

PREFACE

In the curricular structure introduced by this University for students of Bachelor Degree Programme, Post Graduate Programme, P.G. Diploma Course, Certificate Course and Diploma Course, the opportunity to pursue Honours course in any elective subject is equally available to all learners. Instead of being guided by any presumption about ability level, it would perhaps stand to reason if receptivity of a learner is judged in the course of the learning process. That would be entirely in keeping with the objectives of open education which does not believe in artificial differentiation.

To enable young men and women belonging to middle/lower middle income families in urban and far-flung areas to undertake the course, the university has launched the one year Diploma Course on Entrepreneurship Development and Small Business Management. The main objective of the course is to inculcate a desire for beginning a job provider rather than a job-seeker.

Keeping this in view, study materials of the Diploma level in different subjects are being prepared on the basis of a well laid-out syllabus. The course structure combines the best elements in the approved syllabi of Central and State Universities in respective subjects. It has been so designed as to be upgradable with the addition of new information as well as results of fresh thinking and analysis.

The accepted methodology of distance education has been followed in the preparation of these study materials. Co-operation in every form of experienced scholars is indispensable for a work of this kind. We, therefore, owe an enormous debt of gratitude to everyone whose tireless efforts went into the writing, editing and devising of a proper lay-out of the materials. Practically speaking, their role amounts to an involvement in 'invisible teaching'. For, whoever makes use of these study materials would virtually derive the benefit of learning under their collective care without each being seen by the other.

The more a learner would seriously pursue these study materials the easier it will be for him or her to reach out to larger horizons of a subject. Care has also been taken to make the language lucid and presentation attractive so that they may be rated as quality self learning materials. If anything remains still obscure or difficult to follow, arrangements are there to come to terms with them through the counselling sessions regularly available at the network of study centres set up by the University.

Needless to add, a great deal of these efforts is still experimental—in fact, pioneering in certain areas. Naturally, there is every possibility of some lapse or deficiency here and there. However, these do admit of rectification and further improvement in due course. On the whole, therefore, these study materials are expected to evoke wider appreciation the more they receive serious attention of all concerned.

Professor (Dr.) Subha Sankar Sarkar
Vice-Chancellor

First Revised Edition — July, 2015

Printed in accordance with the regulations and financial assistance
of the Distance Education Bureau of the University Grants Commission.

**DIPLOMA COURSE ON ENTREPRENEURSHIP
MANAGEMENT AND SMALL BUSINESS
MANAGEMENT**

Paper - III

Marketing Management

Course Writing

Dr. Tanima Dutta Choudhury

Format Editing

Dr. Anirban Ghosh

Notification

All rights reserved. No part of this study material may be reproduced in any form without permission in writing from Netaji Subhas Open University.

Professor (Dr.) Debesh Roy
Registrar



**Netaji Subhas
Open University**

EDSBM - III

PAPER - III

Unit 1	□ Marketing Management	7 – 28
Unit 2	□ Product	29 – 37
Unit 3	□ Marketing Research and Consumer Behaviour	38 – 50
Unit 4	□ Sales Management and Promotion	51 – 62
Unit 5	□ Product Pricing	63 – 75
Unit 6	□ Advertising and Branding	76 – 85
Unit 7	□ Rural Marketing	86 – 89
Unit 8	□ Export Marketing	90 – 95
Unit 9	□ Case Studies	96 – 103

Unit 1 □ MARKETING MANAGEMENT

Structure

- 1.1 Introduction**
- 1.2 Concept**
 - 1.2.1 Needs, Wants and Demands**
 - 1.2.2 Products**
 - 1.2.3 Value, Cost and Satisfaction**
 - 1.2.4 Exchange**
 - 1.2.5 Relationships and Network**
 - 1.2.6 Markets**
 - 1.2.7 Marketers and Prospects**
 - 1.2.8 Demand Management**
 - 1.2.9 Company Orientation**
- 1.3 Tools**
 - 1.3.1 Environmental Scanning**
 - 1.3.2 Resource Analysis**
- 1.4 Techniques and problems**
- 1.5 Marketing Mix**
- 1.6 Let Us Sum Up**
- 1.7 Key Words**
- 1.8 Some Useful Books**
- 1.9 Solutions / Answers**

1.1 INTRODUCTION

The world of business is changing very fast. Think of India, when your grandparents were small. Think of the small neighbourhood shop where people went

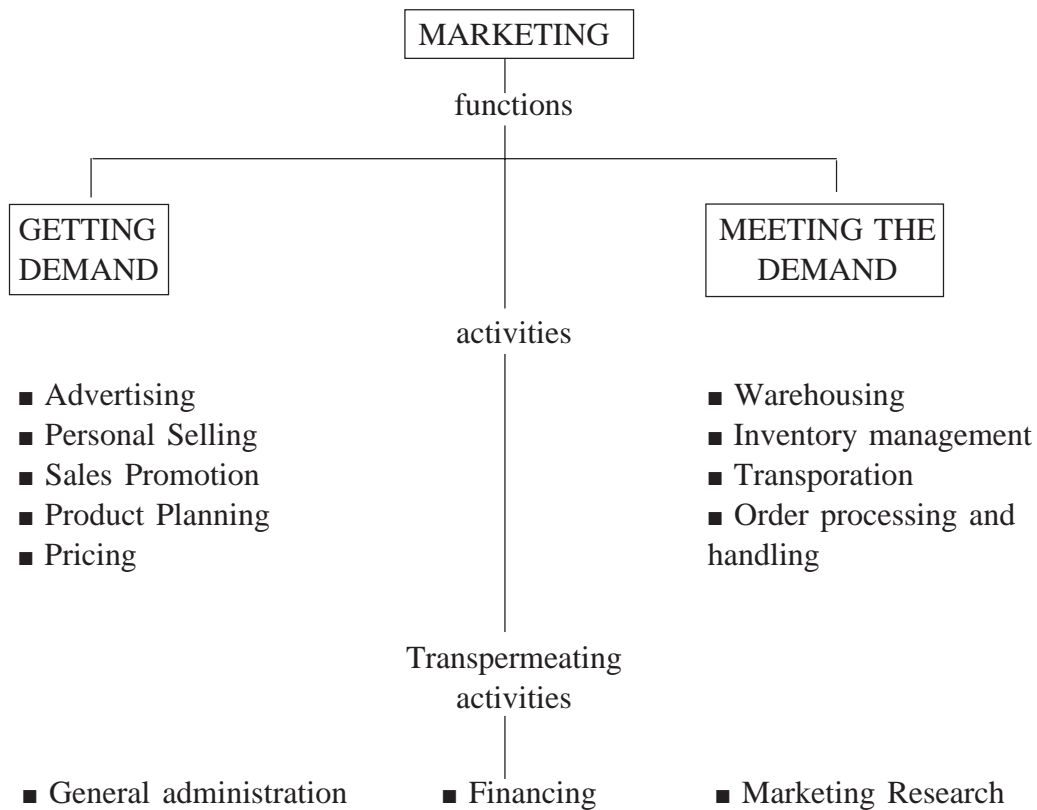
for their groceries. the tailor who used to come to the house regularly. the weaver who wove sarees exclusively for the family. Then with women coming out of the house. they gave up the single weaver and began to frequent shops where they got a greater variety to choose from. Shops began to specialize in different products. Today, you can sit at your computer at home and order products from the other side of the world. So the consumer is spoiled for choice. Even if we run a small grocery shop in a remote corner. we are having to face competition from multinational companies. Globalization and technological change are together threatening many small businesses. Yet, these two forces are also opening up innumerable opportunities for entrepreneurs. We are all familiar with the term “survival of the fittest.” In the market, many firms die and many new ones appear. The “fittest” company is the company which can satisfy its customers best. The company must produce goods and services which have ‘marketable value’, which means they must be wanted by the consumers.

Marketing is often confused with selling. However, marketing has a much wider scope. It begins with understanding what the consumer wants. planning the business according to these wants and then implementing these plans. If I want to open a shop in my locality, I must start by deciding what product to sell that will be bought by the consumers. Having decided on the product, I must decide how to get the product, how much of the product to stock, at what price to sell the product, how to pack the product and how to inform the consumers about my product. Once I start running the shop, I must get constant feedback about whether my customers are satisfied with me or not. All these activities, and not just selling, are part of marketing management.

So marketing management includes the following elements :

- Analysis: Analyzing the environment, the needs and wants of the consumer, the strength and resources of the organization. the opportunities and constraints existing in the environment around us.
- Planning: Planning is the details of the business on the analysis that has been done. It is deciding on the long term and short term goals of the organisation, developing a vision, deciding where we want to be a few years down the line and planning the business details accordingly.
- Implementation : Implementing. or carrying out, the above plans. Executing what has been planned In order to achieve the goals we have set. Putting into practice the plans we have chalked out.
- Control : Regularly monitoring our progress. Checking to see if we are following the plans accurately. If we have deviated from the plans we must take corrective measures. If required. from time to time the plans themselves

must be evaluated to see whether they are still relevant. If not, the plans may need to be readjusted.



1.2 CONCEPTS

Let us familiarize ourselves with certain basic concepts which will help us to understand marketing management.

1.2.1 NEEDS, WANTS AND DEMANDS

- Needs: A state of deprivation of some basic satisfaction.

For example, a man may be hungry and he needs food; when he is thirsty he needs water; when he feels cold he needs clothing; when it is raining he needs a shelter. Needs are in-built into human physiology.

- Wants: Desire for specific satisfiers of needs.

For example, when a man is hungry he needs food. He may want to eat a burger, a dosa or fish and rice to satisfy his hunger. These specific items with

which he wants to satisfy his needs are his wants. Whether he wants a dosa or a burger or fish and rice will depend on various factors such as his socio-cultural background, his education, his tastes etc. Clothing is a basic need : fifty years back a middle class Bengali woman would have wanted a saree. Today, her want is not limited to a saree alone. She may want a saree or a salwar kameez or a pair of jeans, depending on her upbringing, her outlook and so forth. Advertisements for specific products may also shape the wants of the consumers. Advertisements showing delicious looking pizzas may make the young student want a pizza rather than fish and rice to satisfy his hunger.

- Demands: Wants for specific products backed by an ability and willingness to buy them.

For example, my basic need is shelter and I may want a beautiful bungalow to satisfy this need. Unfortunately I cannot afford this bungalow but can only buy a two-roomed flat. Then this flat is my demand. My demand will depend on whether I am able and willing to pay for the product. I may want the bungalow very much. but unless I am actually able and willing to pay for It. the bungalow only remains a want and is not translated into a product. If the bungalow is available in easy instalments, it may become my demand. otherwise demand will remain restricted to the two-roomed flat which I can afford.

1.2.2 PRODUCTS

A product is anything that can be offered to satisfy a need or want. In the above examples, the dosa, burger, fish and rice, two-roomed flat, bungalow, saree, salwar, kameez and jeans are all example of products. However, a product need not to be a physical product. A product can also be a service or an idea For example, a hotel offers food and lodging which is also a product. An airlines offers transportation from one city to another-this service is also a product. A religious guru or a priest offers spiritual ideas which are also products. Throughout this course, whenever we use the term “product”, we will use it to include physical products, services and ideas unless specifically mentioned.

1.2.3 VALUE, COST AND SATISFACTION

Value is the satisfaction of customer requirements at the lowest possible cost of acquisition, ownership and use. Suppose my need is transportation and to satisfy this need I can buy a cycle, a scooter or a car. The car will probably give me the greatest

satisfaction followed by the scooter and the cycle in that order. However, there are the costs to be taken into account. The cost of acquisition will mean the price I pay to acquire ownership of the car or scooter. This cost will be the highest in the case of the car and lowest in the case of the cycle. Other costs will include the cost of use. This will mean the cost of petrol, cost of maintenance and servicing etc. So ultimately, the value of each product for me will depend on the difference between the satisfaction I derive from it and the total cost of the product.

1.2.4 EXCHANGE

Exchange is the act of obtaining a desired product from someone by offering something in return. Suppose I want to write on the blackboard and you want to copy it into your exercise book. I have a pen with which I cannot write on the board and you have a piece of chalk with which you cannot write in your book. So the pen has no value to me and the chalk has no value for you. I offer you the pen in return for the chalk. We have then entered into an exchange. As a result of the exchange, there has been a value addition because the chalk has value for me and the pen has value for you. If I merely gave you the pen without taking anything in return, it would not have been an exchange but a gift.

Exchange can be of two types. There can be monetary exchange where one party offers money and the other party offers a product. There can be barter system where both the parties offer products as in the case of your chalk and my pen. A large volume of the world trade is carried out through barter system.

1.2.5 RELATIONSHIPS AND NETWORKS

Relationship marketing is the practice of building long term satisfying relations with key parties-customers, suppliers, distributors-in order to retain their long term business. The organization stands to benefit if it has a long term relationship with its customers which will enhance customer loyalty. If the organization does business with the same set of suppliers and distributors over a long period of time, It will lead to strong economic, technical and social ties and reduce the cost of business.

Marketing network consists of the company and all its supporting stakeholder-customers, employees, suppliers, distributors, retailers, advertising agencies etc. The purpose of relationship marketing is to build up a marketing network.

1.2.6 MARKETS

Normally, in economics and in every day language, we use the term market describe the place where buyers and sellers meet. Thus, the share market is where buyers and sellers of shares meet, the fish market is where buyers and sellers of fish come together etc. However, in business, the term “market” is used to describe all

potential customers sharing a particular need or want who might be willing and able to engage in exchange to satisfy that need or want. On the other hand, the term “industry” is used to describe all the sellers of that particular product. Hence, all companies making and selling cars comprise the automobile industry while all potential buyers of cars comprise the automobile market.

1.2.7 MARKETERS AND PROSPECTS

Marketer, very simply put, is the person who is trying to sell the product. Prospect is the person identified by the marketer as likely to buy the product. The company trying to sell the car is the marketer. I have been identified by the company as likely to buy a car in the near future and I am the prospect. In fact, marketer is one who makes demand of a product.

1.2.8 DEMAND MANAGEMENT

Marketing management is basically concerned with managing demand. This includes the level of demand, the timing of demand and the composition of demand. There can be different stages of demand for a particular product. Depending on the stage of demand, the marketing task will vary.

- Negative demand

Consumers may be averse to a product, even if they require it.

e.g. Vaccines.

Task of the marketer will be to change the attitude of the consumers towards product by analyzing their reason for dislike.

- No demand

There may be no demand for a product because consumers are not aware of it or not interested in it.

e.g. A new product in the market which consumers do not know about..

Task of the marketer will be to make the consumers aware of the product and show them how the product can satisfy their particular needs.

- Latent demand

This is the reverse of no demand. In this case the demand exists but the product does not exist.

e.g. Harmless cigarettes.

Task of the marketer will be to find out the unsatisfied demand in the market and develop a product to satisfy that demand.

- Declining demand

This occurs when demand for a product begins to fall. Either the market has

become saturated, or the demand fails to satisfy the changing needs of the consumers.

e.g. demand for typewriters

Task of marketer will be to reposition the product and try and find new consumers or new uses for the product so that demand picks up again.

- Irregular demand

This happens when demand is fluctuating.

e.g. There is a mad rush at the zoo on holidays whereas it is practically empty on weekdays.

Task of the marketer is to try and reduce the fluctuations in demand through different ways like bringing down the prices during when demand is low (flexible pricing) etc. This is known as synchromarketing.

- Full demand

This means that demand and supply match each other.

Task of the marketer is to ensure that demand does not fall.

- Overfull demand

This is when demand exceeds supply.

e.g. Traffic on Calcutta's main roads

Task of the marketer is to reduce the demand temporarily (not destroy demand) till supply can match demand.

- Unwholesome demand

This means a demand which harms the consumer.'

e.g. Demand for drugs or alcohol

Task of the marketer is to destroy demand.

1.2.9 COMPANY ORIENTATION

Different organizations can have different kinds of attitude towards marketing. This will depend on the relative importance attached by the company towards its own interests and towards the interests of its customers and the well-being of society.

- Product oriented companies

These companies believe that the consumers will prefer to buy those products that offer the best quality and most innovative features. However, the company has a very narrow focus exclusively on the product and might forgot the basic needs of the consumers. The company may also end up

spending too much on improving the product and thereby increase the cost of the product exorbitantly.

- Production oriented companies

These companies feel that consumers will buy those products that are widely available and low in cost. The focus is mainly on distribution channels and low cost of production. In the process, however, the quality of the product may suffer.

- Selling oriented companies

These companies hold the idea that the consumer will not normally buy the products unless there is aggressive selling. ‘The disadvantage of such an idea is that the companies try to force their products onto the consumer without finding out what the consumer wants.

- Marketing oriented companies

These companies start with what the consumer wants and then plan their production accordingly. These companies aim at customer satisfaction and not at profits / Profits flow in automatically as result of customer satisfaction.

- Societal Marketing oriented companies

These companies are marketing oriented companies who take care not to harm the interests of society while satisfying their consumers.

CHECK YOUR PROGRESS 1

1. What is need?
2. What is a want?
3. What is a demand?
4. A lady commutes to and from office everyday, covering a distance of 20 km. The journey by bus takes a very long time, bus services are irregular and buses are very crowded She decided to buy a car to solve her problem. She longs to own an Opel Astra, Mitsubishi Lancer or a Maruti 800. She looks at the price of the different cars and finds that she can afford to buy only the Maruti 800. A car finance company offers to give her the finance so that she can buy the Opel Astra in easy instalments. However, she would rather spend that money on a flat which she is interested in. So ultimately she settles for the Maruti 800.

- a. In this example. what is the lady's need?
 - b. What are her wants?
 - c. What is her demand?
5. What is a product? In the above example, what is the product?
 6. Give a simple equation linking value, cost and satisfaction.
 7. What is exchange? What are the 2 types of exchange?
 8. Name 7 different stakeholders of an organization.
 9. What is meant by the terms "market" and "industry"?
 10. Name 8 different states of demand.
 11. Point out 3 differences between a selling oriented company and a marketing oriented company.

1.3 TOOLS

To decide which business it will be in and what will be its course of action, an organization will have to look at two things—the environment and the organization itself. The environment will mean the situation outside, or external to, the organization. Studying the environment will make the company aware of the opportunities available to it and the threats that may be encountered. Studying the organization itself will make the company aware of its own strengths and weaknesses. An organization must adopt both environment-based strategy and resource-based strategy. Too much emphasis on the environment may make the organization forget its own weaknesses or overlook its strengths while too much emphasis on the organization itself may make the company unaware of changes taking place in the environment.

