline stages), and
- Competitive conditions.

Key elements might be advertising (promotion) in the case of analgesics, distribution in the case of petrol, pricing in the case of basic commodities and product performance in the case of machine tools.

To know the key factor in the marketing mix is crucial in drawing up a marketing strategy since it means knowing what to emphasize.

5.6 THE CONCEPT OF OPTIMUM MARKETING MIX

The concept of optimum marketing mix relates to the issue of dividing the marketing budget optimally over the elements of the marketing mix. But in so doing you should remember that the components of the mix are partially substitutable for each other. The challenge, however, that a marketer faces is to find the optimal marketing mix. Assume that a marketer has identified sales promotion and advertising as the two major components of the marketing mix on which marketing budget is to be allocated. In principle, the marketing budget can be divided in a number of ways on these two elements. Associated, with every possible marketing mix would be a resulting sales level. In theory, for a given marketing budget, the money should be divided among the various marketing tools in a way that gives the same marginal profit on the marginal rupee spent on each tool. This would result in an optimum allocation of a given marketing budget over different elements of the marketing. Such an allocation would prove to be a sales-maximising or profit-maximising marketing mix.

In devising optimum marketing mix it is important to know how various marketing-mix variables interact in their impact on sales/profits. Here are some examples of the assumptions made by marketing managers:

- Higher advertising expenditure results in reducing buyers' price sensitivity. The resulting inference is that a firm wishing to charge a higher price should spend more on advertising.

- Advertising expenditure has a greater sales impact on low price products than high price products.
- Higher advertising expenditures reduce the total cost of selling. The logic is that the advertising expenditures presell the customer and sales representatives can spend their time answering objections and closing the sale.
- Higher prices lead buyers to attribute higher product quality.
- Tighter credit terms require much greater selling and advertising effort to move the same volume of goods.

The question that arises is: Can we accept these relationships without any further inquiry? The answer is 'no' because while these relationships may hold true for many products, managers of other products should be cautious. That is, a clear direction for such interactions could not be predicted a priori. That is, other factors like the nature of the advertising appeal, the structure of the market, etc., would also have to be taken into consideration. Another important point that needs to be highlighted in predicting the results of such interactions is that marketing-mix variables not only interact with each other but also with non-marketing variables in the firm.

5.7 SUMMARY

The objective of a marketer is to combine the various elements of the marketing mix viz., Product, Promotion, Price and Place (Distribution) in such a way that he will achieve the necessary volume of sales at a cost that will permit him to make a desired profit. The way these elements are to be combined will basically depend on the target market to be served. Which means that the needs and wants of the target consumers have to be studied and interpreted and then a unique blend of various elements of the marketing mix has to be designed to reach a specific group of consumers. The planning of the marketing mix, however, is a part of the overall marketing planning. The elements of a marketing plan are current marketing situation analysis, problems and opportunities analysis, objectives, marketing, strategy and programme, marketing budgets and sales volume, cost/profit estimate. The marketing mix decisions form the basis of the overall marketing strategy.

The other decision areas of marketing strategy relate to target markets, market positioning and marketing expenditure levels. The interdependence of these decision areas defines the structure of the marketing strategy and determines whether or not they form an effective plan of action. In combining different components, it is important to identify the key element in the marketing mix. A number of factors affect the key element and these are the product, the type of market, stage in evolution and competitive conditions. These factors are not static factors but keep on changing. Further, components of the marketing mix are partially substitutable for each other. This further complicates the situation.

Notwithstanding all this each firm must try to find the best combination or optimum marketing mix for its particular situation at a particular time. The decisions, however, are not easily made. In many instances it is difficult to obtain information upon which to base a decision. There are so many alternative mixes available that it is difficult to run elaborate experiments that will measure the results of various combinations. Furthermore, costs change, competition changes, and consumer tastes change, which make it necessary to vary the mix from time to time.

Nevertheless, decisions are made with respect to the marketing mix. For instance, new products are developed and modifications are made in existing products. Packages are redesigned from time to time. Price and channel policies are established. Decisions are made with respect to the allocation of marketing budget over different elements of the promotional mix, viz., advertising, personal selling and sales promotion. Remember these are largely Planning Marketing Mix decisions made by the individual firm for its own situation. They do not necessarily have general applicability, although we do know for example, that industrial goods manufacturers tend to spend proportionately less for advertising than do consumer goods manufacturers. But these relationships should not be accepted without further inquiry as marketing mix variables interact not only with each other but also with non-marketing variables in the firm.

5.8 KEY WORDS

- **Marketing Mix:** A strategic toolbox of the marketing manager or a combination of 4 Ps.
- **Product:** Goods manufactured by organizations for the end-users are called products.
- **Optimum Marketing Mix:** Relates to the issue of dividing the marketing budget optimally over the elements of the marketing mix.
- **Price:** The money which a buyer pays for a product is called as price of the product.
- **Marketing Strategy:** A broad concept of how resources are to be deployed to achieve market success.
- **Place:** Place refers to the location where the products are available and can be sold or purchased.
- **Promotion:** Promotion refers to the various strategies and ideas implemented by the marketers to make the end - users aware of their brand.

5.9 SELF-ASSESSMENT TEST

1. Why marketing mix is an important determinant of a firm's success? What problems a marketer faces in determining a suitable marketing mix?

2. "The marketing mix of a firm ... is the product of the evolution that comes from day-to-day marketing". Discuss this with your friends in industry and summarize the outcome of the discussion.

5.10 FURTHER READINGS

Kotler, Philip, 2002, llth Edition, Marketing Management, PHI-New Delhi

Michael. R. Masaaki ,Marketing Management ,2nd edition, Vikas publications New Delhi

UNIT-6 MARKET SEGMENTATION

Objectives

After reading this unit, you should be able to understand:

- The concept of market segmentation, targeting and positioning
- Difference between product differentiation and market segmentation
- Types of target marketing strategy
- Positioning methods and strategies

Structure

6.1 INTRODUCTION

In traditional marketing method, the marketer develops a product and then searches for customers. Whosoever has the purchasing power, is contacted for making a sale. However, modern marketing is based on the opposite process, in which first the customer's needs and wants are identified and looking at the feasibility of an entry in the relevant market, the marketer develops a product and the marketing program. The marketing program of a firm depends on how the marketer identifies the potential customers, profiles them and positions his offering in the minds of the customers.

In this unit, we consider how organizations decide on which segments of a market to concentrate their commercial efforts. This process is referred to as market segmentation and is an integral part of marketing strategy. We also consider techniques and issues concerning market segmentation within consumer markets. The method by which whole markets are sub-divided into different segments is referred to as the STP process. STP refers to the three activities that should be undertaken, usually sequentially, if segmentation is to be successful.

6.2 THE CONCEPT OF MARKET

What is a market? Almost all marketing and advertising executives could answer the question, and yet many would give different answers to the same question. Their answer might differ because their particular jobs require only the use of limited definitions of a market. For example, a media planner in an advertising agency might define a market either in terms of geographical places where purchasers live or with respect to number of demographic characteristics of purchasers. On the other hand, a marketing manager might think of a market in more comprehensive terms. He might include geographical places, demographic characteristics and also socio-psychological description of purchasers; identification of heavy-user groups; total number of units sold per year or his brand's share of total sales of a given product class. But it makes sense for all users of the term "market" to have a fairly comprehensive understanding of its meaning if they are going to communicate with each other on the same semantic levels. To the extent that there is consistency of meaning by various users of the term, there is also some possibility for effective communication.

A market usually is identified with a generic class of products. One hears of the beer market, the cake-mix market, or the cigarette market. These are product markets, referring to individuals who in the past have purchased a given class of products. For the sake of convenience, these are product markets, referring to individuals who in the past have purchased a given class of products. For the sake of convenience, these individuals are classified into groups, all of whom have similar characteristics. The use of a product identification of a market carries with it an assumption that may or may not be valid. The assumption usually is made that those persons who will buy a product in the future will be very much like those who have purchased it in the past. This assumption is usually valid, because purchasers are likely to repurchase the same product in the future if their wants or needs have been satisfied.

But occasionally new purchasers are found to have different characteristics than past users. Sometimes through special promotional efforts an advertiser may attract new users to his brand. The new user, then, may be quite different from past users. So it might be better to use the term "prospects" rather than "market". A more precise definition of a market, however, would not be limited to a generic class of products, but to a specific sub-class of that product. For that reason, the cigarette market often is identified by the particular kind of cigarettes under consideration. One hears of the menthol-cigarette market, or the filter-tip market, or some other sub classification. The more precisely that subclass product users are identified, the better is the possibility for understanding markets.

Activity A

Write out the generic need in the case of the following products.

Product **Generic Need**

Cell Phones ………………………………………………………………

Cameras ………………………………………………………………….

Televisions ………………………………………………………………

Toothpastes ………………………………………………………………

Pen ………………………………………………………………………

Finally, a sub-class may be identified further by brand name. At this point the user of the term "market" has moved in his thinking from a general to a specific group of potential purchasers. There are times, of course, where any one of the product definitions may be more appropriate than any other one; but in general it is sensible to identify as precisely as possible which product market is under consideration. Once the market has been identified by generic product class, subclass or brand, purchaser may be described by a number of means:

a) Size of the market
b) Geographical locations of the purchasers
c) Demographic descriptions of the purchasers
d) Social-psychological characteristics
e) Reasons why products are purchased
f) Who makes the actual purchases and who influences the purchasers
g) When purchases are made
h) How purchasing is done

Size of the market : One way to understand a market is to appreciate its size, that is, the number of purchaser, size may be discussed in terms of the number of units sold, or in total dollar sales. Sometimes size of market may be discussed in terms of total number of purchasers or purchasing units, such as households. One of the most frequently discussed aspects of a product market not so much with its total size but with each brand's share of the total market.

Geographic locations of purchasers : Where do purchasers live? Many years ago the answer to this question might have been: "everywhere". The implication was that there were purchasers in every community in the country. Today most marketers believe that a truly national market is a myth. Products are not sold in every community in the country, but in areas where sales potentials are good. So the locational description becomes important. The distribution of sales for a given product is identified by region, country and city.

Demographic description of purchasers : Who is the purchaser of a product or a brand? Here one finds groups of purchasers classified by age, sex, income, occupation, education, marital status, number of persons in the family, race and religion. At times some special classification is necessary to describe product users because the above mentioned data do not differentiate the purchasers from non-purchasers.

Social-psychological characteristics : If a market consists of purchasers, then it should be possible to show how purchasers differ from non-purchasers through one or more demographic variables. Social-psychological classifications have been used at times for such purpose. Purchasers may be classified on the basis of social class, human values, degree of introversion-extroversion, degree of submissiveness-aggressiveness, degree of venture-someness-cautiousness, or other ways beyond the normal demographic classification. No matter which classifications are used, social-psychological differentiation of purchasers may be important to the marketers for decision-making purpose. It may be especially important in advertising communication, where special copy appeals may have more meaning for one social-psychological class than for another.

Reasons why products are purchased : Why people buy a generic product class or a special brand is of great interest. Involved in such an analysis might be a simple investigation of the major and minor uses of the product. Purchasers might be asked to provide reasons why they buy. Both direct and indirect questioning techniques are used to find answers to the question. Then it may be possible to describe the market on the basis of such reasons.

Who makes the actual purchase and who influences the purchasers : One of the most important market descriptions concerns who buys the products, and who influences buying? This becomes important in devising advertising creativeness and media strategy. Should major emphasis be placed on communication to buyers, to influencers, or both?

When purchases are made : Often, it is important to know at what times of the week, month or year that the largest number of purchases are made. Such data help the market planner to direct his promotional activities to the best times of the year.

How purchasing is done: A description of the market also covers a number of important aspects:

a) Whether buying is by impulse or by requests for specific brands

b) Most frequently purchased package size

c) Number of units purchased at one time

d) Frequency of purchase

Activity B

How will you define the market in the case of the following services?

a) Health ……………………………………………………

b) Banking …………………………………………………………

c) Tourism ………………………………………………………

d) Education ………………………………………………………

6.3 THE CONCEPT OF SEGMENT

Market segmentation long has been considered one of the most fundamental concept of modern marketing. Segmentation has become a dominant concept in marketing literature and practice. Besides being one of the major ways of operationalizing the marketing concept, segmentation provides guidelines for a firm's marketing strategy and resource allocation among markets and products. Faced with heterogeneous markets, a firm following a market segmentation strategy usually can increase the expected profitability. Market segments refers to the sub-classes of the market reflecting sub-classes of wants and the process of conceptually distinguishing segments is known as the process of market segmentation.

Market segmentation allows a marketer to take a heterogeneous market, a market consisting of customers with diverse characteristics, needs, wants and behaviour and carve it up into one or more homogenous markets which are made up of individuals or organizations with similar needs, wants, and behavioral tendencies.

6.4 MARKET SEGMENTATION VERSUS PRODUCT DIFFERENTIATION

Market segmentation is a process of dividing a market into groups of segments having similar wants. However wants must be interpreted very broadly, in terms far broader than product characteristics. Segments may differ also in their needs for information, reassurance, technical assistance, service, promotion, distribution and a host of other 'non-product' benefits that are part of consumer purchase. They may also differ in their capacity to pay for these differences. A marketer's view of a product is different from others and is based on the customer's preference to similarly-priced rival brands on the grounds of certain differences arising out of the physical aspects of the product, the kind of image projected by the marketer, the kind of services offered and convenience in using or buying the product.

The marketer can create product differentiation by bringing a difference in the physical product itself. If you aim at different market segments, you might adapt different variations of your offering to satisfy those segments. Equally, if you adapt different versions of your offerings, this may appeal to different market segments. For example, in fashion retailing, if you use lighter fabrics and have a very short hemline, this styling is more likely to appeal more to younger women. Alternatively, if you decide to target older women, then you might need to change the styling of your skirts to suit them by using darker, heavier fabric with long hemline. We see such examples in soft drinks and cola marketing in India. Thums Up as a brand created a 'user imagery' of the buyer asserting that those who are macho and adventurous, drinks Thums Up.

So we can say that in product differentiation the marketer produces two or more products that are different in terms of features, styles, quality, sizes and so on. The objective here is to offer variety to buyers rather than to appeal to different market segments.

6.5 BENEFITS OF SEGMENTATION

Market segmentation ***benefits the marketer*** in several ways:

Facilitates right choice of target market: It does this by enabling him to distinguish one customer group from another within the market and by showing him, which segments of the market match his situation and should hence form his target market.

Facilitates effective tapping of the chosen market: Segmentation enables the marketer to crystallize the needs of each of the chosen segments and make offers that matches them. When buyers are handled after segmentation, the responses from each segment will be more homogenous. This, in turn, will help the marketer develop marketing offering that are most suited to each segment.

Makes the marketing effort more efficient and economic: Segmentation also makes the marketing effort more efficient and economic. It ensures that the marketing effort is concentrated on selected and well-defined segments. After all, for most firms, the resources would be limited and they cannot afford to attack and tap the entire market.

Segmentation ***benefits the consumers***, as well. Segment-oriented offers and communication invariably helps the consumer to come to his buying decision without wasted efforts. He does not have to look elsewhere. It saves him the search time. When segmentation attains the highest levels of sophistication and perfection, customers and companies can conveniently settle down with each other, as at such a stage, they can safely rely on each other's discrimination; the firm can anticipate the wants of the customers and the customers can know the capabilities of the firm. They can happily keep patronizing each other.

6.6 FORMING SEGMENTS

One of the problems involved in segmentation is to know what exactly is being grouped to form segments. As far as consumers are concerned they are not mutually exclusive categories, for people may buy cigarettes today and pipe tobacco tomorrow. But since classes should be mutually exclusive by and large, what precisely is that what we are grouping into segments? The answer to this is that we are grouping buyer's probability of purchasing different types of offering but for effectiveness of the segmentation strategy it is necessary that a marketer must describe its segments both in terms of what is wanted and who is likely to buy it. In other words, we must define the configuration of benefits sought and also draw up a profile of those in the segment that distinguishes them from the members of other segments. A good, practical approach for gathering comprehensive knowledge about what is wanted and who is likely to buy it is to ask yourself questions such as:

What

- Benefits does the customer seek?
- Factors influence demand?
- Functions does the product perform for the customer?
- Are the important buying criteria?
- Is the basis of comparison with other products?

How

- Do customers buy?
- Do customers use the product?
- Does the product fit into their life style or operation?
- Much are they willing to pay?
- Much do they buy?

Where

- Is the decision made to buy?
- Do customers buy the product?
- Do customers seek information about the product?

When

- Is the first decision to buy made?

- Is the product repurchased?

Who

- Buys our product and why?
- Are the occupations of segments identified by previous questions?
- Buys our competitors products and why?
- Will have to collect the necessary data to supply the answers?

Why

- Do customers buy?
- Do customers choose one brand as opposed to another?

6.7 BASES FOR SEGMENTATION

After gathering comprehensive knowledge about what they want and who is in the market, another important criterion to be tackled by you is grouping the buyers into segments. Marketers use more than one base to segment the market and identify target market. The method of segmentation will vary in a business-to-business market than in individual consumer markets. The common bases of marketing segmentation are mentioned in the following section.

Demographic Segmentation

In demographic segmentation there may be a large variation in the demographic characteristics. Demographic variables includes factors like age, gender, family size, family life cycle, income, occupation, education, marital status, religion, race, generation, nationality, language and social class. Since consumer needs, wants and demand pattern are directly linked with demographic variables, this method of segmentation is popular among marketers. These variables are easier to measure and one needs the help of demographic statistics to estimate the size of the market which serves as a key indicator for distinctive market segments.

Age is an important factor while segmenting the market as demand and brand choice of people changes with age. Life cycle is another important variable in segmenting the market. People pass through different stages of life cycle like childhood, bachelorhood, young and married couples without children, couple with grown up kids, couples with children living away from parents and finally a loner where one of the partner is dead. Customer tends to develop different consumption pattern at different stages of the life cycle.

Segmenting the market on the basis of gender helps the marketer to categorize products specifically targeted for males and females. Marketers use gender differences for marketing garments, personal care products, bikes, cosmetics and magazines. For example, Lakme is a popular Indian brand, which sells beauty care products to women only. Brands like Bajaj Pulsar, Fair and Handsome are exclusively targeted at the male segment.

Income based segmentation has a direct bearing on the brand choice behavior and lifestyle pattern of consumers. People in similar income brackets are more prone to buy similar products and services. The customer's social status level is also linked to his source of income. Automobile majors, fashion garments manufacturers, hospitality and financial services industry players segment the market on the basis of income of consumers.

Activity C

Suggest product that you would segment on the basis of demographic variables.

Demographic Variables Product segmented on demographic basis

a) Religion …………………………………………………

b) Race ……………………………………………………………

c) Generation ……………………………………………………

d) Nationality ……………………………………………………

e) Language ……………………………………………………

Geographic Segmentation

This is the simplest form of segmenting the market. Here, the marketer divides the market into different geographical units such as nations, states and regions. He may decide to operate in one or more than one geographical areas. Identifying the geographical location of the customers i.e. their place of residence helps in defining the segments. For example a particular brand may be popular only in South India, then the South Indian market can be divided on the bases of zones, villages, cities and climates etc. A classic example is MTR initially targeted the South Indian market for its products and then moved into the other territories. In a country like India, when we move across from one part of the country to another part, we find a number of local yet powerful brands sold in each geographic market.

Benefit Segmentation

In the benefit segmentation you may segment the market on the basis of what people expect out of the product. Benefit segmentation involves classifying buyers according to the benefits they expect (get) from the product. Let us look at the following list of benefits derived from toothpaste.

- Flavour and product appearance
- Brightness of teeth
- Decay prevention

- Low price

Benefit segmentation require the marketer to conduct exploratory research to develop a complete listing of benefits of possible value in segmenting the relevant market. Then the marketer develops a sensitive and reliable scale to measure major attitude dimensions. Finally, the marketer develops quantitative measurements of the market, usually involving a national sample, resulting in clustering of respondents by their attitudes.

Psychographic Segmentation

Psychographic is the study of lifestyle of individuals. It involves developing sub-group identification on the basis of psychographic characteristics. Lifestyle is a person's entire way of living. It reflects the person's living as a combination of his actions, interests and opinions. One of the popular methods of psychographic study is AIO Framework, which explains the individual's lifestyle pattern as a combination of his activities, interests and opinions with demographic explanations. Consider the following example:

Activities	**Interests**	**Opinions**	**Demographics**
Work	Family	Themselves	Age
Hobbies	Home	Social issues	Education
Social events	Job	Politics	Income
Vacation	Community	Business	Occupation
Entertainment	Recreation	Economics	Family size
Clubs	Fashion	Education	Dwelling
Community	Food	Products	Geography
Shopping	Media	Future	City size

In using the above approach the researcher must have consumers respond to a number of AIO statements and then use statistical techniques to group the AIO statements into similar categories. The grouping permits the marketing analyst to produce a more relevant profile of those who are in the market say of users and non-users.

Marketers also have used personality variables to segment markets. For example, marketing for Honda motor scooters appears to target hip and trendy 22-year-olds. But it is actually aimed at a much broader personality group. One old ad, for example, showed a delighted child bouncing up and down on his bed while the announcer says, "you've been trying to get there all your life." Thus, Honda is appealing to the rebellious, independent kid in all of us. In fact, 22 percent of scooter riders are retirees. Competitor Vespa sells more than a quarter of its scooters to the over-50 set. "The older buyers are buying them for kids," says one senior. "They never had the opportunity to do this as kids."

Some important personality variables that may be used in psychographic segmentation are: impulsiveness, sociability, achievement orientation, Masculinity, self-confidence, prestige consciousness, alertness to change, thriftiness and sentimentalism.

Another basis is brand-loyalty, with companies making direct appeal to the loyal user. Some important examples are the toothpaste market, the beer market and the cigarette market. Companies selling in a brand-loyal market have a hard time gaining more market share. Similarly, companies that enter a brand-loyal market have a hard time getting in.

Segmentation in Industrial Markets

An industrial market is vastly different from a consumer goods market. Industrial markets can also be segmented on the basis of similar bases like geographical area, benefit sought by the marketers and the usage rate. Business markets can also be segmented on the basis of product-related factors, size of the customer and type of buying situation. The segmentation variables includes demographic, operating variables such as technology, user-status and customer capabilities, purchasing approaches, situational factors such as urgency, specific application and size of order and personal characteristics like buyer-seller similarity, attitude towards risk and loyalty.

