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B.B.A. SEM – 5 MATERIAL

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BUSINESS ENVIRONMENT

Sr. No.	Subject Name
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2	LPG
3	INDIAN TAX SYSTEM
4	PUBLIC FINANCE
5	INTERNATIONAL INSTITUTION



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UNIT-1: AN INTRODUCTION TO BUSINESS ENVIRONMENT

TERM “BUSINESS ENVIRONMENT”: FACTORS AFFECTING BUSINESS ENVIRONMENT

INTRODUCTION:

The whole term “Business Environment” refers to two words. 1. Business and 2.Environment. So let us first discuss the meaning of both words one by one.

Business:

“Business is any enterprise which makes, distributes, or provides any article or service which other members of the society need and are able and willing to pay for.”

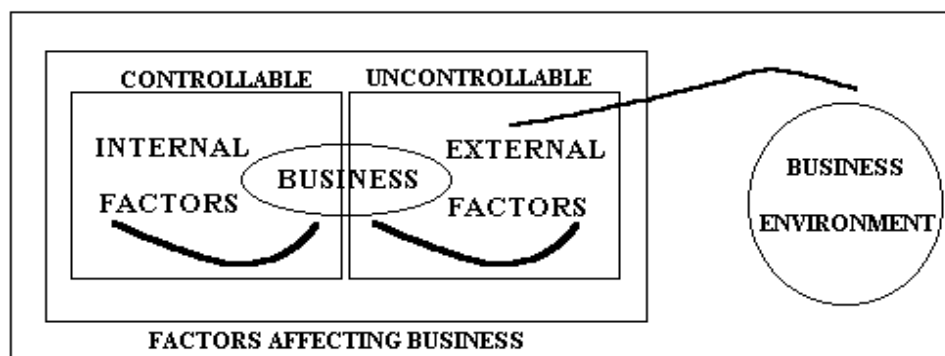
- Urwick and Hunt

Thus, we can say that business is the economic pulse of a nation, striving to improve the society’s standard of living. However, business has no relation with its size. Large organizations like Steel Authority of India Ltd. (SAIL), and Tata Iron and Steel Company Ltd. (TISCO) can be called business, on the other hand small organizations managed by 100 or even 10 members can be called business.

Environment:

Generally, the word environment refers to internal factors and external factors. All types of business decisions are affected either by the internal or external factors. Internal factors are generally controllable; where as external factors are generally uncontrollable. In a simple manner environment means the surroundings and circumstances that affect the business unit.

Now the meaning of Business Environment can be clarified easily with the help of below given chart.



From the above given chart we can say that Business Environment refers to the totality of all the external factors, which influence the working and decision making of a firm. Thus, Business Environment comprises the external factors like monetary and fiscal



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policies of the government, EXIM policy of the government, preferences of the customers, financial institutions and their landing policies, political factors, other economic factors etc. on which firm has no control.

Business Environment is not a absolute concept but it is a relative concept which may be changed by the change of place. As we know, there are mainly three types of economies:

- 1) Capitalist Economy
- 2) Socialist Economy
- 3) Mixed Economy.

DEFINITIONS:

“Business Environment refers to those aspects of the surroundings of business enterprise which affect of influence its operations and determine its effectiveness.”

“The environment of a company as the pattern of all external factors that affect its life and development.”

- Andrews

Micro Environment

The micro component of the external environment is also known as the task environment. It comprises of external forces and factors that are directly related to the business. These include suppliers, market intermediaries, customers, partners, competitors and the public

- **Suppliers** include all the parties which provide resources needed by the organisation.
- **Market intermediaries** include parties involved in distributing the product or service of the organisation.
- **Partners** are all the separate entities like advertising agencies, market research organisations, banking and insurance companies, transportation companies, brokers, etc. which conduct business with the organisation.
- **Customers** comprise of the target group of the organisation.
- **Competitors** are the players in the same market who targets similar customers as that of the organisation.
- **Public** is made up of any other group that has an actual or potential interest or affects the company’s ability to serve its customers.

Macro Environment

The macro component of the marketing environment is also known as the broad environment. It constitutes the external factors and forces which affect the industry as a whole but don’t have a direct effect on the business. The macro environment can be divided into 6 parts.



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Demographic Environment

The demographic environment is made up of the people who constitute the market. It is characterised as the factual investigation and segregation of the population according to their size, density, location, age, gender, race, and occupation.

Economic Environment

The economic environment constitutes factors which influence customers' purchasing power and spending patterns. These factors include the GDP, GNP, interest rates, inflation, income distribution, government funding and subsidies, and other major economic variables.

Physical Environment

The physical environment includes the natural environment in which the business operates. This includes the climatic conditions, environmental change, accessibility to water and raw materials, natural disasters, pollution etc.

Technological Environment

The technological environment constitutes innovation, research and development in technology, technological alternatives, innovation inducements also technological barriers to smooth operation. Technology is one of the biggest sources of threats and opportunities for the organisation and it is very dynamic.

Political-Legal Environment

The political & Legal environment includes laws and government's policies prevailing in the country. It also includes other pressure groups and agencies which influence or limit the working of industry and/or the business in the society.

Social-Cultural Environment

The social-cultural aspect of the macro environment is made up of the lifestyle, values, culture, prejudice and beliefs of the people. This differs in different regions

ECONOMIC AND NON-ECONOMIC ENVIRONMENT

Economic Environment of Business and its Importance:

Economic environment of business includes all those forces which have an economic impact on business. Business enterprise which has to play its role under the existing economic environment is an economic institution. It works, with the objective of profit maximization.



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Therefore, economic decisions of business enterprise are determined by both micro and macro-economic environment. But the economic environment of business normally reflects the prevailing economic system and thereby it gives more emphasis on macro-economic environment.

1. Economic System:

- By economic system we mean the legal and institutional framework within which various economic activities are undertaken. Various economic activities like production, consumption, exchange, distribution and economic growth are all guided by institutional framework which includes laws, customs and social institutions of a particular country.
- At present there are three types of economic system prevalent in this world. These are—capitalism, socialism and mixed economy.

2. Macro-Economic Scenario:

- Macro-economic scenario of a country determines the prospects of business to a large extent. A healthy environment supported by rapid growth, high rates of saving and investment, stable price level, fiscal stability and favourable balance of payments, always opens a bright prospect of business growth in a country.

3. Business Cycle and Stagflation:

- Economic environment of business is also influenced by ups and downs or cyclical fluctuations in business activity. Prosperity and recessions are the common phases through which the capitalist economy passes through periods.
- During the thirties, there was a great depression in business activities experienced by most of the countries of the world.

4. Financial System:

- The economic environment of business is also influenced by the efficacy of the financial system. Banks and non-banking financial institutions are an important source of fund for the corporate sector. The level of development of the financial system is having a crucial importance in business.

5. Economic Policies:

The government of a country has to formulate different economic policies.



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All these economic policies, can be classified as:

- (a) Industrial policy,
- (b) Monetary policy,
- (c) Trade policy and
- (d) Fiscal policy.

Non-Economic Environment of Business and its Importance:

- Non-economic environment is as important as economic environment for influencing the business activity of the country. All non-economic issues related to business are included in non-economic environment of a country.
- The non-economic environment of business can be classified broadly as— politico-legal, demographic, socio-cultural, technological and natural.

1. Politico-Legal Environment:

In modern times, politico-legal environment is having a paramount importance in business. The politico-legal environment includes three political institutions viz., legislature, executive and judiciary which

2. Demographic Environment:

Demographic environment is also an important constituent of business environment. Accordingly, demographic factors like, rise and growth rate of population, age and sex composition of population, rural urban distribution of population, educational levels, religion, ethnicity, caste, language etc. are all relevant to business conditions.usually play useful role in shaping, directing, developing and controlling business activities.