1.3.1 ENVIRONMENTAL SCANNING

There are various steps involved in environmental scanning.

- Assessing the nature of the environment :

This means understanding whether the company is operating in a static or dynamic environment, in a simple or complex environment. For example, the computer software, or Information Technology (IT) industry is operating in a dynamic if environment which is changing very fast and is, hence, very complex. On the other hand, the grocer's shop in a typical Indian village is operating in a simple static environment which changes gradually over time and not dramatically.

- Auditing the environmental influences :

There are many environmental influences, not all of which will be of importance to a particular company. For example, the IT industry will be affected by export import policy. intellectual property rights etc. The petroleum industry will be affected by global peace and by foreign exchange reserves amongst other factors. Our grocer's shop in the Indian village will not be affected by any of these factors, but may be affected by climatic conditions, local political unrest, income level of the locality etc. It is necessary to identify which are the important environmental factors affecting the industry in which the company is operating.

- Identifying the key competitive forces :

Having identified the major environmental factors-political, economic, social and technological-affecting the industry, it is necessary to identify who are the company's competitors. For example, for a company manufacturing typewriters. its competitors will be other companies manufacturing typewriters and also companies manufacturing computers because in the long run typewriters may be replaced by computers. The company must understand where it stands in relation to its competitors, how its competitors have positioned their product in the market, how the company itself can position its products, who are its competitors customers, who are its own customers and so forth.

1.3.2 RESOURCE ANALYSIS

Studying the resources of the organization involves certain steps

- Resource audit :

The resources that are available to the organization must be identified. This will include both external as well as internal resources. The resources need to be measured in terms of both quality and quantity. The resources will comprise of physical resources, human resources, financial resources and intangible resources like goodwill etc.

- Value chain analysis :

Once the resources available to the organization have been identified, the next question to ask is whether the resources are being optimally utilized or not. If the resources are not being put to proper or adequate use, the reasons must be found out.

- **Comparison:**

How a company is performing in terms of utilization of its resources, whether it is doing well or not, is a relative concept. Measuring the success of a company in this regard will depend on comparisons. These comparisons are of 3 types—historical (i.e. comparisons with the past performance of the company), industry norms (i.e. comparisons with other companies in the same industry) and best practice (i.e. comparisons with companies in different industries).

- **Balance:**

A company may have excellent resources but may be suffering because the resources are not properly balanced. For example, too many new products may lead to problems of cash flow. If the employees are mainly from a finance background, production and marketing may suffer.

- **Identification of key issues :**

It is necessary to identify the main area of strength of a company, namely its core competence. It is also necessary to identify the strengths and weaknesses of the company and the opportunities and threats in the environment.”

CHECK YOUR PROGRESS 2

1. With the help of a flowchart, explain the steps to be followed in environmental scanning.
2. With the help of a flowchart, explain the steps to be followed in resource analysis.

1.4 TECHNIQUES AND PROBLEMS

Various techniques are used to understand the position of the organization in the environment and vis a vis its competitors. Some of them are as follows :

- **PEST Analysis**

PEST analysis means an analysis of the political, economic, social and technological environment. From a list of these environmental factors, a company may choose those factors which are of immediate significance to it. The factors may be as follows :

1. **POLITICAL/LEGAL**

- **Monopolies legislation**

- Environmental protection laws
- Taxation policy
- Foreign trade regulations
- Employment law
- Government stability

2. ECONOMIC

- Business Cycles
- GNP trends
- Interest rates
- Money supply
- Inflation
- Unemployment
- Disposable income
- Energy availability and cost

3. SOCIO-CULTURAL

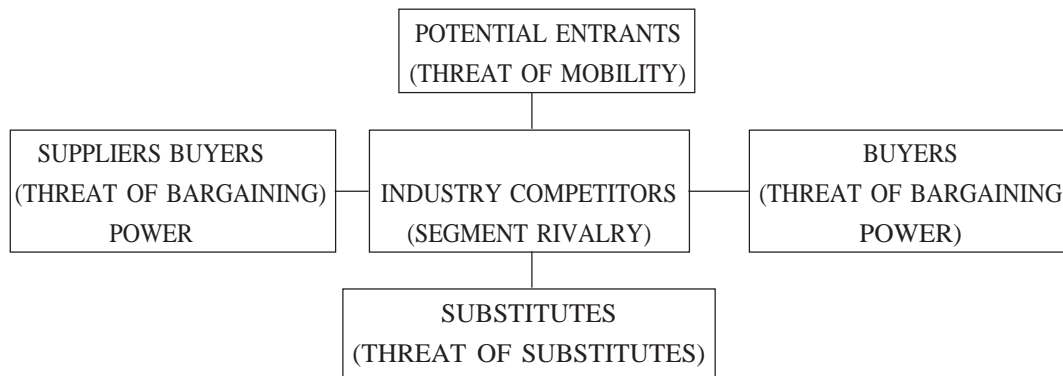
- Population demographics
- Income distribution
- Social mobility
- Lifestyle changes
- Attitude to work and leisure
- Consumerism
- Levels of education

4. TECHNOLOGICAL

- Govt spending on research
- Govt and industry focus of technological effort
- New discoveries / development
- Speed of technological transfer
- Rates of obsolescence

➤ Porter's 5-Forces model

Porter's 5-Forces model seeks to identify those environmental factors which are of immediate concern to the organization. The model tries to analyze what are the competitive forces in the environment of that particular industry. The model is depicted in the diagram given below.



a) Threat of Entry

Entry and Exit Barriers

- Economics of Scale
- Capital Requirement of Entry
- Access to Distribution Channels
- Cost Advantages Independent of Size
- Expected Retaliation
- Legislation or Government Action
- Differentiation

b) Threat of Buyers

- High Concentration of Buyers
- Alternative Sources of Supply
- Product is Significant Fraction of Buyer's Cost
- Switching Costs Low
- Backward Integration by Buyers

c) Threat of Suppliers

- Concentration of Suppliers
- Suppliers organized
- Switching Costs High

- Supplier Brand Powerful
 - Forward Integration by Suppliers
- d) Threat of Substitutes
- Does Substitute Provide Higher Perceived Value?
 - Are Switching Costs for the Buyer Low?
 - Can the Risk of Substitution be Reduced by
 - i. Building in Switching Costs?
 - ii. Providing Higher Benefits?
- e) Threat of Segment Rivalry
- Balance in Industry.
 - Slow Growth
 - High Fixed Costs
 - Differentiation
 - High Entry and Exit Barriers

➤ Market segmentation

Market segmentation means to divide the market into segments and decide which particular segments or division in the market the organization will try to sell its products to. For example, in the automobile market, Maruti 800 is targeted at the middle income group while Opel Astra is targeted at the upper income group.

The steps in market segmentation are as follows :

- i. Market Segmentation
 - Identify Variables for Segmentation
 - Develop Profiles of the Segments
- ii. Market Targeting
 - Evaluate Attractiveness of Segments
 - Select the Target Segments
- iii. Market Positioning
 - Identify Positioning Concepts for Each Target Segment
 - Select, Develop and Communicate the Concept

The market can be segmented on the basis of different parameters such as age,

income, occupation, geographic location etc. Some of the basis for segmenting the market are as follows :

- a) Geographic
- b) Demographic
 - Age and Life-Cycle Stage
 - Gender
 - Income
 - Social Class
- c) Psychographic
 - Life-Style
 - Personality
- d) Behavioural
 - Occasions
 - Benefits
 - User Status
 - Usage Rates
 - Loyalty States
 - Buyer Readiness Stage
 - Attitude

- BCG Matrix

The BCG Matrix seeks to identify whether a company is operating in a growing market or not and whether the company's market share in that market is high or low. The matrix is as follows :

		MARKET SHARE		
		HIGH	LOW	
HIGH	HIGH	STAR	QUESTION MARK OR PROBLEM CHILD	MARKET GROWTH RATE
LOW	LOW	CASH COW	DOG	

A company operating in STAR matrix is enjoying a high market share in a growing market. The company may be spending heavily to gain that share, but costs are reducing with experience.

The QUESTION MARK matrix reflects a growing market but low market share. The company may be spending heavily to increase market share, but is unlikely to be achieving sufficient cost reduction benefits from experience curve to offset such investments.

CASH COW represents a high market share in mature market. This segment is characterized by low growth, stable market conditions. There is less need for heavy marketing investment. High relative market share means that the company should be able to maintain unit cost levels below those of competitors.

DOG indicates a low share in static or declining markets. The company may be suffering a cash drain and may be using up a disproportionate amount of company time and resources .

● SWOT Analysis

Each letter of the term SWOT stands for strengths, weaknesses, opportunities, threats respectively.

Strengths and weaknesses represent the internal strengths and weaknesses of that particular company. For example, a company operating in the jute industry may have some excellent jute technologists working for it which will be its strength. However, the company may have very limited financial resources which are its weaknesses.

Opportunities and threats on the other hand refer to the environment, or to conditions, outside the organization. A growing awareness and positioning of jute as an environment friendly material will be an opportunity for the company. The shift in use of packaging material for cement from jute bags to synthetic bags will represent a threat for the company.

CHECK YOUR PROGRESS 3

1. What does PEST Analysis mean?
2. What are the 5 competitive forces in any industry as identified by Porter?
3. What threats do each of these 5 forces represent?
4. What is market segmentation?
5. What are the main bases on which the market can be segmented?
6. Name the following quadrants in the BCG matrix
 - a. High market share in a high growth market;

- b. High market share in a low growth market;
 - c. Low market share in a high growth market;
 - d. Low market share in a low growth market.
7. Explain what is meant by SWOT Analysis.

1.5 MARKETING MIX

Every organization offers something to its consumers to satisfy their needs or wants. This is the market offering of the organization which comes in the shape of a marketing mix. Marketing mix is the set of marketing tools that the firm uses to pursue its marketing objectives in the target market. Product, price, place and promotion are the 4 elements of marketing mix and are also called the 4- P's. Apart from these traditional 4 P's, the marketing mix of services includes 3 more P's , i.e. people, physical evidence and process.

● PRODUCT

Say for example, my company manufactures bicycles to satisfy the consumers' need for transport. This is the "product" that I am offering to my consumer. This is the first element of my company's marketing mix. The product includes the physical product or service that is being offered, the product quality, design, features, branding and packaging.

● PRICE

The product. in this case the bicycle, is being offered at a certain "price". Price means the amount of money that customers pay for the product. There may be different wholesale and retail prices. Consumers will only be willing to pay the price asked for by the company if they feel that they will get value for money.

● PLACE

The product must be made available at a place where the consumers can buy it. The bicycle may be distributed by my company to wholesalers who in turn distribute it to retailers from whom the consumers can buy it. These wholesalers and retailers together make up the distribution channel. This is the "place" element of the marketing mix.

● PROMOTION

Finally, I must inform my consumers about my product so that they know how it will satisfy their needs, know at what price it is available and where. For this I

require “promotion”. Promotion includes advertisements, personal selling, public relations, training of my sales force. direct marketing and any other means I may adopt to inform my consumers about my product.

● PEOPLE

Services are delivered through people. For example, when we go to a bank, we interact with people at the counter. When we go to a restaurant, we are served by waiters. When we want to invest in Life Insurance, we interact with an agent. When we fly by an aeroplane, we are taken care of by airhostesses and stewards. Whether customers are satisfied with these services or not will largely depend on these people whom the customers are coming into contact with. Hence, the courtesy and efficiency of these people are very important in the case of services.

● PHYSICAL EVIDENCE

When we go to a restaurant, we judge the place by the quality of the food, the cutlery and crockery used to serve the food, the cleanliness of the place, the decoration of the room etc. All these are the physical evidence of the service that is being provided. In a hotel room, the physical evidence consists of the decor of the room, the cleanliness of the sheets and so forth. An airlines will be judged by the comfort of the seats, the quality of food being served, the on-board entertainment. Although the service being offered by an airline is the transportation, the physical evidence, or what the customer sees around him, plays an important part in customer satisfaction.

● PROCESS

Whether we like a particular bank or not will primarily depend on the efficiency of the bank, the rates of interest, the speed with which transaction are carried out, the different kinds of savings schemes on offer and so forth. These constitute the process element in the marketing mix. It means the way the service is designed and delivered to the customer.

CHECK YOUR PROGRESS 4

1. What is marketing mix?
2. What are the 4 elements of marketing mix?
3. What are the 3 additional elements in the marketing mix of services?

1.6 LET US SUM UP

Marketing is a social and managerial process by which individual and groups

obtain what they need and want through creating, offering and exchanging products of value with others.

Needs are a state of basic deprivation and are inbuilt into the human physiology. Wants are desires for specific products to satisfy the need. Demand is a want which is backed by an ability and willingness to pay for that particular product.

Product may be either a physical product or a service or an idea. The customer gets a certain value from the product. Value is the satisfaction of customer requirements at the lowest possible cost of acquisition, ownership and use.

Marketing involves an act. of exchange. Exchange is the act of obtaining a desired product from someone by offering something in return.

Relationship marketing is the practice of building long term satisfying relations with key parties-customer, suppliers. distributors-in order to retain their long term business. Relationship marketing aims at building up a marketing network with the key stakeholders.

In marketing management jargon, market denotes the collection of buyers while industry denotes the collection of sellers. The marketer is the person trying to sell the product. The prospect is the potential buyer.

Marketing management is basically concerned with managing the level and composition of demand There can be different states of demand. The task of the marketer will depend on the state of demand.

Different companies can have different attitudes towards marketing focused on the product, production process. selling or marketing.

Different tools used in marketing include environmental scanning and resource analysis. The specific techniques employed include PEST Analysis, Porter's 5 Forces Model, Market Segmentation, BCG Matrix and SWOT Analysis.

Marketing mix is the set of marketing tools that the firm uses to pursue its marketing objectives in the target market. The elements of Marketing Mix are Product. Price, Place, (distribution channel and Promotion (communication). In the marketing of services, three additional elements are People, Physical Evidence and Process.

1.7 KEY WORDS

Analysis, Planning. Implementation, Control, Needs, Wants, Demand, Product, Service, Value, Costs. Satisfaction, Exchange, Relationships, Networks, Markets, Marketers, Prospects. Demand Management, Environmental Scanning, Resource Analysis, Pest Analysis. Porter's 5-Forces Model, Market Segmentation, BCG Matrix, Marketing Mix.

1.8 SOME USEFUL BOOKS

1. Philip Kotler : Marketing Management (Prentice Hall of India, 2000)
2. Rajagopal: Marketing Management-Text & Cases (Vikas Publishing House, 2000)
3. Swami Someswarananda : Indian Wisdom For Management (Ahmedabad Management Association. 1996)
4. Swami Someswarananda Business Management Redefined the Gita Way (Jaico Publishing, 2000)
5. Mitra Kautilya : Swalpa Punjite Byabsaye Safal Hoa (Barnali Prakashani, 1998)

1.9 SOLUTIONS / ANSWERS

ANSWERS TO CHECK YOUR PROGRESS 1

1. A need is a state of deprivation of some basic satisfaction.
2. A want is a desire for a specific satisfier of a need.
3. A demand is a want backed by an ability and willingness to pay.
4. a. Transportation
 - b. Opel Astra, Mitsubishi Lancer, Maruti 800
 - c. Maruti 800
5. A product is anything that can be offered to satisfy a need or a want. In the above example the product is the car.
6. Value = Satisfaction -Cost
7. Exchange is the act of obtaining a desired product from someone by offering something in return. The 2 types of exchange are monetary exchange and barter exchange.
8. Suppliers, employees, customer, shareholders, distributors, advertising agencies, finance companies.
9. A market is a collection of buyers, actual and potential. seeking to satisfy a common need, while an industry is a collection of sellers.

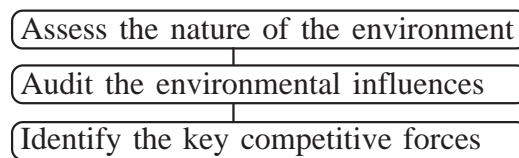
10. Negative demand, no demand, latent demand, declining demand, irregular demand, full demand, overfull demand, unwholesome demand.

11.

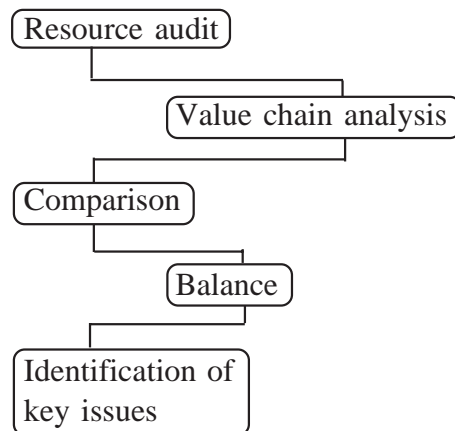
	Selling Oriented Company	Marketing Oriented Company
Starting point	Product	Customer needs
Main objective	Profits through sales volume	Customer satisfaction
Means adopted	Aggressive selling	Integrated marketing

ANSWERS TO CHECK YOUR PROGRESS 2

1. Steps in environmental scanning :



2. Steps in resource analysis :



ANSWERS TO CHECK YOUR PROGRESS 3

1. PEST Analysis means a study of the Political, Economic, Social and Technological Environment.
2. Suppliers, Buyers, Competitors, Substitutes and Potential Entrants.
3. Suppliers and Buyers represent the threat of bargaining power. Competitors represent the threat of segment rivalry. Substitutes represent the threat of product substitutability. Potential Entrants represent the threat of mobility.

4. Market segmentation means dividing the market into segments so that the company can target its product at anyone or more specific segment.
5. Geographic, Demographic, Psychographic and Behavioural segmentation.
6. a. Star;
b. Cash Cow;
c. Questions Mark or Problem Child;
d. Dog.
7. SWOT Analysis means studying the strengths, weaknesses, opportunities and threats facing an organization. Strengths and weaknesses are internal to the organization while opportunities and threats are external to the organization existing in the environment.

ANSWERS TO CHECK YOUR PROGRESS 4

1. Marketing mix is the market offering made by the company to satisfy the consumer's need.
2. Product, Price, Place and Promotion.
3. People, Process and Physical Evidence.