6.8 SELECTION OF SEGMENTS

Before selecting a basis, you must have adequate knowledge about the buyer. You can follow two approaches for identifying market segments. They are called build up and break down approach. While the former approach is more appropriate for business-to-business markets or industrial buyers, the latter is used in the context of business-to-consumer or individual market segments. By looking at the similar demand pattern across a number of buyers in business-to-business markets, the marketing manager can build segments. As individual customers demand in a business market does not justify each one of them to be called a segment, so by looking at similar demand pattern one can build up segments with worthwhile demand. The breakdown approach looks at large heterogeneous markets and breaks them into homogeneous segments with similar demand pattern to be called as market segments

When analyzing a market that contains millions of people, buildup may not be practical. It is particularly appropriate, however, in markets that contain a relatively small number of potential buyers such as industrial markets. After the segments have been formed, you can analyse the segments to develop a sound understanding of what the typical customer in each segment looks like. A profile is built for each segment by searching for relationships among segmentation basis variables and descriptive characteristics variables. Profiling helps to characterize large, identifiable groups within a market. You can segment and profile markets on the basis of consumer characteristics and consumer response pattern.

Once profiled you can evaluate the profit contribution expected from each segment. Several kinds of information are needed, starting with the demand potential within each segment. The marketing manager measures the demand of each customer and the number of customer in each segment. The segment potential is calculated.

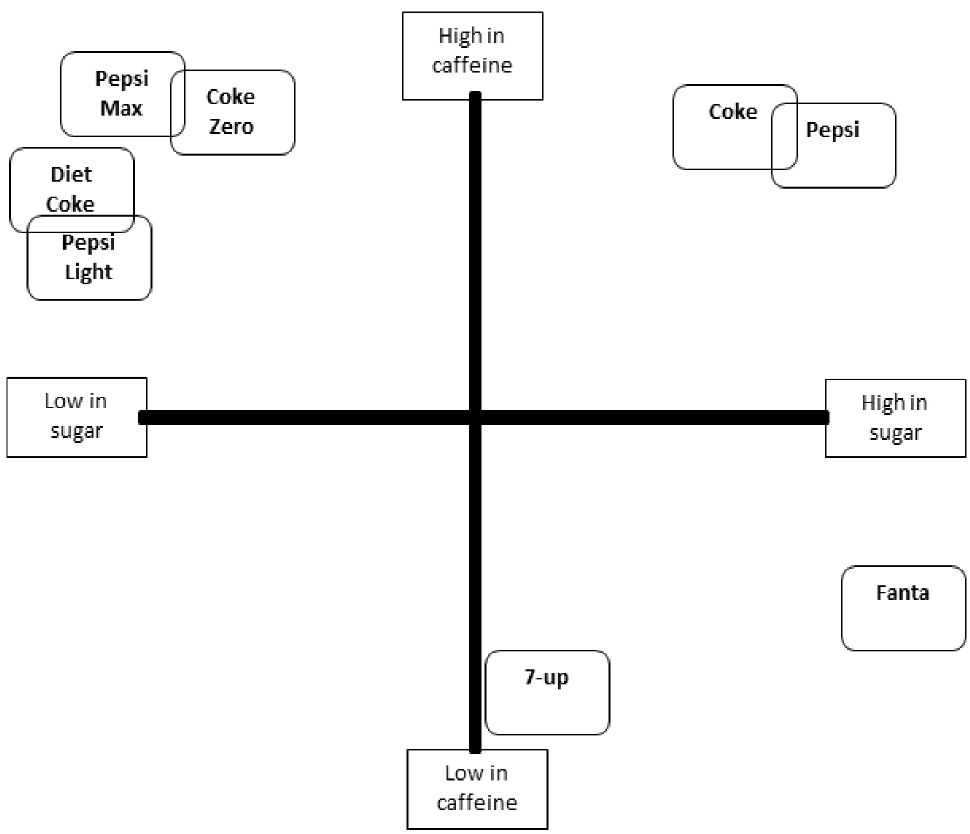
SP1 = Σ sn

Perceptual mapping technique

It is a visual technique designed to show how the average target market consumer understands the positioning of the competing products in the marketplace. In other words, it is a tool that attempts to map the consumer's perceptions and understanding in a diagram. There are three main formats for presenting a perceptual map.

Using two determinant attributes: This format uses two determinant attributes on the graph. The main advantage of this format is that it is very simple to construct and interpret.

In the case given below only two attributes have been considered, they are 'to what extent does the consumer consider the product to be high/low in sugar' and 'to what extent is a product considered high/low in caffeine'. For example on this map the 7-up product offering is perceived as having a moderate level of sugar and being relatively low in caffeine.



In examining the above perceptual map remember the following assumptions:

- The closer the positioning of two brands on the map, the more likely they are to compete with each other.
- The closer a brand is to a consumer's ideal point the more likely it is to be preferred by them
- Gaps on the map can be identified as potential market niches or segment possibilities or other ideal points

Using many product attributes: The second approach to perceptual mapping used to use a statistical technique called correspondence analysis. Using a computer, a statistical program has the capacity to map multiple product attribute at the same time. This type of map is a little bit more confusing and difficult to interpret, but it does provide a good overview of how the targe market views and connects the various attributes.

Joint perceptual maps: Occasionally you will see a perceptual map that also maps the preferred needs of different market segments, based on the same attributes. These types of maps are sometimes referred to as joint perceptual maps, as the perceived product positioning is jointly presented with the needs of the segment. The addition market segment needs being placed on the perceptual map allows the firm to identify how well they are positioned to relative to their particular target market.

Considerations in using perceptual maps

The following points have to be borne in mind while using perceptual maps:

- Two brands may be similar that is near each other in relation to the two dimensions of the map, but it may be so only for buying occasion A and not for buying occasion B.
- Two consumers may have the same location on a map but arrive at that position by very different perceptual or attitudinal routes i.e. preference point may be the same but it may be the result of different attitudinal frameworks.

6.9 TARGETING

Target marketing helps to learn how to take a decision on which market to enter from out of the available markets. Depending on the available resources, experience and competency of the marketer and time available, the marketer will decide which market to target. While segmentation explains whom to target, targeting explains how to target these markets. After evaluating different segments, the company must now decide which and how many segments it will target. A target market consists of a set of buyers who share common needs or characteristics that the company decides to serve.

Because buyers have unique needs and wants, a seller could potentially view each buyer as a separate target market. Ideally, then, a seller might design a separate marketing program for each buyer. However, although some companies do attempt to serve buyers individually, most face larger numbers of smaller buyers and do not find individual targeting worthwhile. Instead, they look for broader segments of buyers. More generally, market targeting can be carried out at several different levels.

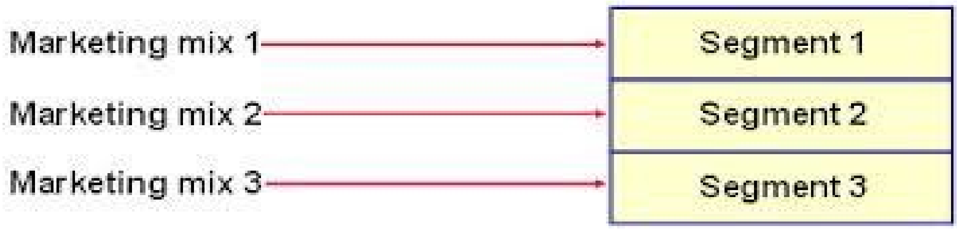
Undifferentiated Marketing Strategy or Mass Marketing Strategy

In the absence of a proper mechanism to classify the market into number of market segments and analyze their potential, many firms decide on the mass marketing strategy. In this case the marketer goes against the idea of a differentiated market and instead decides to sell the product to the whole market. Here the marketing manager ignores the idea of segment characteristics and differences and develops a unified marketing program for the entire market. This strategy keeps the overall marketing costs low and makes it easier to manage and track the market forces uniformly.

Most modern marketers have strong doubts about this strategy. Difficulties arise in developing a product or brand that will satisfy all consumers. Moreover, mass marketers often have trouble competing with more-focused firms that do a better job of satisfying the needs of specific segments and niches.

Differentiated Marketing Strategy

Using a differentiated marketing strategy, a firm decides to target several market segments nd designs separate offers for each. For example, General motors tries to produce a car for every "purse, purpose and personality." Maruti is the leading automobile company, which has the distinction of having products for different market segments. Maruti Alto is sold to upcoming middle class. Swift is targeted for the upper rich class people and Maruti Omni is targeted for large families and taxi operators. The main objective of offering differentiated marketing offer is to cater to different segments and get higher sales with a dominant position in each of the segment.



The risk involved in this kind of a marketing strategy is in the form of extra cost in marketing research, product development, different forecasting models, varied sales analysis, promotion planning and channel management. And trying to reach different market segments with different advertising increases promotion costs. Thus the company must weigh increased sales against increased costs when deciding on a differentiated marketing strategy.

Concentrated Marketing Strategy

When resource as well as market access is limited and the company has to face intense competition, the marketing manager has to stretch the budget for market coverage. In this case the company is likely to follow the concentrated marketing strategy. The marketing manager decides to cover a large niche rather than fighting for a small share in a large market. It is an excellent strategy for small manufactures that can serve the segments closely and cater to the emerging needs of closed loop customers. For example, Oshkosh Truck is the world's largest producer of airport rescue trucks and front loading concrete mixers. Tetra sells 80 percent of the world's tropical fish food and Steiner Optical captures 80 percent of the world's military binoculars market.

Through concentrated marketing, the firm achieves a strong market position because of its greater knowledge of consumer needs in the niches it serves and the special reputation it acquires. It can market more effectively by fine tuning its products, prices and programs to the needs of carefully defined segments.

Choosing a Targeting Strategy

Companies need to consider many factors when choosing a market targeting strategy. Which strategy is best depends on company resources. When the firm's resources are limited, concentrated marketing strategy makes the most sense. The best strategy also depends on the degree of product variability. Undifferentiated marketing is more suited for uniform products such as steel. Products that can vary in design, such as cameras and automobiles are more suited to differentiated or concentrated. The product's life-cycle stage also must be considered. When a firm introduces a new product, it may be practical to launch only one version and undifferentiated or concentrated marketing may make the most sense. In the mature stage of the product life cycle, however, differentiated marketing begins to make more sense.

6.10 POSITIONING

A product positioning is the way the product is defined by consumers on important attributes-the place the product occupies in consumers' minds relative to competing products. "Products are created in the factory, but brands are created in the minds," says a positioning expert. For example Tide is positioned as a powerful, all purpose family detergent; Ivory Snow is positioned as the gentle detergent for fine washables and baby clothes. Volvo positions powerfully on safety. Consumers are overloaded with information about products and services. They cannot reevaluate products every time they make a buying decision. To simplify the buying process, consumers organize products, services and companies into categories and "position" them in their minds. A product position is the complex set of perceptions, impressions and feelings that consumers have for the product compared with competing products.

Consumers position products with or without the help of marketers, but marketers do not want to leave their products positions to chance. They must plan positions that will give their products the greatest advantage n selected target markets and they must design marketing mixes to create these planned positions.

Choosing a Positioning Strategy

Choosing the right positioning strategy consists of three steps:

1. Identifying a set of possible customer value difference that provide competitive advantages upon which to build a position
2. Choosing the right competitive advantages
3. Selecting an overall positioning strategy

The company must then effectively communicate and deliver the chosen position to the market.

Identifying possible value differences and competitive advantages: To find points of differentiation, marketers must think through the customer's entire experience with the company's product or service. An alert company can find ways to differentiate itself at every customer contact point. In what ways can a company differentiate itself or its market offer? It can differentiate along the lines of product, services, channels, peoples or image. Product differentiation takes place along a continuum. At one extreme we find physical products that allow little variation: chicken, steel, aspirin. Yet even hare some meaningful differentiation is possible. For example, Perdue claims that its branded chickens are better, fresher and tenderer and gets a 10 percent price premium based on this differentiation. Beyond differentiating its physical product, a firm can also differentiate the services that accompany the product. Some companies gain service differentiation through speedy, convenient or careful delivery. For example, Commerce Bank has positioned itself as "the most convenient bank in America" – it remains open seven days a week, including evening and you can get a debit card while you wait.

Firms that practice channel differentiation gain competitive advantage through the way they design their channel's coverage, expertise and performance. Amazon.com and Dell set themselves apart with their smooth-functioning direct channels. Companies can gain a strong competitive advantage through people differentiation-hiring and training better people than their competitors do. Disney people are known to be friendly and upbeat. And Singapore Airlines enjoys an excellent reputation, largely because of the grace of its flight attendants. Buyers may perceive a difference based on company or brand image differentiation. A company or brand should convey the product's distinctive benefits and positioning which requires creativity and hard work.

How many differences to promote : You must be thinking that companies should aggressively promote only one benefit to the target market. Ad man Rosser Reeves, for example, said a company should develop a unique selling proposition (USP) for each brand and stick to it. Some of the marketers think that companies should position themselves on more than one differentiator. This may be necessary if two or more firms are claiming to be best on the same attribute.

Which difference to promote : Not all brand differences are meaningful or worthwhile; not every difference makes a good differentiator. Each difference has the potential to create company costs as well as customer benefits. A difference is worth establishing to the extent that it satisfies the following criteria:

- **Important:** The difference delivers a highly valued benefit to target buyers.
- **Distinctive:** Competitors do not offer the difference or the company can offer it in a more distinctive way.
- **Superior:** The difference is superior to other ways that customers might obtain the same benefit.
- **Communicable:** The difference is communicable and visible to buyers.
- **Preemptive:** Competitors cannot easily copy the difference.
- **Affordable:** Buyers can afford to pay for the difference.
- **Profitable:** The Company can introduce the difference profitably.

6.11 BRAND REPOSITIONING

Brand repositioning is all about changing the status of your brand by modifying its appeal to customers. However, determining when your brand needs to be repositioned is not always crystal clear. In fact, oftentimes the way companies determine when to reposition is akin to how different people approach shopping. When it comes to deciding when to reposition a brand, many businesses vacillate in a state of flux between extremes like the shoppers because they are uncertain about what constitutes a reason to reposition. Some change their brand positioning too often in reaction to changing market trends. This leaves buyers confused about who the company really is. Still others don't update their look, feel or messaging for 10 or more years, falling out of step with buyer wants and needs. Clearly, neither extreme is right. So how can a business decide when it's time to reposition its brand?

Six Reasons to Reposition

Even though repositioning done well takes some time and effort, it's critical to realign your brand position when your business is facing any of these situations:

1. **Competitors have usurped your value proposition:** This dilutes the effectiveness of your positioning causing market reaction to your primary brand benefit to shift. When competitors start delivering a similar message to yours the positioning benefit morphs into a cost-of-entry benefit, instead of one that is uniquely your own.

2. **Your brand position has become confusing:** This can happen overtime to a brand, especially as new messages are added onto the company story. Alternatively, perhaps your brand position was never clear. Regardless of the reason, when buyers are confused about your primary brand benefit it's time to reposition.

3. **Your company has a new, highly proprietary competitive advantage:** These are exciting times and often include new patent-pending technology or a unique offering that competitors can't easily duplicate. If the brand isn't repositioned to capitalize on the new competitive advantage your marketing won't be able to leverage the benefits.

4. **There is a change in the company's strategic direction:** Any tectonic shift such as a new line of business, an acquisition or expansion into a new market will render current positioning out of date. Strategic changes require a revisit of brand positioning so that your customers can clearly understand what this change means to them.

5. **A new competitor arrives and changes the game:** Change is inevitable and competitors keep every business on their toes. When a new one enters your industry and steals buyers with a superior value proposition it's time to rethink your brand position to ensure that it's still relevant to your market.

6. **There is a significant change in corporate culture:** When a new CEO joins, oftentimes the personality of company shifts. With

events that influence the culture, it's worthwhile to revisit your brand personality, at minimum, to make sure that it still matches the culture.

Brand repositioning doesn't start with a new design, logo or name. It starts by drawing on deep customer insights. Repositioning requires an intensely disciplined focus to realign the brand promise with unmet customer needs, in a way that is better than the competition is doing. When done well the payoff can be great. Repositioning done at the right time and in the right way is often the impetus that spurs a turnaround that leads to a company's continued success.

6.12 SUMMARY

Market segmentation seeks to carve out a homogeneous market out of a large, heterogeneous market. There are a few common bases, which are used in segmentation e.g. demographic, geographical, benefit etc. Although the use of demographic variables is appealing and widely available to marketers, but these variables are not able to profile segments on their own. Segmentation is advantageous to marketers in many ways. Instead of spending all marketing resources on a heterogeneous market where customers have varied characteristics and response pattern, segmentation guides marketing managers to identify who are the likely buyers and to spend the resources on these buyers to achieve a time based result.

Marketers use three strategic options in target marketing. They are undifferentiated marketing, differentiated marketing and concentrated marketing. In undifferentiated marketing strategy, the same marketing program is offered to everyone regardless of their differences. In differentiated marketing, two or more segments are targeted using different marketing programs for each of the segments. In concentrated marketing, the marketing manager focuses on one segment out of many possible segments. A decision on target marketing largely depends on the profit potential of each segment, resources available with the firm and the strategic intent of the firm.

Once the segment is defined and target market decision is made, the marketer needs to position the offer in the market. Positioning is an act of designing the company's product offering and image in the minds of customers. Positioning is not something to do with the product you make in the shop floor; it deals with what you make the customers believe about the product through communication.

6.13 KEY WORDS

- **Segmentation :** The process of segregating a heterogeneous market into a set of homogeneous groups of customers.

- **Market Targeting :** The process of segmenting, targeting and positioning an offer in the market.
- **Psychographic :** It is the science of using psychology and demographic to study the lifestyle patterns of consumers.
- **Demography :** The statistical study of human population and its distribution.
- **Target Market :** A group of customers for whom a seller designs a particular marketing mix.
- **Positioning :** The act of developing a product offer and selecting an image to occupy a distinctive place in the minds of the target market.

6.14 SELF-ASSESSMENT TEST

1. What methods of segmentation will be followed for following products?
   a) Motorcycle
   b) Wrist Watch
   c) Mobile
   d) Life Insurance
   e) Banks
2. What is brand repositioning? How are the following brands positioned in the Indian market?
   a) Trucks
   b) Men's Fairness Creams
   c) Health Drinks

6.15 FURTHER READINGS

Kotler, Philip, 2002, llth Edition, Marketing Management, PHI-New Delhi

Boone, Louis E. and Kurtz David L., VIIth Edition, Contemporary Marketing, Dryden Press, New York

UNIT-7 MARKET ORGANIZATIONS

Objectives

After reading this unit, you should be able to:

- Understand what organization is
- Understand designing of marketing organizations
- Understand Sales and Marketing Organization structures

Structure

7.1 INTRODUCTION

A marketing organization is both an orienting point for cooperative endeavor and a structure of human relationship. It is a group of individual striving jointly to reach qualitative and quantitative objectives and bearing formal and informal relations to one another. A successful marketing organization is one in which functions of each department are carefully planned and coordinated and the efforts of the individuals supervised. A successful marketing organization also organizes scarce resources towards the goal of delivering products and services in the hands of customers for profit. In this we shall discuss in detail the various ways in which the marketing function can be organized and the considerations involved in designing the marketing organization.

7.2 PRINCIPLES OF DESIGNING AN ORGANIZATION

Marketing organization refers to any system, body or group of people, comprising various sub-systems or parts, which are interrelated and interdependent on each other for achieving organization's marketing goals. A marketing organization may be formal or informal. A formal marketing organization has specific marketing objectives to achieve and this is the very reason for the organization's existence. An informal marketing organization has no specific objective to achieve and is an association of marketing individuals by chance or event. Objectives may relate to making profit or market share or mind share. When we refer to a marketing organization, it can mean a firm or company involved in business or a non-business agency and which has a set of marketing goals. Irrespective of the nature of an organization, the principles involved in its design are the same. These are:

Departmentalisation : It involves integration of differentiated (or specialized) activities and grouping of individual into departments and divisions.

Standardization : It refers to the existence of procedures and systems, which helps integrate the entire organization.

Specialization : The division of labour on the basis of which a particular type of activity is differentiated from another. Jobs are assigned to individuals on the basis of their specialization.

Centralization : It refers to the level at which authority for decision-making is concentrated. It involves designing formal reporting relationship and information systems, leading to hierarchical levels and spans of control.

Formalization : It refers to the extent to which all procedures, systems and policies are written, so that the organization becomes independent of the person who founded it and acquires a life span substantially longer than any one individual.

Structure : It refers to the total configuration or arrangement of individuals, departments, reporting relationships, information flows, span of control all of which give the organization its specific shape.

Evaluation : It refers to providing systems for appraisal and compensation.

Given these basic principles, one can have many kinds of organization structures to choose from. In making the choice the marketing manager should evaluate the alternative structures on the basis of facilitating the achievement of objectives and accomplishment of tasks, managerial control and management of cost.

7.3 CHANGING ROLE OF MARKETING ORGANIZATIONS

The role of an organization can be compared to the skeleton of the human body. It provides a framework within which functions takes place. Whereas the skeletal function is the same for all human beings, it varies between firms. This is because all enterprises have their own objectives, resources and corporate plans to achieve those objectives. Role of the marketing function and its place in the overall organization has been changing over time. From a situation where marketing was treated as a selling arm of the factory, it has come a full circle where marketing 'dictates' what is to be produced. With the passage of time, not only has the organization of the marketing activity undergone many changes but also its growing importance has influenced the entire concept of viewing business. More and more firms are now adopting the 'marketing orientation,' i.e. the customer and his needs from the nucleus of all the activities of the firm. All the activities and tasks are organized around the customer. The firm with marketing orientation has come into being after passing through many distinct phases. These are described below:

Simple Sales Department : The three most basic functions needed for every business are those of production, finance and marketing. Towards the end of the nineteenth century and during the early twentieth, production was considered to be of prime importance and was given all attention. Most firms had only a sales staff headed by a sales manager and no marketing activity. The sales function was treated as an adjunct to the production whose responsibility was only to sell whatever the factory produced.

Sales Department with some Marketing Function : As the firm expanded its operations, it found that merely selling what the factory produced was not enough to sustain the growth momentum. A firm aspiring for growth and leadership must match its production to customer needs. Hence there was a need for some marketing research and new product development. At this stage, the selling department began to take on these responsibilities of marketing and apart from marketing research and new product development; it also undertook some promotional and advertising activity.

Separate Marketing Department : This is a stage when the need for the complete range of marketing function is felt and a full-fledged marketing department is established. The sales activity will continue to dominate but as compared to other activities, its importance is reduced. Sales and marketing may continue to be organized as two separate departments and there may be frequent clashes between the two. The sales department may feel that its existence is being threatened by the marketing department and could apprehend a grand design for its takeover. The marketing department, in its place may feel that the sales people are unnecessarily putting obstacles in the way of integrating all the marketing activities, including sales. The root cause of all such conflicts is the lack of understanding that sales is a part and parcel of marketing and needs the support of other departments to be truly effective.

Integrated Marketing Department : This is a stage where sales and marketing are integrated and organized into a single department. The marketing director heads the department with the sales manager reporting to him. The other activities such as marketing research, promotion and advertising, marketing information, customer service and new product development are also organized in this department under the marketing director. The following figure depicts an integrated marketing organization.