3. Socio-Cultural Environment:

Socio-cultural environment is another important element of non-economic environment of business. These includes people's attitude to work and wealth, ethical issues, role of family, marriage, religion and education and the social responsibilities of business. All the business firms usually operate in a definite socio-cultural environment and they have to formulate their business policies considering this factor.

4. Technological Environment:

Technological environment is an important element in business environment. Technology implies systematic application of scientific or other organized knowledge to practical tasks or activities. Francis Stewart observed, "The technology available to a particular country is all those techniques it knows about (or may with not too much



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difficulty obtain knowledge about) and could acquire, while the technology in use is that subset of techniques it has acquired.”

5. Natural Environment:

Natural environment also influences business in a diverse way. Industrial activity is no doubt influenced by scientific and technological development but natural endowments are still playing a dominant role in the establishment and maintenance of industrial activity.

Nature of Business Environment:

The nature of Business Environment is simply and better explained by the following approaches:

Nature of Business Environment

(i) System Approach:

In original, business is a system by which it produces goods and services for the satisfaction of wants, by using several inputs, such as, raw material, capital, labour etc. from the environment.

(ii) Social Responsibility Approach:

In this approach business should fulfill its responsibility towards several categories of the society such as consumers, stockholders, employees, government etc.

(iii) Creative Approach:

As per this approach, business gives shape to the environment by facing the challenges and availing the opportunities in time. The business brings about changes in the society by giving attention to the needs of the people.

Significance of Business Environment:

Business Environment refers to the “Sum total of conditions which surround man at a given point in space and time. In the past, the environment of man consisted of only the physical aspects of the planet Earth (air, water and land) and the biotic communities. But in due course of time and advancement of society, man extended his environment through his social, economic and political function.”

In a globalised economy, the business environment plays an important role in almost all business enterprises. The significance of business environment is explained with the help of the following points:



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(i) Help to understand internal Environment:

It is very much important for business enterprise to understand its internal environment, such as business policy, organisation structure etc. In such case an effective management information system will help to predict the business environmental changes.

(ii) Help to Understand Economic System:

The different kinds of economic systems influence the business in different ways. It is essential for a businessman and business firm to know about the role of capitalists, socialist and mixed economy.

(iii) Help to Understand Economic Policy:

Economic policy has its own importance in business environment and it has an important place in business. The business environment helps to understand government policies such as, export-import policy, price policy; monetary policy, foreign exchange policy, industrial policy etc. have much effect on business.

(iv) Help to Understand Market Conditions:

It is necessary for an enterprise to have the knowledge of market structure and changes taking place in it. The knowledge about increase and decrease in demand, supply, monopolistic practices, government participation in business etc., is necessary for an enterprise.



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UNIT 2: LPG

Economic Effects Of Country Liberalization

- Liberalization of countries in emerging markets provides new opportunities for investors to increase their diversification and profit. Economic liberalization refers to a country "opening up" to the rest of the world with regards to trade, regulations, taxation and other areas that generally affect business in the country.
- As a general rule, you can determine to what degree a country is liberalized economically by how easy it is to invest and do business in the country. All developed (first world) countries have already gone through this liberalization process, whereas emerging countries need to undergo a series of changes.

Removing Barriers to International Investing

- Investing in emerging market countries can sometimes be an impossible task if the country you're investing in has several barriers to entry. These barriers can include tax laws, foreign investment restrictions, legal issues, and accounting regulations, all of which make it difficult or impossible to gain access to the country.
- The economic liberalization process begins by relaxing these barriers and relinquishing some control over the direction of the economy to the private sector. This often involves some form of deregulation and privatization of companies.

Unrestricted Flow of Capital

- The primary goals of economic liberalization are the free flow of capital between nations and the efficient allocation of resources and competitive advantages. This is usually done by reducing protectionist policies such as tariffs, trade laws, and other trade barriers.
- One of the main effects of this increased flow of capital into the country is it makes it cheaper for companies to access capital from investors. A lower cost of capital allows companies to undertake profitable projects they may not have been able to with a higher cost of capital pre-liberalization, leading to higher growth rates.

Stock Market Performance

- In general, when a country becomes liberalized, stock market values also rise. Fund managers and investors are always on the lookout for new opportunities for profit.



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The situation is similar in nature to the anticipation and flow of money into an initial public offering (IPO).

Political Risks Reduced

- Liberalization reduces the political risk to investors. For the government to continue to attract more foreign investment, areas beyond the ones mentioned earlier have to be strengthened as well. These are areas that support and foster a willingness to do business in the country, such as a strong legal foundation to settle disputes, fair and enforceable contract laws, property laws, and others that allow businesses and investors to operate with confidence.
- As such, government bureaucracy is a common target to be streamlined and improved in the liberalization process. All these changes together lower the political risk for investors, and this lower level of risk is also part of the reason the stock market in the liberalized country rises once the barriers are gone.

Diversification for Investors

- Investors can benefit by being able to invest a portion of their portfolio into a diversifying asset class. In general, the correlation between developed countries such as the United States and undeveloped or emerging countries is relatively low. Although the overall risk of the emerging country by itself may be higher than average, adding a low correlation asset to your portfolio can reduce your portfolio's overall risk profile.

Potential benefits of privatization

1. Improved efficiency

The main argument for privatisation is that private companies have a profit incentive to cut costs and be more efficient. If you work for a government run industry, managers do not usually share in any profits. However, a private firm is interested in making a profit, and so it is more likely to cut costs and be efficient. Since privatisation, companies such as BT, and British Airways have shown degrees of improved efficiency and higher profitability.

2. Lack of political interference

It is argued governments make poor economic managers. They are motivated by political pressures rather than sound economic and business sense. For example, a state enterprise may employ surplus workers which is inefficient. The government may be reluctant to get rid of the workers because of the negative publicity involved in job losses. Therefore, state-owned enterprises often employ too many workers increasing inefficiency.



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3. Short term view

A government many think only in terms of the next election. Therefore, they may be unwilling to invest in infrastructure improvements which will benefit the firm in the long term because they are more concerned about projects that give a benefit before the election.

4. Shareholders

It is argued that a private firm has pressure from shareholders to perform efficiently. If the firm is inefficient then the firm could be subject to a takeover. A state-owned firm doesn't have this pressure and so it is easier for them to be inefficient.

5. Increased competition

- Often privatisation of state-owned monopolies occurs alongside deregulation – i.e. policies to allow more firms to enter the industry and increase the competitiveness of the market. It is this increase in competition that can be the greatest spur to improvements in efficiency. For example, there is now more competition in telecoms and distribution of gas and electricity.
- However, privatisation doesn't necessarily increase competition; it depends on the nature of the market. E.g. there is no competition in tap water because it is a natural monopoly. There is also very little competition within the rail industry.

6. Government will raise revenue from the sale

Selling state-owned assets to the private sector raised significant sums for the UK government in the 1980s. However, this is a one-off benefit. It also means we lose out on future dividends from the profits of public companies.

Disadvantages of privatisation

1. Natural monopoly

A natural monopoly occurs when the most efficient number of firms in an industry is one. For example, tap water has very significant fixed costs. Therefore there is no scope for having competition amongst several firms. Therefore, in this case, privatisation would just create a private monopoly which might seek to set higher prices which exploit consumers. Therefore it is better to have a public monopoly rather than a private monopoly which can exploit the consumer.

2. Public interest

- There are many industries which perform an important public service, e.g., health care, education and public transport.



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- In these industries, the profit motive shouldn't be the primary objective of firms and the industry. For example, in the case of health care, it is feared privatising health care would mean a greater priority is given to profit rather than patient care.
- Also, in an industry like health care, arguably we don't need a profit motive to improve standards. When doctors treat patients, they are unlikely to try harder if they get a bonus.

3. Government loses out on potential dividends.

Many of the privatised companies in the UK are quite profitable. This means the government misses out on their dividends, instead going to wealthy shareholders.

4. Problem of regulating private monopolies.

Privatisation creates private monopolies, such as the water companies and rail companies. These need regulating to prevent abuse of monopoly power. Therefore, there is still need for government regulation, similar to under state ownership.