UNIT 2 □ PRODUCT

Structure

2.1 Introduction

2.2 New Product Development

2.3 Positioning

2.4 Re-positioning

2.5 Test marketing

2.6 Product Life Cycle

2.7 Let Us Sum Up

2.8 Key Words

2.9 Some Useful Books

2.10 Solutions / Answers

2.1 INTRODUCTION

Among the 4 P's of marketing mix, i.e. Product, Price, Place and Promotion, the most important element around which the others revolve is the Product. It is the product which is being offered by the company to the consumers to satisfy their needs, If a product is good, meaning that if it satisfies the consumer needs and gives values to the consumer, it will be bought by the consumers. If the product does not satisfy the consumer, it will not be bought even if the other elements of the marketing mix are given great attention to. A fair price, good distribution channels and extensive promotion cannot be substitute for a good product.

We must always bear in mind that the consumers are buying the product not for itself but for the service it delivers in satisfying a need. For example, a car is delivering the service of transporation, a computer delivers the service of communication and so forth. When a consumer buys a broom or a vacuum cleaner, he is buying cleanliness and not just the physical product. When companies lose sight of this and concentrate only on the physical aspects of the product, forgetting the service it is supposed to deliver, it is called "marketing myopia" meaning marketing short-sightedness.

2.2 NEW PRODUCT DEVELOPMENT

New product development is essential to a company's success. New products can be of different types :

- The product is new to the world ;
- The product is new to that particular company;
- The product is an improvement upon or revision of an existing product;
- The product is being repositioned to a new market segment;
- The product is providing similar features to an earlier product but at a lower cost. New product development involves certain steps;

- Idea generation

On the basis of customer needs and wants, a company comes up different ideas for new products. These ideas may come from customers, scientists, competitors, employees, channel members and top management.

- Idea screening

The new product ideas generated are then screened by the company. The basis for-screening is whether the idea is compatible with the company's objectives, strategies and resources.

- Concept development and testing

At this stage a decision must be taken about who will be the target consumer of this product and how the product will be positioned. For example, it may be decided that the new product, a health drink, will be positioned drink for school children.

- Marketing strategy development

Marketing strategy plan for introducing the new product into the market will involve describing the size, structure and behaviour of the target market and the sales, market share and profit goals for the first few years.

- Business analysis

At this stage the question is whether the estimated sales, cost and profit will satisfy the company's objectives. It will require an estimate of total sales, costs and profit under different market conditions.

- Product development

The new product idea is now actually developed into a physical product. It will be examined whether the product can be technically developed or not.

- Market testing

The new product should ideally be launched in a test market to study the risks involved. This will reduce the cost of failure.

- Commercialization

If the product is successful in the test market, then the company goes ahead with commercialization. The issues to be decided include when it should be launched in the market (timing), the geographic area of launching (where), the target market prospects (to whom), how it should be launched (introductory marketing strategy).

CHECK YOUR PROGRESS 1

1. Does new product development imply only a completely new product to the world?
2. With the help of a flowchart, name the steps involved in new product development.
3. At which stage of this process will the costs be the highest to the company?
4. What should be the ideal basis for new product ideas?

2.3 POSITIONING

One particular product may be viewed in different ways by different groups of consumers. For example, a mobile phone may be a necessary part of the businessman's infrastructure for effective communication. For a rich housewife, it may be a status symbol. For a student going out alone in an unsafe city it may be a security device. The company selling the mobile phone will have to decide how it wants its consumers to view the product-as a communication tool, as a status symbol or as a safety device. In its advertisement, a company selling a health drink may show patients in hospitals consuming the drink to recover quickly, or pregnant women having it for healthy babies or a busy executive having it during lunch hour to give him energy, or a schoolchild having it to grow fast. How the company wants the consumers to view the product is known as product positioning. Will the health drink be positioned as a low cost drink which will give energy to middle class school children, or as a high priced drink for the upper class busy executive? The positioning of the product will determine how the different groups of consumers will view the product.

CHECK YOUR PROGRESS 2

1. How can a wristwatch be positioned to the following market segments?
 - a. 20-35 year old upper middle class women;

- b. 20-35 year old male manual workers;
- c. 35-60 year old upper class male executives.

2.4 RE-POSITIONING

When we study about product life cycle a little later, we will find that when the product reaches maturity stage, the demand stops increasing. Then the product will have to be re-positioned. To put it more simply, suppose my company starts selling mobile phones and targets the upper class executives. It is positioned as a communication tool which will help increase the business efficiency of the executive and his organization. In the advertisements, a handsome young executive, becoming very successful in his career, is seen using the mobile. The emphasis is on the functional aspects of the phone. However, after some time when almost all the executives have bought their mobiles, the market becomes saturated. Then the company has to think of re-positioning the product. This time the company positions their product as a status symbol for the rich housewife. There is an emphasis on different colours and shapes of the mobile, with fancy ringtones and the advertisements show the rich housewife treating it as fancy toy. The health drink may first have been positioned for people recovering from illness; but when this market becomes saturated it may be re-positioned as a nutritional drink for growing children.

CHECK YOUR PROGRESS 3

1. At which stage of the product life cycle does product re-positioning become necessary?

2.5 TEST MARKETING

Before launching a product in the market, it is safer to launch it in a test market to see whether it will be successful or not. The cost of failure will be lower in a test market than in the real full-scale market. In a test market, promotion and distribution of the product is duplicated on a smaller scale. For example, I plan to launch my product on a national scale: but before doing so I launch it only in the Eastern region, or perhaps in the Calcutta market. If it is successful in the test market, then I will launch it in the national market as per my original plan.

While test marketing a product, certain decisions have to be taken.

- Which test market ?

The test market may be a town, a residential locality, a district and so forth. The test market must have consumers who are like the typical consumers of the main market.

- How long should the test run?

The test should run long enough to allow the company to measure the results and be able to predict the future patterns. However, if the test runs for too long, it will become a costly proposition.

- What should be the success criteria?

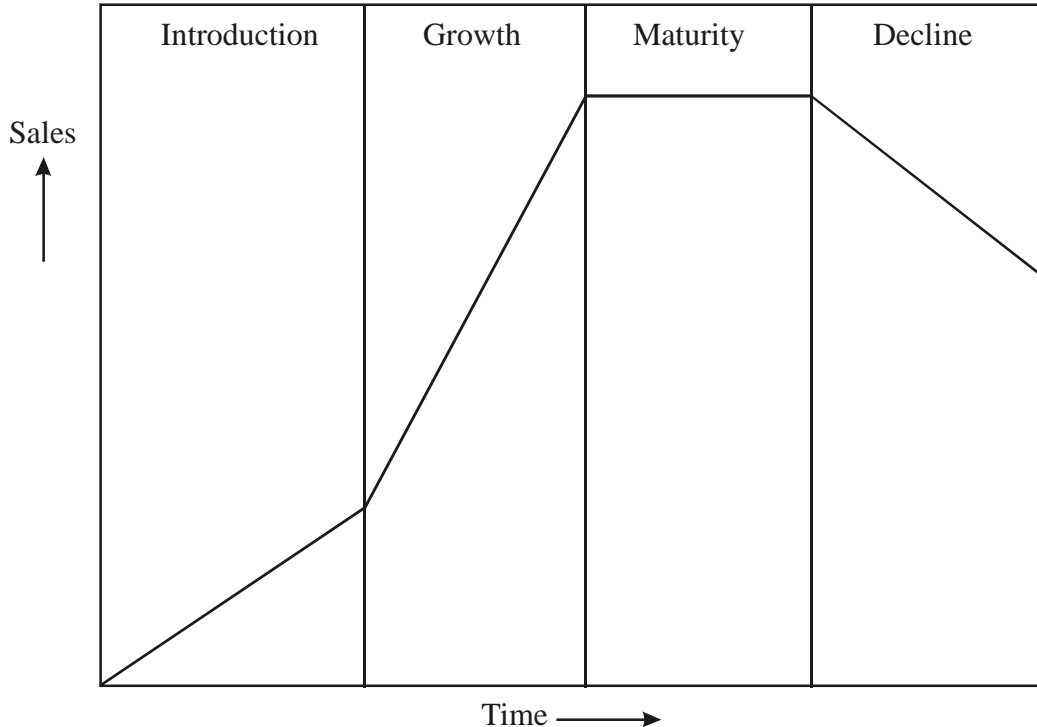
The company should decide beforehand what parameters will be measured to say whether the test is successful or not.

CHECK YOUR PROGRESS 4

1. What is the main purpose of a test market in terms of cost?
2. What are the issues to be considered while going in for test marketing?

2.6 PRODUCT LIFE CYCLE

Each product goes through a life cycle. There are 4 different stages of the life cycle, as shown in the diagram below. In each stage the product faces different problems and has different potentialities and therefore in each stage the marketing strategy will be different.



- **Introduction**

The first stage is when the product is being introduced in the market. At this stage the consumers have to be made aware of the product. As consumers are not aware of this product, sales increase at a slow rate. Costs of promotion are high as consumers have to be made aware of the product. Distribution costs are also high as new distribution channels have to be opened up. Hence, at this stage, profits are very low.

Marketing strategy will be to make consumers aware of the product. The product may be sold at low prices to gain high sales volume, or at high prices to gain high profit per unit sold, or at a combination of both in different steps.

- **Growth**

As more and more consumers become aware of the product, the market keeps increasing. Hence, sales at this stage is on a rapidly rising curve. With lower costs per unit of production due to increase in sales volume, profits are higher at this stage.

The marketing strategy at this stage of introduction is to improve the features of the product. Advertisements are aimed at first making people aware of the product and then at product-preference. More and more distribution channels are opened to make the product more easily available to the consumers. The product is aimed at more and more new consumer groups, or market segments.

- **Maturity**

In this third stage the rate of sales growth slows down. The market has become saturated and new consumers are difficult to find. So the competitors all scramble for a share of the limited market. There may be overcapacity in the industry. The competitors resort to price cuts in order to capture a larger share of the market, leading to price wars.

The marketing strategy at this stage is to try and increase sales through either converting non-users of the product, or through finding new uses of the same product. or by modifying the features of the product. Product re-positioning, that we have talked about earlier, becomes important at this stage.

- **Decline**

Sales decline can occur due to many reasons including technological advancements, changes in the consumer's tastes and more competition. Marketing strategies at this stage include identifying the weak products and withdrawing these, price cutting, reducing distribution channels, cutting down on advertising and sales promotion. Care must be taken not to invest too much money and other resources on a product which has reached the decline stage.

CHECK YOUR PROGRESS 5

1. Name the 4 stages of product life cycle.
2. At which stage is promotion aimed at awareness?
3. At which stage is sales growth highest?
4. At which stage does the market become saturated?

2.7 LET US SUM UP

Product is the basic element of the marketing mix. It is through the product that the company seeks to satisfy the customer's needs. In order to succeed in the market, a company must constantly develop new products. These may either be completely new products or revisions of existing products. Before the final launch, a new product must be launched in a test market to reduce the costs of failure. A product goes through a certain life-cycle starting from introduction, followed by growth and maturity and culminating in decline. The marketing strategy associated with a product depends on the life-cycle stage that the product has attained. A product may be positioned in different ways in different market segments. The same product, when it reaches market saturation in a particular segment of the market, may be re-positioned for renewed sales growth.

2.8 KEY WORDS

Product Positioning, Product Re-positioning, Test Marketing, Product Life Cycle.

2.9 SOME USEFUL BOOKS

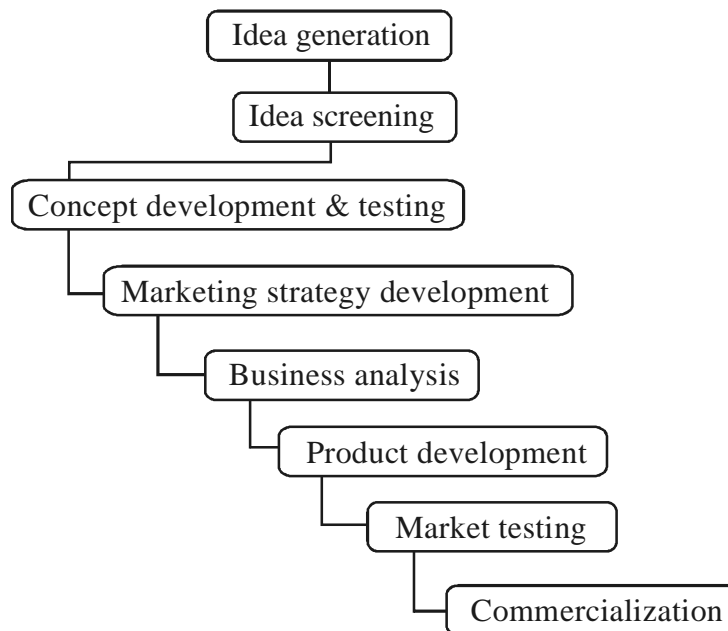
1. Philip Kotler : Marketing Management (Prentice Hall of India, 2000)
2. Ramanuj Majumdar. Product Management in India (Prentice Hall of India, 1999)

2.10 SOLUTIONS/ANSWERS

ANSWERS TO CHECK YOUR PROGRESS 1

1. No, It can be a product new to the company or a revision of an existing product or a lower-priced version of an existing product.

2.



3. Commercialization
4. Customer needs and wants

ANSWERS TO CHECK YOUR PROGRESS 2

1. a. As an ornament:
b. As a utility item:
c. As a status symbol.

ANSWERS TO CHECK YOUR PROGRESS 3

1. Maturity

ANSWERS TO CHECK YOUR PROGRESS 4

1. To reduce the cost of failure of a product.
2. The specific market where the test is to be run, the length of the test and the criterion to be measured to evaluate success.

ANSWERS TO CHECK YOUR PROGRESS 5

1. Introduction, Growth, Maturity and Decline.
2. Introduction stage.
3. Growth stage.
4. Maturity stage.

UNIT 3 □ MARKETING RESEARCH AND CONSUMER BEHAVIOUR

Structure

3.1 Introduction

3.2 Methods

3.3 Techniques & Tools

3.4 Factors of Consumer Behaviour

3.5 Influencing Consumer Behaviour

3.6 Let Us Sum Up

3.7 Key Words

3.8 Some Useful Books

3.9 Solutions / Answers

3.1 INTRODUCTION

The ultimate purpose of marketing is to satisfy the needs of the consumers. In order to be successful, the organization must study the needs of the consumers; who are its consumers, what they want to buy, how and where they want to buy and at what price, what kind of after sales service they are looking for etc. The questions the organization must try and find answers to are as follows :

- Who constitute the market?
- What do they buy?
- Who participates in the buying process?
- How do they buy?
- When do they buy?
- Where do they buy?

These questions constitute what is known as consumer behaviour. Studying consumer behaviour is the starting point of any organization. In order to study consumer behaviour, the organizations have to carry out marketing research. This means gathering information from the marketing and analyzing this information.

Marketing research can be complex and costly, carried out by special marketing research agencies, or they can be simple and cheap, carried out by the organization itself.

3.2 METHODS

Marketing Research is the systematic design, collection, analysis and reporting of data and finding for the solution of any problem faced by the company. The steps involved in marketing research are as follows.

- **Problem Formulation**

The exact nature of the problem for which research is being carried out has to be clearly formulated. For example, if a bank wants to carry out research to find out whether it should be kept open on Sundays or not, the problem should be formulated to measure the cost and benefits of keeping it open on Sundays. Unless the researcher understands the exact problem, the research will lack proper direction.

- **Evaluate the cost and value of research**

Before engaging in research, the company must make an estimate of the costs involved and what will be the benefit gained from the research. Unless the benefits or value, outweigh the costs, the research is not viable.

- **Research Design**

The research design is a masterplan or framework of the actual research to be carried out. The design will address questions such as what information is being sought, from where such information may be gathered and what shall be the methods for gathering such information.

- **Simple design**

If the research involves collection of data from a sample, then the nature of the sample has to be decided. While designing the sample, it must be decided whether a sample is necessary or not, if necessary then what should be the size of the sample, how the sample should be drawn and from where. The sample should be a true reflection of the actual target consumers and should be of adequate size.

- **Data collection**

Having made the necessary plans, the actual collection of data must be undertaken. The collection of data may be through interviews or through observation. There may be different kinds of interview for data collection.

- Analysis and interpretation of data

The data thus collected must be analyzed and then interpreted. On the basis of this data, the problem must be addressed. If required, further research may be undertaken to solve the problem.

- Research report

The findings of the data must be presented in the form of a report. The report should communicate to the reader the purpose of undertaking the research, the methodology followed, the sources of data, the nature of data collected and how that data was analyzed. Finally the report should make recommendations about the problem to be solved.

CHECK YOUR PROGRESS 1

1. With the help of a flow chart, show the sequential steps In marketing research.
2. What is the basic purpose of marketing research?

3.3 TECHNIQUES & TOOLS

There can be 3 basic kinds of techniques of marketing research, as follows.

- Exploratory research

The purpose of exploratory studies is to identify the problem, identify relevant variables and suggest new courses of action. Exploratory research addresses issues such as which factors are used in a purchase decision, how consumers are influenced by different forms of communication, what is the possible causes for a marketing phenomenon like drop in sales etc. This is normally used when there is very little prior information about the problem area. For example, if a new product is to be designed, exploratory research will be undertaken to start with. This may be followed by descriptive or causal research.

- Descriptive studies

Descriptive studies aim at describing certain market characteristics or functions. These may be as follows :

- Market potential study (e.g. number, distribution and socio-economic characteristics of customers);

- Market share study
- Sales analysis study (e.g. features of competing products)
- Advertising research
- Distribution research (e.g. number and location of retailers and wholesalers)
- Pricing research (e.g. prices of competitors)
- Causal studies

Causal studies are aimed at establishing a cause and effect relationship. For example, suppose there is a training of salespersons and an increase in sales, this study will try to find out whether the increase in sales was due to the training of salespersons or due to other factors.

CHECK YOUR PROGRESS 2

1. Name the 3 kinds of research design.
2. What kind of research design will you advocate in each of the following cases?
 - a. A study to design a completely new product combining a computer, a cell phone and a fax machine into one.
 - b. A study to find out what is your company's current market share.
 - c. A study to find out which age group of consumers use your product most.
 - d. A study to find out whether your recent price increase is the cause for the recent drop in sales.