Marketing Oriented Organization : A marketing oriented organization is one, which is guided by customer needs. Such an organization obviously needs to be flexible to accommodate customers changing tastes and habits and accordingly modify its products or develop new products. The distinctive characteristics of a marketing oriented organization starts by identifying customer needs and products that satisfy these needs. Marketing research is conducted on a continuous basis to monitor technological innovation regarding the product; customer's changing preferences and giving feedback to the research and development cell and production department to work on new ideas.

Marketing shows the way and the production department follows. The general pattern of evolution of a marketing-oriented organization usually accompanies the process of economic development. In industrially developed economies, as compared to less developed and developing economies, customers are relatively more knowledgeable and sophisticated the pace of technological change is very fast and the market is characterized by a high mortality rate of products and product ideas. All these factors work to exert great pressure on the firms to be marketing oriented, since what sells like hot cakes today may be a total flop tomorrow. As compared to the less developed economies, one will find more marketing-oriented firms in the developed economies. But there are always exceptions to this general pattern and even in developed economies, one can find firms in which the marketing organization is at an early stage of evolution. One may also find that some divisions have fully integrated marketing organizations, but the firm as a whole is not marketing oriented.

The objective of tracing the evolution of the marketing organization is to highlight the importance of marketing to every firm. As we have seen, with increased economic development, the importance of marketing has also been growing. No firm can afford to be without marketing orientation. No matter what the nature of the product, the ultimate success of every business firm is determined not in the laboratory, but in the market place and to succeed in the market place, it is most critical that one has a marketing organization which facilitates the process of marketing and support the achievement of objectives.

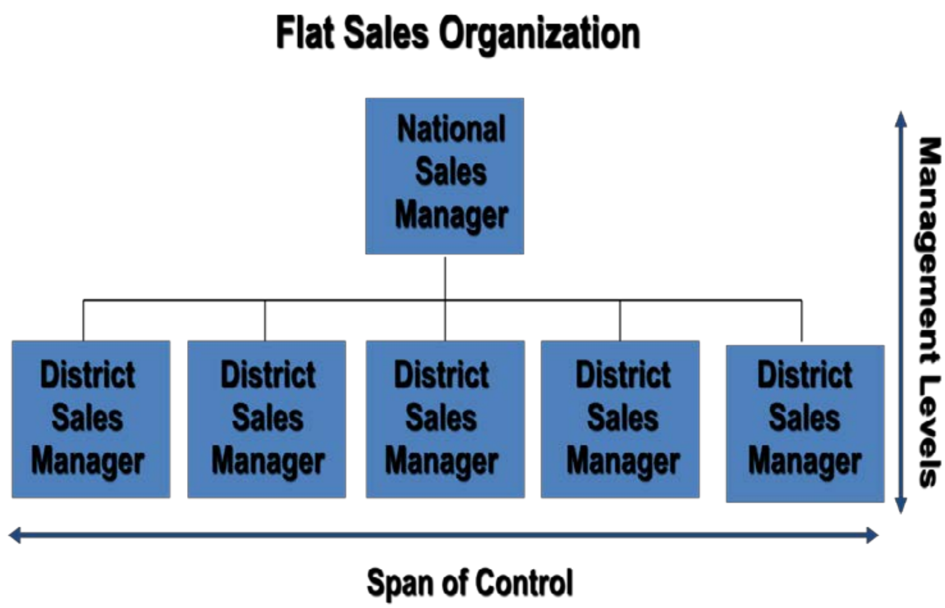


Figure 1 : Flat Organization

7.4 CONSIDERATIONS INVOLVED IN DESIGNING THE MARKETING ORGANIZATIONS

A number of factors influence the design of a marketing organization such as the objectives and goals of the firm, nature of the product and line of activity of the firm, area of operation, nature of industry and level of government etc. A marketing manager should always take these factors into consideration while designing the marketing organization.

1. **Objectives and Goals of the firm**

   The first consideration in designing the marketing organization is the firm's marketing objectives and goals. These objectives may pertain to desired market share, expected sales and profit levels, desired position in the industry and/or market, desired customer image and competitive posture. Depending upon the stated objectives a suitable organization would have to be designed which would facilitate achievement of the objectives. For instance, a firm which strives to have the largest market share would need a different type of organization than one whose objective is to have the highest quality products.

2. **Nature of the Product and the Line Authority**

   The nature of the product with which the firm is dealing will be the second consideration in organizing the marketing set-up. To sell the fast moving consumer goods no special skill or training pertaining to the nature of the product is required. These are products, which are well understood and comprehended by everyone. The firm dealing in such products need not look for sales people with specialized knowledge when organizing its marketing set-up. On the other hand, products such as air-conditioners, refrigerators, industrial machines and computers require that the marketing people have at least a functional knowledge about the equipment before attempting to market them. One requires not only trained people but also need to organize a supporting set-up wherein he can train his customers about the proper usage of the equipment and also form an after sales service department to take care of product complaints.

In case of products such as computers, one may need to provide technical guidance to the customer about which software package to purchase and how to constantly upgrade the computer with compatible accessories. There is a category of specialty products such as ethical drugs and medicines, medical and scientific equipment. In the case of such products one needs thorough knowledge about the product and sometimes even a formal educational degree before he can market them. Drug stores and chemists cannot be licensed to sell before they have at least one qualified chemist in their employment. Ethical drugs are directly promoted to doctors through salesman who are known as medical representatives. Reputed pharmaceutical firms usually employ only science graduates for this job, since it requires a basic understanding of the composition of the medicine, its possible reactions and side effects and an ability to tackle queries on the product from knowledgeable doctors. Depending on the kind of product, which one is marketing one need to induct suitably educated and trained salesman. If finding the right people is difficult, one can provide in-house training to help people acquire the knowledge and skill necessary for marketing the product. Most airlines and hospital provide in-house training to their people before they actually go on to the job. Besides training facilities, the marketing organization may need a separate cell for customer servicing, customer education and handling customer complaints.

The number of product assortments of the firm will influence the type of marketing organization that one chooses. A firm marketing ready-made children's garments may choose to segregate its range of exclusive premium price wear from the medium-priced range and organize two separate marketing teams as the two ranges are marketed to different sets of retail outlets. But since the basic products in both the price-range are the same, the firm can have a common marketing organization catering to both categories of retail outlets. Firms with highly diversified range of products need separate marketing organization to effectively market each of them. In deciding whether one needs separate marketing organization or a common one, one should consider not only the similarities in the nature of product, but also similarities in the type of customer need and customer served and similarity in the marketing channels.

Area of Operation

The number of markets that a firm caters to and the location of these markets is another factor which influences the decision regarding the type of marketing organization that a firm should adopt. If there are many markets, which are located at great distance from one another, a firm may have no choice but to have separate marketing organization for different geographical markets. The greater the difference in individual markets in terms of customer tastes and habits, the greater is the need for a separate, flexible, autonomous marketing organization at the local market level. This kind of autonomy in marketing organization can be observed in the local operation of multi-national companies, which have subsidiaries in many countries of the world. The corporate headquarter may provide only the basic operating guidelines and specify the expected results, allowing the remaining operations to be organized according to the requirements of each market. These requirements may include modifying the products to suit local climate and taste, designing relevant promotional strategy, employing local people and adopting local personal selling techniques.

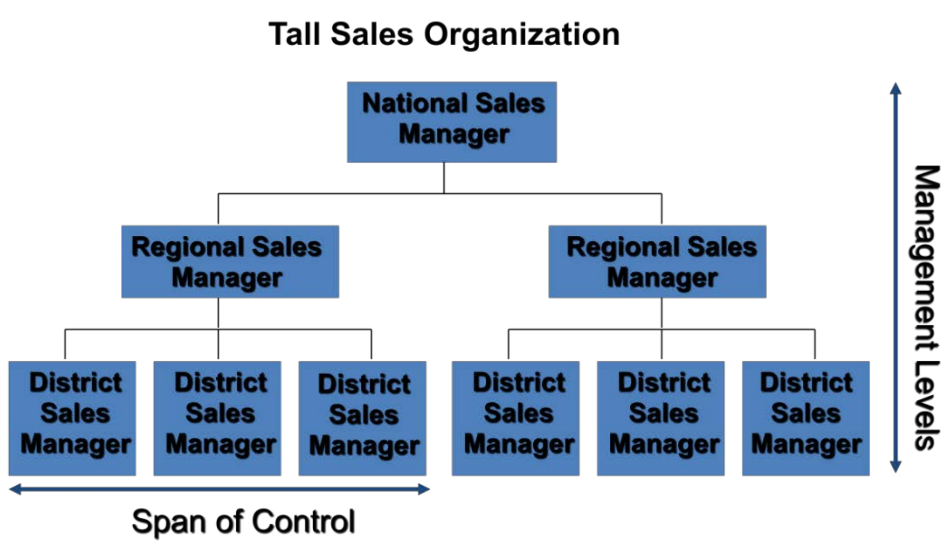


Figure 2 : Tall Organization

Nature of the Industry

The design and structure of a marketing organisation would vary depending on the nature of industry to which a firm belongs. A firm characterized by fast changing customer preferences or rapid technological improvements needs a marketing organisation, which should be flexible to adapt to changing situations. Moreover, the marketing organisation must be so designed that it facilitates active interaction within the related sub-functions, which are critical to the marketing success such as sales and marketing research in case of hi-fashioned garments and sales and research and development in electronics. The more the interface with other functions in the firm and sub-functions within the marketing function itself, the more the need for a structure which is flexible, properly organized and permits easy flow of information.

Computerization and Upgradation of Information System

The type of information system and communication technology also affects organizational design. The advent of computers has led to replacement of human by machines for information processing; replacement of supervisory and managerial cadres, which were performing the roles of supervising and controlling and can now be done more efficiently by computers and there is greater decentralization of decision making. The result is the progressive removal of many intermediate levels of managements and the evolution towards a flatter structure.

External Environment and Governmental Intervention

The composition and character of the marketing organisation is influenced by the environment in which it operates. At the level of the firm, the environment consists of social, economic, political, legal and cultural factors. These factors impinge on all operations of the firm including marketing. In addition, specific rules and regulations governing the product category and its marketing affect the marketing organisation. Explicit media advertising which involves describing the product and its contents for alcohol and alcohol based drinks, is not permitted in India. Given this restriction, liquor companies necessarily need strong sales organisation, which can develop and retain dealers and command prominent shelf display at these outlets. Drugs, cement, fertilizers and certain categories of steel are subject to price control. In such a situation, some firms are able to afford a marketing organisation, while others cannot, due to low margins and constraints on capacity and cost structure.

7.5 TYPES AND METHODS OF ORGANIZING THE MARKETING ORGANISATION

Organisational design refers to the formal and coordinated task of assigning territories and establishing flows of communication and responsibilities for marketing department and individuals serving customers effectively. The developed structure helps the marketing people to identify their roles, responsibilities and command the organisation. A proper organizational design helps in enhancing productivity, reducing conflicts and improving individual’s quality of work. This helps in identifying the content of a job, the qualifications and experience required to undertake the job and rewards associated with the performance of the job.

The marketing organisation is designed on the basis of the nature and size of the overall organisation, market coverage strategy, complexity of the products offered and external conditions of the market depicting the level of prevalent competition. Organisations adopt different kinds of structures from the simple line organisation to special designs like functional organization, product management organisation, market centered organisation and matrix organisation. Methods other than these four are either their derivatives or combinations.

Line Organisation

In a pure line organisation, the chief executive does the decision-making and decisions flows down the line of execution. The chief executive has all the authority over the marketing function. Many small marketing firms have such designs. In these kinds of organisations, decisions are made faster, overhead costs are low and marketing people need to follow command. These kinds of organisations are called 'one man show' organisations. Such organisations suffer from the daily fire fighting operations of the executives as they do not have time to do marketing planning and are busy in achieving marketing goals in the short run. As organisations grow in size some degree of specialization occurs and then they are designed in a different base than on line functions.

Functional Organisation

In the functional organisation, various functions performed as part of the overall marketing function are the basis for organizing the marketing set-up. Each function is assigned to a specialist who reports to the marketing manager. The most common functions in marketing are sales, distribution, advertising, sales promotion, marketing research, marketing information system, dealer development, customer service, new product development and marketing planning. It is possible that one may be using terms different from these to describe various functions. One will be able to identify the functions according to the terms used here once he has gone through the description of each function. In a small firm, all these functions may not be individually identified and differentiated, even though they are actually performed.

All the functions may be handled by just one or two individuals, who are jack of all trades rather than specialists in any particular function. But as the firm grows in size, it becomes imperative to differentiate and delegate the functions to separate individuals. One man can no longer perform all the functions and even if he can, he would not have the necessary skill or knowledge for it. All the functional specialists report to the marketing manager who has overall responsibility for marketing. Depending on the relative importance of each marketing function to the overall effectiveness of the marketing organisation, a function may either be organized separately or clubbed with another function. Further the organisation of each marketing function within the overall marketing organisations may vary from firm to firm.

Sales

A team of sales people perform sales function, as they are responsible for actually selling the product or service. The product may be sold directly to the actual customers. This is known as direct sales. The product may be sold to distributors, wholesalers, retailers or other middleman, who in turn sell to the actual customers. This is known as indirect selling. A firm may sell either directly or indirectly or use a combination. There are three basic methods in which the sales force may be organized: geographic division, product division and customer or marketing channel division.

Sometimes it is wise to have the sales force organized on a geographical basis when the area of sales coverage is very large and there is marked difference in the market and buyer characteristics in each area. The entire market is divided into regions or zones and each region has its own sales force. Such an organisation implies geographic division of authority and decision-making. This type of sales force organisation is very widely used and is effective when there is a single product or a range of similar products to be marketed to many scattered markets.

When a firm has a wide range of products, each significantly different from the other in terms of its physical and/or technical characteristics, the sales force is usually organized around each distinct product or product group. The basis for differentiating the products may be the technical process involved or the customer characteristics so that the salesman's specialized knowledge of technology can be efficient used. Thus there is a separate sales force for each product.

Figure 3 : Geographic Organization

Another method of organizing the sales force is on the basis of different customer groups served or the marketing channel used to reach the customers. A company marketing television sets has two distinct sales teams. One team serves the distribution and wholesalers while the other team is engaged in selling to institutions such as hotels, schools and universities which buy in large numbers. The company finds it useful to have this distinction because the methods and channels used for selling to these two customer groups are totally different. Many companies also find it useful to have separate sales team to sell to the private sector and to the public sector and government bodies.

A company manufacturing computer peripherals, printers, disks and consumable items such as magnetic tape, has one sales team selling to original equipment manufacturers (OEM) who use these items in assembling their own branded computers and another sales team selling to computer retail outlets such as Computer point, I-next and e-zone which retail these individual items on per piece basis. Many companies use a combination of above bases for organizing the sales force. At the head office level, the sales team may be divided on a product basis, but if the market is very large the team may be further sub-divided on a geographic basis. Thus there is sales specialization at the product level as well as the market level.

Distribution

Distribution refers to physical movement of goods from the factory to the customers. In organizing the distribution function, the objective must be to find the least-cost physical distribution method, which allows the manager to service his customers in the most efficient manner. There are three types of physical distribution organisations as explained below:

The first is where the company has one plant and delivers to a single market. In ths case the plant is usually located close to the market or the godown/warehouse is next to the plant and the cost of distribution is relatively low. Examples of this kind can be found in case of perishable foods and confectionaries, such as bread. The company may use its own sales force or distribution who in turn use wholesalers and retailers to reach the actual customers or a combination of both distribution and its own sales force.

In the second type, there are many geographically far-flung markets, which are served from one plant. The manufacturer can choose to ship directly to customers in each market, appoint regional or town level distributor, set up own go-downs and branches in each important center or use a combination of any these.

The third case is where there are multiple plants catering to multiple markets. The two problems in this situation are of minimizing the transportation and the stock carrying costs at the current level of facilities and of deciding whether the combination of existing go-downs and distribution centers is the most cost effective one.

At the manager’s end he has to take decisions regarding the number and location of godowns, type of transportation to be used, and strength and role of sales force. The decision regarding sales force has to be taken in relation to the type of intermediaries available. There are wholesalers, stockists, distributors, commission and freight (C&F) agents, who can act as middlemen for moving products from go-down to the final customer. The combination of intermediaries varies from company to company, and may also vary within the same company, for each product and each market.

Product Management Organization

The functional organization works well when there is a single product. But when there are multiple products and/or the products are very different from one another, the functional marketing organization is no longer effective. The functional organization cannot possibly coordinate all aspects of the marketing mix of each of the diverse products, with the result that some products are neglected and eventually become money losers.

product or product group is assigned to a manager who is known as the product manager. The product manager is responsible for managing all aspects of the marketing mix pertaining to a specific product. Thus in a multi-product firm you would have as many product mangers as the number of products. If there are many brands within the same products, as in the case of soaps, each brand may be assigned to an individual manager who is known as brand manager. Table 1 describes the typical responsibilities of a product manager.

Responsibility	**Area Task/Roles**
Advertising	Major responsibility for advertising strategy, getting advertising campaigns prepared, media selection.
Sales Promotion	Major responsibility for budget determination, setting strategy, measuring/evaluating results.
Sales	Product manager acts as information center and coordinator.
Market Research	Major responsibility
New Product R & D	Major responsibilities for product modifications, launches and test marketing.
Distribution	Little responsibility
Production	Role of coordinating and communicating
Accounting & Finance	Limited involvement

Table: 1

The product manager plays various roles, which include developing product design strategies, making plans and monitoring progress .His role also involves providing information related to the product and being an interface with other departments within the organization and outside with customers, distributors and advertising agencies. The first three roles are self-Explanatory but the last two need some elaboration. In today's competitive world, a manager's power is based on information or the access to the information he has. This is especially true in case of product manager who is a man placed in a conceptual and informational hub of the organisation. To maintain competitive position and profit for his producers and with his performance starkly exposed to higher management, he must strive to be the best-informed man about any aspect substantially affecting the future of his products. He must arrange and nurture a number of information interfaces.

As described in table 1, the product manager has a number of diverse responsibilities. To discharge the responsibilities ha has to interact with other departments in the firm. Though on paper the product manager is assigned all the responsibilities, but in practical terms he is rarely given the requisite authority to effectively discharge them. At best, he may be given direct authority over one or two areas like advertising and marketing research. For getting co-operation from the other departments he has to use all his persuasive charms and skills, which may not work all the time, resulting in conflicts and tensions. It is this interfacing aspect of the product manager's role which has potential for all types' conflicts and leads to erosion of his power. Responsibility without authority over resources could reduce the role of a product manager from that of a product 'mini-president' to a bureaucratic clerk. Instead of being a decision maker responsible for profits the product manager is reduced to a low level coordinator.

These problems can be solved by clearly defining the limits of the product managers role, giving him authority over the resources which affect his product's profitability, taking into account areas of potential conflicts between product manager and other functional specialists and establishing a system for their amicable settlement. Despite this role ambiguity and potential for conflict, the product manager concept is gaining acceptance. In many multi product firms, each product team includes junior and middle level managers representing marketing, manufacturing, research and development and purchase functions. The organisation on product team basis has led to greater decentralization of responsibility and decision-making within the company and the result is vastly improved performance.

The product manager concept introduces a number of advantages into the marketing organization. Firstly, given the increased complexity of the marketing mix and diversity of products and brand, the product manager concept offers a way of coping with these complex marketing inputs in a balanced manner. It ensures that all products and brands get proper attention and no product is allowed to languish. Secondly, it introduces flexibility into the system as the product manager can ect quickly to a changed market condition since he has the overall responsibility for managing the products profitability and does not have to waste time over long consultations. Quick reaction and timely action sometimes prove to be the winning factors in a fast changing market situation. Thirdly, the product manager concept provides a focal point for integrating and co-coordinating all efforts and resources for planning for future managers, as they are exposed to all the operational aspects of management viz. marketing, finance and production.

There are some disadvantages of product management organisation. The anomaly of responsibility without control over resources and lack of direct line of authority lead to a situation in which conflict is always simmering under the surface, ready to explode at the slightest provocation. A product manager is in a situation which can be aptly described as 'jack of all trade but master of none'. A product manager has a general and cursory knowledge of all functions but no specialized skill in any one function. This lack of expertise often puts him at a disadvantage when dealing with a functional specialist, who is able to browbeat him on technical points. The product manager has usually too many interfaces to manage which consume a great deal of his time, with the result that important strategic decisions may be delayed or even ignored.

The product manager concept may turn out to be costly, as even minor products with a small sales turnover are assigned to full managers. In recent times, the product managed organisations has been undergoing a number of changes. In many firms the product managers has given way to product team. The product team is arranged vertically or in a triangular form. Some other companies have introduced the concept of horizontal product teams. A leader who is supported by functional specialists heads each team. This horizontal product team organisation considerably reduces the potential of developing conflict with other departments, since the product manager has his own independent resource pool of functional specialists. Finally, some companies are combining two or three brands/products under one product manager. This is done when the products are individually not important enough to require full time attention or they serve similar customer needs, so that clubbing them together is meaningful and can help serve the customers better. If the marketing manager wishes to adopt product management approach, he must define the role in precise terms, clearly specifying the limits of his authority. Moreover, he should bear in mind that the contribution of the product to the company's total turnover justifies the expenses of a full time product manager.

Market-Centered Organization

Some of the companies as we know that with a product management organization have started to group together products, which serve similar needs. Thus the basis for differentiation is shifting from products to customers. A group of customers with similar needs and a common link between them constitute marketing roles, the organization is known as market-centered organization is known-centered organization.

Let us take an example of a company marketing building hardware such as doors and window handles, window frames and locks. It has two distinct sets of customers. They are hardware retailers who sell to individual's household customer's construction companies. These two distinct customer segments represent separate markets, each requiring a different marketing mix of advertising, distribution channel, and pricing. Airlines, railways, each requiring a different marketing mix of advertising, distribution channel, and pricing provide transportation for people (passengers) and goods (cargo). Each market (passengers vs. cargo) has its distinct characteristics and needs a suitable marketing strategy and a matching organization with relevant skill to formulate and implement the strategy.

A market –centered firm seeks its growth by serving new needs in markets where it is already well established. Since knowledge and access to the market is the basis for organizing the market set-up, the question to be asked is "what other needs of the markets that we know well can we serve profitably?" For instance, an airlines company, within the passenger markets can further identify markets such as group travel, and charter flights. This constitutes an instance of growth through intensively serving a well established need (transportation) in a well-established market. However, a market-centered organization also has the flexibility to grow extensively by searching out closely related needs and entering new businesses around these. The airlines may enter a new business by providing a courier service. The need is still that of transportation, but the market is not people, or cargo but important documents and parcels. Through the extensive and intensive approach, a market-centered firm seeks to grow by meeting the greatest number of inter-related needs of every market it serves.