5. Fragmentation of industries

In the UK, rail privatisation led to breaking up the rail network into infrastructure and train operating companies. This led to areas where it was unclear who had responsibility. For example, the Hatfield rail crash was blamed on no one taking responsibility for safety. Different rail companies has increased the complexity of rail tickets.

6. Short-termism of firms.

As well as the government being motivated by short term pressures, this is something private firms may do as well. To please shareholders they may seek to increase short term profits and avoid investing in long term projects. For example, the UK is suffering from a lack of investment in new energy sources; the privatised companies are trying to make use of existing plants rather than invest in new ones.

Evaluation of privatisation

- It depends on the industry in question. An industry like telecoms is a typical industry where the incentive of profit can help increase efficiency. However, if you apply it to industries like health care or public transport the profit motive is less important.
- It depends on the quality of regulation. Do regulators make the privatised firms meet certain standards of service and keep prices low?
- Is the market contestable and competitive? Creating a private monopoly may harm consumer interests, but if the market is highly competitive, there is greater scope for efficiency savings.



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What Is Globalization?

Globalization is defined as a process that, based on international strategies, aims to expand business operations on a worldwide level, and was precipitated by the facilitation of global communications due to technological advancements, and socioeconomic, political and environmental developments.

- The goal of globalization is to provide organizations a superior competitive position with lower operating costs, to gain greater numbers of products, services and consumers.
- This approach to competition is gained via diversification of resources, the creation and development of new investment opportunities by opening up additional markets, and accessing new raw materials and resources. Diversification of resources is a business strategy that increases the variety of business products and services within various organizations.
- Diversification strengthens institutions by lowering organizational risk factors, spreading interests in different areas, taking advantage of market opportunities, and acquiring companies both horizontal and vertical in nature.

Beneficial Effects

- Some economists have a positive outlook regarding the net effects of globalization on economic growth. These effects have been analyzed over the years by several studies attempting to measure the impact of globalization on various nations' economies using variables such as trade, capital flows and their openness, GDP per capita, foreign direct investment (FDI) and more.
- These studies examined the effects of several components of globalization on growth using time series cross sectional data on trade, FDI and portfolio investment. Although they provide an analysis of individual components of globalization on economic growth, some of the results are inconclusive or even contradictory. However, overall, the findings of those studies seem to be supportive of the economists' positive position, instead of the one held by the public and non-economist view.
- Trade among nations via the use of comparative advantage promotes growth, which is attributed to a strong correlation between the openness to trade flows and the affect on economic growth and economic performance. Additionally there is a strong positive relation between capital flows and their impact on economic growth.



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- Foreign Direct Investment's impact on economic growth has had a positive growth effect in wealthy countries and an increase in trade and FDI, resulting in higher growth rates.
- Empirical research examining the effects of several components of globalization on growth, using time series and cross sectional data on trade, FDI and portfolio investment, found that a country tends to have a lower degree of globalization if it generates higher revenues from trade taxes.
- Further evidence indicates that there is a positive growth-effect in countries that are sufficiently rich, as are most of the developed nations.
- The World Bank reports that integration with global capital markets can lead to disastrous effects, without sound domestic financial systems in place. Furthermore, globalized countries have lower increases in government outlays and taxes, and lower levels of corruption in their governments.
- One of the potential benefits of globalization is to provide opportunities for reducing macroeconomic volatility on output and consumption via diversification of risk.

Harmful Effects

- Non-economists and the wide public expect the costs associated with globalization to outweigh the benefits, especially in the short-run.
- Less wealthy countries from those among the industrialized nations may not have the same highly-accentuated beneficial effect from globalization as more wealthy countries, measured by GDP per capita etc. Although free trade increases opportunities for international trade, it also increases the risk of failure for smaller companies that cannot compete globally.
- Additionally, free trade may drive up production and labor costs, including higher wages for more skilled workforce, which again can lead to outsourcing of jobs from countries with higher wages.
- Domestic industries in some countries may be endangered due to comparative or absolute advantage of other countries in specific industries. Another possible danger and harmful effect is the overuse and abuse of natural resources to meet new higher demands in the production of goods.



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UNIT : 3 PUBLIC FINANCE

Objectives of Fiscal Policy

1. Full Employment:

- The first and foremost objective of fiscal policy in a developing economy is to achieve and maintain full employment in an economy. In such countries, even if full employment is not achieved, the main motto is to avoid unemployment and to achieve a state of near full employment.
- Therefore, to reduce unemployment and under-employment, the state should spend sufficiently on social and economic overheads. These expenditures would help to create more employment opportunities and increase the productive efficiency of the economy.

2. Price Stability:

- There is a general agreement that economic growth and stability are joint objectives for underdeveloped countries.
- In a developing country, economic instability is manifested in the form of inflation. Prof. Nurkse believed that “inflationary pressures are inherent in the process of investment but the way to stop them is not to stop investment.
- They can be controlled by various other ways of which the chief is the powerful method of fiscal policy.”

3. To Accelerate the Rate of Economic Growth:

- Primarily, fiscal policy in a developing economy, should aim at achieving an accelerated rate of economic growth. But a high rate of economic growth cannot be achieved and maintained without stability in the economy.
- Therefore, fiscal measures such as taxation, public borrowing and deficit financing etc. should be used properly so that production, consumption and distribution may not adversely affect. It should promote the economy as a whole which in turn helps to raise national income and per capita income.

4. Optimum Allocation of Resources:

- Fiscal measures like taxation and public expenditure programmes, can greatly affect the allocation of resources in various occupations and sectors. As it is true, the national income and per capita income of underdeveloped countries is very low.



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- In order to gear the economy, the government can push the growth of social infrastructure through fiscal measures. Public expenditure, subsidies and incentives can favorably influence the allocation of resources in the desired channels.

5. Equitable Distribution of Income and Wealth:

- It is needless to emphasize the significance of equitable distribution of income and wealth in a growing economy. Generally, inequality in wealth persists in such countries as in the early stages of growth, it concentrates in few hands.
- It is also because private ownership dominates the entire structure of the economy. Besides, extreme inequalities create political and social discontentment which further generate economic instability. For this, suitable fiscal policy of the government can be devised to bridge the gap between the incomes of the different sections of the society.

6. Economic Stability:

- Fiscal measures, to a larger extent, promote economic stability in the face of short-run international cyclical fluctuations. These fluctuations cause variations in terms of trade, making the most favourable to the developed and unfavorable to the developing economies.
- So, for the purpose of bringing economic stability, fiscal methods should incorporate built-in-flexibility in the budgetary system so that income and expenditure of the government may automatically provide compensatory effect on the rise or fall of the nation's income.

7. Capital Formation and Growth:

- Capital assumes a central place in any development activity in a country and fiscal policy can be adopted as a crucial tool for the promotion of the highest possible rate of capital formation. A newly developing economy is encompassed by a 'vicious circle of poverty'. Therefore, a balanced growth is needed to breakdown the vicious circle which is only feasible with higher rate of capital formation. Once a country comes out of the clutches of

8.To Encourage Investment:

- Fiscal policy aims at the acceleration of the rate of investment in the public as well as in private sectors of the economy.
- Fiscal policy, in the first instance, should encourage investment in public sector which in turn effect to increase the volume of investment in private sector.



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- In other words, fiscal policy should aim at rapid economic development and must encourage investment in those channels which are considered most desirable from the point of view of society. backwardness, it stimulates investment and encourage capital formation.

FISCAL POLICY TOOLS

- A government has two tools at its disposal under the fiscal policy – taxation and public spending.
- Taxation includes taxes on income, property, sales, and investments. On the one hand, more taxes means more income for the government, but it also results in less income in the hand of the people.
- Public spending includes subsidies, transfer payments, like salaries to a govt. employee, welfare programs, and public works projects. Those who get the funds have more money to spend.