3.4 FACTORS OF CONSUMER BEHAVIOUR

The way a consumer behaves depends on various factors. Broadly speaking, there are 4 such factors-cultural, social, personal and psychological. These factors can be further divided into a number of sub-factors as we shall now see.

- Cultural factors

Cultural factors play the most important role in shaping a consumer's tastes, preferences and behaviour. Cultural factors are made up of culture, subculture and social class.

- Culture

Culture is the combined result of education, religions and upbringing. Children growing up in different cultures, acquire different sets of values perceptions, ideas, likings and dislikings. For example, a child growing up in India will have values, likings and ideas totally different from a child brought up in an American culture.
- Subculture

Each culture is made up of a number of subcultures. Subcultures are made up of nationalities, religions, racial groups etc. For example, a Bengali Hindu belongs to one subculture, while a Keralite Christian belongs to a different subculture.
- Social class

Social classes are hierarchical groups in society whose members share similar values, interests and behaviour. Social classes depend on income, occupation. education, area of residence etc. Among Bengali Hindus, the subculture we referred to earlier they may be one social class made up of high income, educated professionals living in Calcutta and another social class made up of lower income, uneducated agricultural labourers staying in the villages. In Calcutta, the educated middle class professionals comprise one social class while the uneducated wage labourers, comprise another social class.
- Social factors

Apart from cultural factors, consumer behaviour is also influenced by social factors including reference groups, family and roles and status.
- Reference groups

A person's reference groups consist of all the groups that have a direct or indirect influence on the person's behaviour.

Groups which have a direct influence on the person are his membership groups. These include family, friends, neighbours, colleagues, religious groups, professional groups, trade unions etc. The person will like to behave like the rest of his group members. A young child will like to dress like her friends and listen to the same kind of music as them.

Groups to which a person does not belong but would like to belong are aspirational groups. For example a young boy might like to belong to the Indian cricket team. In his behaviour he will tend to copy the way Sachin Tendulkar or Saurav Ganguly behaves.

- Family

The family is a reference group which has great impact on the attitude and behaviour of a person. The family includes his parents, brothers, and sisters (this is called the family of orientation), his wife (or her husband), and children (this is called the family of procreation). Different family members play different roles in the buying process. For example, a wife may play a more important role than the husband in deciding which washing powder to buy, the children may play a more important role in deciding what music cassettes to buy etc.

- Roles and status

A role is made up of those activities that a person is expected to perform. In the family, a man plays the role of a husband, or son or father. In his organization he plays the role of a manager. Each role carries with it a status. A manager has more status than a peon. A manager will prefer to buy those products which reflect his status. He will prefer a branded shirt rather than a low priced T-shirt, leather shoes rather than plastic sandals, good quality cigarettes rather than biri.

- Personal factors

Personal factors which influence a buyer's behaviour include his age, occupation, economic condition, lifestyle and personality and self-concept.

- Age

A baby's main demand is babyfood, an infant will buy toys, a young person will buy books and mobile, a middle aged person might want a car and an old man might spend money on an old age home. So the age of a person will determine what he or she wants to buy.

- Occupation

A person's occupation also decides his buying behaviour. An executive might buy a car or a computer while an agricultural labourer might invest his savings in land. A student may buy books while a housewife may buy a TV or jewellery.

- Economic Condition

A person's economic condition will affect his buying choice. This will depend on his income, his savings, his assets, his debts etc.

- Lifestyle

A person's lifestyle is the person's pattern of living in the world as expressed in the person's activities, interests and opinions. A person who leads a very fast life and is very ambitious may spend his savings on a car or a computer. Another person who is not so ambitious and leads a quieter lifestyle may spend his money on a vacation in a remote place.

- Personality and self concept

Personality means a person's distinguishing psychological characteristics that determine how he will respond to his environment. This includes his self-confidence, dominance, independence, sociability, defensiveness, aggressiveness etc. Self concept means how a person views herself. A person may think of himself as a highly successful ambitious person or as a happy-go-lucky person. His behaviour and buying choices will depend on his self concept

- Psychological factors

The major psychological factors are motivation. perception. learning, beliefs and attitudes,

- Motivation

A motive is a need that is strong enough to drive the person to act. When a need becomes very strong, the person tries to act in such a way that the need is satisfied. The need is compelling him to act. This is motivation. A young boy wants to become a successful entrepreneur. In order to satisfy this need for success, he enrolls for an MBA course. Hence, the need to be successful acts as a motivation and drives him to action-enrolment in an MBA course.

- Perception

Perception is the process by which an individual selects. Organizes and interprets information to form his impression of things. A motivated person is ready to act. How he or she will act depends on his perception, There may be a girl who is serious about her studies. Her teacher may perceive her to be a sincere student. Her friends may perceive her to be boring, So the teacher and the friends have different perceptions about the girl.

- Learning

Learning means a change in a person's behaviour due to experience. When

I was hungry, I bought fruits from a street vendor. After having the fruits, I fell ill. Since then, I never buy fruits from street vendors. So my behaviour has changed due to an experience and this is learning. If a person buys a mobile manufactured by Company X and the mobile does not work properly, he will never again buy mobile of that particular company. He has learnt from his experience.

- Beliefs

A belief is a thought that a person holds about something. We believe that electronic goods made in Japan are better than those made in India. A person might believe that a low priced tape recorder will not be of very good quality. One student may believe that hard work throughout the year will lead to good results. Another student may believe that hard work only at the night before the exams will lead to good results.

- Attitudes

An attitude is how a person feels about a thing or an idea or another person. A person may have a certain attitude towards music, books, clothes, religion, politics, food etc. I may have a positive attitude towards religion and a negative attitude towards Western clothes. My friend may have a negative attitude towards religion and a positive attitude towards Indian classical music.

CHECK YOUR PROGRESS 3

1. Name the cultural factors that determine consumer behaviour.
2. What is a reference group? Name any 4 reference groups.
3. A young girl wants to be like Kalpana Chawla when she grows up and emulates her in dress, mannerisms etc. What kind of a reference group is this?
4. What is meant by self concept?
5. A young girl wants to become a successful engineer. So she enrolls for a coaching course to help her prepare for the Joint Entrance Exams for MBBS. What is her motivation in this case?
6. What is attitude?

3.5 INFLUENCING CONSUMER BEHAVIOUR

In order to influence consumer behaviour, it is necessary to understand the buying process and the roles played by different individuals in the buying process.

- Buying Process

The different stages in the buying process are as follows :

- Problem recognition

The first step in the buying process is problem or need recognition. The consumer becomes aware that he has a need which has to be satisfied or a problem that has to be solved. I have problems going to and fro office everyday. I need a form of transportation. So I become aware of my need or my problem and this need motivates me to take some action to satisfy the need or solve the problem.

- Information Search

So my need is transportation and I want to buy a car to satisfy that need. I now start searching for information about the different kinds of cars available in the market and the different loan schemes which will enable me to buy the car. I get information from my family, friends, neighbours and colleagues. I look at advertisements of cars, talk to salespersons and dealers and read any articles that may appear in the newspapers about the different car manufacturing companies.

- Evaluation of alternatives

Having gathered the information about the different types of cars and loan facilities, I make a comparative study of the different alternatives. I take different points into consideration like the price of the car, the instalments I shall have to pay, the interest rate, the size of the car, the number of people it can carry, the petrol consumption, the after sales service, the looks of the car, the reliability of the different companies and so forth.

- Purchase decision

After studying the different alternatives available in the market, I take a decision about what car to buy, from which particular dealer and through which car financing company.

- Postpurchase behaviour

After buying the car, I may be satisfied or dissatisfied with my purchase.

If I am satisfied with the car and the service, I will recommend that car to others wanting to buy a car. I myself shall probably buy a car manufactured by the same company the next time I buy a car after several years. However, if I am dissatisfied with the car I will definitely not recommend it to others and may even sell it off and buy another car.

- **Buying Roles**

In the purchase of any product, different individuals play different roles. These roles are as follows

- **Initiator**

In buying the car, I was the person who first suggested buying the car to solve the transportation problem. So I was the initiator.

- **Influencer**

The ideas put forward by my family, colleagues and friends influenced my decision. So they were the influencers.

- **Decider**

The person who actually takes the decision about which product to buy, from where, in what quantity and when is the decider.

- **Buyer**

The person actually making the purchase is the buyer.

- **User**

The person who uses the product is the user. In the case of the car, the whole family uses it and so everyone in the family is a user.

CHECK YOUR PROGRESS 4

1. Name the stages in the buying process.
2. It is the beginning of the summer vacation. Mr. and Mrs. Bose are busy with office work and the children are getting bored at home. Rakesh, the son, suggests that buying a computer might help relieve the boredom. The idea appeals to his parents and they search for information on computers. Mrs. Bose's colleague, Mr. Das, has just bought a computer and recommends what brand to buy. Mr. Bose's friend Rohan is an I.T. professional and also helps them to decide on the make, model etc. Mr Bose takes the final decision and goes to the shop with Mrs. Bose. Both of them jointly finance

the computer. The computer is brought home and installed and the children, Rakesh and Pinky have a happy time playing games on it throughout the rest of their vacation.

In the above case, what role in the buying process does each individual play?

3.6 LET US SUM UP

Marketing Research is the systematic design, collection, analysis and reporting of data and finding for the solution of any problem faced by the company. Marketing Research involves problem formulation, evaluation of the cost and value of the research, research design, sample design, data collection, analysis and interpretation of data and finally the research report. Depending on the purpose of research, there can be 3 types of research design—exploratory research, descriptive research and causal research.

Consumer behaviour is the study of how consumers behave in the market and what leads to this behaviour. Consumer behaviour depends on cultural, social, personal and psychological factors. The buying process involves problem recognition, search for information, evaluation of alternatives, the actual purchase followed by post-purchase behaviour. Different individuals play different roles in the buying process ranging from initiator to user. Understanding consumer behaviour helps an organization fix on its target consumer and prepare its marketing strategy accordingly.

3.7 KEY WORDS

Marketing Research. Research Design, Sample, Data, Exploratory Research, Descriptive Research, Causal Studies, Consumer Behaviour, Cultural Factors, Social Factors. Personal Factors, Psychological Factors, Subculture, Social Class, Reference Group, Family, Roles, Status, Lifestyle, Personality. Self Concept, Motivation, Perception, Learning, Beliefs, Attitudes. Buying Process, Post-Purchase Behaviour.

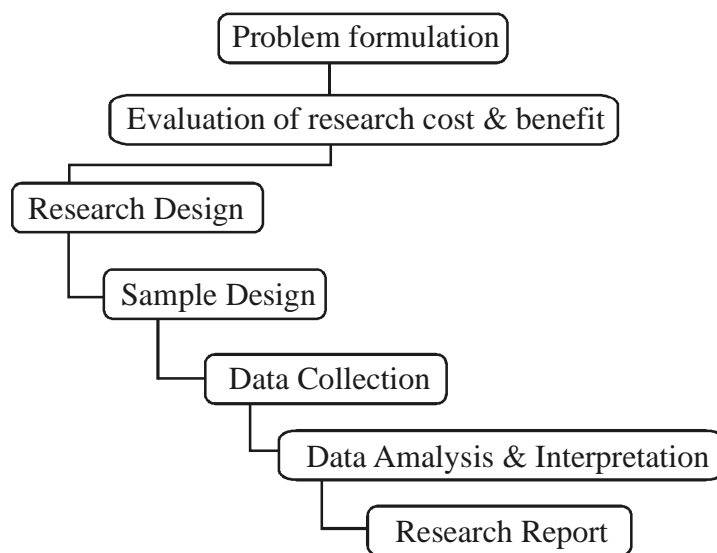
3.8 SOME USEFUL BOOKS

1. Paul E. Green, Donald S. Tull & Gerald Albaum ; Research for Marketing Decisions (Prentice Hall of India, 1997)
2. Ramanuj Majumdar; Marketing Research—Text, Application & Case Studies (New Age International Publishers, 1996)

3. Leon G. Schiffman & Leslie Lazar Kanuk ; Consumer Behaviour (Prentice Hall of India, 1999)
4. K.K. Srivastava & Sujata Khandai; consumer Behaviour in Indian Context (Galgotia Publishing, 2003)

3.9 SOLUTIONS / ANSWERS

ANSWERS TO CHECK YOUR PROGRESS 1



2. To understand consumer behaviour and consumer needs

ANSWERS TO CHECK YOUR PROGRESS 2

1. Exploratory research. Descriptive research and Causal research
2. a. Exploratory
b. Descriptive
c. Descriptive
d. Causal

ANSWERS TO CHECK YOUR PROGRESS 3

1. Culture. subculture and social class.
2. A person's reference groups consist of all the groups that have a direct or indirect influence on the person's behaviour. E. g. family, neighbours, colleagues and club members.
3. Aspirational group
4. Self concept is how a person views himself or herself
5. A desire for success.
6. Attitude is how a person feels about another person or thing or idea.

ANSWERS TO CHECK YOUR PROGRESS 4

1. Problem recognition, Information search, Evaluation of alternatives, Purchase decision and Postpurchase behaviour.
2. Initiator—Rakesh
Influencers—Mr. Das and Rohan
Decider—Mr. Bose
Buyers—Mr. and Mrs. Bose
Users—Rakesh and Pinky

UNIT 4 □ SALES MANAGEMENT AND PROMOTION

Structure

- 4.1 Introduction**
- 4.2 Choice of Distribution Channel**
- 4.3 Organization of Sales Personnel**
 - 4.3.1 Purpose of Organization**
 - 4.3.2 Process of Organization**
 - 4.3.3 Types of Organizational Structures**
- 4.4 Territory Management**
- 4.5 Sales Analysis**
- 4.6 Problems in Sales of Industrial Goods**
- 4.7 Sales Promotional Techniques**
- 4.8 Let Us Sum Up**
- 4.9 Key Words**
- 4.10 Some Useful Books**
- 4.11 Solutions / Answers**

4.1 INTRODUCTION

Place is a very important element in the marketing mix of an organization. Distribution system is a key external resource. It takes years to build, and cannot be easily changed. It is an important as key internal resources like manufacturing and field sales personnel.

Marketing channels are sets of interdependent organizations involved in the process of making a product of service available for use or consumption.

4.2 CHOICE OF DISTRIBUTION CHANNEL

There are different reasons why a distribution channel is necessary. Many producers lack financial resources for direct marketing. In such cases the financial

burden of distribution is borne by the channel members. In case of products like cigarettes for example, direct marketing by the company may not be feasible. There are several types of distribution channels. The type of channel to be used will depend on the purpose of the channel. The different functions played by the distribution channel are as follows :

- **INFORMATION**

The channel members collect and disseminate marketing research information about potential and current customers, competitors and other forces in the marketing environment.

- **PROMOTION**

Channel members develop and make dissemination of persuasive communications to attract customers to the offer.

- **NEGOTIATION**

The distribution channel plays an important role in attempting to reach a final agreement on price and other terms.

- **ORDERING**

The channel members communicate their intentions to buy to the manufacturer.

- **FINANCING**

The burden of acquisition and allocation of funds to finance inventories at different levels of the marketing channels is borne by channel members.

- **RISK TAKING**

The assumption of risks connected with carrying out the channel work is undertaken by channel members.

- **PHYSICAL POSSESSION**

Successive storage and movement of physical products from raw materials to the final customers is the onus of the channel members.

- **PAYMENT**

Buyers' payment of their bills to the sellers takes place through the intermediaries.

- **TITLE**

The actual transfer of ownership passes through the channel members.

CHECK YOUR PROGRESS 1

1. What are the functions of the distribution channel?

4.3 ORGANIZATION OF SALES PERSONNEL

The sales personnel are individuals who are working towards a common goal of selling the company's product. The sales organization aims at establishing a relationship between these individuals in order to make their attempts at selling more effective.

4.3.1 PURPOSE OF ORGANIZATION

Sales organization has several objectives or aims. As the volume of sales increases, the selling activity becomes more and more complex. It is not possible for one individual to take responsibility for all the activities related to selling. Organization of the sales force allots individuals with responsibilities in different spheres. Effective organization ensures that there is proper supervision of all these activities. Different individual salespersons have different levels of efficiency, different remunerations and different skills. Sales force organization seeks to strike a balance between these differences and co-ordinate the individuals into an effective team. Teamwork enhances the productivity of the individuals. The organization of the sales force clearly demarcates the authority and responsibilities of each individual and helps to avoid confusion.

4.3.2 PROCESS OF ORGANIZATION

The process of organization of the sales force starts with defining the objectives of the sales department. These will depend on the long-term goals of the organization translated into immediate targets. These targets are then broken down into individual targets to be achieved by each member of the sales force. The precise volume and nature of the activities of the sales department must be identified. These activities are then allocated to different persons. Closely related activities are grouped together and one or more of such groups of activities is assigned to a different individual. Individuals capable of carrying out these activities must be identified and placed in the proper positions in the organization. A system of co-ordination between the different individuals must be put in place so that control can be exercised on them both on a formal and informal basis.