In terms of organization structure, a market-centered organization can be organized in the same way as a product management organization. Instead of product managers with detailed knowledge of the product, you would have market managers each having thorough knowledge of his market. However, we have seen that there are problems of control and authority associated with the products manger organization. To overcome these, a market-center should be treated as a profit center and its manager be assigned the role of a business manager with full accountability for generating profits. The business manager is the chief 'line' officer, with full authority over all the other functions supporting and reporting to him.

At this stage, the marketing manager may like to ask the question "why should I recognize my marketing organization to being a market-centered organization?" There are two specific situations in which a market-centered organization can be more effective than any other kind of organization. If one faces any one of these problems, then he should change to a market- centered marketing organization. The first is when competitors have developed the same level of product sophistication and quality as the market leader and the leader's supremacy based on price advantage is seriously threatened. In such a situation, designing market-centered organization can help the leader revive its competitive advantages; detailed knowledge of customer and retailers helps frame creative marketing strategies. The second is when a firm wants to diversify or expand the profit base, or gain a total hold on existing customers. The first objective can be served by adding on higher margin products and services to the existing product line. The second objective is served by marketing a package or system of correlated products and services, enabling the firm to act as a one-stop supplier for each market.

Figure 4 : Hybrid Organization

Matrix Organization

Many companies that are large in size and complex in product offering prefer a complex design that is a combination of different types of organization types at different levels across the hierarchy and geographic locations. The combination can be made on the basis of the products, function, geography of the customer, range and serving extensive markets use the combined type of structure.

So far we have discussed companies marketing different products to the same market or the same products to different markets. In the first case, organizing around the product management concept provides an effective solution. In the second case, the marketing organization can effectively be organized around each market. But what if a company has a number of products and a number of markets to which these products are sold? The manager has to formulate and implement strategies suitable for each individual market and also keep in mind the different characteristics of each product. For example, so many products and so many markets, the manager has to cope with an immense amount of information. The sheer quantity of information and the range of its diversity usually make it impossible for a single person to manage. Further, each product may be so different from the other that each product needs a separate manager. Similarly, the unique buyer profile and the characteristics of a market merit the full attention of an individual manager. Thus, a multi-product and multi-market firm needs both product and market managers. But how should the product manager and market manager be integrated to form a workable organisation structure?

The solution lies in matrix organisation where tasks may be differentiated on the basis of functions and products; functions and markets; or functions, products and markets and integrated by means of coordinating functions. In the functional, product and market-centered organisations discussed earlier, each manager has only one point of focus: function or product or market. However, in the matrix organisation the points of focus are more than one. These focal points may be functions and products; or functions or markets; or functions, markets and products. As is obvious from these figures, the matrix may have two or more bases for differentiating the functions.

The origin of the formal matrix organisation can be traced to the aerospace industry in USA. The different manufacturers in the aerospace industry were organized functionally, but the US Government wanted each project to have specialized attention and imposed a project management type of organisation on the industry. The horizontal project groups were superimposed over the vertical functional organizations and the result was a matrix organisation. But informally, the matrix organization has been in existence much before its introduction in USA. In an advertising agency, each client is assigned to a specific accounts executive who is responsible for understanding the client's objectives and needs and getting them translated into advertising campaigns. For translating client's objectives into specific advertisements or campaigns, the accounts executive draws on the agency's functional specialists: artists, copywriters, photographers and visualizers. Thus, on the one side, one has the functional specialists while on the other one has the accounts executive who can be thought of as a market manager and only a few clients are assigned to each accounts executive.

There are distinguishing characteristics of a matrix organisation. These include:

- Members are allotted to two or three groups with each group having it own boss,

- The groups are work-related, though each on different base.
- The groups are formally arranged rather than evolving informally or on an ad-hoc basis.

Information management is central to the concept and management of matrix organisation.

Thus the matrix organisation is a blend of grouping by functions and/or markets and/or products, with the objective of retaining the advantages of specialization and gaining the advantage of a sharper focus on a task or project. The specific advantages and disadvantages associated with the matrix organisation are described in the following box.

Advantages of a Matrix Organization
• Permits task/project focus without losing benefits of specialization. • Provide for increased information-processing capability, catering to information needs of each group. • Permits greater decentralization of decision-making since there are specialists in each area equipped with the necessary knowledge. • Provide a means of coping with increased information processing needs and coordinating when the tasks are highly uncertain, complex and interdependent.

Disadvantages of a Matrix Organization
• Tendency to conflict exist because the different groups are organized on different bases and each group may try to superimpose its own objectives. • There is ambiguity in role because each person reports to two bosses and this undermines the effectiveness of organization. • Prove costly because of larger volume of information processing and the additional need of coordinating and supporting roles. • May be prone to power struggles and politic as each group tries to dominate. • Problems of designing a suitable information system, which now needs to cater to different requirements.

7.6 ORGANIZATIONS OF CORPORATE MARKETING

As a company expands, it becomes necessary to decentralize at least some of the activities and establish separate divisions and branch offices. Necessarily, some of the marketing operations are also handed over to the divisions and branch offices. What type of support should the corporate marketing office provide to the marketing organisation at the branch / division level? There are four different organisation structures for the corporate marketing office to choose from:

1. **No corporate marketing support:** All marketing activities are handled at the branch or divisional level. The state trading Corporation has organized itself on these lines. Its offices in various countries operate with lot of independence.

2. **Minimal corporate marketing support:** The major bulk of the marketing function is handled in the individual divisions. Only a few marketing activities are organized at the corporate marketing level. These are:

   - Scanning for new market/new product opportunities and evaluating them.

   - Providing marketing support on specific request from a division.

   - Helping divisions that have no marketing set-up of their own or which have a weak marketing organisation.

3. **Moderate corporate marketing:** Apart from the functions spelt out in the minimal corporate marketing organisation, here the corporate marketing provides centralized service for advertising, marketing research, sales promotion and recruitment and training of personnel.

4. **Strong corporate marketing:** All major marketing activities are performed or controlled by the corporate marketing organisation and the divisions simply carry out the instructions given to them. This approach is followed by Indian Tourism Development Corporation (ITDC) for promoting its hotels in various towns.

7.7 SUMMARY

An organization's design is a function of the objectives, which it has to accomplish, the diversity and complexity of the task to be performed and the environment in which the organization's operates. Similarly, a marketing organization's design is a function of the diversity of products, markets and product/market combinations that it is involved with and its environment comprising competition, technology, socioeconomics and legal factors, and the marketing objectives. Depending on the combination of these factors and the relative importance of each of them in achieving the marketing objectives you can design an organisation, which is suited to your specific requirements. The four commonly used organisation design in marketing are based on functions, product, market and a combination of these three factors. Each type of organisation is useful under specific conditions and has its own advantages and disadvantages. While choosing amongst different types of organisations you must evaluate each on the basis of its effectiveness in accomplishing the specified objectives, its amenability to managerial control and the cost involved.

A successful marketing organisation helps the management to achieve its corporate goal without any managerial dysfunction. The organisation should be based on certain principles like the scalar principle of unity in direction and command. The centralized and decentralized designs of organisations have their own advantages and disadvantages. As a marketing manager one has to consider various aspects including technology preparedness of the firm, scope of business and market coverage strategy before arriving at the final design. Careful attention to organizational design and costs in serving the customers helps in designing an efficient marketing organisation.

7.8 KEY WORDS

- **Organizational Design :** It is the formal, coordinated process of communication, authority and responsibility for sales groups and individuals. It develops a framework that enables the organisation to serve its customers efficiently.
- **Line Authority :** The authority of people in management positions with formal authority to direct and control immediate subordinates.
- **Line Organisation :** This is an organisation where the chief executive does all the decision- making for the firm and has complete authority to make all the decisions.
- **Product Organisation :** This is a company designed by product. In this case, the company has more than two products or product lines and each one of them have separate sales, marketing and service set-up.
- **Market Centered Organisation :** When tasks and jobs are differentiated on the basis of the different markets served, the organisation is known as market organisation.
- **Matrix Organisation:** A combination of the functional and product management organisation or the functional and market centered organisation, in which the distinguishing characteristics is that there are two or more bases for differentiating tasks.

7.9 SELF-ASSESSMENT TEST

1. Explain how the application of technology helps in the process of tracing customers and how order processing can guide the design of marketing organisation.

2. What do you mean by a combinatorial marketing organisation? How relevant are these organisations for multinational firms operating in different countries and in different segments?

3. How does the decision to link selling-marketing-servicing help organisation selling to industrial houses (B2B sellers) design their organizational structures and processes?

7.10 FURTHER READINGS

Kotler, Phillip, 2002, 11th Edition, Marketing Management, PHI-NEW Delhi

Bovee,CL and Thill John V., Marketing, McGraw Hill, New York

UNIT-8 MARKETING RESEARCH AND ITS APPLICATIONS

Objectives

After reading this unit, you should be able to:

- Understand what is marketing research,
- Understand the relevance of marketing research in the context of marketing decisions,
- Know the procedure of conducting marketing research and
- Develop various possible uses and applications of marketing research

Structure

8.1 INTRODUCTION

It's been said that information is power. This simple cliché underscores the market control and business success that information yields. Marketing research is about collecting information. While it applies to a wide range of situations, marketing research gives decision-makers the information they need to find solutions to business problems, such as the following

- How satisfied are customers with your product and service offering?

- How will customers react to a decision to change a price or product?
- What are service representatives hearing from customers?
- What responses to competition will bring you success in a given market?

Simply put, the solution to most business problems can be found through marketing research. While the foundations of research have existed for thousands of years, technological advances during the last century have made a wider range of studies possible. Increased Internet access in the last 15 years has made research available at a much lower cost and, therefore, more accessible to organizations of all sizes. As a result, the research field has exploded with new opportunities and methodologies, and organizations have more information at their disposal than ever before.

8.2 THE CONTEXT OF MARKETING DECISIONS

In the area of marketing, much of the information required for decision-making exists outside the firm e.g., information on why people buy only certain products and not Other products; information about the competitor's next move; information about new government rules and regulations which can affect your working , etc. The marketing manager faces a challenging task in attempting to improve his decision-making. The variables involved in the marketing decisions being external to the firm make collection of information cumbersome and expensive. Since the variables are often qualitative and dynamic in nature their measurement is also difficult, and the results not always accurate. Moreover, many of the variables interact with each other in a very complex fashion which makes it difficult to isolate and measure specific variables. Thus the pressure on the marketing manager is very strong to correctly choose the most critical decision variables and seek relevant information about them. The, wrong choice of (information) variables will not only result in unnecessary expenditure but can also lead the decision-making process astray. The correct identification of variables requires at least a basic understanding of why people behave in the manner in which they do. The manager also needs to monitor what is happening in the market place and in the general environment of the firm. The only way the manager can monitor all these is through regular market research.

8.3 DEFINITION OF MARKETING RESEARCH

The American marketing Association defines Marketing research as, the function that links the consumer, customer and public to the marketer through information – information used to identify and define marketing opportunities and problems; generate, refine, and evaluate marketing actions; monitor marketing performance; and improve understanding of marketing as a process. Marketing research specifies the information required to address these issues; designs the method for collecting information; manages and implements the data-collection process; analyzes the results; and communicates the findings and their implications.

This definition may be meaningful to a marketing professional but equally may be difficult for someone studying marketing to understand. The definition is easier to comprehend if the four ways research can be used are explained individually:

- 'Identify and define marketing opportunities and problems' means using research to explore the external environment.
- 'Generate refine and evaluate marketing actions' means using research to determine whether the company is meeting consumer needs.
- 'Monitor marketing performance' means using research to confirm whether the company is meeting the goals it has set.
- 'Understanding marketing as a process' means using research to learn to market more effectively.

Although the AMA definition is a useful summary of all that marketing research can accomplish, a simpler definition can be constructed. According to the dictionary, the word 'research' means to search or investigate exhaustively or in detail. The thesaurus gives as a synonym for 'research' the word 'inquiry', which means the act of seeking truth, information or knowledge. So market research can be defined as a detailed search for the truth. Marketing has always had the function of connecting the internal structure of the organization with the external world. Marketing research is a formalization of this role.

Research that is conducted can be divided into two types. Basic, or pure research, is conducted to discover new knowledge. When the research is planned and conducted, its application or how the knowledge might be used is not of major importance. What is important is that new information is discovered. After the research has been conducted, how the information can be used is then considered. Universities or very large corporations conduct most basic marketing research.

In applied research, the research is planned so that the findings can be used to solve a specific problem. This is the type of research conducted by marketing professionals working either within an organization or for an external marketing research provider. After all, if a business is paying for research to be conducted, it needs results that will show how to solve a problem. Most businesses do not have the time or money to pay for basic research. The box below provides additional information on the differences between basic and applied research.

8.4 PURPOSE AND SCOPE OF MARKETING RESEARCH

Marketing research focuses on understanding the customer, the company, and the competition. These relationships are at the core of marketing research. Companies must understand and respond to what customers want from their products. However, this relationship is always influenced by competitors and how their products are received by your market. Thus, you must clearly identify the customer, company, and competition before developing a research project.

There are several important factors you must consider before you begin, including:

- Your customers and competition
- Awareness and image of your product
- Product usage
- Undiagnosed problems with your product
- Customer desires and needs for new product development

Organisations are dynamic entities existing within a continuous, changing state of flux and trying to adapt to the requirements of rapidly changing environments. This very much applies to marketing research organisations, whether they are in-house departments or agencies. The last twenty-five years has witnessed vast changes in the way in which information is handled in organisations of all types and sizes. Alongside this revolution in information management, the role of marketing research has undergone substantial change.

The change is not complete and it is impossible to say that the role of marketing research is now a fixed, static entity: its role is certain to change further in the future. Adapting to the changing conditions of the business environment means dealing with new problems and decisions that may not previously have arisen. This accentuates the need for creativity in marketing research to enable new ways of researching new problem situations. with their research clients. It is likely that much of the day-to-day work formerly carried out by in-house market research departments will be out-sourced to specialist research agencies. This will entail agencies having to have a much better understanding of their clients' problems and the manner in which research survey data can contribute towards the solution of such problems. Researchers are not primarily data gatherers though data gathering is essential and the work must be properly organised and controlled.

Marketing Research plays a very significant role in identifying the needs of customers and meeting them in best possible way. The main task of Marketing Research is systematic gathering and analysis of information. Before we proceed further, it is essential to clarify the relationship and difference between Marketing Research and Marketing Information System (MIS). Whatever information are generated by Marketing Research from internal sources, external sources, marketing intelligence agencies-consist the part of MIS. MIS is a set of formalized procedures for generating, analyzing, storing and distributing information to marketing decision makers on an ongoing basis.

- While Marketing Research is done with a specific purpose in mind with information being generated when it is conducted, MIS information is generated continuously.
- MIS is continuous entity while Marketing Research is a ad-hoc system.
- While in Marketing Research information is for specific purpose, so it is not rigid; in MIS information is more rigid and structured.

Marketing Research is essential for strategic market planning and decision making. It helps a firm in identifying what are the market opportunities and constraints, in developing and implementing market strategies, and in evaluating the effectiveness of marketing plans. Marketing Research is a growing and widely used business activity as the sellers need to know more about their final consumers but are generally widely separated from those consumers. Marketing Research is a necessary link between marketing decision makers and the markets in which they operate. Marketing Research includes various important principles for generating information which is useful to managers. These principles relate to the timeliness and importance of data, the significance of defining objectives cautiously and clearly, and the need to avoid conducting research to support decisions already made.

Marketing Research is of use to the following:-

Producers

- To know about his product potential in the market vis-à-vis the total product;
- New Products;
- Various brands;
- Pricing;
- Market Structures and selection of product strategy, etc.

Business and Government

Marketing Research helps businesses and government in focusing attention on the complex nature of problems faced by them. For example:

- Determination of Gross National Product; Price indices, and per capita income;
- Expenditure levels and budgeting;

- Agricultural Pricing;
- The economic policies of Government; and
- Operational and planning problems of business and industry.

Market Research Agencies

Marketing Research is being used extensively by professionals to help conducting various studies in Marketing Research. Most prominent agencies being:-

- Linta India Ltd;
- British Market Research Bureau (BMRB);
- Hindustan Thompson Associate Ltd;
- eSurveysPro.com;
- MARG

8.5 MARKETING RESEARCH PROCEDURE

Marketing research is undertaken in order to improve the understanding about a marketing situation or problem and consequently improve the quality of decision-making related to it. The usefulness of the marketing research output will depend upon the way the research has been designed and implemented at each stage of the process. There are five steps in every marketing research process:

- problem definition
- research design
- field work
- data analysis
- report presentation and implementation

1. **Problem Definition :** A problem is any situation which requires further investigations. However, not all marketing problems need formal investigation or research. Many problems are of a routine and trivial nature which can be solved immediately after ascertaining all the facts of the case. Your distributor wants 90 days credit against the usual 60 days because he is facing certain financial problems. You can immediately check the distributor's past record in honouring his outstandings and ascertain the genuineness of his problem and make a, decision.

   Some problems faced by marketing managers are such that they can be handled on the basis of past experience and intuition. Such decisions can only be made if the manager has been in the line for at least a couple of years. Decisions made on judgement may not always turn out to be correct, but the problem may not be important enough to justify substantial time, money and effort to be spent on solving it. But when the problem is critical, spending resources to initiate formal marketing research is warranted. Also when the problem is such that the manager has no past experience to guide him (as in case of a new product launch) or the decision will have a critical impact on the future of the company (diversification into new markets, new products) it is worthwhile to undertake research and make decisions on the basis of concrete results rather than mere hunch or judgment.

It is very important that you define the problem for research properly. It is correctly said that `a problem well defined is half-solved.' Clear, precise, to the point statement of the problem itself provides clues for the solution. On the other hand, a vague, general, or inaccurate statement of the problem only confuses the researcher and can lead to wrong problems being researched and useless results generated.

Since problem definition is the first stage, useful information generated is likely to be unstructured, qualitative, tentative and exploratory. Depending on the results generated at this stage you would decide whether to extend the scope of research or stop it here.

Research Design : If you have stated your problem correctly and precisely, you should b able to spell out the precise objectives for research. Now you are in a position to prepare your research design. The research design spells out how you are going to achieve the stated research objectives. The data collection methods, the specific research, instrument and the sampling plan that you will use for collecting data and the corresponding cost are the elements that constitute the research design.

2. **Data Collection Methods :** A great deal of data is regularly collected and disseminated by international bodies, International Labour Organisation, World Bank, International Monetary Fund, Government and its many agencies including Planning Commission, Central Statistical Organisation, Reserve bank of India, Census Commission, private research organisations, and trade associations. This kind of data which has already been collected by another organisation and not by you is known as **secondary data.** This secondary data already exists in an accessible form; it only has to be located. You must first check whether any secondary data is available on the subject matter into which you are researching and make use of it, since it will save considerable time and money. But the data must be scrutinised properly since it was originally collected perhaps for another purpose. The data must also be checked for reliability, relevance and accuracy.

When secondary data is not available or it is not reliable, you would need to collect original. data to suit your objectives. Original data collected specifically for a current research are known as **primary** data. Primary data can be collected from customers, retailers, distributors, manufacturers or other information sources. Primary data may be collected through any of the three methods: observation, survey and experimentation.

In the observation method, the researcher gathers information by observing. This method is generally used to observe buyer behaviour in a shop or to assess the impact of shelf placement and point of purchase promotional material. For instance you may like to observe the movement of shopping traffic through a department store, the number of shoppers who stopped before a particular display etc.

The obvious limitation of the **observation method** is that it allows observation of only overt behaviour. It provides no clues why a customer behaved in a particular manner, what product attributes appealed most to him, whether he would like to buy the product again etc. Such data can be generated by using the **survey method.** The survey method can also yield information about the socio-economic profile of your customers. The survey may either be conducted in a small group of customers through the focus group interview or may cover a large number of customers with the help of a questionnaire. In the focus group interview five to fifteen customers are invited for a discussion on a specific product or .a specific aspect of the product. The customers' comments provide valuable insight into their thinking which can help the manager to fine tune his marketing strategy to suit different customer segments. Surveys conducted with the help of questionnaire often take off from the focus group interview which yields excellent clues for designing the questionnaire. The questionnaire- based surveys yield not only qualitative but also quantitative data which have statistical validity.

The third method of collecting data is through experimentation. This is basically a simulation of the real-life situation, but in a controlled environment in which you systematically introduce certain elements to study their impact. This method is used for finding the best sales-training technique, the best price level, the most effective advertisement campaign. However, its use requires an extremely skilled researcher to ensure useful results. Also, this method is expensive.

Research Instrument : In the observation method, the researcher may use a camera, tape recorder or tally sheet (a sheet in which the number of times an event occurs is recorded). Whatever the instrument used, the researcher must ensure that the instrument is appropriate to the occasion and is reliable.

In the survey method the most commonly used instrument is the questionnaire. This is a written and organized format containing all the questions relevant to soliciting the required information. The construction of a questionnaire requires great skill. To check that the questionnaire serves the necessary purpose, it should be tested on a limited scale and this is technically known as a **pilot survey.** The objective of a pilot survey is to weed out unnecessary questions, questions which are difficult to answer, and improve the phrasing of certain questions which are difficult to comprehend.

In constructing a questionnaire the important points to be considered are the type of questions to be asked, wording of questions and sequencing of questions. Each question should be checked to evaluate its necessity in terms of fulfilling the research objectives. Furthermore, the questions should be such that the respondent can answer them easily. Questions which require the respondent to answer questions about events which occurred a long time ago or about which he does not have direct knowledge should be avoided since you are not likely to get very accurate response. The questions should have direct relevance to the problem being researched. Too many irrelevant questions will only increase the length of the questionnaire (which would only put off the respondent) and also add to the burden of analysis without yielding any useful result.

The wording of the questions is a very important input in ensuring the correct response. Clearly worded, precise questions are not only easy to understand but they also facilitate the proper response. The wording of the question should be neutral and not attempt to influence or bias the response. This is especially relevant when information is being sought on non physical issues such as motivation, attitudes, and personal values of the respondent.

When including questions about qualitative aspects it is better to ask open ended questions rather than close ended questions, and unstructured rather than structured questions.

Open-ended question

"How would you describe the taste of this toothpaste?"

Close-ended question

"Would you describe the taste of this toothpaste as tingling?" Yes/No

Unstructured

Word association: For assessing toothpaste taste you may ask the respondent to give his immediate reaction to the following phrases in context of your specific brand:

- Fresh Tingling Foamy

- Mild Pleasant Sharp

In the **structured** questions you may like to give the respondents a number of answer choices to choose from. This is known as multiple-choice questions.

"Which one of the following words or phrases, in your opinion, best describes the taste of this toothpaste?"