TYPES OF FISCAL POLICY

There are two types of fiscal policy – expansionary and contractionary fiscal policy.

EXPANSIONARY FISCAL POLICY

- A government uses this type of policy to stimulate economic growth by increasing spending or lowering taxes or both. The objective of this policy is to ensure more money in the hands of the citizens so that they spend more. More spending, in turn, leads to more income and more job creation as well.
- There have been debates over which is more effective – tax cuts or spending. Some say that spending in the form of public projects ensures that the money reaches the consumers. Those in favor of the tax argue that tax cuts allow businesses to hire more staff. Though there is no consensus on which of the two is better, the government uses a combination of both the tools to boost economic growth.

CONTRACTIONARY FISCAL POLICY

- A government rarely uses this policy as it aims to slow the economic growth. You must be thinking why any government will want to do that, the answer is to curtail inflation. Too much inflation has the potential to damage the economy in the long-term. So, the government has to step in to control inflation.



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- Here also, the government has the same tools at its disposal – spending and tax cuts. But, they are used differently – taxes are raised while the spending is reduced. One can easily imagine how unpopular such measures will be among the voters.

Fiscal Policy Advantages

Unemployment Reduction –

- When unemployment is high, the government can employ an expansionary fiscal policy. This involves increasing spending or purchases and lowering taxes.
- Tax cuts, for example, can mean people have more disposable income, which should lead to increased demand for goods and services. To meet the growing demand, the private sector will increase production, creating more job opportunities in the process.

Budget Deficit Reduction -

- A country has a budget deficit when its expenditures exceeds revenue. Since the economic effects of this deficit include increased public debt, the country can pursue contraction in its fiscal policy.
- It will, therefore, reduce public spending and increase tax rates to raise more revenue and ultimately lower the budget deficit.

Economic Growth Increase–

- The various fiscal measures a country employs facilitate expansion of the national economy. For example, when the government reduces tax rates, businesses and individuals will have a greater incentive to invest and steer the economy forward.
- To boost the U.S. economy during the Great Recession in 2008, for instance, the government enacted the Economic Stimulus Act of 2008, which provided a range of fiscal measures, including tax incentives to encourage business investment.

Fiscal Policy Disadvantages

Conflict of Objectives–

- When the government uses a mix of expansionary and contractionary fiscal policy, a conflict of objectives can occur. If the national government wants to raise more



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money to increase its spending and stimulate economic growth, it can issue bonds to the public.

- Since government bonds offer a range of benefits to buyers, individuals and businesses will buy them heavily. According to the Michigan Institute of Technology, the private sector consequently will have little money left to invest. With reduced investment activity, the economy can slow down.

Inflexibility –

- There are usually delays in the implementation of fiscal policy, because some proposed measures may have to go through legislative processes. A good demonstration of implementation delays is illustrated by the Great Recession.
- According to the National Bureau of Economic Research, it began in December 2007, and the country was only able to enact the Economic Stimulus Act in February 2008. Even when the government increases its spending, it takes some time before the money trickles down to people's pockets.



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UNIT : 4 INTERNATIONAL INSTITUTION

IMF

- The International Monetary Fund (IMF), also known as the Fund, is an international organization headquartered in Washington, D.C., consisting of 189 countries working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world.
- Formed in 1944 at the Bretton Woods Conference primarily by the ideas of Harry Dexter White and John Maynard Keynes,[6] it came into formal existence in 1945 with 29 member countries and the goal of reconstructing the international payment system. It now plays a central role in the management of balance of payments difficulties and international financial crises.
- Countries contribute funds to a pool through a quota system from which countries experiencing balance of payments problems can borrow money. As of 2016, the fund had SDR477 billion (about \$667 billion).

Functions

- According to the IMF itself, it works to foster global growth and economic stability by providing policy advice and financing the members by working with developing nations helps them achieve macroeconomic stability and reduce poverty.
- The rationale for this is that private international capital markets function imperfectly and many countries have limited access to financial markets.
- Such market imperfections, together with balance-of-payments financing, provide the justification for official financing, without which many countries could only correct large external payment imbalances through measures with adverse economic consequences. The IMF provides alternate sources of financing.
- Upon the founding of the IMF, its three primary functions were: to oversee the fixed exchange rate arrangements between countries, thus helping national governments manage their exchange rates and allowing these governments to prioritize economic growth, and to provide short-term capital to aid the balance of payments.
- This assistance was meant to prevent the spread of international economic crises. The IMF was also intended to help mend the pieces of the international economy after the



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Great Depression and World War II. As well, to provide capital investments for economic growth and projects such as infrastructure.

Member countries

IMF member states

- IMF member states not accepting the obligations of Article VIII, Sections 2, 3, and 4[52]Not all member countries of the IMF are sovereign states, and therefore not all "member countries" of the IMF are members of the United Nations.
- Amidst "member countries" of the IMF that are not member states of the UN are non-sovereign areas with special jurisdictions that are officially under the sovereignty of full UN member states, such as Aruba, Curaçao, Hong Kong, and Macau, as well as Kosovo.
- The corporate members appoint ex-officio voting members, who are listed below. All members of the IMF are also International Bank for Reconstruction and Development (IBRD) members and vice versa.[citation needed]
- Former members are Cuba (which left in 1964), and the Republic of China (Taiwan), which was ejected from the UN in 1980 after losing the support of then United States President Jimmy Carter and was replaced by the People's Republic of China. However, "Taiwan Province of China" is still listed in the official IMF indices.
- Apart from Cuba, the other UN states that do not belong to the IMF are Andorra, Liechtenstein, Monaco and North Korea.
- The former Czechoslovakia was expelled in 1954 for "failing to provide required data" and was readmitted in 1990, after the Velvet Revolution. Poland withdrew in 1950—allegedly pressured by the Soviet Union—but returned in 1986.

Qualifications

- Any country may apply to be a part of the IMF. Post-IMF formation, in the early postwar period, rules for IMF membership were left relatively loose.
- Members needed to make periodic membership payments towards their quota, to refrain from currency restrictions unless granted IMF permission, to abide by the Code of Conduct in the IMF Articles of Agreement, and to provide national economic information.
- However, stricter rules were imposed on governments that applied to the IMF for funding.



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- The countries that joined the IMF between 1945 and 1971 agreed to keep their exchange rates secured at rates that could be adjusted only to correct a "fundamental disequilibrium" in the balance of payments, and only with the IMF's agreement.
- Some members have a very difficult relationship with the IMF and even when they are still members they do not allow themselves to be monitored.[citation needed]

Benefits

- Member countries of the IMF have access to information on the economic policies of all member countries, the opportunity to influence other members' economic policies, technical assistance in banking, fiscal affairs, and exchange matters, financial support in times of payment difficulties, and increased opportunities for trade and investment.

WORLD BANK

What Is the World Bank?

- The World Bank is an international organization dedicated to providing financing, advice, and research to developing nations to aid their economic advancement. The bank predominantly acts as an organization that attempts to fight poverty by offering developmental assistance to middle- and low-income countries.
- Currently, the World Bank has two stated goals that it aims to achieve by 2030. The first is to end extreme poverty by decreasing the number of people living on less than \$1.90 a day to below 3% of the world population.
- The second is to increase overall prosperity by increasing the income growth in the bottom 40% of the world's population.

Leadership

- The President of the Bank is the president of the entire World Bank Group. The president is responsible for chairing meetings of the Boards of Directors and for overall management of the Bank.
- Traditionally, the President of the Bank has always been a US citizen nominated by the United States, the largest shareholder in the bank (the managing director of the International Monetary Fund having always been a European).



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- The nominee is subject to confirmation by the Board of Executive Directors, to serve for a five-year, renewable term. While most World Bank presidents have had banking experience, some have not.
- The vice presidents of the Bank are its principal managers, in charge of regions, sectors, networks and functions. There are two Executive Vice presidents, three Senior Vice presidents, and 24 Vice presidents.
- The Boards of Directors consist of the World Bank Group President and 25 Executive Directors. The President is the presiding officer, and ordinarily has no vote except a deciding vote in case of an equal division.
- The Executive Directors as individuals cannot exercise any power nor commit or represent the Bank unless specifically authorized by the Boards to do so. With the term beginning 1 November 2010, the number of Executive Directors increased by one, to 25.