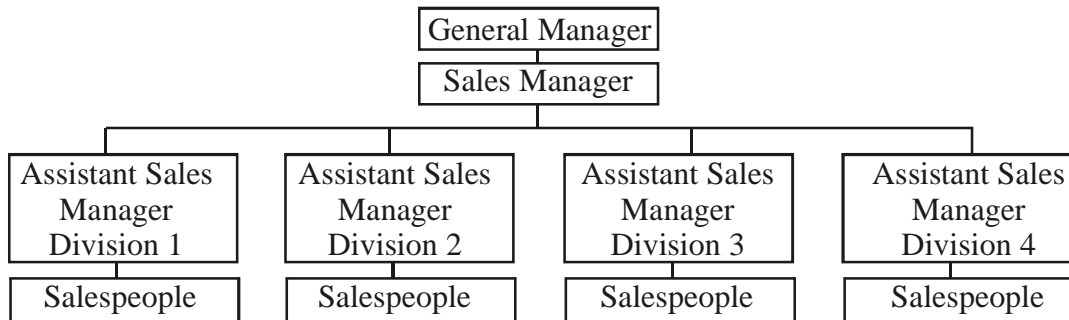
4.3.3 TYPES OF ORGANIZATIONAL STRUCTURES

There can be different types of sales organizational structures as follows :

1 Line Sales Organization

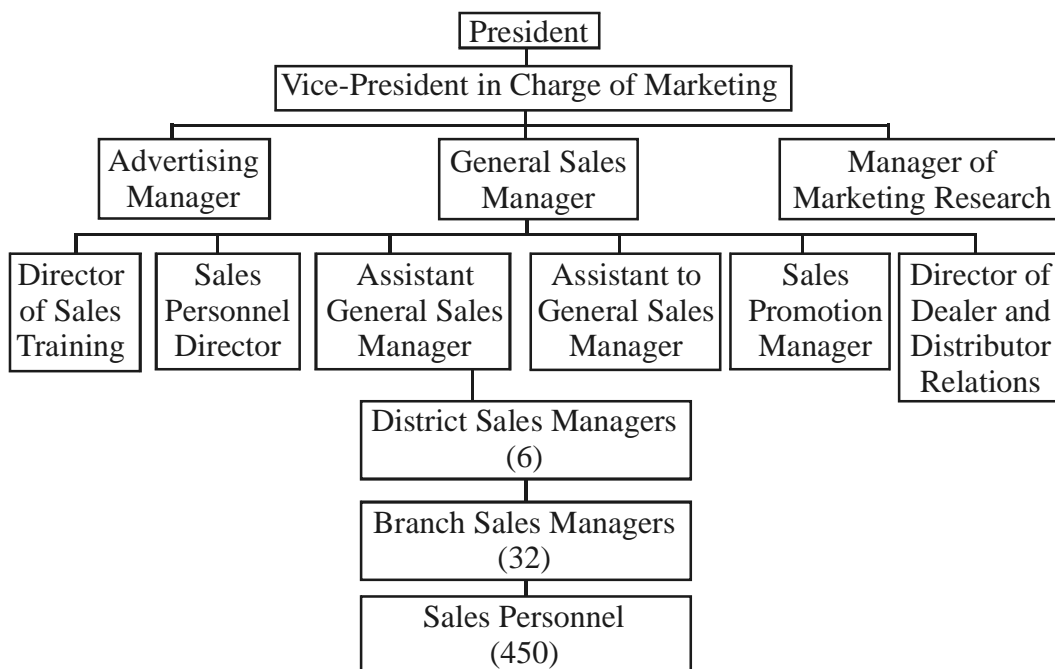
This type of structure is found in small firms operating with few personnel over a limited area and dealing with a few products. Line authority is exercised with each subordinate responsible only to one person on the next

higher level. The lines of authority run from top down the organization and at each level the individuals are independent of one another at the same organizational level



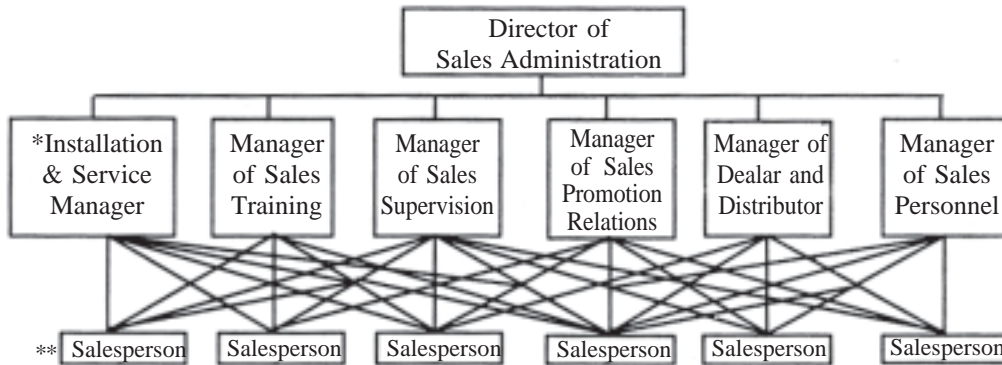
- Line and Staff Sales Organization

This kind of organization is found in large and medium sized companies operating in a wide geographic area and dealing in many products. Here the top executive is helped by a group of specialists in different areas of selling (promotion, distribution, planning, training etc.). These staff sales executives do not have the authority to issue orders. They pass on their recommendations to the top executives who then gives instructions to the line organizations.



- **Functional Sales Organization**

In this kind of a structure, one individual is responsible for a particular function throughout the organization. So sales-people may receive instructions from different executives on different aspects of their work. Co-ordination is done at the top of the structure.



- * In practice the number of executives on this level would be much larger, and their areas of functional responsibility would be broken down in much greater detail than is shown here.
- ** A sales department using the functional type of organization would undoubtedly employ more than six salespeople. Only six are shown in this example, because of the difficulties encountered in depicting lines of authority for larger numbers.

CHECK YOUR PROGRESS 2

1. Name the 3 kinds of sales organization structure.
2. Which type of structure is found in small firms operating with few personnel over a limited area and dealing with a few products?
3. In which kind of structure is one individual responsible for a particular function throughout the organization?

4.4 TERRITORY MANAGEMENT

Establishment of sales territories helps in the proper planning and control of sales operations. From these sales territories, the organization gets knowledge of the company's strengths and weaknesses in different markets. Each market is different from other markets in its characteristics. The sales territory will be a homogeneous

unit within a market. Hence realistic sales planning can be done on the basis of sales territory.

Sales territory is a grouping of customers and prospects assigned to an individual salesperson. Sales territories are set up for different reasons as follows:

- To provide proper market coverage
- To control selling expenses;
- To assist in evaluating sales personnel;
- To contribute to sales force morale;
- To aid in the coordination of personal-selling and advertising efforts.

The process of setting up a sales territory involves the following steps;

- Selecting a basic geographical control unit.

This may be a city, or a pin code area, or a district. The geographical control unit, should be small so that the sales potential of the area can be properly identified.

- Determining sales potential in each control unit.

The sales potential, or the maximum possible sales opportunities, of each control unit must be estimated. This will include identifying both the present and potential buyers of the company's products in that particular control unit.

- Combining control units into tentative sales territories.

The control units are combined into tentative sales territories. These are tentative because they may have to be revised later on. In determining the territories, the ability of the sales persons, the market potential of each unit and a historical analysis of sales all have to be taken into account. The shape of the sales territory will depend on how the potential market is distributed within the territory.

- Adjusting for differences in coverage difficulty and re-districting tentative territories.

Differences in coverage difficulty represent difference in workload. The maximum workload for an individual salesperson is determined. Different territories will involve different workloads. The territories should be so defined that no territory exceeds the maximum workload. Various factors needs to be taken into account to decide the workload;

- Number, location and size of customers and prospects in each territory;
- Estimated time required for each sales call;
- Length of time between calls;
- Call frequencies
- Number of calls possible within a given period.

CHECK YOUR PROGRESS 3

1. What is a sales territory?
2. Name 3 purposes of establishing a sales territory.
3. Give 3 examples of potential geographical control units.

4.5 SALES ANALYSIS

Sales analysis is a detailed study of sales volume performance to find out strengths and weakness. Sales analysis helps management to identify strong and weak sales territories, high-volume and low-volume products and types of customers. Different companies base their sales analysis on different data, ranging from the sales invoice to detailed sales records. The basic data is obtained from the sales invoice. This data, if suitably recorded, stored and analyzed, will yield data such as name of the consumer, geographical location, name of the salesperson, sales territory, order date, product sold, quantities, price, total order amount etc.

CHECK YOUR PROGRESS 4

1. What is sales analysis ?
2. What is the purpose of sales analysis?
3. Name the most important document used for sales analysis.

4.6 PROBLEMS IN SALES OF INDUSTRIAL GOODS

There are two kinds of buying in the market-consumer buying and industrial buying. Consumer buying is for final consumption of the product. Industrial buying is to use the product to manufacture or sell some other product. Suppose I buy engine oil for my own car, it is consumer buying. When an automobile company buys engine oil for the manufacture of its cars, it is industrial buying.

The industrial market has certain characteristics which distinguish it from the market for consumer goods.

- Fewer buyers

The number of buyers in the industrial market are few as compared to the large number of consumer buyers. When a company sells engine oil to automobile companies, it has a handful of customers, as opposed to the large number of individual customers who buy engine oil for their own cars.

- Larger buyers

However, these few buyers buy in huge volumes as opposed to the individual consumer

- Close supplier-customer relationship

Given the few number of customers and the huge volume of their sales, suppliers build up close long-term relationships with their industrial buyers. This is not always possible with the huge mass of individual consumers.

- Geographically concentrated buyers.

Due to the concentrated nature of industrialization, the industrial buyers are concentrated geographically. For example, there are industrial belts in different states where most of the industries are concentrated.

- Derived demand

Demand for industrial goods depends ultimately on demand in the consumer market. Unless there is a demand for cars in the market, the demand for engine oil by automobile manufacturers will be low.

- Inelastic demand

Demand for industrial goods is inelastic compared to that for consumer goods. When the price of leather falls, more people may buy leather products and demand goes up. But when the price of leather falls, manufacturers of leather products will not increase their purchase of leather significantly. Their purchase will be linked to their production and the demand for their goods rather than to the price of their supplies.

- Fluctuating demand

Demand for industrial goods fluctuates much more than the demand for consumer goods. If the demand for cars in the consumer market increases by 10%, there may be a 100% increase in the industrial demand generated by the manufacturers of cars as production is stepped up, capacity increased etc. This is called the acceleration effect.

- Professional purchasing

Unlike consumer buying, industrial buying is carried out in a professional manner through quotations, proposals, contracts and so forth.

- Several buying influences

In consumer buying, 1 or 2 individuals play a role in the purchasing process. In the case of industrial buying, people from different departments influence the buying process. Buying teams may be set up to monitor the entire purchase process. The industrial buying process involves certain steps.

- Problem recognition
- General need description
- Product specification
- Supplier search
- Proposal solicitation
- Supplier selection
- Order-routine specification
- Performance review

CHECK YOUR PROGRESS 5

1. List 5 unique features of industrial markets as compared to consumer markets.

4.7 SALES PROMOTIONAL TECHNIQUES

Sales Promotion is made up of various incentive tools, mostly short term, to stimulate quicker or greater purchase of particular products or services. These tools, or incentives, may include, samples, coupons, cash refund offers, discounts, gifts, contest prizes, etc. The purposes of sales promotion may be varied. It may be to attract new triers, reward loyal customers, increase repurchase, attract brand switcher and so forth.

Designing a sales promotion involves certain steps. To start with, the objectives of the promotion must be determined. These will be an offshoot of the broader marketing objectives of the firm. The objectives may include encouraging existing consumers to buy more quantity of the product, getting nonusers to try the product and attracting brand switchers away from the competitors. Based on these objectives,

the specific promotion tools must be chosen. These may include samples, coupons, cash refund or rebates, price packs (e.g. 2 for the price of 1), premiums or gifts, prizes for contests, lotteries and games, patronage awards (e.g. frequent flier programmes for an airlines) and free trials (e.g. test drive of a car). The next step is to develop the promotion programme. This will include issues such as the size of the incentive, the condition: for participation, the duration of promotion, the distribution vehicle, the timing of the promotion and the total sales promotion budget. The promotion programme is to be pre-tested before the final launch. There must be a system in place for controlling the programme. Finally, the results of the programme must be evaluated. Sales promotion should be ideally run with an advertising campaign for optimal results.

CHECK YOUR PROGRESS 6

1. Is sales promotion a short-term or long-term strategy?
2. What are the sequential steps in a sales promotion programme?
3. Name 5 tools for sales promotion.

4.8 LET US SUM UP

The basic objective of sales management is to make the product available to the consumers. The distribution channel takes a long time to build up. It performs several functions apart from physical distribution of the goods. The actual interaction between the organization and the consumers takes place through the sales-force. Organization of the sales-force is required for most effective selling function. The 3 kinds of sales organization are line sales organization, line and staff sales organization and functional sales organization. The kind of sales organization depends on the sales objectives of the company and the company structure and resources. Territory management is undertaken to break-up the market into appropriate sales territories for optimal sales. The market for industrial products has certain unique characteristics which distinguish it from the consumer market and hence marketing strategies for the 2 markets need to be different. An important tool of the selling function is sales promotion used as a shortterm strategy to boost up sales.

4.9 KEY WORDS

Distribution Channel, Intermediaries, Sales Personnel, Line Sales Organization, Line and Staff Sales Organization, Functional Sales Organization, Sales Territory, Sales Analysis, Sales Invoice, Industrial Market, Sales Promotion.

4.10 SOME USEFUL BOOKS

1. Richard R. Still, Edward W. Cundiff & Norman A.P. Govoni: Sales Management-Decisions, Strategies & Cases (Prentice Hall of India, 1994)
2. Douglas, J. Dalrymple; Sales Management (John Wiley, 1998)

4.11 SOLUTIONS / ANSWERS

ANSWERS TO CHECK YOUR PROGRESS 1

1. Collection and dissemination of information, promotion, negotiation, ordering, financing, risk taking, physical possession, payment and transfer of title.

ANSWERS TO CHECK YOUR PROGRESS 2

1. Line Sales Organization, Line and Staff Sales Organization and Functional Sales Organization.
2. Line Sales Organization.
3. Functional Sales Organization.

ANSWERS TO CHECK YOUR PROGRESS 3

1. Sales territory is a grouping of customers and prospects assigned to an individual salesperson.
2. a. To provide proper market coverage
b. To control selling expenses;
c. To evaluate sales personnel.
3. City, pin code area, district.

ANSWERS TO CHECK YOUR PROGRESS 4

1. Sales analysis is a detailed study of sales volume performance to find out strengths and weaknesses.
2. To identify strong and weak sales territories, high and low volume products and different types of customers.
3. Sales invoice.

ANSWERS TO CHECK YOUR PROGRESS 5

1. a. Fewer number of buyers;
b. Larger buyers;
c. Several buying influences;
d. Professional buying process;
e. Derived demand.

ANSWERS TO CHECK YOUR PROGRESS 6

1. Short-term strategy.
2. a. Establishing objectives;
b. Selecting promotion tools;
c. Developing the programme;
d. Pretesting the programme;
e. Implementing and controlling the programme;
f. Evaluation
3. Samples, contests, coupons, gifts, patronage awards.

UNIT 5 □ PRODUCT PRICING

Structure

5.1 Introduction

5.2 Nature

5.3 Factors affecting pricing decisions and methods of pricing strategy

5.4 Selecting price level in today's competitive scenario

5.5 Tendering

5.6 Illustration with simple examples of how to determine price under different situations of competition

5.7 Let Us Sum Up

5.8 Key Words

5.9 Some Useful Books

5.10 Solutions / Answers

5.1 INTRODUCTION

Next to product, probably the most important decision in marketing is price. In economics, price is based on the optimal balance between demand and supply. However, in business, price is dependent on various factors, not just demand and supply. A high price may lead to low volume of sales and vice versa; but in some cases, a low price may make the consumers feel that the product is of substandard quality. If a Mercedes car was sold at a low price, the status symbol of the car would cease to exist.

Previously, price was the major factor that helped a consumer to decide which product to buy. For example, if a consumer wanted to buy a car, he chose between company X and Company Y depending on whose car was cheaper. However, nowadays the non-price competition is becoming very important. A consumer will not necessarily buy that product which is cheaper. He will lay great importance to other elements of the marketing mix, i.e. product, distribution channels (place) and the promotion. However, price still continues to play a dominant role in buying decisions.

502 NATURE

Price has a direct bearing on profit. Profit per unit of sales will be the difference between the price and cost of producing that unit. So a higher price will mean higher profit per unit. On the other hand, a higher price might bring down the number of units sold and this will affect the total profit. If we consider the 4 elements of the marketing mix, we find that whereas product, place and promotion involve costs, price is the only element that is directly related to profits.

CHECK YOUR PROGRESS 1

1. In what ways is price distinctive among all the elements of marketing mix?
2. What is the floor for setting the price and will be the ceiling?

5.3 FACTORS AFFECTING PRICING DECISIONS

The pricing decisions of a company will be related to several factors. The minimum price that can be charged is related to the cost of the product. If the price is below the cost, then it will lead to a loss. So cost provides the floor for the potential price. The ceiling for the potential price, or the maximum price that can be charged, depends on the demand for the product, or what the consumer is willing to pay. Within this range., the actual pricing policy will depend on the objectives of the company. These objectives may be anyone of the following.

- Survival

A company may be facing stiff competition in the market, or it may be producing more than it can sell, or its product may no longer be in demand in the market because of change in consumer needs. In such cases, the primary objective of the company is not to earn profits but to survive in the market. For survival, the company can opt for low prices which will just cover the variable cost of production and part of the fixed cost. However, survival can only be a short-term strategy and not a long-term objective.

- Maximum Current Revenue

Sometimes a company's only objective may be to maximize its current profit regardless of the short-term implications. In that case, it will consider different alternative prices, estimate the possible sales at each of these prices and choose that price which will maximize the revenue. Consider the following example where, for a particular product, the firm may choose anyone of the 3 alternative prices. For each price, it estimates the possible

demand and then chooses the price which brings in highest revenue. The chosen price in this case will be Rs. 80.

OPTION NO.	PRICE (Rs.)	ESTIMATED DEMAND (i.e, no. of units sold)	REVENUE (Rs.) (i.e. price x no. of units sold)
1	100	50	5000
2	90	70	6300
3	80	80	6400

- Maximum Current Profit

If a company's objective is to maximize the current profit, then it considers different price levels, estimates the possible demand for each price level, takes the cost into consideration and then chooses the price which will yield the highest profit. In the above example, let us add another element, i.e. cost. In that case, the price that yields the highest profit will be Rs. 90.

OPTION NO.	PRICE (Rs.)	COST (Rs.)	PROFIT PER UNIT (Rs.) (i.e. price -cost)	ESTIMATED DEMAND (i.e. no. of units sold)	PROFIT (i.e. profit per unit x no. of units sold)
1	100	50	50	50	2500
2	90	50	40	70	2800
3	80	50	30	80	2400

- Maximum Sales Growth

If a company wants to maximize its sales, it will set as low a price as possible so that the sales volume increases to the maximum possible extent. This is called market-penetration pricing.