- Fresh
- Tingling
- Spicy
- Minty
- Cool
- Antiseptic
- Medicinal

A technique which combines both the structured and unstructured type of questions is the **question scaling.** The respondent is asked to rank his perception of a particular brand, product attribute, company image or any such factor on a scale ranging from extremely good to extremely poor. The advantage with unstructured and open ended questions is that they give the respondent freedom to answer in his own words. And this often provides information and insight about the product which the researcher had not even thought about. The only problem with unstructured questions is that of interpreting the results. The same results may lead to different analysis by different researchers. Unstructured questions also make statistical summaries difficult.

Close-ended and structured questions are easy to summarize and there is no scope for misinterpretation. But the scope of the research gets limited. The respondents have to choose from already given alternative answers, even though none may exactly match the respondent's perception.

The sequencing of the questions in the questionnaire should be such that the opening questions create interest in the respondent and are easy to answer. You would not like your respondent to be put off by posing difficult questions right in the beginning. The questionnaire should gradually move from relatively simple to difficult questions. The questions should be arranged in a logical manner to facilitate the respondent's answers and not confuse him. Personal questions about income, education, profession should be asked in the end since many people may view them as a violation of their privacy. **Sampling Plan:** After preparing your questionnaire or your equipment for observation, you have to identify the source of your information, the source is also called the `population' or `universe'. For conducting marketing research you would rarely gather information from the entire population, rather you would select a small group known as sample which has all the characteristics of the population, and conduct research among the sample group. The reasons for not using the population for research are: the number of units in the population may not be known, the population units may be too many in number and/or widely dispersed thus making research an extremely time consuming process, it may be too expensive to include each population item.

When the number of population items is small and known, (say, the number of cinema halls, colleges, government hospitals in a city) you may use the population as your source of information. But in most cases, a representative group which has all the characteristics of the population and is known as sample is drawn from the population and this is used for conducting research.

Having decided to use a sample, your next step is to draw up the sampling plan. There are four aspects to the sampling plan:

- who is to be surveyed **(sampling unit)**
- how many are to be surveyed **(sample size)**
- how are they to be selected **(sampling procedure)**
- how are they to be reached **(sampling media).**

The choice of **sampling unit** will depend on the product with which you are dealing and the kind of information you need. In case of a product such as lipstick if you need information on the reasons which motivate a customer to buy your brand, your sampling unit would obviously be the actual user, i.e., a woman. But would the population comprise all the women? Obviously not, because all women do not use lipsticks. You then need to collect information about women who use lipsticks in terms of their socio-economic background, education, occupational profile (student, housewife, professional), age and marital status. The sample which you choose must be representative of the universe in terms of all these characteristics. If you want to find out the monthly sale of all brands of lipsticks in a particular market, your 'sampling unit would be the distributors or retail outlets which deal in cosmetics. Suppose the product being researched into is toys for the under 7-years age category. Who would constitute your sampling unit: the child who actually plays with the toys or the parents who exert a strong influence in the final decision to purchase a particular toy? Here you would have to consider not only the kind of information that you need, but also who is most likely to have it and his ability to communicate, and choose your unit accordingly.

In deciding on the **sampling size,** you have to make a trade-off between the desired accuracy of the results and your budget. The larger the sample, the more accurate are the results likely to be, but the cost would also be correspondingly high. Another factor affecting the sample size is the kind of research which is being conducted. In exploratory research even a small sample may be sufficient. In focus-group interviews and motivation-research studies, very small sample sizes are sufficient because here the emphasis is on qualitative aspects rather than accuracy of numbers.

The choice of sampling procedure is between two kinds : **probability sampling and non-probability sampling.** In the former, each item of the universe has an equal chance of being selected as a sample unit. In non-probability sampling, the researcher selects the units to be included in the sample. Non-probability sampling is mostly used in exploratory research where a true representation of the universe is not important. But where true representation is important, probability or random sampling is used. Random sampling enables the researcher to make an accurate estimate of the population characteristic but it is more expensive than non-random sampling. The cost that you can bear and the degree of accuracy which you require have to he weighed to arrive at a decision.

The fourth element in the sampling plan is the **sampling procedure.** How should you reach your sample units: personally, by mail or by telephone. Personal interviewing is most suited when there are many questions to be asked and it is important to ensure that the questions are understood properly. Thus, wherever the questions are little complex, personal interviewing should be used. This is also the best method to ensure that correct answers are given which can be corroborated by the interviewer through observation. But this technique requires a skilled interviewer and a great deal of administration and supervision. Also, it is the most expensive of the three methods.

The **mail questionnaire** is extremely appropriate when your sampling units are distributed over a wide geographical area and the cost of reaching them personally is very high. However, the return rate of mail questionnaires is usually very low, ranging between three to seven per cent. On an average, you would have to mail 1000 questionnaires to get back thirty filled up questionnaires. Another drawback is that you have no way of checking the authenticity and accuracy of the response. The respondent may fill totally wrong information and you may never be able to detect it.

The **telephone interviews** combine advantages of both personal and mail interviews. It allows you to clarify questions which may not be clearly understood by the respondent and to reach a widely scattered sample at a relatively low cost. But the obvious disadvantage is that your sample is restricted to the people who have telephones. Also, you, cannot conduct very long interviews over the telephone. **Research objectives, research design and the questionnaires used in an actual survey are presented in Appendix.**

Cost : No information can be collected without incurring cost. Before undertaking a research project its cost should be calculated and assessed against the benefits it would yield in improving the quality of decision-making. If the benefits outweigh the cost, it is certainly worthwhile initiating the research. There are four kinds of costs involved in marketing research.

Cost of data collection : The actual cost incurred for collecting the data, which may comprise the research organisation's fee, staff time, printing and postage of questionnaire, computer time, etc.

Cost of time delays : The more time it takes to provide the research results, the longer the dependent decision (s) is delayed. In the meanwhile, the opportunity may be lost or it may become less attractive.

Risk of adverse environment change : While the decision is pending unfavourable conditions may set in (entry of competition) and consequently the returns may be lower.

Cost of error : Sometimes, by chance or because of some bias or wrong choice of sampling units, there could be an error in the results leading to expensive consequences for the company concerned.

Field work : This is the stage where the research design has to be converted from the planning stage to that of implementation. To achieve the stated research objectives data has to be collected. This data collection is known as field work. The two stages in field work are planning and supervision.

Planning : It has to be planned how many people will be assigned to the field, what will be their geographical areas of coverage; how many days will be required for the entire operation and what is the pattern to be used for choosing sample units (every fourth household in a lane, all flats with an even number in an apartment `block' etc.). All this planning has to be done in accordance with the details spelt out in the sampling plan.

Supervision : Supervision is an extremely important input to ensure that the data collected is genuine and accurate. Most field work is carried out by a team of field surveyors, and each team is assigned to a supervisor. The team members would plan their daily area of field work in consultation with the supervisor. The supervisor may accompany different team members on different days. In the evening the team would meet the supervisor, hand over the data which they have collected and sort out any problems they may have faced.

Apart from actually accompanying team members on data collection missions, the supervisor would also make random checks to ensure that the data collected is genuine. The check can be conducted either over the telephone (wherever possible) or by again visiting the sampling unit. The supervisor may either ask the respondent whether he or she was visited by the field interviewer and cross check the accuracy of the data. Random checking is carried out to ensure that the field workers do actually collect data from the genuine source of information and not just fill in the data using their own imagination and ingenuity.

The collected data has also to be checked for its objectivity and accuracy. The data has to be carefully checked to ensure that there is no distortion because of the field worker's bias or the respondent's bias. Respondent bias arises because people generally like to project an image (about themselves and their life-style) which is more flattering than the reality. This bias would operate more in questions relating to income; possession of certain items (VCR, air-conditioner), and habits relating to life-style (travelling abroad frequently, visiting clubs, restaurants). Interviewer bias arises because of the interviewer's own pre-conceived notions and ideas. A female interviewer may prefer male respondents because she may feel that it is easy for. to gather information from men rather than women.

In conducting field work, it may happen that the relevant source of information is not at home or does not wish to be interviewed. The supervisor must give guidelines for tackling such situations. The particular sampling units may be substituted by the next one or the field worker visits the same unit again hoping to be more successful.

3. **Data analysis:** After you have collected the data, you need to process, organize and arrange it in a format that makes it easy to understand and directly helps the decision-making process. Raw data has to be processed and analysed to obtain information. There are three phases for analyzing the data:

   - Classifying the raw data in a more orderly manner;
   - Summarizing the data;
   - Applying analytical methods to manipulate the data to highlight their inter-relationship and quantitative significance.

Classifying the raw data : The most commonly used classification in marketing research are quantitative, qualitative, chronological and geographical.

Quantitative : In this classification, data is classified by a numerical measure such as number of respondents in each market segment, number of years employed, number of family members, number of units consumed, number of brands stocked or some such numerical characteristic.

Qualitative : In this classification, the data is classified by some non-numerical attribute such as type of occupation, type of family structure (nucleus, or joint family), type of retail outlet (specialty, general merchant, department store etc.).

Chronological classification is that in which data is classified according to the time when the event occurred.

In the **geographical** classification the data is classified by location which may either be a country, state, region, city, village, etc.

Summarizing the data : The first step in summarizing the data is the tabulation. Individual observations or data are placed in a suitable classification in which they occur and then counted. Thus we know the number of times or the frequency with which a particular data occurs.

The **frequency distribution** may involve a single variable or it may involve two or more variables which is known as cross-classification or cross-tabulation.

The frequency distribution presented **per se** may not yield any specific result or inference. What we want is a single, condensed representative figure which will help us to make useful inferences about the data and also provide yardstick for comparing different sets of data. Measures of average or central tendency provide one such yardstick. The three types of averages are the mode, median and mean.

Mode : The mode is the central value or item that occurs most frequently. When the data is organized as a frequency distribution the mode is that category which has the maximum number of observations. A shopkeeper ordering fresh stock of shoes for the season would make use of the mode to determine the size which is most frequently sold. The advantage of mode is that it is easy to compute, is not affected by extreme values in the frequency distribution and is representative if the observations are clustered at one particular value or class.

Median : The median is that item which lies exactly half-way between the lowest and highest value when the data is arranged in an ascending or descending order. It is not affected by the value of the observation but by the number of observations. Suppose you have the data on monthly income of households in a particular area. The median value would give you that monthly income which divides the number of households into two equal parts. Fifty per cent of all households have a monthly income above the median value and fifty per cent of household have a monthly income below the median income.

Mean : The mean is the common arithmetic average. It is computed by dividing the sum of the values of the observations by the number of items observed. A firm wants to introduce a new packing of sliced bread aimed at the customer segment of small nucleus families of four members. It wishes to introduce the concept of a `single-day pack', i.e., a pack which contains only that number of bread slices that is usually eaten in a single day. This strategy would help to keep the price of the pack well within the family's limited budget. The firm has many opinions on the ideal number of slices that the pack should contain - ranging from three to as high as twelve. The firm decides to hire a professional marketing agency to conduct market research and recommend the number or bread slices it should pack. The mean, mode and median are measures of central tendency or average. They measure the most typical value around which most values in the distribution tend to converge. However, there are always extreme values in each distribution. These extreme values indicate the **spread** or the **dispersion** of the distribution. To make a valid marketing decision you need not only the measures of central tendency but also relevant measures of dispersion. Measures of dispersion would tell you the number of values which are substantially different from the mean, median or mode. If the number of observations at the extreme values is large enough to form a substantial number, it indicates an opportunity for market segmentation. In the earlier example or bread if in a larger sample, you find that the number of households who consume three slices per day is also substantially large, the firm may find it worthwhile to introduce a 3-slice pack for light bread consumers. Such variations from the central tendency can be found by using measures of dispersion. The two commonly used measures of dispersion are range and standard deviation.

Range : The range is the difference between the largest and smallest observed value.

Variance and standard deviation: These two measures of dispersion are based on the deviations from the mean. The variance is the average of the squared deviations of the observations values from the mean of the distribution. Standard deviation is the square root of the variance. The standard deviation is used to compare two samples which have the same mean. The distribution with the smaller standard deviation is more homogenous.

Selecting analytical methods : Besides having a summary of the data, the marketing manager also would like information on inter-relationships between variables and the qualitative aspects of the variables.

Correlation : Correlation coefficient measures the degree to which the change in one variable (the dependent variable) is associated with change in the other variable (independent one). As a marketing manager, you would like to know if there is any relation between the amount of money you spend on advertising and the sales you achieve. Sales are the dependent variable and advertising budget is the independent variable. Correlation coefficient, in this case, would tell you the extent of relationship between these two variables, whether the relationship is directly proportional (increase or decrease in advertising is associated with increase or decrease in advertising) or it as an inverse relationship (increase in advertising is associated with decrease in sales and vice versa) or there is no relationship between the two variables. However, it is important to note that correlation coefficient does not indicate a causal relationship. Sales is not a direct result of advertising alone, there are many other factors which affect sale. Correlation only indicates that there is some kind of association - whether it is casual or casual can be determined only after further investigation. You may find a correlation between the height of your salesmen and the sales, but obviously it is of no significance. In 1970, NCAER (National Council of Applied and Economic Research) predicted the annual stock of scooters using a regression model in which real personal disposable income and relative weighted price index of scooters were used as independent variables.

Regression Analysis : For determining casual relationship between two variables you may use regression analysis. Using this technique you can predict the dependent variables on the basis of the independent variables.

So far we have considered relationship only between two variables for which correlation and regression analysis are suitable techniques. But in reality you would rarely find a one-to-one casual relationship, rather you would find that the dependent variables are affected by a number of independent variables. Sales is affected by the advertising budget, the media plan, the content of the advertisements, number of salesmen, price of the product, efficiency of the distribution network and a host of other variables. For determining casual relationship involving two or more variables, multi-variate statistical techniques are applicable. The most important of these are the multiple regression analysis, discriminant analysis and factor analysis.

Multiple regression analysis is a variation of the regression analysis technique discussed above. The difference is that instead of considering one you may have two or more than two independent variables. **Discriminant analysis :** In our discussion of dependent and independent variables, we have so far taken sale as the dependent variable. Sale is expressed in a numerical form. But not all dependent marketing variables can be expressed in numbers. Suppose you want to find out the reasons for customers brand preference for Thums Up vs. coca cola In this case, the dependent variable, the brand, is not numerical in nature. A company is planning to introduce a new brand of detergent bar in the market and wants to find out the consumer traits associated with detergent bar as compared to detergent powder. This information would help the company focus its advertising strategy to exploit such associated traits. Several studies, aiming to discriminate between users and non-users of a particular brand of a product have been carried out. In one such study for a popular brand of Shirt, it was found that significant differences in the personality traits could determine between users and non-users.

Factor analysis : The multiple regression technique is based on the idea that you use truly independent variables. These variables are neither influenced by the dependent variable nor are they influenced by other independent variables. But in real life situations, there are many independent variables which are influenced by other independent variables, i.e. these independent variables have a high inter-correlation. You may find such an inter-correlation between the dealer discount structure and the `push' which the dealer provides to your product. Factor analysis is a statistical procedure which tries to determine a few basic factors that may underline and explain the inter-correlation among a large number of variables.

Statistical inference: These procedures involve the use of sample data to make inferences about the population. The three approaches used here are: estimates of population values, hypotheses about population values and tests of association between values in the population. Statistical inference as an analytical tool for marketing decisions is gaining wide acceptance. Report presentation and implementation: The final step is the preparation, presentation and implementation of a report giving the major findings and recommendations. A typical format of the report may comprise of the following sections:

a) **Objectives and methodology** in which the research objectives are stated and details of the sampling plan are described.

b) **Summary of conclusions and recommendations** in which the main findings of the research are highlighted. On the basis of the findings, some recommendations may be made.

c) **Sample and its characteristics** which contains descriptions of the sampling units in terms of their geographical location, socio-economic profile and other relevant details.

d) **Detailed findings and observations** in which the data which has collected is presented in a form which is easily comprehensible to the user. The data may be presented in tabular form or graphically in a bar chart, pictogram or pie diagram; or in a combination of all these.

e) **Questionnaire** and supporting research instruments are presented in the last section.

The research agency may or may not be involved in the implementation of the recommendation made in the report.

8.6 APPLICATIONS OF MARKETING RESEARCH

Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organization objectives. The marketing concept requires that customer satisfaction rather than profit maximization be the goal of an organization. In other words, the organization should be consumer oriented and should try to understand consumers' requirements and satisfy them quickly and efficiently, in ways that are beneficial to both the consumer and the organization. This means that any research organization should try to obtain information on consumer needs and gather marketing intelligence to help satisfy these needs efficiently.

Marketing research is a critical part of such a marketing intelligence system; it helps to improve management decision making by providing relevant, accurate, and timely (RAT) information. Every decision poses unique needs for information, and relevant strategies can be developed based on the information gathered through marketing research in action. Too often, marketing research is considered narrowly as the gathering and analyzing of data for someone else to use. Firms can achieve and sustain a competitive advantage through the creative use of market information. Hence, marketing research is defined as information input to decisions, not simply the evaluation of decisions that have been made. Market research alone, however, does not guarantee success; the intelligent use of market research is the key to business achievement. A competitive edge is more the result of how information is used than of who does or does not have the information.

Marketing decisions involve issues that range from fundamental shifts in the positioning of a business or the decision to enter a new market to narrow tactical questions of how best to stock a grocery shelf. The context for these decisions is the market planning process, which proceeds sequentially through four stages; situation analysis, strategy development, marketing program development, and implementation. This is a never-ending process, so the evaluation of past strategic decisions serves as an input to the situation assessment. During each stage, marketing research makes a major contribution to a clarifying and resolving issues and then choosing among decision alternatives.

Marketing research is not an immediate or an obvious path to finding solutions to all managerial problems. A manager who is faced with a particular problem should not instinctively resort to conducting a marketing research to find a solution to the problem. A manager should consider several factors before ordering marketing research. Sometimes it is best not to conduct marketing research. Hence, the primary decision to be made is whether or not market research is called for in a particular situation. Factors that influence this initial decision include the following.

- Relevance
- Type and Nature of Information Sought
- Timing
- Availability of Resources
- Cost-Benefit Analysis

Although research is conducted to generate information, managers do not readily use the information to solve their problems. The factors that influence a manager's decision to use research information are (1) research quality, (2) conformity to prior expectations, (3) clarity of presentation, (4) political acceptability within the firm, and (5) challenge to the status quo. Researchers and managers agree that the technical quality of research is the primary determination of research use. Also, managers are less inclined to utilize research that does not conform to prior notions or is not politically acceptable. Some researchers argue that the use of information is a function of the direct and indirect effects of environmental, organizational, informational, and individual factors. However, a researcher should not alter the findings to match a manager's prior notions. Further, managers in consumer organizations are less likely to use research findings than their counterparts in industrial firms. This is due to a greater exploratory objective in information collection, a greater degree of formalization of organizational structure, and a lesser degree of surprise in the information collection.

Traditional Applications of Marketing Research: Product, Price, Distribution and Promotion

New products development is critical to the life of most organizations as they adapt to their changing environment. Since, by definition, new products contain unfamiliar aspects for the organization, there will be uncertainty associated with them. Thus, it is not surprising that a large proportion of marketing research is for the purpose of reducing the uncertainty associated with new products. New-product research can be divided into four stages. The first stage is generating new-product concepts; the second is evaluating and developing those concepts; the third is evaluating and developing the actual products; finally, the product is tested in a marketing program.

There are two types of concept generation research. The first might be termed need identification research. The emphasis in need research is on identifying unfilled needs in the market. The second is termed concept identification. Here, an effort is made to determine concepts that might fill an identified need. Product evaluation and development, or product testing, is very similar to concept testing, in terms of both the objectives and the techniques. The aim is still to predict market response to determine whether or not the product should be carried forward. Test marketing has two primary functions. The first is to gain information and experience with the marketing program before making a total commitment to it. The second is to predict the program's outcome when it is applied to the total market.

There are really two types of test markets: the sell-in test market and the controlled-distribution scanner market. Sell-in test markets are cities in which the product is sold just as it would be in a national launch. In particular, the product has to gain distribution space. Controlled-distribution scanner markets are cities for which distribution is prearranged and the purchase of a panel of customers are monitored using scanner data.

Research may be used to evaluate alternative price approaches for new products before launch or for proposed changes in products already on the market. As in the case of test marketing, the question of "reality" applies, and it has been found that the sales response to products at different prices in actual stores produces far more discriminating results than the sales response in an artificial store. Decisions regarding price ranges for new products have to be made early in the development stage. A product concept cannot be tested fully, for example, without indicating its price, so when the product is ready to be introduced, a decision must be made about its specific price. Decisions on price changes—should we change the price, and, if so, in which way and by how much?—will then need to be made over the product's life cycle. Either of two general pricing strategies can be followed. The first is a skimming strategy, in which the objective is to generate as much profit as possible in the present period. The other is a share-penetration strategy, whose objective is to capture an increasingly larger market share by offering a lower price. Pricing research for the two different approaches differs substantially in terms of the information sought.

Traditionally, the distribution decisions in marketing strategy involve the number and location of salespersons, retail outlets, warehouses, and the size of discounts to be offered. The discount to be offered to the members in the channel of distribution usually is determined by what is being offered by existing or similar products, and also whether the firm wants to follow a "push" or a "pull" strategy. Marketing research, however, plays an important role in the number and location in decisions about numbers and locations. The decisions for the promotion part of a marketing strategy can be divided into (1) advertising and (2) sales promotion. Sales promotion affects the company in the short term, whereas advertising decisions have long term effects. Companies spend more time and resources on advertising research than on sales promotion research because of the greater risk and uncertainty in advertising research.

Most promotion research companies concentrate on advertising because advertising decisions are more costly and risky than sales promotion decisions. Advertising research typically involves generating information for making decisions in the awareness, recognition, preference, and purchasing stages. Most often, advertising research decisions are about advertising copy. Marketing research helps to determine how effective the advertisement will be. There are three major types of sales promotion: consumer promotions, retailer promotions, and trade promotions In general, the consumer, or end user, is the ultimate target of all sales promotion activities. In consumer promotion, manufacturers offer promotions directly to consumers, whereas retail promotions involve promotions by retailers to consumers. Trade promotions involve manufacturers offering promotions to retailers or other trade entities. Trade entities can also promote to each other. For example, a distributor can offer a steep temporary price cut to retailers in order to sell excess inventory. We call these trade promotions, since the recipient of the promotion is a marketing intermediary.

The most commonly researched sales promotions are coupons, trade allowances, and retailer promotions. Even among retailer promotions, only recently have researchers begun to distinguish among price cuts, displays, and features, and even now, those are often subsumed under one "promotion" or "deal offer" variable. Unfortunately, much of the research on sales promotion has concentrated on only a few types or has considered promotion only more generically. For example, couponing by far is the most researched form of consumer promotion. In one sense this is appropriate, since coupons are clearly the most important consumer promotion for packaged-goods marketers. With scanner data so easily and widely available, most of the information requirements for decisions on sales promotions can be readily acquired. Both Nielsen and IRI have installed scanner-based information-collecting systems (both store and panel) in the major markets of the country, so researchers will have a wealth of information to rely on. They also have a number of ready-to-use expert systems which provide information such as sales and market share in that store in the week there was a promotion, so managers can easily find out whether the promotion was effective.