Members

Main article: List of World Bank members

- The International Bank for Reconstruction and Development (IBRD) has 189 member countries, while the International Development Association (IDA) has 173 members.
- Each member state of IBRD should also be a member of the International Monetary Fund (IMF) and only members of IBRD are allowed to join other institutions within the Bank (such as IDA).

Voting power

- In 2010 voting powers at the World Bank were revised to increase the voice of developing countries, notably China. The countries with most voting power are now the United States (15.85%), Japan (6.84%), China (4.42%), Germany (4.00%), the United Kingdom (3.75%), France (3.75%), India (2.91%), [34] Russia (2.77%), Saudi Arabia (2.77%) and Italy (2.64%).
- Under the changes, known as 'Voice Reform – Phase 2', countries other than China that saw significant gains included South Korea, Turkey, Mexico, Singapore, Greece, Brazil, India, and Spain.
- Most developed countries' voting power was reduced, along with a few developing countries such as Nigeria. The voting powers of the United States, Russia and Saudi Arabia were unchanged.



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- The changes were brought about with the goal of making voting more universal in regards to standards, rule-based with objective indicators, and transparent among other things. Now, developing countries have an increased voice in the "Pool Model", backed especially by Europe.
- Additionally, voting power is based on economic size in addition to International Development Association contributions.

➤ WTO

- The World Trade Organization (WTO) is an intergovernmental organization that is concerned with the regulation of international trade between nations. The WTO officially commenced on 1 January 1995 under the Marrakesh Agreement, signed by 123 nations on 15 April 1994, replacing the General Agreement on Tariffs and Trade (GATT), which commenced in 1948. It is the largest international economic organization in the world.
- The WTO deals with regulation of trade in goods, services and intellectual property between participating countries by providing a framework for negotiating trade agreements and a dispute resolution process aimed at enforcing participants' adherence to WTO agreements, which are signed by representatives of member governments:
- fol.9–10 and ratified by their parliaments. The WTO prohibits discrimination between trading partners, but provides exceptions for environmental protection, national security, and other important goals. Trade-related disputes are resolved by independent judges at the WTO through a dispute resolution process.
- The WTO's current Director-General is Roberto Azevêdo, who leads a staff of over 600 people in Geneva, Switzerland. A trade facilitation agreement, part of the Bali Package of decisions, was agreed by all members on 7 December 2013, the first comprehensive agreement in the organization's history.
- On 23 January 2017, the amendment to the WTO Trade Related Aspects of Intellectual Property Rights (TRIPS) Agreement marks the first time since the organization opened in 1995 that WTO accords have been amended, and this change should secure for developing countries a legal pathway to access affordable remedies under WTO rules.

Functions

- Among the various functions of the WTO, these are regarded by analysts as the most important:



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- It oversees the implementation, administration and operation of the covered agreements.
- It provides a forum for negotiations and for settling disputes.
- Additionally, it is WTO's duty to review and propagate the national trade policies, and to ensure the coherence and transparency of trade policies through surveillance in global economic policy-making. Another priority of the WTO is the assistance of developing, least-developed and low-income countries in transition to adjust to WTO rules and disciplines through technical cooperation and training.
- The WTO shall facilitate the implementation, administration and operation and further the objectives of this Agreement and of the Multilateral Trade Agreements, and shall also provide the framework for the implementation, administration and operation of the multilateral Trade Agreements.
- The WTO shall provide the forum for negotiations among its members concerning their multilateral trade relations in matters dealt with under the Agreement in the Annexes to this Agreement.
- The WTO shall administer the Understanding on Rules and Procedures Governing the Settlement of Disputes.
- The WTO shall administer Trade Policy Review Mechanism.
- With a view to achieving greater coherence in global economic policy making, the WTO shall cooperate, as appropriate, with the international Monetary Fund (IMF) and with the International Bank for Reconstruction and Development (IBRD) and its affiliated agencies.

Organizational structure

- The General Council has the following subsidiary bodies which oversee committees in different areas:

Council for Trade in Goods

- There are 11 committees under the jurisdiction of the Goods Council each with a specific task. All members of the WTO participate in the committees.
- The Textiles Monitoring Body is separate from the other committees but still under the jurisdiction of Goods Council. The body has its own chairman and only 10 members. The body also has several groups relating to textiles.



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- Council for Trade-Related Aspects of Intellectual Property Rights
- Information on intellectual property in the WTO, news and official records of the activities of the TRIPS Council, and details of the WTO's work with other international organizations in the field.
- Council for Trade in Services
- The Council for Trade in Services operates under the guidance of the General Council and is responsible for overseeing the functioning of the General Agreement on Trade in Services (GATS). It is open to all WTO members, and can create subsidiary bodies as required.

Trade Negotiations Committee

- The Trade Negotiations Committee (TNC) is the committee that deals with the current trade talks round. The chair is WTO's director-general. As of June 2012 the committee was tasked with the Doha Development Round.



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BBA– 5 BUSINESS LAW

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UNIT -1

INTRODUCTION TO LAW AND LEGAL SYSTEM

Definition of law

“A body of rules fixed and enforced by a sovereign political authority”.

“It is a form of discipline. It is a combination of justice and fair-play. It is a phenomenon that is ever present in every aspect of human life. It is certain and ascertainable”.

Object of law:

- Establishing standards
- Maintaining order
- Resolving disputes
- Protecting liberties and rights

Need for the knowledge of law

1. Act as a guide
2. Create a sense of responsibility
3. Create a binding duty
4. Information
5. Acts as a language
6. Reduce crimes in society
7. Guarantee a secure environment

Sources of mercantile law

1. English mercantile law
 1. Common law
 2. Equity



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3. Statute law

4. Jurisprudence

2. Statute law

3. Judicial decisions

4. Customs and usage

Brief history of constitution:

Date	Event
1946	Britain decides on to grant independence to India and cabinet mission is dispatched to India
14 August, 1947	Proposal for creation of committees is tabled
29 August, 1947	Drafting committee is established
4 November, 1947	Draft is finalized and submitted
1948-1949	Constituent assembly meets in sessions open to the public
26 November, 1949	Constituent assembly adopts final draft making it official
26 January, 1950	Entry into force of the new constitution

PREAMBLE TO THE CONSTITUTION OF INDIA

“ WE, THE PEOPLE OF INDIA having solemnly resolved to constitute of India into a SOVEREIGN SOCIALIST SECULAR DEMOCRATIC REPUBLIC and to secure to all its citizens: JUSTICE, social, economic and political; LIBERTY of thoughts, expression, belief, faith and worship EQUALITY of status and of opportunity and to promote among them all FRATERNITY assuring the dignity of the individual and the unity and integrity of the nation;



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IN OUR CONSTITUENT ASSEMBLY this 26th day of November, 1949, do hereby ADOPT, ENACT AND GIVE TO OURSELVES THIS CONSTITUTION”.

Importance of preamble to the constitution of India

The preamble to the constitution of India is a brief introduction statement and gives idea about

1. The source of the constitution
2. Nature of Indian state
3. A statement of its objectives
4. The date of its adoption

Terms used in preamble

1. Sovereign
2. Socialist
3. Secular
4. Democratic
5. Republic
6. Justice
7. Freedom
8. Equality
9. Fraternity

Fundamental Rights:

Right to Freedom:

1. Right to freedom is an important fundamental right. Every one is free to express his thoughts and ideas through speeches, writing or through newspapers. He is free to criticize and speak against the policies of the Government, if he does not agree with them. He is free to move about and carry on any trade or business in any part of India.
3. Right to Freedom of Religion:



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The State has no religion. It does not favor any religion. All religions are equal before the law. Every citizen is free to practice, propagate and worship any religion he likes. The State does not interfere with anybody's faith.