- Maximum Market Skimming

A company with this objective will set a very high price for its newly launched product. This will only enable the top segment of the market to buy the product. When that particular segment is saturated, the company will then reduce its price so that the next segment can buy the product. When this

segment is saturated, the price is reduced still further to allow the third segment to buy it. This process of skimming the market from the top goes on till the whole market is captured.

- **Product-Quality Leadership**

A company may claim to provide quality leadership in the market. In such a case a high price is a reflection of that quality. For example, a Mercedes may be a costly car, but its price is a statement that it provides leadership in terms of product quality.

- **Other Pricing Objectives**

Some organizations may have distinct pricing objectives. For example, a public hospital may aim only at recovery of its cost, a university may aim at partial recovery of its cost, non government organization, voluntary organizations etc. may set their prices according to their own needs and objectives.

CHECK YOUR PROGRESS 2

1. Name the different possible objectives of a company which will determine the pricing policy.
2. What are the factors to-be considered if the pricing is to maximize current revenue?
3. What are the factors to be considered if the pricing objective is to maximize current profit?
4. Market penetration pricing is relevant for which pricing objective?

METHODS OF PRICING OF PRODUCTS

There are many ways to price a product. Let's have a look at some of them and try to understand the best policy/strategy in various situations.

Premium Pricing

It uses a high price where there is uniqueness about the product or service. This approach is used where a substantial competitive advantage exists. Such high prices are charged for luxuries such as Canard Cruises, Savoy Hotel rooms, and Concorde flights.

Penetration Pricing

The price charged for products and services is set artificially low in order to

gain market share. Once this is achieved, the price is increased. This approach was used by France Telecom and Sky TV.

Economy Pricing

This is a no frills low price. The cost of marketing and manufacture are kept at a minimum. Supermarkets often have economy brands for soups, spaghetti, etc.

Price Skimming

It charges a high price because you have a substantial competitive advantage. However, the advantage is not sustainable. The high price tends to attract new competitors into the market, and the price inevitably falls due to increased supply. Manufacturers of digital watches used a skimming approach in the 1970s. Once other manufacturers were tempted into the market and the watches were produced at a lower unit cost, other marketing strategies and pricing approaches are implemented. Premium pricing, penetration pricing, economy pricing, and price skimming are the four main pricing policies/strategies. They form the bases for the exercise. However there are other important approaches to pricing.

Psychological Pricing

This approach is used when the marketer wants the consumer to respond on an emotional, rather than rational basis. For example, 'price point perspective' 99 cents, not one dollar.

Product Line Pricing

Where there is a range of product or services the pricing reflects the benefits of parts of the range. For example car washes. Basic wash could be \$2, wash and wax \$4, and the whole package \$6.

Optional Product Pricing

Companies will attempt to increase the amount customer spends once they start to buy. Optional 'extras' increase the overall price of the product or service. For example airlines will charge for optional extras such as guaranteeing a window seat or reserving a row of seats next to each other.

Captive Product Pricing

Where products have complements, companies will charge a premium price where the consumer is captured. For example, a razor manufacturer will charge a low price and recoup its margin (and more) from the sale of the only design of blades which fit the razor.

Product Bundle Pricing

Here sellers combine several products in the same package. This also serves to move old stock. Videos and CDs are often sold using the bundle approach.

Promotional Pricing

Pricing to promote a product is a very common application. There are many examples of promotional pricing including approaches such as BOGOF (Buy One Get One Free).

Geographical Pricing

Geographical pricing is evident where there are variations in price in different parts of the world. For example rarity value, or where shipping costs increase price.

Value Pricing

This approach is used where external factors such as recession or increased competition force companies to provide 'value' products and services to retain sales e.g. value meals at McDonalds.

5.4 SELECTING PRICE LEVEL IN TODAY'S COMPETITIVE SCENARIO

There can be different methods of selecting the price level for a particular product

- Markup Pricing

$$\text{MARKUP PRICE} = \text{UNIT COST} / (1 - \text{DESIRED RETURN ON SALES})$$

- Target-Return Pricing

$$\text{TARGET-RETURN PRICE} = \text{UNIT COST}$$

$$+ (\text{DESIRED RETURN} \times \text{INVESTMENT}) / \text{UNIT SALES}$$

- Perceived-Value Pricing

In this method of pricing the product depends on the value of the product as perceived by the consumer. Hence, a consumer might be willing to pay Rs. A for the basic product, Rs. w more for superior durability. Rs. x more for superior reliability, Rs. y more for superior service and Rs. z more for the warranty. Then the pricing will be as follows :

Basic Product	Rs.	A
Superior Durability	Rs.	w
Superior reliability	Rs.	x
Superior service	Rs.	y
Warranty	Rs.	z
TOTAL PRICE	Rs.	(A+w+x+y+z)

- Value Pricing

Value pricing means giving good value for money. In other words, a low price is charged for a high quality offering. So the price is low but the customers get a high level of satisfaction from the quality of the product.

- Going-Rate Pricing

In this method of pricing, the price is fixed according to the current market rate. The going rate in the market, or the price charged by the competitors, is taken into account. The company then fixes the price of its own product in relation to this market rate.

- Sealed Bid Pricing

We shall discuss about sealed bid pricing in the next section.

5.5 TENDERING

In tendering, a company submits a sealed bid for a product or project. In this case, the company has to estimate what price is likely to bag the contract for the company. If the company bids a very high price, it will probably lose out the contract to competitors who bid a lower price. If the company bids too low a price, it may win the contract but make a loss. So the price has to strike an optimal balance between profit and the probability of winning the contract.

The method for sealed bid pricing or tendering is to choose alternative price

levels, calculate the profit at each price level, estimate the probability of winning the contract for each price level and then calculate the expected profit for each price level.

$$\text{PROFIT AT PRICE P} = \text{PRICE P} - \text{COST}$$

$$\text{EXPECTED PROFIT AT PRICE P} = \text{PROFIT AT PRICE P} \\ \times \text{PROBABILITY OF GETTING THE JOB AT PRICE P}$$

The price chosen should be that price which corresponds to the highest expected profit.

PRICE (COMPANY'S BID)	PROFIT	PROBABILITY OF GETTING THE JOB	EXPECTED PROFIT
X	X-C	P1	P1(X-C)
Y	Y-C	P2	P2(Y-C)
Z	Z-C	P3	P3(Z-C)

C = cost

CHECK YOUR PROGRESS 3

1. Name 5 different pricing methods.
2. What is the relation between price and probability of getting the contract in tendering?
3. What are the factors to be considered in sealed-bid pricing?

5.6 ILLUSTRATIONS

- Markup Pricing

Assume the following for a particular product :

Variable cost per unit = Rs. 10

Fixed cost = Rs. 300,000

Unit sales = 50,000 units

Desired return on sales = 20% markup on sales

Markup Price = Unit Cost / (1 - Desired Return On Sales).

Unit Cost = Variable Cost per unit + Fixed Cost per unit
 = 10 + (300,000 / 50,000) = 16
 = Rs. 16

$$\begin{aligned} \text{Markup Price} &= 16 / (1 - .2) \\ &= 20 \\ &= \text{Rs. } 20 \end{aligned}$$

- Target Return Pricing

Assume the following for a particular product :

$$\begin{aligned} \text{Variable cost per unit} &= \text{Rs. } 10 \\ \text{Fixed cost} &= \text{Rs. } 300,000 \\ \text{Unit sales} &= 50,000 \text{ units} \\ \text{Investment} &= \text{Rs. } 1,000,000 \\ \text{Desired return on investment} &= 20\% \end{aligned}$$

$$\text{Target-Return Price} = \text{Unit Cost} + (\text{Desired Return} \times \text{Investment}) / \text{Unit Sale}$$

$$\begin{aligned} \text{Unit Cost} &= \text{Variable Cost per unit} + \text{Fixed Cost per unit} \\ &= 10 + (300,000 / 50,000) = 16 \\ &= \text{Rs. } 16 \end{aligned}$$

$$\begin{aligned} \text{Target Return Price} &= 16 + (.20 \times 1,000,000) / 50,000 \\ &= 20 \\ &= \text{Rs. } 20 \end{aligned}$$

- Break-even volume

Break-even volume is the minimum volume of sales required to avoid a loss at a given price. In other words, if the company reaches break-even volume, then there will be no profit no loss at that level of sales. For every unit of sales more than break-even volume, the company will make a profit and for every unit of sales less than break-even volume, the company will make a loss.

Assume the following for a particular product :

$$\begin{aligned} \text{Variable cost per unit} &= \text{Rs. } 10 \\ \text{Fixed cost} &= \text{Rs. } 300,000 \\ \text{Price} &= \text{Rs. } 20 \\ \text{Break-even volume} &= \text{Total Fixed Cost} / (\text{Price} - \text{Variable Cost per unit}) \\ &= 300,000 / (20 - 10) \\ &= 30,000 \\ &= 30,000 \text{ units} \end{aligned}$$

So given the above cost structure and a price of Rs. 20, the company must sell at-least 30,000 units in order to avoid making a loss. For every unit sold over and above the 30,000 units, the company will make a profit.

- Sealed-bid Pricing

Assume that a company can make 4 alternative bids of Rs. 9,500, Rs. 10,000, Rs. 10,500 and Rs. 11,000 respectively for a contract. The cost to the company for executing the project is Rs. 9000. For each of the above bids, the company's probability of getting the job is 0.81, 0.36, 0.09 and 0.01 respectively. This is shown in the table below.

Company's bid (Rs.) (i)	Company's profit (Rs.) (ii) = (i) – cost	Probability of getting the job (iii)	Expected profit (Rs.) (iv) = (ii) × (iii)
9500	500	0.80	400
10000	1000	0.50	500
10500	1500	0.10	150
11000	2000	0.01	20

The highest expected profit is Rs. 500. So the company's bid should be Rs. 10,000

CHECK YOUR PROGRESS 4

- Given the following data, calculate the price for the product following markup pricing method. Also calculate breakeven volume :
 - Variable cost per unit : Rs. 15
 - Fixed cost : Rs. 500,000
 - Unit sales : 1,00,000 units
 - Markup on sales : 50%
- Given the following data, calculate the price for the product following target return pricing method. Also calculate the breakeven volume.
 - Variable cost per unit : Rs. 20
 - Fixed cost : Rs. 500,000
 - Unit sales : 50,000 units
 - Investment : Rs. 10,000,000
 - Return on investment : 10%

3. Given the following data, calculate the price for the offer following sealed-bid pricing method
- | | |
|---|------------|
| a. Cost | : Rs. 4000 |
| b. 1st Alternative price | : Rs. 5000 |
| c. Possibility of getting the contract at 1st alternative price | : 80% |
| d. 2nd Alternative price | : Rs. 6000 |
| e. Possibility of getting the contract at 2nd alternative price | : 60% |
| f. 3rd Alternative price | : Rs. 7000 |
| g. Possibility of getting the contract at 3rd alternative price | : 30% |
| h. 4th Alternative price | : Rs. 8000 |
| i. Possibility of getting the contract at 4th alternative price | : 10% |

5.7 LET US SUM UP

Price is the element of the marketing mix which has a direct bearing on profit. Pricing of a product depends on the cost of the product and the demand for the product in the market. Pricing is determined by the objectives of the company which may be survival, maximum current revenue, maximum current profit, maximum sales growth, maximum market skimming, product-quality leadership or some other objective.

There can be different pricing methods such as markup pricing, target return pricing, perceived value pricing, value pricing, going rate pricing and sealed bid pricing. Breakeven volume is the volume of sales at a given price where the company achieves neither a profit nor a loss.

5.8 KEY WORDS

Revenue, Profit, Sales Growth, Market Skimming, Markup Pricing, Target Return Pricing, Value Pricing, Going Rate Pricing, Sealed Bid Pricing, Perceived Value Pricing, Break-even Volume.

5.9 SOME USEFUL BOOKS

1. Philip Kotler : Marketing Management (Prentice Hall of India, 2000)
2. K.S. Palda : Pricing Decisions & Marketing Policy (Prentice Hall of India, 1976)

5.10 SOLUTIONS / ANSWERS

ANSWERS TO CHECK YOUR PROGRESS 1

1. Price has a direct bearing on profit.
2. The floor means the minimum price that can be charged with incurring a loss. This will be determined by the cost of the product. The ceiling means the maximum price that can be charged beyond which there will be no profit. This will depend on consumer's demand or what the consumer is willing to pay for the product.

ANSWERS TO CHECK YOUR PROGRESS 2

1. Survival, Maximum Current Revenue, Maximum Current Profit, Sales Growth, Market Skimming, Product-Quality Leadership and other objectives.
2. Possible price, estimated demand at that possible price and hence the revenue expected to be generated.
3. Cost, possible price, estimated demand at that possible price and hence expected profit.
4. Maximum sales growth.

ANSWERS TO CHECK YOUR PROGRESS 3

$$\begin{aligned} 1. \text{ Unit cost} &= 15 + (500,000 / 1,00,000) \\ &= 20 \\ &= 20 / (1 - 0.5) \\ &= 40 \end{aligned}$$

$$\begin{aligned} \text{Breakeven volume} &= 500,000 / (40 - 15) \\ &= 20,000 \end{aligned}$$

$$\text{Price} = \text{Rs. } 40;$$

$$\text{Breakeven volume} = 20,000 \text{ units}$$

$$\begin{aligned} 2. \text{ Unit cost} &= 20 + (500,000 / 50,000) \\ &= 30 \end{aligned}$$

$$\begin{aligned} \text{Price} &= 30 + (0.10 \times 10,000,000 / 50,000) \\ &= 50 \end{aligned}$$

Breakeven volume = $500,000 / (50 - 20)$

= 16,667

Price = Rs. 50 ;

Breakeven volume = 16,667 units

3.

CO.'S BID (Rs.)	PROBABILITY OF GETTING CONTRACT	COST (Rs.)	PROFIT (Rs.)	EXPECTED PROFIT (Rs.)
5000	0.80	4000	1000	800
6000	0.50	4000	2000	1000
7000	0.30	4000	3000	900
8000	0.10	4000	4000	4000

Best possible price = Rs. 6000.

UNIT 6 □ ADVERTISING AND BRANDING

Structure

- 6.1 Introduction**
- 6.2 Choice of Media**
- 6.3 Message**
- 6.4 Measuring effectiveness of advertising**
- 6.5 Branding : Concepts and Benefits**
- 6.6 Packaging & Labelling**
- 6.7 Warranty vs. Guarantee**
- 6.8 Let Us Sum Up**
- 6.9 Key Words**
- 6.10 Some Useful Books**
- 6.11 Solutions / Answers**

6.1 INTRODUCTION

Advertising is a part of the marketing mix which we have described as “promotion”. Through advertisements, manufacturers communicate information about their products to consumers, Advertising is paid for by the company and is a nonpersonal form of communication unlike door-to-door selling by sales representatives.

In designing their advertisement programmes, the companies have to take decisions on 5 important issues, which are as follows:

- Mission-what are the advertising objectives?
- Money-how much money can be spent?
- Message-what should be the message in the advertisement?
- Media-through which media should the advertisement be published?
- Measurement-how should the results of the advertisement be measured?
- Advertisements may have several different objectives.
- Informative advertising aims at informing the consumer about the product. This is particularly important when. a new product is being launched in the

market in the introductory stage or new features are added to an existing product. For example, advertisements are being run in the newspapers to inform the cable TV viewers about the new Conditional Access System to be introduced in India. Advertisements by Indian Railways inform people about the proper way to make reservations for trains.

- Persuasive advertising aims at persuading the consumers to buy the product. This is particularly important in the growth stage of a product (refer to the section on Product Life Cycle). Consumers are persuaded that company X's product is better than Company Y's products and are asked to buy the former. Through persuasive advertisements, the company tries to win over new consumers who have not yet bought the product.
- Reminder advertising aims at reminding consumers about the product. This is particularly important in the maturity stage of the product life cycle. When a market is saturated and demand is full, the company must make sure that the consumers continue to buy its product. Hence, the customers are reminded of the product so that existing users do not stop using the product. Advertisements for Pepsi and Coke remind the consumers of the product.

6.2 CHOICE OF MEDIA

There are different media for the advertisements. These include magazines, newspapers, journals, billboards, hoardings, bodies of buses and trains, TV, internet, radio channels etc. Deciding on the media involves certain steps. The company must choose the most cost-effective media so that the advertisement is seen by the maximum number of people.

- Deciding on reach, frequency and impact

Reach is the number of different persons who see the advertisement at-least once during a specified period of time.

Frequency is the number of times an average person sees the advertisement during a specified period of time.

The total number of exposures is equal to Reach multiplied by Frequency. Impact is the quality of the exposure. For example, an advertisement for a cooking medium will have better impact in a family magazine than in a financial newspaper.

- Choosing among major media types.

Depending on the reach, frequency, impact, cost of advertisement, advantages

and limitations, the company will have to choose the media. For example, a TV advertisement is far more expensive than an advertisement on a radio channel. A message about a sale the next day will be more effective on the TV or radio or newspaper than in a fortnightly journal.

- Selecting specific media vehicles.

The company must search for the most cost-effective media vehicle. For example, the company may decide on newspaper as the media type. Now it has to choose which particular newspaper—this is the media vehicle. This will depend on the cost of advertising in each individual newspaper, whether the company's target consumers read that particular newspaper or not etc. Cost is calculated in terms of cost-per-thousand. This means the cost of reaching thousand people through an advertisement. So suppose the cost of a full page advertisement is Rs. 5000/- in newspaper X and Rs. 8000/- in newspaper Y. Newspaper X is read daily by 5000 people and Newspaper Y is read by 10000 people. Then the cost-per-thousand will be Re. 1/- for newspaper X and Rs. 0.80 for newspaper Y.

- Deciding on media timing

If a company has sales which fluctuates from season to season, then the company will have to decide how to spread out its advertisements throughout the year. For example, the sale of umbrellas in Calcutta increases during the monsoons. The company will have to decide whether to have equal advertisements throughout the year or more advertisements in the monsoons or more advertisements during winter when sales need to be increased forcibly. This decision is called macroscheduling. Within the macroschedule, the company will have to decide on microschedule of the advertisements. Suppose the advertisements will be run on TV. Which particular time of the day and during what programmes should the advertisements be run?

- Deciding on geographical media allocation

Apart from timing, the company will also have to decide how to geographically space out the advertisements, whether to concentrate the campaign in a particular region or city or whether to space it out equally throughout the entire market territory.