Contemporary Applications of Marketing Research

There has been a shift of focus in marketing, from delivering goods and services to consumers (satisfying their needs) to achieving a competitive advantage. Companies are embracing new tools, techniques, and strategies in order to remain competitive. This has resulted in a new agenda for marketing research in the nineties. Assessing competitive advantage can be done in a number of ways. The methods can be broadly classified as market-based assessment and process-based assessment. Market-based assessment is direct comparison with a few target competitors, whereas process-based assessment is a comparison of the methods employed by the competitors in achieving their distinctive advantage.

Brand equity is defined as a set of assets and liabilities linked to a brand that add to or subtract from the value of a product or service to a company and/or its customers. The assets or liabilities that underlie brand equity must be linked to the name and/or symbol of the brand. The assets and liabilities on which brand equity is based will differ from context to context. However, they can be usefully grouped into five categories:

- Brand loyalty
- Name awareness
- Perceived quality
- Brand associations in addition to perceived quality
- Other proprietary brand assets: patents, trademarks, channel relationships, etc.

An appraisal of the brand based on the five dimensions involves addressing and obtaining answers to the questions that follow. Marketing research can help to provide answers to these questions. It is important to develop approaches that place a value on a brand, for several reasons. First, since brands are bought and sold, a value must be assessed by both buyers and sellers. Which approach makes the most sense? Second, investments to enhance brand equity need to be justified, as there always are competing uses for funds. A bottom-line justification is that the investment will enhance the value of the brand. Thus, some "feel" for how a brand should be valued may help managers address such decisions. Third, the valuation question provides additional insight into the brand-equity concept. At least four general approaches have been proposed to assess the value of brand equity. One is based on the excess price that the name can command in the marketplace. The second looks at how much it would cost to replace the brand with a new one.

The third is based on the stock price. The fourth focuses on a brand's earning power. In recent years American business has become increasingly committed to the idea of customer satisfaction and product/service quality. The measurement of customer satisfaction and its link to product/service attributes is the vehicle for developing a market-driven quality approach. Customer satisfaction research has been around for a long time, but it has become a fixture at most large corporation only in recent years. The growth in the popularity of customer satisfaction research is, of course, a corollary to the quality movement in American business. The idea that the customer defines quality should not be new to marketers. However, its recognition in the Baldridge criteria has given this idea a credibility that was previously lacking.

Satisfaction research, like advertising tracking research, should be conducted at planned intervals so as to track satisfaction over time. Thus, satisfaction research can be put in the context of an interrupted, time-series, quasi-experimental design. Over time, management will do various things to improve customer satisfaction, take measurements following these changes, and evaluate the results to see if the changes that were implemented had a positive effect on customer satisfaction. This approach requires a sequential research design that uses the results from each research phase to build and enhance the value of subsequent efforts. During this process, it is imperative to study customers who were lost, to determine why they left. This issue must be addressed early in the system design. A useful step is to provide management with a framework for understanding, analyzing, and evaluating the status of customer satisfaction in the firm. A sequential design provides some level of comfort, because it allows for the luxury of making critical decisions after you have sufficient data to reduce the risk of error inherent in establishing customer satisfaction system.

With foreign competition steadily eating away the profitability and the market shares of American companies, more and more of them are adopting total quality management (TQM)to become more competitive.

TQM is a process of managing complex changes in the organization with the aim of improving quality. The first things on which a TQM company should decide are the guiding principles behind its data choices. Why these data, and not those data? As usual, the best rationale usually refers back to the bedrock of customer satisfaction. There should be a clear link between the kinds of data collected and maintained and the quality values of the company. If short-term financial measurements drive the company, measures such as market value to book value and price-to-earnings multiples will dominate management reports and meetings. If, on the other, quality lies at the center of business strategy and planning, a larger share of the measurement and reporting will focus on quality issues. When companies are truly committed to quality values, many data issues resolve themselves. The power of measurements is clearly visible in applications of quality function deployment (QFD), a Japanese import used to make product designs better reflect customer requirements. In QFD, a multifunctional team measures and analyzes in great detail both customer attitudes and product attributes. Marketing research plays a crucial role at this stage of the process. Then the team creates a visual matrix in order to find ways to modify product attributes (engineering characteristics) so as to improve the product on the customer-based measures of product performance. Along the way, the team must develop a series of measures of several different types. Marketing research is an invaluable part of QFD. Customer attributes are obtained through conjoint analysis or through other forms of survey research. Customer evaluations of competing products are also obtained through survey research. Hence, a thorough knowledge of marketing research is required.

8.7 PROBLEMS OF CONDUCTING MARKETING RESEARCH IN INDIA

The biggest problem confronting anyone who sets out to conduct research in India is the meager secondary data. The census which contains a wealth for data takes many years to be compiled and released for public usage. Data contained in journals and handbooks is usually two to three years old. Thus whatever data is available is usually obsolete and this greatly reduces its utility.

In collecting primary data the problems are those of widely scattered sampling units, location or some sampling units in remote and inaccessible areas, and poor communication facilities which compounds the problem of inaccessibility. If the sampling units are the industrial units in the unorganised sector, there is no guide for locating these units. The other kind of problem encountered in collecting primary data is the uncooperative attitude of respondents arising out of sheer lack of knowledge about the nature of MR and its utility. Respondents often view interviewers with suspicion and may refuse to give any information.

Most of the market research organisations are located in the cities and have an urban-bias to the extent that they have neither a penetration/base in the rural areas and nor can they communicate properly with the rural people. Most market research is conducted in the cities for products used by city, dwellers. The state-of-art in marketing research has not reached the sophisticated levels as in America or Europe. The marketing research techniques used in India are still relatively unsophisticated and 'simplistic.

8.8 SUMMARY

Marketing Research as a tool for decision-making is gaining wide acceptance. Marketing decisions involve variables which are often external to the firm, dynamic in nature, uncontrollable by the firm and interact with each other in a Complex manner. Because of their dynamic and uncontrollable nature the uncertainty associated with them is very high, which in turn leads to the situation that in most marketing decisions the associated risk factor is also very high. The marketing manager is always on the lookout for ways and means to reduce this risk. One way that the risk can be reduced is through the use of MR which by providing information reduces uncertainty and converts the unknown risk factor into a know calculated risk.

MR can be used for gathering information about market structure, Competitors' activities, consumer behaviour, testing the efficacy of various elements of the marketing strategy and making forecasts. MR can be used for pre-testing a strategy before actually implementing it, monitor it during implementation, and after implementation monitor the results to access its impact. Apart from its usefulness in the area of marketing, MR is also used for monitoring socio-economic projects. Every MR project involves five steps. These are; problem definition, research design, field work, data analysis and report presentation and analysis. The manager must make the decision regarding the utility of MR on the basis of the cost involved in conducting the research and the benefits expected to accrue from it.

8.9 KEY WORDS

- **Applied research:** research conducted to solve an immediate problem.
- **Code of conduct**: official list of standards of what is acceptable and unacceptable behavior.
- **Ethics**: set of beliefs used to distinguish what is right and good from wrong and bad and that result in a duty or obligation to act in a certain way.
- **Marketing concept:** philosophy that states the purpose of marketing is to provide consumers with products they either need or desire.
- **Marketing plan**: description of how a company plans to meet consumer needs by targeting a specific market segment with a

needed product at the right price, sold at the correct place and promoted effectively.

- **Marketing research:** ongoing process of gathering accurate information from the external environment and consumers to assist the company in implementing the marketing concept.
- **Observational research:** methodology where information is gathered by watching participants and recording their actions.
- **Qualitative research:** research based on social science principles used when the problem is still vague or when information is sought on feelings, beliefs and attitudes.
- **Quantitative research:** research based on scientific principles used when proof of a fact is needed or when the research question deals in descriptive facts such as who or how many.

8.10 SELF-ASSESSMENT TEST

1. What is marketing research?
2. What are the major weaknesses of marketing research?
3. Suggest some possible areas of application of marketing research.
4. List the steps involved in marketing research process.

8.11 FURTHER READINGS

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Marketing Management

BLOCK

3

CONSUMER BEHAVIOUR

UNIT-9

Analysis of Consumer Behaviour

UNIT-10

Models of Consumer Behaviour

परिशिष्ट–4
आन्तरिक कवर–दो का प्रारूप

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परिमापक

अनुवाद की स्थिति में

मूल लेखक	**अनुवाद**
मूल सम्पादक	**भाषा सम्पादक**
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सहयोगी टीम

संयोजक Dr. Gaurav Sankalp, SoMS, UPRTOU, Allahabd.

प्रूफ रीडर

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UNIT-9 ANALYSIS OF CONSUMER BEHAVIOUR

Objectives

After studying this unit, you should be able to understand

- Define consumer and consumer behavior
- What are the types of consumer
- What factors influences the behavior of consumer

Structure

9.1 INTRODUCTION

The business firm is being there due to the existence of consumer. The firm must understand the buyers' purchasing behavior. It must understand how the buyer decides in favour of one brand or product, what motivates him or her to select an alternative, which influences him or her to buy the brand or product. The marketer needs to focus on "how" and "why" of the total experiences consumers have with products and services. Hence the strategy was on developing outputs, enhancing dealer productivity and loyalty.

What is needed is a deep understanding of consumer behavior. Without such understanding, marketers cannot accurately anticipate consumer responses to product designs, features and marketing ideas.

9.2 CONSUMER

Any individual who purchases goods and services from the market for his/her end-use is called a consumer. In simpler words a consumer is one who consumes goods and services available in the market. Any individual who purchases products or services for his personal use and not for manufacturing or resale is called a consumer. A consumer is one who is the decision maker or someone who is influenced by the advertisement and marketing. Every time someone goes to a store and buy a toy, clothes, drinks or anything else, they make a decision as a consumer.

9.3 CONSUMER BEHAVIOUR

Consumer Behaviour is a branch which deals with the various stages a consumer goes through before purchasing products or services for his end use.

In a layman's language consumer behaviour deals with the buying behaviour of individuals.

The main catalyst which triggers the buying decision of an individual is need for a particular product/service. **Consumers purchase products and services as and when need arises**.

According to Belch and Belch, whenever need arises; a consumer searches for several information which would help him in his purchase.

Following are the sources of information:

- Personal Sources
- Commercial Sources
- Public Sources
- Personal Experience

Perception also plays an important role in influencing the buying decision of consumers. Buying decisions of consumers also depend on the following factors:

- Messages, advertisements, promotional materials, a consumer goes through also called **selective exposure**.
- Not all promotional materials and advertisements excite a consumer. A consumer does not pay attention to everything he sees. He is interested in only what he wants to see. Such behaviour is called **selective attention**.
- **Consumer interpretation** refers to how an individual perceives a particular message.

- A consumer would certainly buy something which appeals him the most. He would remember the most relevant and meaningful message also called as **selective retention**. He would obviously not remember something which has nothing to do with his need.

9.4 IMPORTANCE OF CONSUMER BEHAVIOUR

The modern marketing management tries to solve the basic problems of consumers in the area of consumption. To survive in the market, a firm has to be constantly innovating and understand the latest consumer needs and tastes. it is important for the marketers to understand the consumer behavior due to the following reasons:

- The study of consumer behavior for any product is a vital importance to marketers in shaping the fortunes of their organizations.
- It is significant for regulating consumption of goods and thereby maintains the economic stability.
- It is useful in developing ways for more efficient utilization of resources of marketing. It also helps in solving marketing management problems.
- Consumers taste is ever changing. Study of consumer behavior helps in formulating of production policy.
- Today consumer gives more importance on environment friendly products. They are concerned about health, hygiene and fitness. They prefer natural products. Hence detail study on upcoming groups of consumers is essential for any firm.
- For the growth of consumer protection movement has created an urgent need to understand how consumers make their consumption and buying decision.
- For effective market segmentation and target marketing, it is essential to have an understanding of consumers and their behavior.

9.5 TYPES OF CONSUMERS

Just like there are different types of goods, services and products, there are different types of consumers. They have different motivations for purchasing, different modes of engaging and different mindsets. In order to market successfully, a business needs to understand the different consumer types. The different types of consumers are:

- **Seasonal Consumers**: Many consumers purchase and consume products on a seasonal basis. They shop at certain times when the need for them arises. Examples of products that they rely on seasonal consumers:

  a. Umbrellas during the rainy season

  b. Cold drinks during hot seasons

  c. Christmas trees and decorations in December

  d. Beach wears in summer

- **Personal consumers :** These types of consumers are individual consumers who purchase goods for the sole purpose, family or household use. For example:

  a. Purchasing car that you intend to use personally

  b. Purchasing clothes for personal use

  c. Purchasing a mobile phone for personal communication

  d. Going to supermarket and shopping for goods which are to be used in the house

  Manufacturers selling products to personal consumers are constantly looking for ideas for upgrades and add-ons to enhance the appeal of their goods to individuals.

- **Organizational consumer :** Organizational consumers purchase products for organization, governments or businesses. They often buy the products in bulk and may place long term recurring orders. For this reason, an organizational consumer is generally highly prized and sought after. Products and services sold to organizational consumers are often required to meet very strict standards. They may need to be adapted to meet the specific requirements of the buyer, and specific prices are negotiated. Manufacturers and service providers who target organizational consumers are expected to be flexible in their approach to negotiating a sale, but rigid in maintaining quality. Goods may be offered for resale at a profit to the organizational consumers. Or an organization may buy raw materials that are aimed at producing other goods which will later be offered for sale to other consumers.

- **Impulse buyers :** Impulse buyers are consumers who make unplanned buying decisions. Impulse buyers make swift buying decisions and immediately purchase when they connect with the product and its features. There is often some kind of emotional appeal. Products placement is very important for impulse consumers as they are not initially in their plans. Manufacturers who target impulse buyers need their goods to be featured prominently in a store. For example:

a. Bright, eye catching novelty items where children can spot them

b. Cookies at eye level on shelf

c. Chocolates near the check-out counter

d. Service providers offering significant discounts or immediate service.

- **Need Based Consumers:** Need based consumers are those types of consumers who buy goods and services when they need them and not any other time. They purchase the products because it is needed immediately for a certain purpose. The challenge for marketers is to create a sense of need to promote the sale of products and services. For example:

  a. Paints, when required to protect the home from weather

  b. Light bulbs when need to see at night

  c. Heaters or air conditioning if we need to be comfortable in our homes

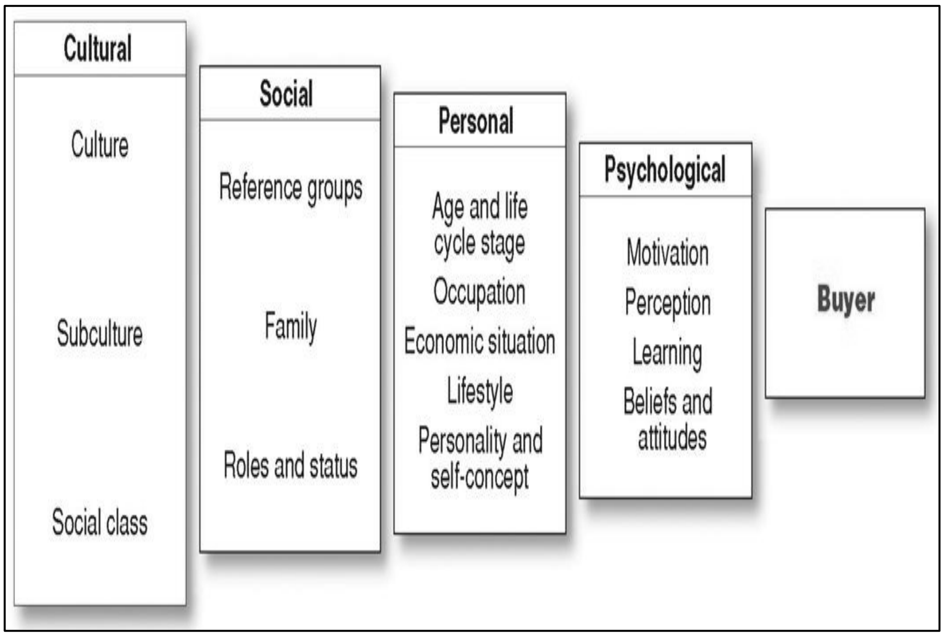
  d. Life insurance sales increase if we are convinced we need to be sure our families are taken care of if we die.

- **Discount Driven Consumers:** Discount driven consumers are the type of consumers who purchase goods and services primarily for the discounts on offer. They may not engage in any buying activity until they hear or see large discounts being offered on products they like. These consumers are price sensitive and would rather wait to purchase products when they come with discounts as opposed to when they are sold for full price. Coupons and stock-take sales attract this type of consumer. An increasing number of manufactures, retailers and services providers offer discounts during recession or harsh economic climates.

- **Habitual Consumers :** Habitual consumers are those consumers who feel compelled to use certain brands or types of goods. Marketers work hard to create brand loyalty among this type of consumers. It may be simple as always choosing the same brand of perfumes, the same brand of drinks or shopping in the same store for groceries or clothes. Cigarettes and alcohol are classic examples of products that target habitual consumers. A beer drinker can be expected to always buy the same type of beer, and smokers go for same brand as well. Advertising often encourages a persona associated with a specific product to appeal to habitual consumers.

9.6 FACTOR INFLUENCING CONSUMER BEHAVIOUR

Consumer behaviour refers to the selection, purchase and consumption of goods and services for the satisfaction of their wants. Initially the consumer tries to find what commodities he would like to consume, then he selects only those commodities those promise greater utility. After selecting the commodities, the consumer makes an estimate of the available money which he can spend. Lastly, the consumer analyzes the prevailing prices of commodities and takes the decision about the commodities he should consume. Meanwhile, there are various other factors influencing the purchases of consumer such as social, cultural, personal and psychological.



1. **Cultural factors :** Cultural factors comprise of set of values and ideologies of a particular community or group of individuals. It is the culture of an individual which decides the way he/she behaves. In simpler words, culture is nothing but values of an individual. What an individual learns from his parents and relatives as a child becomes his culture.

   Cultural factors have a significant effect on an individual's buying decision. Every individual has different sets of habits, beliefs and principles which he/she develops from his family status and background. What they see from their childhood becomes their culture. Basically culture is the part of every society and is the important cause of person wants and behavior.

The influence of culture on buying behavior varies from country to country therefore marketers have to be very careful in analyzing the culture of different groups, religion or even countries.

Subcultures: Each culture further comprises of various subcultures such as religion, age, geographical location, gender (male/female), status etc.

Religion (Christianity, Hindu, Muslim, Sikhism, Jainism etc)

A Hindu bride wears red, maroon or a bright colour lehanga or saree whereas a Christian bride wears a white gown on her wedding day. Muslims on the other hand prefer to wear green on important occasions.

A sixty-year-old individual would not like something which is too bright and colorful. He would prefer something which is more sophisticated and simple. On the other hand a teenager would prefer funky dresses and loud colours.

Status (Upper Class, Middle class and Lower Class)

People from upper class generally have a tendency to spend on luxurious items such as expensive gadgets, cars, dresses etc. You would hardly find an individual from a lower class spending money on high-end products. A person who finds it difficult to make ends meet would rather prefer spending on items necessary for survival. Individuals from middle class segment generally are more interested in buying products which would make their future secure.

Gender (Male/Female)

People generally make fun of males buying fairness creams as in our culture only females are expected to buy and use beauty products. Males are perceived to be strong and tough who look good just the way they are.

2. **Social Factors :** Consumer Behaviour is an effort to study and understand the buying tendencies of consumers for their end use. Social factors play an essential role in influencing the buying decision of consumers.Social factors influencing consumer buying decision can be classified as under:

- Reference groups
- Immediate family members
- Relatives
- Role in the society
- Status in the society

Reference groups : Every individual has some people around who influence them in any way. Reference groups comprises of people that individuals compare themselves with. Every individual knows some people in the society who become their idols in due course of time.

Reference groups are generally of two types: Primary group and secondary group

a) *Primary group:* It consists of individuals one interacts with on a regular basis. This group includes friends, family members, relatives, co-workers. All of these influence the buying decisions of consumers due to following reasons:

They have used the product or brand earlier; they know what the product is all about. They have complete knowledge about the features and specifications of the products.

b) *Secondary Groups*: Secondary groups share indirect relationship with the consumer. These groups are more formal and individuals do not interact with them on a regular basis. Example- Religious Associations, Political Parties, Clubs etc.

Family: Consumer behavior is strongly influenced by the member of a family. Therefore the marketers are trying to find the roles and influence of husband, wife and children. If the buying decision of a particular product is influenced by the wife then the marketers will try to target the women in their advertisement. Here we should note that buying roles changes with change in consumer lifestyles.

Role in the society: Each individual plays a dual role in the society depending on the group he belongs to. An individual working as chief executive officer with a reputed fir is also someone's husband or father at home. The buying tendency of individuals depends on the role he plays in the society.

Status in the society: An individual from an upper middle class would spend on luxurious items whereas an individual from middle to lower income group would buy items required for their survival.

3. **Personal Factors:** Personal factors can also affect the consumer behavior. Some of the important personal factors that influence the buying behavior are: lifestyle, economic situation, occupation, age and personality.

- **Lifestyle :** Lifestyle of customers is an important factor affecting the consumer buying behavior. Lifestyle refers to the way a person lives in a society and is expressed by the things in their surroundings. It determined by customer interests, opinions, activities etc. and shapes his whole pattern of acting and interacting in the world.

- **Economic situation :** Consumer economic situation has great influence on his buying behavior. If the income and saving of a customer is high then he will purchase more expensive products. On the other hand, a person with a low income and saving will purchase inexpensive products.

- **Occupation :** The occupation of a person has significant impact on his buying behavior. For example a marketing manager of an organization will try to purchase business suits, whereas low level workers in the same organization will purchase rugged work clothes. An individual's designation and his nature of work influence his buying decisions. You would never find a low level worker purchasing business suits, ties for him. An individual working on the shop floor cannot afford to wear premium brands every day to work.

- **Age :** Age and human life cycle have potential impact on the consumer buying behavior. It is obvious that the consumers change the purchase of goods and services with the passage of time. Family life cycle consists of different stages such young singles, married couples, unmarried couples etc which help marketers to develop appropriate products for each stage. Teenagers would be more interested in buying bright and loud colours as compared to a middle aged or elderly individual who prefer decent and subtle designs. A bachelor would prefer spending lavishly on items like beer, bikes, music, clothes, parties, clubs and so on. A young single would hardly be interested in buying a house, property, insurance policies, gold etc. an individual who has a family, on the other hand would be more interested in buying something which would benefit his family and make their future secure.