4. Right to Equality:

All citizens are equal before the law. There is no discrimination between the rich and the poor, high or the low. There is no discrimination of caste, creed, religion, sex or place of birth. Every citizen can get the highest office for which he has the ability and the required qualifications

5. Right to Education and Culture:

Every child is free to receive education in any educational institution without distinction of caste, creed, religion and sex. He is free to receive education up to any level. The minority groups are free to preserve their own language and culture. They are free to give education to their children in any school.

6. Right Against Exploitation

It means nobody can be forced to do work without wages. It also prohibits to take work from anybody against his wishes and the children below 14 years of age to work in factories, mines and other risky occupations.

7. Right to Constitutional Remedies :

This right is the most important right and protects all the fundamental rights. When someone feels that his fundamental rights are being harmed in any way or he is being denied the fundamental rights, he can approach any court of law to seek justice. Supreme Court is the highest court of the country and is the guardian of our fundamental rights.

Fundamental Duties

1. Abide by the Constitution and respect national flag & National Anthem
2. Follow ideals of the freedom struggle
3. Protect sovereignty & integrity of India
4. Defend the country and render national services when called upon
5. Spirit of common brotherhood
6. Preserve composite culture
7. Preserve natural environment
8. Develop scientific temper
9. Safeguard public property



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10. Strive for excellence

11. Duty for all parents/guardians to send their children in the age group of 6-14 years to school.

Hierarchy of the judiciary and courts in India:

- Supreme court of India
- High courts
- District courts
- Subordinate courts

Supreme court of India

The supreme court is the highest court of the country or nation, which is established by the Constitution. According to it, the Supreme Court is a federal court, guardian of the Constitution and the highest court of appeal. Articles 124 to 147 of the Constitution lay down the composition and jurisdiction of the Court. Primarily, it is an appellate court which takes up appeals against judgments of the High Courts of the states and territories. However, it also takes writ petitions in cases of serious human rights violations or any petition filed under Article 32 which is the right to constitutional remedies or if a case involves a serious issue that needs immediate resolution. It had its inaugural sitting on 26 January 1950, the day India's constitution came into force, and since then has delivered more than 24,000 reported judgments.

The Supreme Court comprises the Chief Justice and 33 other Judges.

High court:

There are 25 High Courts at the State level (including new Andhra Pradesh HC). Article 141 of the Constitution of India mandates that, They are bound by the judgments and orders of the Supreme Court of India by precedence. These courts have jurisdiction over a state, a union territory or a group of states and union territories. Below the High Courts are a hierarchy of subordinate courts such as the civil courts, family courts, criminal courts and various other district courts. High courts are instituted as constitutional courts under Part VI, Chapter V, Article 214 of the Indian Constitution.



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District courts

The District Courts of India are established by the State governments of India for every district or for one or more districts together taking into account the number of cases, population distribution in the district. They administer justice in India at a district level. These courts are under administrative control of the High Court of the State to which the district concerned belongs. The decisions of District court are subject to the appellate jurisdiction of the concerned High court.

Subordinate courts:

Subordinate courts are also known as village courts, lok adalat or Nyaya panchayat compose a system of alternative dispute resolution.



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Unit-2: Contract Law – 1

INTRODUCTION:

On a daily basis we enter into lots of transactions from buying toothpaste to paying bills in hotels. To satisfy our daily wants and desires we enter into agreements which may be oral or written, expressed or implied which all result in contracts.

The contract act describes different stages in the formation of a contract, its performance, essential elements, breach of contract and remedies for the breach of contract.

DEFINITIONS:

According to Section 2 “an agreement enforceable by law”.

“A contract is a promise or a set of promises for the breach of which the law gives a remedy, or the performance of which the law in some way recognizes as a duty”.

Contract = Agreement + Enforceability

Agreement = Offer + Acceptance

OBJECTS OF THE LAW OF CONTRACT:

1. Legal bind
2. Provides legal remedies
3. Universal application
4. Definiteness
5. Social and economic justice

FEATURES:

1. The act is not exhaustive
2. The law of contract is not the whole of agreement nor the whole law obligations
3. Law of contract creates Jus in Personam, as distinguished from Jus in Rem
4. Agreement and its enforceability
5. Consensus ad idem
6. Obligations
7. Agreement is a very wide term



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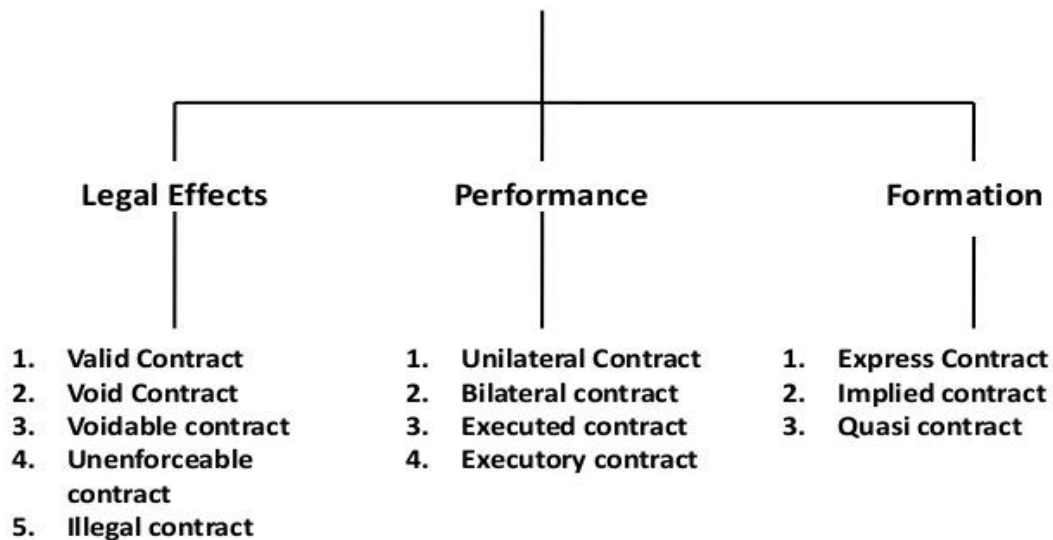
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ESSENTIAL ELEMENTS OF A CONTRACT

1. Offer and acceptance
2. Legal relationship
3. Lawful consideration
4. Capacity of parties
5. Free and genuine consent
6. Lawful object
7. Agreement not declared void
8. Certainty and possibility of performance

TYPES OF CONTRACT:

Classification of contracts



OFFER

Meaning :

An offer is nothing else but a proposal made by one person to another. A person is said to have made a proposal, when he signifies to another his willingness to do or to abstain



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from doing anything, with a view to obtaining the assent of that other to such act or abstinence”.

Types of offer:

- General offer
- Special offer
- Cross offer
- Counter offer
- Standing/continuing/open offer
- Express offer
- Implied offer

Legal rules as to an offer:

1. Offer must be such as law is capable of being accepted and giving rise to legal, relationship
2. Terms of offer must be definite, unambiguous and certain and not loose and vague
3. An offer may be distinguished from a declaration or an invitation
4. Offer must be communicated
5. Offer must be made with a view to obtaining the assent
6. Offer may be expressed or implied
7. Offer should not contain a term the non-compliance of which may be assumed to amount to acceptance
8. A statement of price is not an offer
9. The offer may contain any number of conditions
10. Tenders
11. Special terms in contract

❖ ACCEPTANCE

The acceptance is the assent given by the offeree to an offer made to him. A contract emerges from the acceptance of an offer. Acceptance is the act of assenting by the offeree to an offer.