CHECK YOUR PROGRESS 1

1. What is meant by reach and frequency?

2. Give 2 examples of media type, For each example, give 2 examples of media vehicle,

6.3 MESSAGE

The purpose of the advertisement will determine the advertising message. Creating a proper message requires a 4-step process.

- Message generation

The main product message is about the benefits of the product. There may be different messages highlighting the different benefits of the product. For example, one message may emphasize the whitening power of a detergent powder. Another message for the same detergent may emphasize the gentleness of the detergent on clothes and hand. Yet another message may focus on the low price of the detergent. Choice of message will depend on which benefit the company wants to highlight at a particular point of time.

- Message evaluation and selection

The alternative messages are then evaluated by the company. A good advertisement will generally focus on one core strength of the product. The ideal message should say something desirable about the product; What it says about the product should be exclusive to the product; the message should be believable.

- Message execution

The message must be presented properly so that it is effective. The style, tone, words and format are important elements in message execution. Creativity plays a very important part in message execution. What the message says is important, but equally important is how it is said.

- Social responsibility review

The advertisements must be within legal limits and should not be socially unacceptable. There must be honesty in the message. False advertisements can be legally sued. From the social point of view the message should not hurt any group like ethnic groups, racial minorities, special-interest groups, religious groups, animal-rights groups, environmentalists and so forth. The message should not be immoral in nature.

CHECK YOUR PROGRESS 2

1. What should be the focus of a good advertising message?
2. Name 4 elements of creativity in a message.
3. What should be the features of an ideal message?

6.4 MEASURING EFFECTIVENESS OF ADVERTISING

Merely running a good advertising campaign is not sufficient. The company must evaluate whether the campaign has been successful in achieving its objectives or not. The effectiveness of the advertisement must be measured on a regular basis. There can be two ways of measuring the effectiveness of an advertisement-its effect in terms of communication and its effect in terms of sales.

- **Communication-effect research**

This kind of research is aimed at finding out whether the advertisement is communicating the message properly. Such research tries to find out whether the advertisement catches the reader's attention and leads the reader to read further, whether the central message is clear, whether the particular appeal is effective and whether it suggests follow-through action.

- **Sales-effect research**

This kind of research is aimed at finding out whether the advertisement actually contributes to an increase in sales or not. This is difficult to measure because there may be several other factors working simultaneously to increase sales, and not just the advertisement. Such research tries to find a link or relationship between the share of advertising expenditure incurred and the share of market captured by the company.

CHECK YOUR PROGRESS 3

1. What are the 2 kinds of effect that advertising research aims at measuring?

6.5 BRANDING : CONCEPTS AND BENEFITS

A brand is a name or a symbol or a sign which that identifies the products of one particular seller or group of sellers. A brand is not just a name but implies certain deep meanings. A brand must convey certain attributes. For example, .Mercedes conveys an expensive car built excellently and standing for status. The brand must

also represent the benefits. In the case of Mercedes, the benefit could be safety. The brand must imply the producer's values and culture. It must represent a personality and must also say something about the kind of user who will buy the product.

Branding involves certain costs. To make the brand identifiable, costs are incurred in packaging, labelling, advertising, legal protection of the brand etc. However, the benefits of branding can outweigh the costs. The brand name and trademark give legal protection to the owner so that his product features are not copied by his competitors. Branding also builds up a body of loyal customers who will always prefer products of this particular brand and not buy from the competitor. Different brands by the same company can be sold in different market segments. Strong brands help to develop a powerful image of the company.

CHECK YOUR PROGRESS 4

1. Name 4 different benefits of branding.

6.6 PACKAGING & LABELLING

Packaging involves making the container or wrapper for the product. This container or wrapper in which the product is delivered to the consumer is the package. For example, the toothpaste that we use is packed in a metal plastic tube. This is the primary package. This tube is put into a cardboard box, which is the secondary package. When the toothpaste is sold to the wholeseller, several dozens of such tubes are put into a carton. This is the shipping package.

Packaging has several functions. The most obvious function is to hold the product and protect it. Apart from that the package acts as a marketing tool. On the package we find various important information such as the date of manufacture, date of expiry, net weight of the product. In the case of medicines we are given various warning about the product on the package. Often we are told of the constituent elements which make up the product. The package is also used to attract customers, as in the case of perfumes, toys, chocolates, biscuits etc. Often children's health drinks come in attractively shaped bottles in order to attract the customers. Packaging makes it easy to use the product as in the case of sprays and powder.

When packaging a product, the company must take several decisions such as the size, shape, material and colour of the package, the information that should be given on the package, the safety factors etc. Packaging has an important effect on sales. Previously shampoos were sold only in bottles. Buying a bottle of shampoo could be

costly for some people. When shampoo began to be sold in small pouches sachets for one-time use and costing as little as Rs. 1/2/- sales shot up.

Labelling is a part of packaging. The label performs several functions. It gives the name of the product or brand. A label on the bottle tells us whether it is Coke or Pepsi. The label may give the date of manufacture, date of expiry, warnings about use of the product. names of the constituent elements of the product, the quantity of the product etc. Sometimes the manufacturers of certain products are required by law to provide certain specific information on the label.

CHECK YOUR PROGRESS 5

1. Given any 4 kinds of information that can be found on packages of products.

6.7 WARRANTY Vs. GUARANTEE

When a consumer buys a product, he or she has certain expectations regarding the product. The manufacturer makes a formal statement regarding the expected product performance. These formal statements are warranties. A warranty is legally enforceable. If a product fails to perform as per expectations, it can be returned for repair or replacement under the terms of the warranty. For example, if I buy a telephone receiver the company gives a warranty for one year. During this one year, if the set does not perform as per normal expectations due to no fault of mine, I can return the set to the manufacturer who will either replace the set or repair it. A warranty lends added credibility to a manufacturer. I may buy a branded receiver at a higher cost with a one year warranty or an unbranded receiver at a lower cost but with no warranty. The warranty clause will make me believe that the first company is more reliable than the second.

The meaning of the terms has been provided in under the Indian Contract Act. Although, the basic meaning of the word 'Warranty' is to repair or the change of damaged parts if within warranty, Gurantee is concerned about the product and it is replaced and the new product is provided in case of any defect.

Guarantee means that the product is free from manufacturing defect and hence the old product is replaced by new product while in case of Warranty the product supplied or sold cannot be exchanged by new but could be repaired at manufacturer's costs.

You, the consumer, have a role to play in making markets function better. By specifying what you want as an informed purchaser you force the businesses to provide high standards of goods and services. So, understanding terms like warranty

and guarantee become important. Dictionaries treat these two words as synonyms. However, in market parlance, there is a subtle difference. Guarantee refers to the performance post sale. It means that the manufacturer stands behind the product like a guarantor to a loan. It is a formal promise, like a contract, that if the performance is below par, the goods will be repaired or replaced or the money refunded. Warranty relates to the sale of goods and will say that it is of a particular standard. A warranty is a promise that refers to more tangible things, like parts of the product or machine. It promises that the motor in a juicer will function smoothly for a year or two. If it doesn't, the manufacturer will repair or replace the motor, but not replace the juicer.

CHECK YOUR PROGRESS 6

1. What is the strength of warranty?
2. What is the main benefit of warranty?

6.8 LET US SUM UP

Advertising is a part of the marketing mix which we have described as “promotion”. Through advertisements, manufacturers communicate information about their products to consumers. The purpose of advertising may be to inform the consumers about a product, persuade them to buy the product or remind them about an existing product in the market. There can be different types of media for advertising. Within each type of media there can be different media vehicles. The choice of media type and media vehicle will depend on reach, frequency, impact and target consumer. The choice of media involves deciding on reach, frequency and impact, choosing among major media types, selecting the specific media vehicles and deciding on the media timing and geographical allocation. The purpose of the advertising campaign will determine the advertising message which must not ignore the social responsibility aspect. Whether an advertising campaign is successful or not needs to be measured in terms of its effect on sales and in terms of communication.

A brand is a name or a symbol or a sign which identifies the products of one particular seller or group of sellers. Branding involves certain costs and brings in its wake certain benefits. Strong brands help to develop a powerful image of the company and helps to build up a body of loyal customers.

Packaging-and labeling perform several functions in the marketing activity related to a product. Warranty is a formal statement about the normal expectations that consumers have of a product. Warranty lends credibility to a company.

6.9 KEY WORDS

Mission, Message, Media, Measurement, Persuasive Advertising, Informative Advertising, Reminder Advertising, Reach, Frequency, Impact, Media Type, Media Vehicle, Communication-Effect Research, Sales-Effect Research, Branding, Packaging, Labelling, Warranty, After Sales Service.

6.10 SOME USEFUL BOOKS

1. D.A. Aaker & John G. Myers : Advertising Management (Prentice Hall of India, 1995)
2. Devendra Thakur Advertising Marketing and Sales Management (Deep & Deep, 1994).
3. Manendra Mohan : Advertising Management - Concepts & Cases (Tata McGraw Hill, 1989)
4. Subrata Sengupta: Brand Positioning - Strategies for Competitive Advantage (Tata McGraw Hill, 1990)
5. ZS. Ramesh Kumar: Managing Indian Brands - Marketing Concepts & Strategy (Vikas Publishing House, 2002)

6.11 SOLUTION / ANSWERS

ANSWERS TO CHECK YOUR PROGRESS 1

1. Reach is the number of different persons who see the advertisement atleast once during a specified period of time. Frequency is the number of times an average person sees the advertisement during a specified period of time.
2. Media type Media vehicle
TV Zee Cinema ; Alpha Bangla
Newspaper Telegraph ; Statesman

ANSWERS TO CHECK YOUR PROGRSS 2

1. The focus should be on a particular benefit of the product.
2. Words, tone, format and style.

3. The message should say something desirable about the product;
The message should be credible;
The message should be exclusive to the product

ANSWERS TO CHECK YOUR PROGRESS 3

1. Communication effect and sales effect.

ANSWERS TO CHECK YOUR PROGRESS 4

1. a. Branding gives legal protection against copying;
b. Branding builds up customer loyalty ;
c. Branding helps in market segmentation
d. Brand develops company image.

ANSWERS TO CHECK YOUR PROGRESS 5

1. a. Date of manufacture and expiry;
b. Weight;
c. Constituent elements of the product;
d. Warning regarding use.

ANSWERS TO CHECK YOUR PROGRESS 6

1. A warranty is legally enforceable
2. A warranty adds to the credibility and image of a company.

UNIT 7 □ RURAL MARKETING

Structure

7.1 Introduction

7.2 Potential

7.3 Problems

7.4 Strategy

7.5 Let Us Sum Up

7.6 Key Words

7.7 Some Useful Books

7.8 Solutions / Answers

7.1 INTRODUCTION

A thorough understanding of the rural markets has become an important aspect of marketing in the Indian marketing environment today. The rural market is colossal in size and is expanding in India at such a rapid pace that it has overtaken the growth in urban markets. As the urban marketing is becoming more competitive and saturated, marketers are turning increasingly to the rural markets.

7.2 POTENTIAL

Government policies largely favour rural development programmes. The outlay for rural development has risen from Rs. 14000 crores in the 7th plan to Rs. 30000 crores in the 8th plan period. These figures also prove that the rural market is emerging stronger with a gradual increase in disposable income of the rural folk. In addition, better procurement prices fixed for the various crops and better yields due to many research programmes have also contributed to the strengthening of the rural markets.

CHECK YOUR PROGRESS 1

1. Name 3 benefits of serving the rural market.

7.3 PROBLEMS

The major problems faced by rural marketing in India are as follows :

- Underdevelopment of rural People and Underdeveloped Markets :
Despite the developments taking place in the socio-economic front, by and large, poverty and underdevelopment continue to plague the Indian rural scenario. Per capita income is low in rural India.
- Lack of Proper Physical Communication Facilities :-
Nearly fifty percent .of the villages in the country do not have all weather road Physical communication of these villages is highly expensive. Even today most villages in the eastern parts of the country are inaccessible during the monsoon.
- Many Languages and Dialects :-
The number of languages and dialects vary widely from state to state, region to region and probably from district to district. The messages have to be delivered in the local languages and dialects.
- Low Levels of Literacy :-
The literacy rate is low in rural areas as compared to urban areas. This again leads to problem of communication for promotion purposes. Print medium becomes ineffective and to an extent irrelevant in rural areas since its reach is poor and so is the level of literacy.

CHECK YOUR PROGRESS 2

1. Name any 2 problems of the rural market.
2. Name any 2 other problems of the rural market specifically pertaining to communication.

7.4 STRATEGY

Marketing strategy for the rural market must take into account the fundamental differences between urban and rural markets in India. Rural and urban markets in our country are so diverse in nature, that urban marketing programmes just cannot be successfully extended to the rural markets. The buying behaviour demonstrated by the rural Indian differs tremendously when compared to the typical urban Indian. Further, the values, aspirations and need of the rural people vastly differ from that of the urban population. Basic cultural values have not yet faded in rural India.

Buying decisions are still made by the eldest male member in the rural family whereas even children influence buying decisions in urban areas. Further, buying decisions are highly influenced by social customs, traditions and beliefs in the rural markets. Many rural purchases require collective social sanction, unheard off in urban areas.

Organizations should make changes in the marketing mix elements such as price, place, product and promotion. They should not design goods for the urban markets and then push them in the rural area. The unique consumption patterns, tastes, and needs of the rural consumers should be analyzed at the product planning stage so that they match the needs of the rural people.

Distribution networks are different in the rural areas as compared to the urban distribution channels. In rural India, annual melas organised with a religious or festive significance are quite popular and provide a very good platform for distribution. Rural markets come alive at these melas and people visit them to make several purchases. According to the Indian Market Research Bureau, around 8000 such melas are held in rural India every year. Besides these melas, rural markets have the practice of fixing specific days in a week as Market Days when exchange of goods and services are carried out. This is another potential low cost distribution channel available to the marketers. Also, every region consisting of several villages is generally served by one satellite town where people prefer to go to buy their durable commodities. If marketing managers use these feeder towns they will easily be able to cover a large section of the rural population.

While planning promotional strategies in rural markets, marketers must be very careful in choosing the vehicle to be used for communication. They must remember that only 16% of the rural population have access to a vernacular newspaper. Although television is undoubtedly a powerful medium, the audio visuals must be planned to convey a right message to the rural folk. The marketers must try and rely on the rich, traditional media forms like folk dances, puppet shows, etc with which the rural consumers are familiar and comfortable, for high impact product campaigns.

CHECK YOUR PROGRESS 3

1. Name any 2 distinctive features of the buying process in the rural market as compared to the urban market which affect marketing strategy.

7.5 LET US SUM UP

With the opening up of the economy in the wake of liberalization, multinational companies have entered the Indian marketing. But while most of these companies are

scrambling for a share of the urban Indian market, rural India lies largely untapped. Poverty, infrastructural problems, differences in language and dialect and low level of literacy might be barriers to rural marketing. However, in terms of volume, the rural market represents a massive potential. Government policies largely favour rural development programmes. Marketing strategies employed in the urban market cannot be extended without modifications to the rural market. Rural marketing strategies must take into account the distinctive features of the rural market.

7.6 KEY WORDS

Per Capita Income, Physical Communication Facilities, Literacy, Urban, Rural, Melas, Satellite Town, vernacular.

7.7 SOME USEFUL BOOKS

1. T. Gopalswamy : Rural Marketing (Wheeler, 1998)
2. Rajagopal : Rural Marketing (Rawat Publishers, 2003)

7.8 SOLUTIONS / ANSWERS

ANSWERS TO CHECK YOUR PROGRESS 1

1. a. Larger market in terms of volume than urban market;
b. Urban market saturated earlier than rural market;
c. More intense competition in urban market.

ANSWERS TO CHECK YOUR PROGRESS 2

1. a. Low per capita income affects purchasing power of villagers
b. Poor physical infrastructure hampers distribution networks.
2. a. Large number of local dialects and languages make communication difficult;
b. Communication is also affected by the low level of literacy, limiting the types of media vehicles which can be used effectively for greater reach in the rural market.

ANSWERS TO CHECK YOUR PROGRESS 3

1. a. Social sanction is sometimes required in buying decision :
b. Purchases are concentrated in certain days of the week which are market days and also on days of fairs and rituals.

UNIT 8 □ EXPORT MARKETING

Structure

8.1 Introduction

8.2 Potential

8.3 Problems

8.4 Strategy

8.5 Export Councils

8.6 Let Us Sum Up

8.7 Key Words

8.8 Some Useful Books

8.9 Solutions / Answers

8.1 INTRODUCTION

India's export performance in the post liberalisation period i.e., 1991-2001 as has been onwards much better than the pre-reform period. From a level of (-) 1.5% growth rate during 1991-92 the value of exports in dollar terms witnessed a growth rate of 21% in 2000-01. Consequently, India's share in world exports increased from 0.41 % in 1992-93 to 0.67% in 2000-01. Such a commendable performance on the export front could be attributed to the favourable international economic environment, the domestic reforms undertaken during the last few years and the responsiveness of the exporters to the market trends.

8.2 POTENTIAL

A compositional change has been witnessed in the export basket of India with the opening up of the economy. During the last 10 years there has been a significant shift in the composition of the export basket. The share of manufactured goods in total export of India has increased from 76% in 1991-92 to 83% in 2000-2001. Chemicals & related products, Engineering goods, Electronic goods, Gems & jewellery, Marine products and Textiles have witnessed steady export growth,

barring some inter year variations, during the period. The growth rates of Agricultural & allied products and Leather & manufactures have lagged behind during the last 10 years. The export growth rates of items within the manufactured good groups have shown an increasing trend throughout the decade and include items like Gems & Jewellery, Manufactures of Metals, Drugs, Pharmaceuticals & Chemicals and Textiles. Another important sector is that of Petroleum products exports in which the share has risen from a level of 2.58% to 4.10%.

Destination-wise, the share of India's exports to Asia & Oceania region has improved significantly over the decade from 30% in 1990-91 to 37.48% in 2000-01. Similarly, North America's share has increased substantially from 16% to 24.73% and Africa's share has more than doubled from 2.61 % to 5.3%. However, the West European region has slipped from its top position as India's main export destination to the second position with its share falling from 3.64% in 1990-91 to 27.7% in 2000-01. Another important trading partner of India whose share has fallen substantially is that of East European region. India's exports to this region have declined from a level of 17.87% in 1990-91 to 2.95% at the end of the decade.