- **Personality :** Personality changes from person to person, time to time and place to place. Therefore it can greatly influence the buying behavior of customers. Actually, personality is not what one wears; rather it is the totality of behavior of a man in different circumstances. It has different characteristics such as dominance, aggressiveness, self-confidence which can be useful to determine the consumer behavior for particular product or service. Every individual has their own personality traits which reflect in their buying behavior. A fitness freak would always look for fitness equipment whereas a music lover would happily spend on musical instruments, CD's, concerts, musical shows etc.

4. **Psychological factors :** There are four important psychological factors affecting the consumer buying behavior. These are perception, motivation, learning, beliefs and attitudes.

- **Motivation :** The level of motivation also affects the buying behavior of customers. Every person has different needs such as psychological needs, biological needs, social needs etc. the nature of the needs is that, some of them are most pressing while others are least pressing. Therefore a need becomes a motive when it is more pressing to direct the person to seek satisfaction. There are several factors which motivate the individuals to purchase products and services. An individual who is thirsty would definitely not mind spending on soft drinks, packaged water, and juice and so on. Recognition and self-esteem also influence the buying decision of individuals. Individuals prefer to spend on premium brands and unique merchandise for others to look up to them. Certain products become their status symbol and people know them by their choice of picking up products that re exclusive.

- **Perceptions :** Selecting, organizing and interpreting information in a way to produce a meaningful experience of the world is called perception. There are three different perceptual processes which are selective attention, selective distortion and selective retention.

1. **Selective Attention :** Selective attention refers to the process where individuals pay attention to information that is of use to them or their immediate family members. An individual in a single day is exposed to numerous advertisements, billboards, hoarding etc but he is interested in only those which would benefits him in any way. He would not be interested in information which is not relevant at the moment.

2. **Selective Distortion :** Customers try to interpret the information in a way that will support what the customers already believe.

3. **Selective Retention :** Marketers try to retain information that supports their beliefs.

- **Learning :** Learning comes only through experience. An individual comes to know about a product and service only after their uses the same. An individual who is satisfied with a particular product and service will a strong inclination towards buying the same product again.

- **Beliefs and Attitudes :** Customer possesses specific belief and attitude towards various products. Since such beliefs and attitudes make up brand image and affect consumer buying behavior therefore marketers are interested in them. Marketers can change the beliefs and attitudes of customers by launching special campaigns in this regards. Consumers purchase products and services based on their opinions which they form towards a particular product or service. A product might be really good but if the consumer feels it is useless, he would never buy it.

9.7 SUMMARY

Consumer behaviour consists of the acts of individuals in obtaining, using and disposing of economic goods and services, including the decision processes that precede and determine these acts. Consumer buying behavior is the study of human responses to products or services and the marketing of products/services. The study of consumer behavior focuses on how individuals make their decisions to spend their available resources (time, money, effort) on consumption related aspects (what they buy? When they buy? How they buy?). Buyer behaviour is deeply rooted in psychology with dashes of sociology thrown in just to make things more interesting. Since every person in the world is different, it is impossible to have simple rules that explain how buying decisions are made. The growth of consumerism and consumer legislation emphasizes the importance that is given to the consumer. Some consumers are characterized as being more involved in products and shopping than others. A consumer who is highly involved with a product would be interested in knowing a lot it before purchasing. Hence he read brouchers thoroughly, compares brands and models available any different outlets, ask questions and look for recommendation. Thus, consumer buying behavior can be defined as heightened state of awareness that motivates consumer's to seek out, attend to, and think about information prior to purchase.

9.8 KEY WORDS

consumer behavior The totality of consumers' decisions with respect to the acquisition, consumption, and disposition of goods, services, time, and ideas by human decision-making units.

consumerism Activities of government, business, independent organizations, and consumers designed to protect the rights of consumers.

Innovation An offering that is perceived as new by consumers within a market segment and that has an effect on existing consumption patterns.

perception The process by which incoming stimuli activate our sensory receptors eyes, ears, taste buds, skin, and so on.

9.9 SELF ASSESSMENT QUESTION

1. Who is a consumer? Also mention various types of consumer?
2. What is consumer behavior?
3. What are the importance of consumer behavior?
4. Describe the various factors influencing the consumer behavior?

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UNIT-10 MODELS OF CONSUMER BEHAVIOUR

Objectives

After reading this unit you should be able to learn:

- What is decision making process?
- Explain the needs of decision making process
- Different stages of decision making process
- Various models of consumer behavior

Structure

10.1 INTRODUCTION

It includes organizational buyer behavior, decision making processes and various models of consumer behaviour. Marketing to organizational buyers is also known as business-to-business marketing. Consumer involvement influence how consumers collect, understand and convey information, make buying decisions and make post-purchase evaluation. As the level of consumer participation increases, the consumer has better motivation together, comprehend, elaborate, justify and understand the information. Thus, a marketer needs to understand the process in a proper manner and design his marketing mix in a manner that can trigger the involvement process in his favor.

10.2 CONSUMER DECISION MAKING PROCESS

Decision making is a daily activity for any human being. Decision making process used by consumers regarding market transaction before, during and after the purchase of a goods or services. Generally the decision making is the cognitive process of selecting a course of action from multiple alternatives. The consumer decision making process consists of five steps that consumers move through when buying a goods or service. A marketer has to understand these steps in order to properly move the consumer to the product and close the sale.

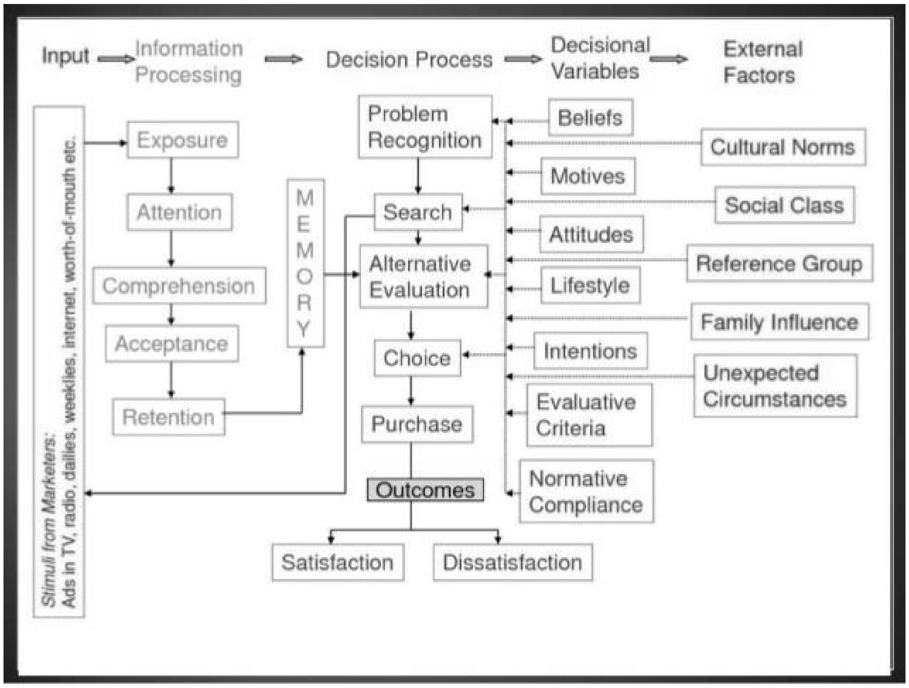
All these steps can be guide for marketers to understand and communicate effectively to consumers. Although, consumers do not always move in the exact order through the process; it can depend on the type of product, the buying stage of the consumer and even financial status. Engel, Blackwell and Kollet have developed in 1968 a model of consumer buying decision in five steps: Need recognition/problem recognition, information search, evaluation of alternatives to meet the need, purchase decision and post purchase behavior.

1. **Need recognition/problem recognition :** Need recognition is the first and most important step in the buying process. If there is no need, there is no purchase. Marketer wants to create an imbalance in consumers between their present status and their preferred status. This recognition happens when there is a lag between the consumer's actual situation and ideal and desired one. The gap between the actual situation and the ideal situation may be due to three cases. However, not all the needs end up as a buying behavior. It requires that the lag between the two situations is quite important. But the "way" (product price, ease of acquisition etc.) to obtain this ideal situation has to perceived as "acceptable" by the consumer based on the level of importance he attributes to the need.

   For example, you have a pool and you would like someone to take care of regularly cleaning it instead of you (ideal situation) because you don't like to do it yourself (actual situation)**.** But you don't judge the "way" to reach this ideal situation (pay $250 per month by a specialized company) as "acceptable" because its price to obtain it seems too high.

   In addition to a need resulting from a new element, the gap between the actual situation and the ideal situation may be due to three cases. The current situation has not changed, but the ideal situation has (a neighbor told you about the possibility that you didn't know-to clean the pool by a specialized company). or, ideal situation is still same but it's the actual situation that has changed (you are tired of cleaning the pool by yourself). Or finally, the two situations have changed. The recognition of a need by a consumer can be caused in different ways. Different classifications are used:

Internal stimuli (Physiological need felt by the individual as hunger) which opposes the *external stimuli* such as exposure to an advertisement, the sight of a pretty dress in a shop window or the mouth-watering smell of a chocolate when passing by a bakery.



Classification by type of needs:

Functional need: It is the need which is related to a feature or specific functions of the product or happens to be the answer to a functional problem. Like a washing machine that responds to the need to have clean clothes while avoiding having to do it by hands or go to laundry.

Social need: It is the need that comes from a desire for integration and belongingness in the social environment or for social recognition. Like buying a new fashionable bag to look good at school or choose a luxury car to show that you are successful in life.

Need of change: It is the need that has its origin in a desire from the consumer to change. This may result in the purchase of a new coat or new furniture to change the decoration of your apartment.

The Maslow's hierarchy of needs: This is one of the best known and widely used classifications and representations of hierarchy of need developed by the eponymous psychologist. It specifies that an individual is guided by certain needs that he wants to achieve before seeking to focus on the following ones:

a. Physiological needs

b. Safety needs

c. Social need i.e. Need of love and belonging

d. Esteem need i.e. Need of esteem for oneself and from the others

e. Self-actualization need

2. **Information search:** Once the need is identified, it is the time for the consumer to seek information about possible solution to the problem. The consumer will search more or less information depending on the complexity of the choices to be made but also the level of involvement. Then the consumer will seek to make his opinion to guide his choice and his decision making process with:

   Internal information: This information is already present in the consumer's mind. It comes from the previous experiences they had with the product or brand. The internal information is sufficient for the purchasing of everyday products that the consumer knows- including Fast- moving consumer goods (FMCG) or consumer packaged goods (CPG). But when it comes to a major purchase with a level of uncertainty or involvement and consumer does not much information, they must turn to another source.

   External information: This information on a [product or brand received from and obtained by friends or family, by reviews from other consumers or from the press or media or by official business sources such as an advertising or seller's speech.

   During his decision making process and his consumer buying decision process, the consumer will pay more attention to his internal information and the information form friends, family or other consumers. It will be judged more objective than these from advertising, a seller's speech or a commercial brochure of the product.

3. **Alternative evaluation :** Once the information collected, the consumer will be able to evaluate the different alternatives that offer to them. They evaluate the most suitable to their needs and choose the one they think it is the best for them. In order to do so, they will evaluate their attributes on two aspects. The objective characteristics and subjective characteristics.

   Objective characteristics such as the features and functions of the product; Subjective characteristics includes perception and perceived value of the brand by the consumer or its reputation.

Each consumer does not attribute the same importance to each attribute for his decision and his consumer buying decision process which varies form one shopper to another. The consumer will then use the information previously collected and his perception or image of a brand to establish a set of evaluation criteria, desirable features, classify the different products available and evaluate which alternative has the most chance to satisfy him. The process will then lead to what is called "evoked set". The "evoked set" is the set of brands or products with a probability of being purchased by the consumer because he has a good image of it or the information collected is positive. On the other hand, "inept set" is the set of brands pr products that have no chance of being purchased by the shopper because he has a negative perception or has had a negative buying experience with the product in the past. While "inert set" is the set of brands or products for which the consumer has no specific opinion.

The higher level of involvement of the consumer and the importance of the purchase are stronger, the higher the number of solutions the consumer will consider will be important. On the opposite, the number of considered solutions will be much smaller for an everyday product or a regular purchase.

4. **Purchase decision :** Now the consumer has evaluated the different solutions and products available for respond to his need, he will be able to choose the product or brand that seems most appropriate to his needs. Then proceed to the actual purchase itself. His decision will depend on the information and the selection made in the previous step based on the perceived value, product's features and capabilities that are important to him. But the consumer buying decision process and his decision process may also depend or be affected by such things as the quality of his shopping experience or online website, the availability of a promotion, a return policy or good terms and conditions for the sale.

5. **Post-Purchase behavior :** Once the product is purchased and used, the consumer will evaluate the adequacy with his original needs. Whether he has made the right choice in buying this product or not. He will feel either a sense of satisfaction for the product. Or, on the contrary, a disappointment if the product has fallen far short of expectations. An opinion that will influence his future decisions and buying behavior. If the product has brought satisfaction to the consumer, he will then minimize stages of information search and alternative evaluation for his next purchases in order to buy the same brand which will produce customer loyalty.

   On the other hand, if the experience with the product was average or disappointing, the consumer is going to repeat the 5 stages of the consumer buying decision process during his next purchase but by excluding the brand from the "evoked set".

The post-purchase evaluation may have important consequences for the brand. A satisfied customer is very likely to become a loyal and regular customer. Especially for everyday purchases with low level of involvement- such as Fast-moving consumer goods (FMCG) or consumer packaged goods (CPG). A loyalty which is a major source of revenue for the brand when combine all purchase made by customer throughout his entire life called lifetime customer value that all brands in the industry are trying to achieve.

It is important for companies to have awareness of that matter. In addition to optimizing the customer experience, a guarantee, an efficient customer services and a specific call centre are some of the assets that can be developed to improve post-purchase behavior if there is any trouble with the product.

10.3 MODELS OF BUYER BEHAVIOR

Understanding buyer behavior plays an important part in marketing. Considerable research on buyer behavior both at conceptual level and empirical level has been accumulated. There are two types of buyers-

- Organizational buyer
- Individual consumer

In order to understand the organizational buying behavior, we first consider who will be involved in the buying process and what their expectations are. At least, purchasing agents, engineers and final consumers will participate in the buying process. The potential of different decision maker are different in different situations. The individuals' background, information source, vigorous search, the selective bend of the information based on their previous information and expectations, satisfaction with previous purchase. The independent decision which means that the decision is delegated to one department, joint decision processes. The product specific factors (the perceived risk, the type of purchase, and time pressure) and the company-specific factors (company orientation, company size, and degree of centralization) will determine the type of factor. The greater the apparent risk, the more preferred to joint decisions. If it is a life time capital buy, the more likely the joint decision will take place. If the decision has to make at an emergency, it is likely to entrust to one party. A small and privately owned company with product or technology will lean towards independent decisions. While a large public company with decentralization will tend to have joint decision process.

Individual and industrial models are of following types:

1. The Economic Model
2. Learning Model
3. Psychological Model
4. The Sociological Model
5. The Howard Sheth Model of buying behavior
6. The Nicosia Model
7. The Engel-Kollat-Blackwell model
8. Engel, Blackwell and Miniard (EBM) Model
9. Webstar and Wind Model of organizational buying behaviour
10. The Sheth Model of Industrial buying

Traditional Model	**Contemporary Model**
• The Economic Model • Learning Model • Psychological Model • The Sociological Model	• The Howard Sheth Model of buying behavior • The Nicosia Model • The Engle-Kollat-Blackwell (EKB) model • Engle, Blackwell and Miniard (EBM) Model • Webstar and Wind Model of organizational buying behaviour • The Sheth Model of Industrial buying

1. **Economic Model :** In this model, consumers follow the principle of maximum utility based on the law of diminishing marginal utility. Economic man model is based on the following effects-

    - Price effect- Lower the price of the product more will be the quantity purchase.

- Substitution effect- Lower the price of the substitute product, lower will be the utility of the original product purchase.

- Income effect-When more income is earned or more money is available, quantity purchased will be more. The economic theory of buyer's decision making was based on following assumption:

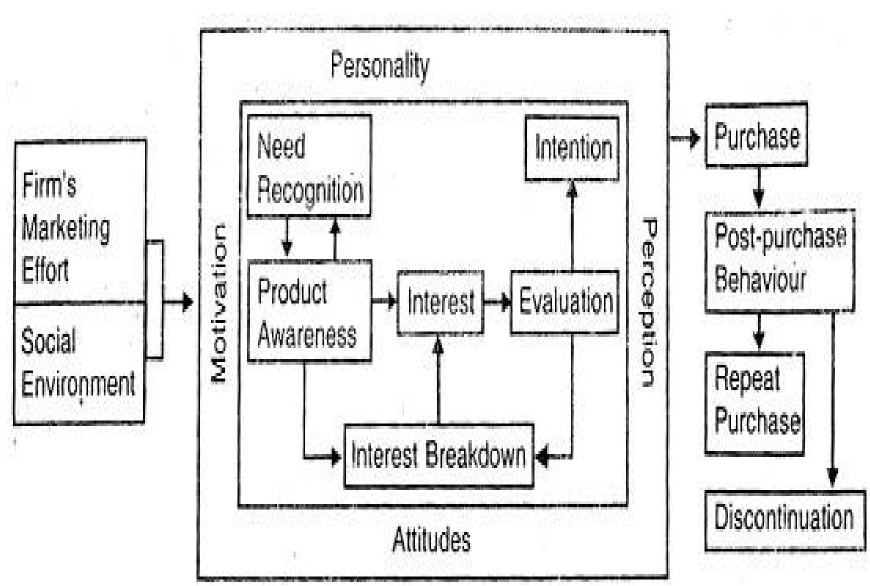
  As consumer resources are limited, he would allocate the available money which will maximize the satisfaction of his needs and wants. Consumers have complete knowledge about the utility of each product and service, i.e., they are capable of completing the accurate satisfaction that each item is likely to produce. As more units of the same item are purchase the marginal utility or satisfaction provided by the next unit of the item will keep on decreasing according to the law of diminishing marginal utility. Price is used as a measure of sacrifice in obtaining the goods and services. The overall objective of the buyer is to maximize his satisfaction out of the act of purchase.

  Criticism: 1. Fail to explain how the consumer actually behaves.

  2. Incompleteness in the model.

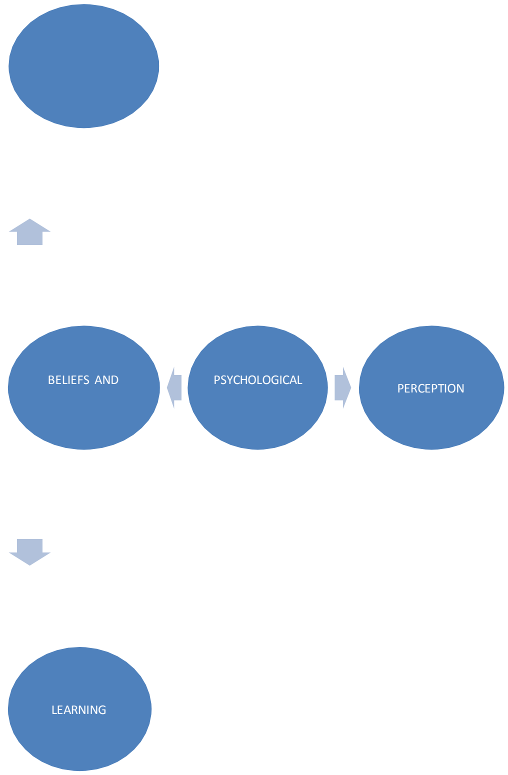
  3. Lack of broader perspective.

2. **Learning model:** This model suggests that human behavior is based on some core concepts- the drives, stimuli, cues responses and reinforcements which determine the human needs and wants and needs satisfying behavior.



- Drive: A strong internal stimulus which compels action.
- Stimuli: These are inputs which are capable of arousing drives or motives.
- Cues: It is a sign or signal which acts as a stimulus to a particular drive.
- Response: The way or mode in which an individual reacts to the stimuli.
- If the response to a given stimulus is "rewarding", it reinforce the possibility of similar response when faced with the same stimulus or cues. Applied to marketing if an informational cue like advertising, the buyer purchase the product (response); the favourable experience with the product increases the probability that the response would be repeated the next time the need stimulus arises (reinforcement).

3. **Psychological model :** This is also called learning model or the Pavlovian learning model, was proposed by classical psychologist led by Pavlov. According to this model, consumption behavior and decision making is a function of interactions between human needs and drives, stimuli and cues, responses and reinforcements. People have needs and wants; they are driven towards products and services (stimuli and cues), which they purchase (response), and they expect a satisfying experience (rewards and reinforcements); Repeats behavior would depend on reinforcement received. The model believes that behavior is deeply affected by the learning experiences of the buyer and the learning is a product of information search, information processing, reasoning and perception. Reinforcement leads to a habit formation and decision process for an individual becomes routinized, leading to brand loyalty. Consumers also learn through trial and error and resultant experiences that get stored in our memory. The limitation of consumer behavior with this approach is that the model seems incomplete. Learning is not the only determinant in the buying process and the decision making. The model totally ignores the role played by other individual determinants like perception, personality, attitudes as well as interpersonal and group influences.



Factor Affecting Consumer Behaviour : Psychological

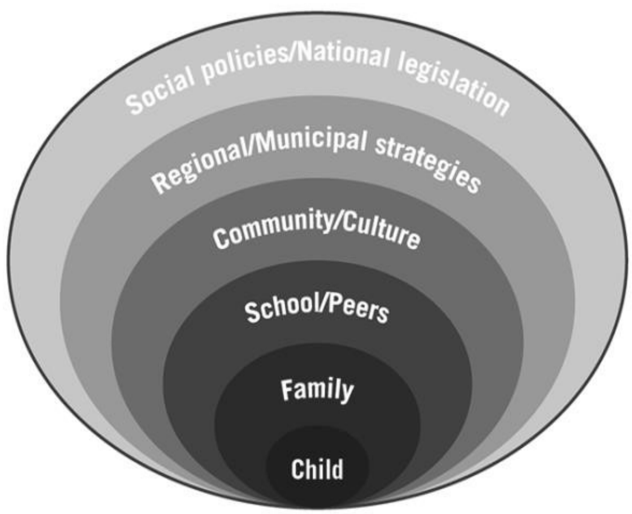
4. **Psychoanalytic model :** The psychoanalytic model was proposed by Sigmund Freud. The model tries to explain consumer behavior as a resultant of forces that operate at subconscious level. The individual consumer has a set of deep seated motives which drive him towards certain buying decisions. According to the model, buyer needs and desires operate at several levels of consciousness. Not all of the behavior is understandable and explained by the person. Also not all of human behavior is visible and explainable. Sometimes, the behavior may not be realized and understood by the person himself. Such causes can be understood by drawing inferences from observation and causal probing. There have been two more contributions that have been made to the psychoanalytic approach.