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Legal rules as to acceptance:

1. It must be absolute and unqualified
2. It must be communicated to the offerer
3. It must be according to the mode prescribed or usual and reasonable mode
4. It cannot be implied from silence
5. It must be given within a reasonable time
6. It cannot precede an offer
7. It must show an intention on part of the acceptor to fulfill terms of the promise.
8. It must be given by the party or parties to whom the offer is made
9. It must be given before the offer is withdrawn
10. Acceptance subject to contract
11. Agreement to agree in future

CONSIDERATION:

“ When at the desire of the promisor or any other person, has done or abstained from doing or does or abstains from doing or promises to do or to abstain from doing something, such act or abstinence or promise is called consideration for the promise”.

Essential elements for legal rules as to consideration :

1. Consideration must proceed at the desire of the promisor
2. Consideration may move from the promisee or any other person
3. Consideration may be a promise to do something or abstain from doing something
4. It may be past, present or future
5. It need not be adequate
6. Consideration must be real and not illusory
7. It must be lawful

Exceptions to the rule “no consideration, no contract” for nadumpactum

Under the roman law an agreement without consideration is called “nadumpactum” and is not enforceable under law.

But the law is also subject to certain exceptions under section 25 and 185.



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Exceptions :

1. On account of natural love and affection
2. Promised to compensate for voluntary service
3. Promise to pay a time barred debt
4. Completed gift
5. Creation of agency

Capacity to contract :

Every person is competent to contract

- A) who is of the age of majority
- B) who is of sound mind and
- C) who is not disqualified by status from contracting by any law

Legal rules as to minority or legal position of a minor

1. Agreement with or by minors are void ab initio
2. A minor can be beneficiary
3. No ratification
4. He can plead minority
5. No application of restitution
6. No estoppels
7. Minor as agent
8. He cannot be a partner
9. Minor as a member of a company
10. Minor's liability for necessities



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Contracts with any by people of unsound mind

According to law persons cannot make a valid contract due to unsoundness of mind may arise form lunacy, idiocy or drunkenness or intoxication of mind.

Contracts with any by persons of particular status or disqualified by law

1. Alien enemy
2. Foreign sovereigns
3. Corporation
4. Insolvents
5. Convicts

Quasi contracts:

Strictly speaking a Quasi contract is not a contract at all. A contract is not intentionally entered into. But law on the other hand creates a Quasi contract.

1. Supply of necessities
2. Payments by an interested person
3. Obligation to pay for non-gratuitous acts
4. Responsibility of finder of goods
5. Mistakes or coercion

1. Supply of necessities

If a person, incapable of entering into a contract, or anyone whom he is legally bound to support, is supplied by another with necessities suited to his condition in life, the person who has furnished such supplies is entitled to be reimbursed from the property of such incapable person.

Ex. A supplies B, a lunatic, with necessities suitable to his condition in life. A is entitled to be reimbursed from B's property.



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2. Payment by an interested person

3. A person who is interested in the payment of money which another is bound by law to pay, and who therefore pays it, is entitled to be reimbursed by the other.

Ex. B holds land in Bengal, on a lease granted by A, the Zamindar. The revenue payable by A to the govt. being in the arrears, his land is advertised for sale by the govt. under the revenue law the consequences of such sale will be annulment of B's lease. B to prevent the sale and the consequent annulment of his own lease, pays to the government the sum due from A. A is bound to make good to B the amount so paid.

Obligation to pay for non-gratuitous act

- When a person lawfully does anything for another person or delivers anything to him, not intending to do so gratuitously, and such other person enjoys the benefit thereof, the latter is bound to make compensation to the former in respect of, or to restore, the things so done or delivered.

Ex. 1. A, a tradesman, leaves goods at B's house by mistake. B treats the goods as his own. He is bound to pay for them to A.

Ex 2. A saves B's property from fire. A is not entitled to compensation from B, if the circumstances show that he intended to act gratuitously.

4. Responsibility of finder of goods

A person, who finds goods to another and takes them into his custody, is subject to the same responsibilities as a bailee. He is bound to take as much care of the goods as a man of ordinary prudence would, under similar circumstances, take of his own goods of the same bulk, quality and value. If he does not, he will be guilty of wrongful conversion of the property. Till the owner is found out, the property in goods will vest in the finder and he can retain the goods as his own against the whole world. Ex. F picks up a diamond on the floor on k's shop. He hands it over to



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K to keep it till true owner is found out. No one appears to claim it for quite some weeks in spite of the wide advertisement in the newspapers. F claims the diamond from K Who refuses to return. K is bound to return the diamond to F who is entitled to retain the diamond against the whole world except the true owner.

5. Mistake or coercion

A person to whom money has been paid, or anything delivered, by mistake or under coercion, must repay or return it to the person who paid it by mistake or under coercion.

Ex. (1) A pays some money to B by mistake. It is really due to C. B must refund the money to A. C, however, cannot recover the amount from B as there is no privity of contract between B and C.



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Unit-3: Contract law - II

MEANING

It is essential for the creation of a contract that the parties are ad idem, that is, they agree on the same thing in the same sense at the same time and that their consent is free and real also says that *“all agreements are contract if they, are made by the free consent of the parties”*.

Consent is said to be free when it is not caused by

- Coercion
- Undue influence
- Fraud
- Misrepresentation
- Mistake

Coercion

- *A contract caused by coercion is voidable at the option of the party whose consent was caused as such.*
- *In simple words coercion is threat or force used by one party against another for compelling him to enter into an agreement.*

Fundamentals of coercion

1. Commit or threaten to commit forbidden act
2. Stop illegally or threaten to detain property
3. The threat can be against a third party
4. Threat to commit suicide amounts to coercion

Undue influence:

It is said that a contract is induced by undue influence when the relations that subsist between the parties are such that one party is in a position to dominate the will of the other and uses that position to obtain an unfair advantage over the other.

A person is deemed to be in a position to obtain an undue advantage over the other, where



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1. He holds an apparent authority over the other e.g. master and servant
2. He stands in fiduciary relation, relation of trust and confidence, e.g. parent and child
3. He makes a contract with and enfeebled person whose mental capacity is temporarily or permanently lost due to some illness of age e.g. medical attendant and patient

Misrepresentation

- Misrepresentation means an innocent misstatement of facts about the contract, made by one party to induce the other party to enter into a contract.
- Misrepresentation is a wrong statement about the fact made simply and not to deceive the other party.

Effect of misrepresentation

1. He can avoid or revoke the contract
2. He can affirm the contract and insist on the misrepresentation to be made good, if it is possible to do so
3. He can rely upon the misrepresentation as a defense to an action of the contract.

Fraud

- Fraud is a false statement made by one party intentionally to deceive the other party to enter into the contract.

1. the suggestion, as a fact, of that which is not true, by one who does not believe it to be true;
2. the active concealment of a fact by one having knowledge or belief of the fact;
3. a promise made without any intention of performing it;
4. any other act fitted to deceive;
5. any such act or omission as the law specially declares to be fraudulent.

Mistake:

- As Per section 20 agreement entered by the parties of Contract under mistake of fact, such agreement is void. When both the parties to the contract are under a mistake of fact on essential, subject matter, identity, price or any other essential



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matters of the agreement, no contract arises. Consent acquired by a mistake is void.

Legality of object

- A contract should not only be based on the mutual consent of the competent parties but should also have a legal purpose. If the object is unlawful the contract is not enforceable.

The consideration or object is unlawful :

1. If prohibited by law
2. Consideration or Object Defeats the Provision of the Law
3. Fraudulent Consideration or Object
4. When they involve Injury to another Person or Property
5. When Consideration is Immoral
6. Consideration is Opposed to Public Policy

Void agreement

1. Agreement by a minor
2. Agreement with a person of unsound mind
3. Agreement in restraint of marriage
4. Agreement in restraint of trade
5. Wagering agreement
6. Agreement in restraint of legal proceedings

Void agreement

7. Uncertain agreement
8. Agreement contingent on impossible events
9. Agreement to do impossible act



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10. Agreement made under a mutual mistake of fact
11. Agreement the consideration of which is unlawful
12. Agreement the consideration of which is unlawful in part
13. Agreement without consideration
14. In case of reciprocal promises to do things legal and also other things illegal

Contingent contract:

- Contingent contract is the contract in which the conditions are always laid down with regards to the performance. In short, contingent contract based on few terms and condition, it is also known as conditional contract.