CHECK YOUR PROGRESS 1

1. Name 2 products which have done well over the past decade in terms of export growth and 2 products which have lagged behind.

8.3 PROBLEMS

The main lesson that we learn from the export strategies of the last decade is that the composition, competitiveness and complexion of world merchandise trade are changing very fast and a dynamic approach with a built in institutional mechanism for constant review is essential for any medium term export strategy in order to achieve a higher share of global exports on a sustainable basis. The focus of the past strategies was on the existing export products of India; what is additionally necessary is to review the import baskets of our current and potential markets and also to examine our export competitiveness, both revealed and real based on our potentialities.

CHECK YOUR PROGRESS 2

1. What is the main problem of the export market which can be turned into an opportunity by entrepreneurs?

8.4 STRATEGY

To identify potential products for export focus, items with high potential in world demand were analyzed by looking at the import basket of three major market; EU, Japan and USA and also India's export basket to these three countries. These countries constitute a good representative sample of world trade as they account for 53% of the world's trade. A total of around 220 items were identified for special focus. Of this 47 items were exclusively from the top 100 imports of these markets and 59 were in both the Top 100 Imports of the major markets and Top 100 Exports of India to the major markets. In a sense, the first group reflects the items in which we can have a real comparative advantage if our full potentialities are tapped and major macro and sectoral policy initiatives are taken. The second list represents items where our present export volumes are already high and where the present revealed comparative advantages need to be pursued even though the items do not figure in the main import basket of the major trading partners. The third list includes items where our export basket and the import basket of our major trading partners converge but much scope exists to further our competitive advantages. The potential items identified, using the above given methodology, can be grouped into seven main sectors; Engineering (including instruments and items of repairs), Textiles, Gems & Jewellery, Chemicals & allied, Agriculture and allied (including Marine and Plantations), Leather & Footwear items and other items. However, the three E's-Electronics, Electrical and Engineering goods figure prominently in the list of the identified items where there is a great potential for India, though at present in many of these items India has only a small market presence. The products identified also account for a large value of our current exports and the potential for growth in these items is also enormous. There are many potential items in which we have a presence, but potential for growth is very high. There is also potential for exports of the identified items to identified markets other than USA, EU and Japan. Such detailed identification of products would help exporters to concentrate on exports of particular items within an overall sector or sub-sector.

Twenty five markets have been identified based on different criteria. However, USA, EU and Japan as expected, are the main markets based on most of the criteria. The focus 25 markets which were identified based on five major criteria include: USA,EU, Japan, Hong Kong, China, Korean Rep., Australia, Canada, Mexico, Switzerland, Brazil, Turkey, Poland, Taipei Chinese, Singapore, Thailand, Russia, Israel, Norway, Argentina, Indonesia, Saudi Arabia, UAE, S. Africa and Greece. For many of the markets of developing countries, region-specific policies can be followed

while for developed countries, FDI linked exports and special preferential trading arrangements can be examined.

Thus, basically four strategies related to products and markets can be followed (i) Product-Market Penetration strategy for existing products, (ii) Market Diversification strategy for existing products, (iii) Product Diversification strategy for existing markets and (iv) Product market diversification in the case of new products and new markets.

CHECK YOUR PROGRESS 3

1. Name 4 strategies that can be followed in the export market.

8.5 EXPORT COUNCILS

The Export Promotion Councils (EPCs) are non-profit organisations registered under the Indian Companies Act or the Societies Registration Act, as the case may be. They are supported by financial assistance from the Government of India.

- **Role**

The main role of the EPCs is to project India's image abroad as a reliable supplier of high quality goods and services. In particular, the EPCs encourage and monitor the observance of international standards and specifications by exporters. The EPCs keep abreast of the trends and opportunities in international markets for goods and services and assist their members in taking advantage of such opportunities in order to expand and diversify exports.

- **Functions**

The major functions of the EPCs are as follows :

- To provide commercially useful information and assistance to their members in developing and increasing their exports
- To offer professional advice to their members in areas such as technology upgradation, quality and design improvement, standards and specifications product development and innovation etc.
- To organise visits of delegations of its members abroad to explore overseas market opportunities.
- To organise participation in trade fairs, exhibitions and buyer-seller meets India and abroad.

- To promote interaction between the exporting community and the Government both at the Central and State levels.
- To build a statistical base and provide data on the exports and imports of the country, exports and imports of their members, as well as other relevant international trade data.

CHECK YOUR PROGRESS 4

- I. What is the main purpose of the Export Promotion Councils?

8.6 LET US SUM UP

Liberalization has opened up the global market to Indian entrepreneurs. India's export performance has been improving in the post-liberalizations era. The composition and direction of Indian exports have been changing over the past decade. The Export Councils play a leading role in encouraging and assisting Indian exporters.

8.7 KEY WORDS

Liberalization, Domestic Market, Global Market, Market Saturation, Export Basket Product Market Penetration Strategy, Product Diversification Strategy, Market Diversification Strategy, Product Market Diversification Strategy, Export Councils.

8.8 SOME USEFUL BOOKS

1. T. Gopaldaswamy : Rural Marketing (Wheeler, 1998)
2. Rajagopal: Rural Marketing (Rawat Publishers, 2003)
3. P.K. Khurana : Export Management (Galgotia Publishing Co., 2002)
4. Pratima Dikshit : Dynamics of Indian Export Trade (Deep & Deep, 2002)
5. S. Shiva Ramu : Export Marketing : a Practical Guide for Exporters (Wheeler Publishing, 1998)
6. Shail Singh : Incentives & Export Promotion in India (Manak Publisher, 1995)
7. B. S. Rathor : Export Marketing (Himalaya Publishers, 1983)
8. Govt. of India : Handbook of Export Promotion

8.9 SOLUTIONS / ANSWERS

ANSWERS TO CHECK YOUR PROGRESS 1

1. Eletronic goods and textiles have done well;
Agricultural and leather products have fared badly.

ANSWERS TO CHECK YOUR PROGRESS 2

1. The dynamism and rapidly changing complexion of world trade.

ANSWERS TO CHECK YOUR PROGRESS 3

1. Product-Market Penetration strategy for existing products
Market Diversification strategy for existing products
Product Diversification strategy for existing markets
Product market diversification in the case of new products and new markets.

ANSWERS TO CHECK YOUR PROGRESS 4

- To encourage exports.

UNIT 9 □ CASE STUDIES

Structure

- 9.1 Vegetarian Eggs**
- 9.2 Solar Cooking Ovens**
- 9.3 Priya's Boutique**
- 9.4 Salesmen's Costs**
- 9.5 Ginger Ice Cream**
- 9.6 Suresh Equipments Ltd.**
- 9.6 Azaadi Cycles**
- 9.7 Pricing Policy of BATA**

9.1 VEGETARIAN EGGS

(A case study in societal marketing concept)

Vijaya Dairy Products was a Rs. 80 crore company dealing in eggs, milk and milk products. The owner, Mr. Desai, was a strict vegetarian. The egg sold by the company were genetically engineered. Hence, these eggs did not have embryos and were non living. The eggs were consequently totally vegetarian products. The marketing head of the company, Mr. Bose, was a bright young MBA who had aggressively carried forward the company's marketing activities for the past 5 years. Under his guidance the company in 1996 was the market leader in the state in diary products including eggs, milk and milk products.

Mrs. Gupta was an under secretary in the Ministry of Food and Consumer Affairs, She had very strong convictions regarding vegetarianism. In her official capacity, she had focussed on the need to highlight the concept that food containing eggs and milk were non-vegetarian. After going through a large volume of articles in this context she had come to the conclusion, supported by medical professionals and scientists, that fresh milk was non-vegetarian since it contained live cells. These were killed during heating or storage. Mrs. Gupta was now trying to take out government orders to make it mandatory to label food containing eggs and milk and milk products as "non vegetarian". Besides, she also wanted a campaign in public interest to spread awareness about this aspect of eggs and milk among the consumers.

Mr. Bose's stand was that milk and eggs provided a cheap form of nourishment for the teeming population of the country. Eggs cannot be adulterated. Besides, if milk and eggs were to be targeted, then a multitude of products like silk (made by killing silk worms), honey (containing larvae) and so forth should also be the target of similar attack. Mr. Bose was organizing the dairy industry in the state to lead a counter campaign against the government effort.

Questions :

1. If you were in Mrs. Gupta's position, what strategy would you adopt in the context?
2. What would be your counter strategy if you were in Mr. Bose's position?

9.2 SOLAR COOKING OVENS

(A case study in new product development)

Ritu, a young scientist, has designed a new product—a solar cooking oven. She has approached Homemakers India Ltd., a company specializing in the marketing of domestic appliances, for help in marketing the product. The company has agencies of many manufacturers and a wide network with sales officers in all the major cities of India. The company has a good image in the market and is therefore careful about the products it chooses to market.

There have always been efforts to manufacture solar cooking ovens, particularly in view of the growing awareness of the depletion of fossil fuels, environmental pollution and so forth. The main problem has been that plain reflectors used in manufacturing solar ovens are not very efficient in concentrating the solar energy. Parabolic reflectors are efficient in this respect, but very costly. Ritu claims to have developed a parabolic reflector which is cheap and can heat water to boiling point within half an hour on a sunny day, more time being required when there are intermittent clouds in the sky. On a cloudy day water will not reach boiling point. The oven has a capacity of about 5 litres and can cook any type of food. However, the arrangement of the vessel makes it difficult to stir the contents.

Homemakers India Ltd., in its report on the oven, has commented that it could be priced at about Rs. 1500/- and if used for 5 hours a day, it could effect a savings of Rs. 300/- worth of fuel every year. The challenges faced by the company would be to choose between an urban market and a rural market for the product and to decide how to position the product.

Questions :

1. If Homemakers India Ltd. chooses to market the product, perform a SWOT analysis in this respect.
2. Identify a suitable target market for the product.
3. How can the product be positioned in this target market?

9.3 PRIYA'S BOUTIQUE

(A case study in marketing research)

Priya is fresh out of college with a diploma in fashion technology. Although she received an offer during campus interview, she prefers to set up her own boutique. Priya stays in an upper middle class locality of Calcutta. She plans to operate from the garage in her house. She has asked an interior decorator, a school friend of hers, to decorate the garage for the purpose of a boutique. Priya wants to focus on children's clothes. Her target market is her own locality to start with. She needs to find out what the prevailing demands are in this sector both in terms of fashion and price, what will be the average age group of the customers, what will be the sales volume depending on the size of the market and the frequency of purchase, what extra value added services the customers would like and so on and so forth.

To find out these elements, Priya wants to engage a marketing research firm to carry out a survey and give her the results. Her father however dissuades her against this. He feels that a marketing research firm will be expensive. Besides, he believes that a market survey for such a small boutique is totally unnecessary. If Priya fashions attractive clothes, they will sell automatically. She need not find out what her consumers want but give them what she manufactures.

Priya's friend-cum-partner in the boutique; Shreya, feels on the contrary that marketing research is necessary as a starting point. However, she feels that given the financial constraint, since they have very little capital to start with, they themselves can undertake a marketing research without engaging an outside agency.

Questions :

1. Would you agree with Priya's father that marketing research is an unnecessary luxury for a small firm or do you feel that such a survey is absolutely necessary? Answer with justifications.

2. If Priya and Shreya decide to carry out the survey themselves, chalk out a plan for carrying out such a survey.
3. Design a questionnaire for them to circulate among their target customers.

9.4 SALESMEN'S COSTS

(A case study in sales management)

The following data pertain to 5 sales territories, A, B, C, D and E.

Sales Area	Total Calls	Total Orders	Sales/ Call Ratio (%)	Sales (Rs.)	Average Sales per Salesman	Total Customers
A	1,900	1,140	60.0	4,56,000	400	195
B	1,500	1,000	66.7	3,60,000	360	160
C	1,400	700	50.0	2,80,000	400	140
D	1,030	279	27.1	66,000	239	60
E	820	165	20.1	31,000	187	50
Total	6,650	3,284	49.4	11,93,000	363	605

Sales Area	Annual Compen -sation (Rs.)	Expense Payments (Rs.)	Total Salesmen Cost (Rs.)	Sales Produced (Rs.)	Cost / Sales Ratio (%)
A	11,400	5,600	17,000	4,56,000	3.7
B	10,800	7,200	18,000	3,60,000	5.0
C	10,200	5,800	16,000	2,80,000	5.7
D	9,600	12,400	22,000	66,000	33.3
E	10,000	16,000	26,000	31,000	83.8
Total	52,000	47,100	99,000	11,93,000	8.3

Questions:

1. Make recommendations to the sales manager based on the above data.

9.5 GINGER ICE CREAM

(A case study in product pricing)

Cool Delights Ltd. is a company manufacturing ice creams for the Indian market. The company has come up with a new product—ginger ice cream—keeping in mind the fact that ice cream often afflicts the throat whereas ginger is a cure for sore throat. Hence ginger ice cream can be taken even by people who suffer from throat problems.

However, while deciding on the pricing strategy for the product, the company is facing problems. The purchase manager feels that it is difficult to store an agricultural product like ginger and this will add to the costs. The production manager is not willing to compromise on quality in order to curtail cost. The R & D chief feels that the ice cream will be copied by other companies immediately after its launch. Hence, it is during the introductory stage that high profits have to be reaped by keeping price high. He is supported by the finance manager who wants the price to be cost plus 100% profit. The sales manager wants a low price in order to be able to penetrate the market.

Questions :

1. Recommend a pricing strategy for the new ice cream.

9.6 SURESH EQUIPMENTS LTD.

(A case study in advertising)

Suresh Equipments Ltd. is a leading company in the marketing of calculators. Their closest competitor, Pinky Equipments Ltd. has run a full page advertisement in the leading dailies which runs as follows: “We are number one in the country for calculators. With the multifold increase in the business, we have dared to reduce the price by 50%.” There are pictures of different models with the old price and the reduced price written below, e.g. “Old Price, Rs. 850 ; New Price, Rs. 425*”. The explanation for the asterisk has been given at the bottom of the advertisement in very small print saying “Exclusive of excise duty, sales tax, central sales tax etc.” They have also mentioned in the ad, “We sell more calculators than Suresh Equipments Ltd. and all other manufacturers put together”, which is a false claim.

This advertisement has led to great consternation at Suresh Equipments. The ad agency of Suresh Equipments wants to run a counter-advertisement which will be a costly affair. The main dealers are worried that a large volume of sales will be immediately lost if nothing is done about it.

Suresh Equipments has a wide range of models in calculators and the price structure is very competitive. The company enjoys about 20% market share.

Questions :

1. How should Suresh Equipment react to the advertising campaign by Pinky Equipments? Should it run a counter campaign? If so, what should be the message. of the advertising campaign?

9.7 AZAADI CYCLES

(A case study in rural marketing)

Azaadi Cycles Ltd. manufactures cycles for different market segments. For urban upper class kids and young people it manufactures sports bikes and various fancy bicycles which are positioned in the sports and entertainment category. For the lower middle class men and women it makes functional bicycles for utility purpose. Similarly, in the rural market its bicycles are positioned as a utility item for conveyance and transportation purposes.

A newly recruited MBA, Prakash, undertook a new advertising campaign for its utility bicycles. His main advertising media consisted of the leading dailies, both English and vernacular, and popular film magazines. The same campaign was applied to both the urban and rural markets. However, a market survey showed a drop in rural sales in the period following the campaign. Prakash was hauled up by management and was asked to create a totally new campaign for the rural market.

Questions :

1. What mistakes did Prakash make in his advertising campaign?
2. In his new campaign for the rural market, what should be the primary and secondary media?
3. What other means of promotion can be adopted?
4. What should be his distribution channels for the rural market?

9.8 PRICING POLICY OF BATA

At the heart of Bata Pricing is the art of sneaking in a tag just short of the ‘oops’ barrier. In the process, it repositions a planned purchase as an impulse buy, thus boosting sales. Marketers say most customers have a mental price band for any product. Positioning it just below that level generates a degree of comfort with the purchase decision.

Says McCann Erickson president Santosh Desai: “This kind of psychological price positioning is very common, especially in a scarcity market like India where the purchase desire is high but the sense of access is a problem. So if someone sneaks in a product just below the psychological price barrier, it’s like a foot in the door.” Besides, there’s another equally potent reasoning behind the survival of Bata Pricing. Says Rajeev Bakshi, MD, Pepsi India: “It’s a nice gimmick that makes marketing feel good. It looks good on ads and publicity communication, and the price tag looks better in showrooms. But I doubt the consumer can be fooled.” It’s mostly driven, he says, by marketer psychology rather than the consumer mind block.

Bakshi’s skepticism may have a ring of truth to it. Bata Pricing has now become so allpervasive; there isn’t much of a ‘wow’ element left in it. Historically too, the positioning is much older than Bata’s legacy in India, though it is more commonly associated with the shoe maker across the world.

Where it is, the attempt is to turn an impulse buy into a planned purchase, exactly the opposite of the intended Bata effect. “It has been used, for instance, in the soft drink category in the US where large bottles often carry the 99 cent tag to turn an impulse item into a planned purchase,” says Bakshi. Desai, for his part, feels the positioning is relevant for most product categories though the responsiveness may vary. “Some categories may see an explosion when the price point goes below the psychological barrier. Others may grow less dramatically,” he says.

Just what triggered off the Bata Pricing strategy? Who invented it? Marketing historians aren’t very clear about its origins except that the number ‘9’ has always been special for Bata. Company founder Tomas Bata was a ninth generation shoemaker determined to become the ‘King of Shoemakers’. When the old man turned 90 some years ago, he reportedly told his near and dear ones that he wanted to live to be 99. So it isn’t surprising that the number 9 is a good number in Bata’s pricing tradition and could partly explain why it appears in all Bata tags.

But that's history. What about the future? Desai feels the Bata price tool will endure as long as the "whole concept of something being worth its price or paisa vasool is relevant in our consumption psyche". As far as Indians go, a change from that, he says, would entail a fundamental mindset shift, which isn't likely in a hurry. Clearly Tomas Bata knew what he was talking about at his birthday bash.

Question :

Can you justify the Bata pricing policy to sustain in future?