   These are (a) Gestalt model (b) Cognitive theory

   (a) ***Gestalt model*** : The model based on Gestalt principles (meaning "pattern and configuration") lays emphasis on the perceptual processes that impact buying behavior. According to this model, consumption behavior and decision making is based on how a consumer perceives a stimuli (the product and the service offering and the external environment and his own prior experiences.

(b) ***Cognitive theory***: The model proposed by Leon Festinger, views the consumer as one who faces of anxiety, while he is making a purchase. This is because he is faced with many alternatives, all of which seem desirable. Post-purchase, this anxiety increases even further. There is an imbalance in the cognitive structure and the consumer tries to get out of this state as soon as he can. So a buyer gathers information that supports his choice and avoids information that goes against it.

5. Sociological model : This is concerned with the society. A consumer is an element of the society and he may be a member of many groups and institution in a society. His buying behavior is influenced by these groups. Primary groups of family friends' relatives and close associates extract a lot of influence on his buying. A consumer may be a member of political party where his dress norms are different form different member. As a member of an elite organization, his dress norms are different, thus he has to buy things that confirm to his lifestyle in different groups.

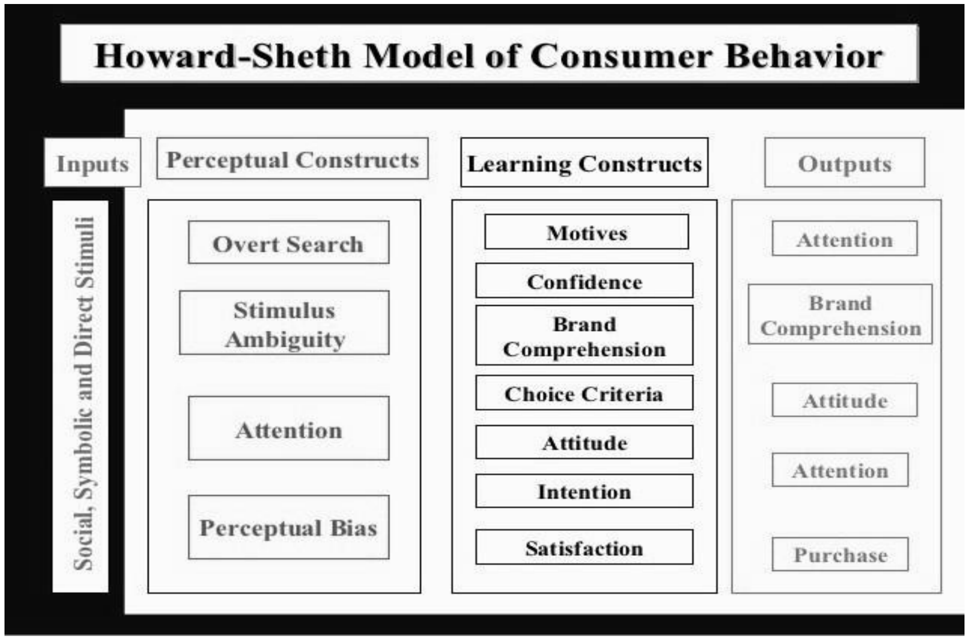


6. Howard Sheth Model of buying behavior : It attempt to throw light on the rational brand behavior shown by the buyers. The rational brand behavior arises when the buyer has incomplete information and limited abilities. The model refers to three levels of decision making:

a) Extensive problem solving

b) Limited problem solving

c) Routinized response behavior



The model has borrowed the learning theory concept to explain brand choice behavior when learning takes place as the buyer moves from extensive to routinized problem solving behavior. The model makes significant contribution to understand consumer behavior by identifying the variables which influence consumer. There are four components involved in the model:

1. Input variables
2. Output variables
3. Hypothetic constructs
4. Exogenous variables

1. Input variables: These variables act as stimuli in the environment. Stimuli can be of Significate, Symbolic and Social. **Significate stimuli**, are those actual elements of brands which the buyer confronts, whereas **Symbolic stimuli** are those which are used by the marketers to represent their products in a symbolic form. **Social stimuli** are generated by the social environment like family, friends, groups etc.

2. Output variables: These are which buyer's observable responses to stimulus inputs. They appear in the sequence-

    - Attention: It is based on the importance of the buyer's information intake.
    - Comprehension: It is the store of information that the buyer has about the brand.

- Attitude: It is the buyer's evaluation of the particular brand's potential to satisfy their motives.
- Intention: It is the brand which the buyer intends to buy.
- Purchase behavior: It is the act of purchasing which reflects the buyer's predisposition to buy as modified by any of the inhibitors.

The consumer first is attentive towards the various stumuli which help him in comprehensive about various brands. He is then develop attitude for the product due to which he has same intention regarding the purchase decision.

3. Hypothetical Constructs: The model has many intervening variables which have been categorized into two groups-Perceptual and Learning constructs.

   - Perceptual Constructs: It includes **Sensitivity to information,** means the degree to which the buyer regulates the stimulus information flow. **Perceptual bias,** refers to distorting or altering information. **Search for information,** means actively seeking information on the brands or their characteristics.
   - Learning Construct: It involves the formation of concepts regarding various brands. This consist of various factors like motive, brand potential of evoke set, decision mediators, pre-dispositions, inhibitors satisfaction.

4. Exogenous variables: These are the external factors which influence the decision making process. This could include the importance of purchase, personality, social class, culture, organization, financial status.

   Therefore, this model gives an overall view regarding consumer purchases keeping in view all factors influencing the organization as well as end consumer.

6. The Nicosia Model : It is a structural model of the purchase decision making process by an individual consumer or a whole family. This model shows the interactive relationship between the company and the consumer. They arise between them for mutual communication. Company communicates with the consumers through promotional activities while consumers by making purchases. The author of model F.M. Nicosia identified three stages that gradually moves the consumer in process:

- Preference
- Attitudes

- Motivations

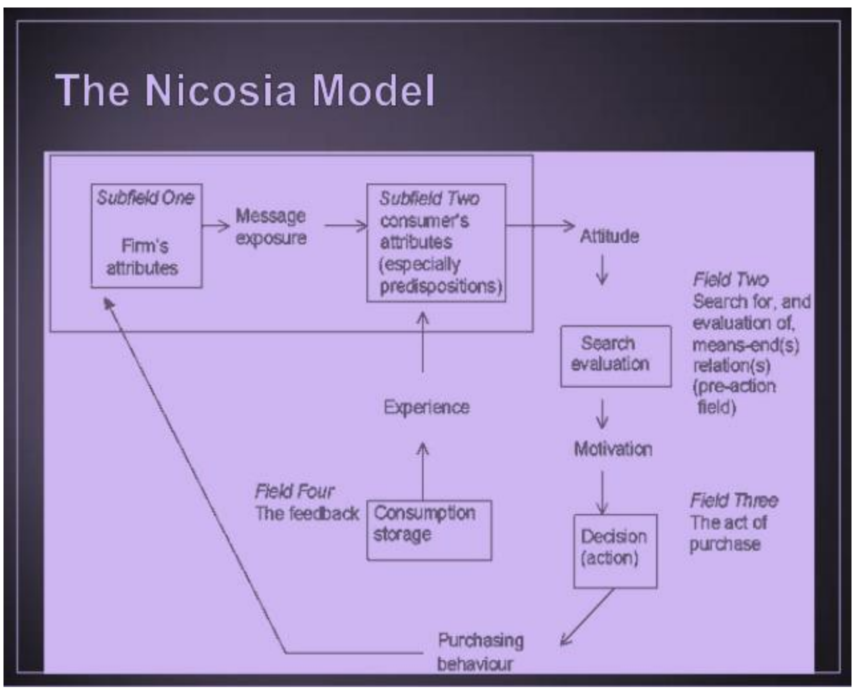
In this model, the decision-making process is divided into four areas:

a) Area 1- It includes consumer attitudes shaped by information from the market. In this area information flows from the source of their creation to the recipient.

b) Area 2- Consumer is looking for information about specific products and gives them value. During the evaluation the consumer allocates appropriate weight to each information piece. When the result of the evaluation of a given product from the consumer's point of view is satisfactory, consumer is motivated to buy.

c) Area 3- It is the act of purchase. Motivation established in advance by consumer prompts him to acquire the product.

d) Area 4- It is the feedback, as result of the consumption of the product, the consumer acquire a new experience and based on it his new preference (predisposition). This last step is not only the consumption of a product but also a very important factor for the future decision of the consumer. Feedback is also a very important factor for the company which acquires new information that could be used in preparing future product policy, its advertising and communications targeted to the consumer.



7. **The Engel Kollet-Blackwell model :** This model is essentially a conscious solving and learning model of consumer behavior. This model has a good description of active information seeking and evaluation processes of consumer. The EKB model is a comprehensive and shows the components of decision making and the relationship and interaction among them. The five distinctive parts of consumer decision making are input, information processing, decision process, decision process variables and external influences.

- **Input :** The input stage is generally the data collection stage of the consumer decision making process. The consumer is constantly exposed to various stimuli and information about various products. These stimuli include marketing ads in newspapers, TV, magazines, people around us and feedback on website; social media etc. and are all part of the data that a consumer receives. The input may be actively sought by the consumer if they already willing to buy a product or passively when they are involuntarily exposed to marketing stimuli and information created by the marketers or by the environment and people around. This information forms the "awareness set" of the products for the individual.

- **Information processing :** This stage involves the assimilation and processing of data captured in the input stage and aides in rational decision making. The consumer gets exposed to various stimuli, some of which grab his attention. The stimuli information and information which the consumer already has in their memory from experience and past interactions forms the complete dataset which the consumer uses to further processing. The information is filtered, understood and classified by the consumer which leads to their acceptance or rejection of certain data and stimuli which do not caters to his needs and perception of the product which he seeks. The data accepted leads to the consumer forming an opinion about the product. This processed form of opinion is retained by the consumer in his memory for further usage.

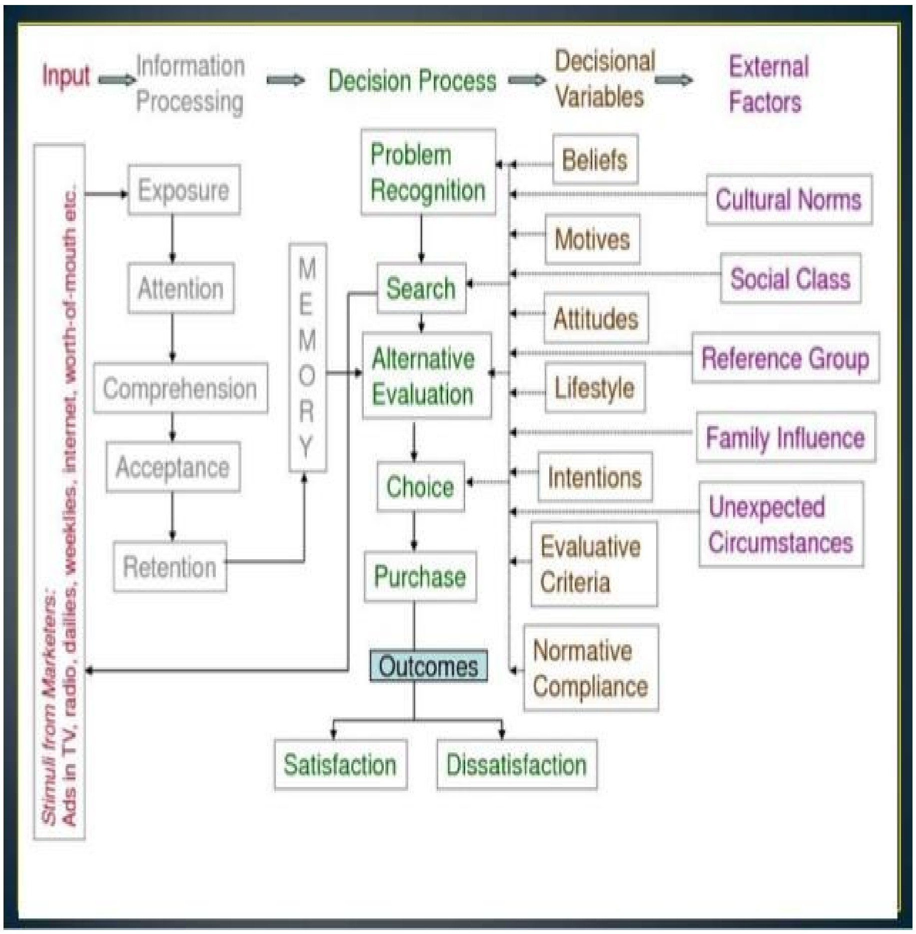
- **Decision process:** As soon as the customer feels a need due to some problem he is facing and has the ability to buy. He starts external search for information regarding then various options available in the market to satisfy his need. The information collected externally externally along with processed information stored in the memory leads to the consumer evaluating products according to his evaluative criterion. Some products in the consideration set are rejected and the remaining form the 'choice set' of the consumer from which to choose from finally.

Consumer's beliefs, attitudes and intention guide his evaluation. From this choice set the consumer finally chooses a product which is bought. This acquiring of the product and its usage subsequently may lead to satisfaction for the customer in which case the customer is not sure whether he bought the right product and hence they go back to gather information to reassure himself of his purchase decision. The final choice of product may not only be the result of person's beliefs, attitude and intention but may well be guided by some 'unanticipated circumstance' which forces the customer to buy a particular product.

- **Decision process variables :** There are various decision process variable which influence the customers' decision making process. The normative compliance and informational influence is one of them. The person goes by what peer group and people around him think. The societal and peer group opinion is important to the person and influences his choice. This variable also impacts the purchase intent of the person, ultimately impacting product choice. The person also follows a certain lifestyle which earns their status in the society and his evaluative criteria are guided by his sense and understanding of the image and image he would want to portray in the society. The evaluative criteria impact the person's beliefs which in turns influence his choice and search. The person's motive of purchase is influenced by all the above variables and ultimately results in the person's understanding and recognition of the problem he is facing. All these factors make the decision process more complex and result in the person to choose a certain type of product which satisfies his want.

- **External influences :** The model gives three external influences which affect buying behavior of a person. The cultural norms and values along with reference group or family impact a person's normative compliance and lifestyle. The person has to abide by the rules laid down by them and has to project a certain image to be received the respect and certain status that he enjoys in the society. New products are bought with a view t increase one's respect in the society and enhance one's self image. Hence these factors are critical in person's choice of the product to be bought. Another important factor may be 'unanticipated circumstances' which may totally alter one's purchasing decision. The impact of all these factors are critical to the decision making process.

Hence the person is not only influenced by the product attributes but is also guided by the external factors to make a choice of the product to be bought. The stimuli and constant information received along with that stored in the memory is assimilated and processed to arrive at the possible options from which to choose. Thus, all five aspects holistically define the consumer's decision making process.



8. **The Engel, Blackwell and Miniard (EBM) model :** The EKB model (1968) was revised and together with a new author, Miniard, the model became known as Engle, Balckwell and Miniard model. It shares certain things with the Howard-Sheth model. Both have similar scope and have the same level of complexity. Primarily the core of the EBM model is a decision process, which is augmented with inputs from information processing and other influencing factors also. The model have distinctive four sections, namely: Input, information Processing, Decision Process and Variable influencing decision process.

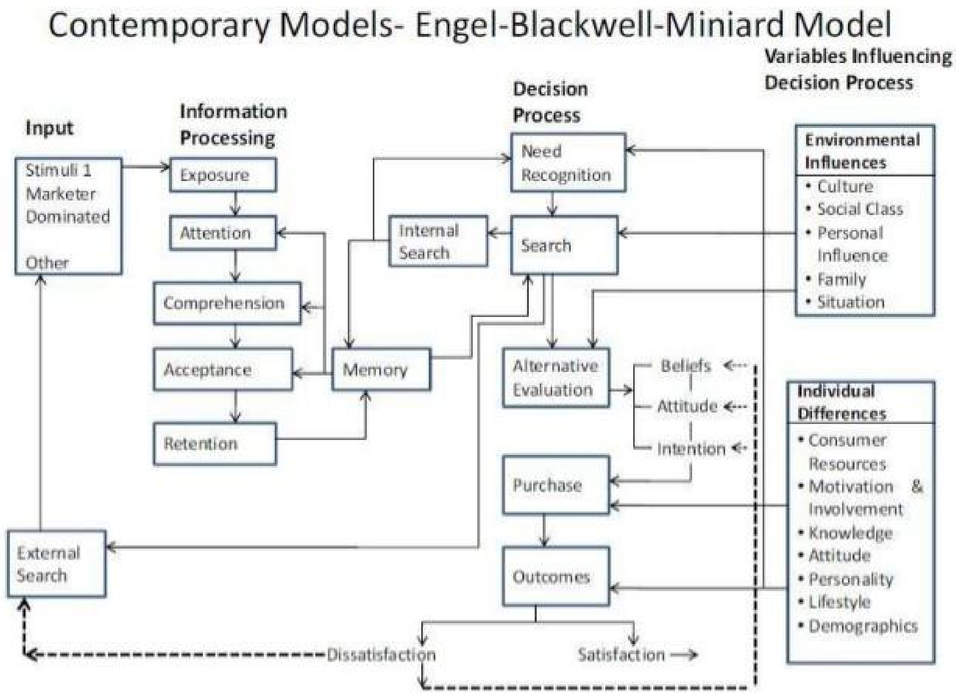
- **Information Input :** Information from marketing and non-marketing sources are fed into the information processing section of the model. The model also suggests additional information to be collected as a part of external search especially when not enough information available from memory or when post- purchase dissonance occur.

- **Information Processing:** Before information can be used in the rest of the model, the consumer will first be exposed to be the information processing. That is consumer must get exposed to the information, attend ti it, comprehend or understand it, accept it and finally retain it in memory. Any selective attention or exposure mechanism which may occur in the post purchase dissonance would operate at this stage.

- **Decision Process:** This process consist of five basic stages: (1) Need recognition, this acknowledges the fact that there exist a problem. That is, the individual is aware that there is a need to be satisfied. (2) Search: When enough information is available in memory to take a decision, then only internal search will be required. If information is scarce, an external search for information is undertaken. (3) Alternative evaluation: Now an evaluation of the alternatives found during the search is undertaken. We can see from the model, that this takes into account our attitudes and beliefs also. (4) Purchase: A purchase is made based on the chosen alternative. (5) Outcomes: The outcome can be either positive or negative depending on whether the purchase satisfies the original perceived need. Dissatisfaction can lead to post-purchase dissonance.

- **Variable Influencing Decision Process:** This section will consider the individual, social and situational factors which influence the decision processes.

The EBM model is very flexible and more coherent than the Howard Sheth model of consumer behavior. It also includes human processes like memory, information processing and considers both the positive and negative outcomes. **Fig.**



9. **Webster and Wind Model of Organizational Buying Behaviour:** This is complex model developed by F.E. Webster and Y. Wind, as an attempt to explain the multifaceted nature of organizational buying behavior. This model refers to the environmental, organizational, interpersonal and individual buying determinants which influences the organizational buyers. These determinants influence both the individual and group decision making processes and consequently the final buying decisions. The organizational determinant is based on Harold Leavitt's four elements of organization buying that is, people, technology, structure and task. An individual engaged in buying for organizations may be involved in one or more of the following buying roles:

Users: The ultimate users who often initiate the buying process and help in defining specifications.

Influencers: They may or may not be directly connected with the decision. But their views or judgments' of a product or a supplier carry a lot of weightage.

Buyers: Those people who negotiate the purchase.

Deciders: The people who take the actual decision they may be formal or informal decision makers.

Gate Keepers: The persons who regulate the flow of information.

This model is a valuable contribution and help in revealing the whole range of direct and indirect influences which affect the organizational buying behavior. However, the limitation is that this model provides a static representation of a dynamic situation.

10.4 LEVELS OR STAGES OF DECISION MAKING PROCESS

According to the famous model developed by John Howard and Jagdish Sheth, two famous Professors of marketing, in their "Theory of Buyer Behaviour", the decision- making process of consumers are divided into three stages:

1. **Extensive problem solving (EPS) :** It is when the consumer discovers a new product category or wants to buy a product he does not well or is particularly expensive or which present a significant risk regarding his economical or psychological point of view. His lack of "experience" in the matter leads to his lack of decision criteria to make his choice. He has no preference for a brand or a specific product. The level of consumer involvement is high. He will invest a lot of time looking for information and benchmarks to make his choice. The level of uncertainty and confusion about the choice of product can be high. The purchase process is usually quite long. This is the case for example for buying a car or a new computer.

2. **Limited problem solving (LPS) :** The consumer has a clear vision of its expectations and decision criteria. He already had an experience with the product and knows it. However, he is still undecided about the brand or a particular model to choose and which one will best meet his needs. The level of consumer involvement is moderate and information seeking is more limited. He will compare available products and especially want to determine which brand is best for him. The purchasing process will be shorter. This is the kind of behavior found for occasional purchases such as clothing, video, games and cosmetics.

3. **Routinized response behavior (RRB):** This is about the everyday purchases with a low level of involvement from the consumer. These are common products, typically Fast-Moving Consumer Goods (FMCG) or Consumer Packaged Goods (CPG) that the consumer well knows. He knows very well about the brand and which product suits him. He does not need any specific information to make his choice. The purchase decision is simple and is quickly taken. Usually, the more a product has become a "routine buying behavior" for a consumer, the less he will be responsive to stimuli or initiatives

like advertising, discounts etc. from the other brands.

Although it is not included in the original Howard & sheth model, a fourth purchase situation could also be added:

The Impulse buying: Impulsive buying is a purchase made while the consumer did not initially have a particular intention to purchase the product. For example, the pack of chocolate bought while passing in front of a bakery smelling particularly good.

The impulse buying opposes to the rational purchase to which the buying process of the consumer corresponds to the three situation of decision making process.

10.5 SUMMARY

Decision-making is regarded as the cognitive process resulting in the selection of a belief or a course of action among several alternative possibilities. Every decision-making process produces a final choice; it may or may not prompt action. Decision-making is the process of identifying and choosing alternatives based on the values and preferences of the decision-maker. Understanding buyer behaviors plays an important part in marketing. Considerable research on buyer behavior both at conceptual level and empirical level has been accumulated. The model makes significant contribution to understand consumer behavior by identifying the variables which influence consumer.

10.6 KEY WORDS

Decision making : Making a selection between options or courses of action.

Contextual effects : The influence of the decision situation on the decision-making process.

Impulse purchase : An unexpected purchase based on a strong feeling.

Attitude : It is persons enduring favorable or unfavorable cognitive evaluations emotional feelings and action tendencies towards some object or ideas.

10.7 SELF ASSESSMENT QUESTIONS

1. What is consumer decision making process?
2. Describe various model of buying behavior of consumer?
3. What needs are required in decision making process?
4. Explain the stages of decision making process?
5. What are impulse buyer?

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