Rules regarding contingent contract

1. Depending on the happening of an uncertain events
2. Contingency is the non occurrence of an event
3. Depending on the occurrence of an uncertain event in a fixed period
4. Depending on whether an uncertain event does not occur in a fixed period
5. Contingency depending on the future conduct of a living person
6. Contingency depending on an impossible event

Performance of Contract

- The term 'Performance of contract' means that both, the promisor, and the promisee have fulfilled their respective obligations, which the contract placed upon them. For instance, A visits a stationery shop to buy a calculator. The shopkeeper delivers the calculator and A pays the price. The contract is said to have been discharged by mutual performance.

Types of performance

1. Actual Performance

- When a promisor to a contract has fulfilled his obligation in accordance with the terms of the contract, the promise is said to have been actually performed.



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2.Substantial Performance

- This is where the work agreed upon is almost finished.

3.Partial Performance

- This is where one of the parties has performed the contract, but not completely.

4.Attempted Performance

- When the performance has become due, it is sometimes sufficient if the promisor offers to perform his obligation under the contract. This offer is known as attempted performance or more commonly as tender.

Who must perform the contract:

- Promisor himself
- Agent
- Legal representative
- Third person
- Joint promisor

Discharge of contract:

The discharge of contract implies the termination of contractual obligation.

Ways of discharge of contract

1. By performance
2. By agreement/consent
3. By lapse of time
4. By operation of law
5. By breach of contract
6. By impossibility of performance

Remedies to breach of contract

- Cancellation of contract
- Suit for specific performance
- Suit for damages
- Suit for injunction
- Suit of Quantum meruit
- Suit for restitution



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UNIT- 4: SPECIAL CONTRACTS-1

Indemnity and guarantee

A contract by which one party promises to save the other from loss caused to him by the conduct of the promisor himself or by the conduct of any other person, is called a 'contract of indemnity'.

- The person who promises to make good the loss is called the indemnifier.
- The person whose loss is to be made good is called the indemnified or indemnity holder (promisee)

Exa: A contract of fire insurance or marine insurance

Example :

- A promises to deliver certain goods to B for Rs. 2,000 every month. C comes in and promises to indemnify B's losses if A fails to so deliver the goods. This is how B and C will enter into contractual obligations of indemnity.

Rights of Indemnity holder:

- **Damages:** The indemnifier will have to pay damages which the indemnity holder will claim in a suit.
- **Costs:** The indemnity holder can even compel the indemnifier to pay the costs he incurs in litigating the suit.
- **Sums:** If the parties agree to legally compromise the suit, the indemnifier has to pay the compromise amount.

Duties of indemnity holder:

- I. Duty to work prudently: Except otherwise is mentioned in the contract, the indemnifier will not liable for the loss caused by the negligence work of the indemnity-holder. In other words, it is the duty of indemnity-holder to work



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prudently.

- II. Duty not to act to cause harm or loss: If the indemnity-holder acting with the intention of causing any loss or damage, the indemnifier will not liable for such loss. In other words, it is the duty of indemnity-holder not to act to cause harm or loss.
- III. Duty to comply with the intention of promisor: If the indemnity-holder acting against the instruction of the other party or promisor, the indemnifier will not liable for the loss caused by such against act to his instruction. In other words, it is the duty of indemnity-holder to comply with the intention of promisor.

Contract of Guarantee

- Apart from indemnity contracts, the Contract Act also governs contracts of guarantee. These contracts might appear similar to indemnity contracts but there are some differences between them.
- In guarantee contracts, one party contracts to perform a promise or discharge a liability of a third party. This will happen in case the third party fails to discharge its obligations and defaults. However, the burden of discharging the burden will first lie on the defaulting third party.
- The person who gives the guarantee is the Surety. On the other hand, the person for whom the Surety gives the guarantee is the Principal Debtor. Similarly, the person to whom he gives such a guarantee is the Creditor.

Essentials of a contract of Guarantee

1. Concurrence of all the parties
2. Liability
3. Existence of a debt
4. Consideration
5. Writing not necessary
6. Essentials of a valid contract
7. No concealment of facts
8. No misrepresentation
9. In case co-surety does not join



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DISTINCTION BETWEEN A CONTRACT OF INDEMNITY AND GUARANTEE

Sr.No.	Different Basis	Indemnity Contract	Guarantee Contract
1.	Nature of Contract	Promises to save the other from loss	One party promises to discharge the liability of the third party in case of his default
2.	No. of Parties	Only two parties are there	There are three parties.
3.	No. of contracts	There is only one contract	There are three contract between debtors, creditors and surety
4.	Nature of Liability	The liability of the indemnifier is primary and independent	The liability of the surely is secondary and dependent.
5.	Arising of Liability	Indemnifier's liability arises only on the happening of a contingency.	Arises only after the default of debtor in payment
6.	Existence of debt or duty	There is no existence debt or duty in this contract	There is always some existing debt or duty in this contract
7.	Request by the debtor	It is not necessary for the indemnifier to act at the request indemnified.	The surely generally gives guarantee to the request of the debtor.
8.	Right to sue	The indemnifier cannot sue the third party for loss in his own name.	It surely has discharged. The debt after the default of the principal debtor, he becomes entitled to sue the debtor in his own name

Contract of bailment:

- Bailment as defined in section 148 of the Indian contract act 1872 is the delivery of goods by one person to another for some specific purpose, upon a contract that these goods are to be returned when the specific purpose is complete. For example, A delivering his car for Service at the service center is an example of bailment. The person delivering the goods is known as bailor and the person to whom goods are



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delivered is known as bailee. However, if the owner continues to maintain control over the goods, there is no bailment

- Illustration If A gives his car to B his neighbor for 10 days, but at the same time he keeps one key with himself and during this period of 10 days he used to take the car. Now this will not be a case of bailment as A is keeping control over the property bailed.

Duties of bailor

- To disclose known faults
- To bear extraordinary expenses of bailment
- To indemnify bailee for loss in case of premature termination of gratuitous bailment
- To receive back the goods
- To indemnify the bailee

Duties of bailee

- To take reasonable care of the goods bailed
- Not to make any unauthorized use of goods
- Not to mix the goods bailed with his own goods
- Not to set up an adverse title
- To return any accretion to the goods
- To return the goods

Rights of bailor

- Enforcement of rights
- Avoidance of contract
- Return of goods lent gratuitously
- Compensation from a wrongdoer



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Right of bailee

- Delivery of goods to one of several joint bailors of goods
- Delivery of goods to bailor without title
- Right to apply to court to stop delivery
- Right of action against trespassers
- Bailee's lien

Contract of Pledge

- It is a special type of bailment. It is a bailment of goods as security for payment or performance of duty. The person who pledges the goods (or bailor) is the pledgor or pawner. The person to whom such goods are deposited is known as pledgee or pawnee
- In a simple example, John asks to borrow Rs. 5000 from Mary. Mary decides first that John will have to pledge his stereo as security that he will repay the debt by a specific time.

There are some important ingredients of the pledge: –

- The property should be handed over (delivered) to Pawnee.
- Delivery should be in accordance with the contract of pledge.
- Delivery of goods should be only as security.
- There should be a condition to return such goods.

Rights of pawnee

- Right of retainer
- Right of retainer for subsequent advances
- Right to extraordinary expenses
- Right against true owner, when the pawnor's title is defective
- Pawnee's rights where pawnor makes default



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Rights of pawnor

- Right to get back goods
- Right to redeem debt
- Preservation and maintenance of the goods
- Rights of an ordinary debtor

Duties of pawnor and pawnee

- Duties of pawner and pawnee are almost similar to those of bailor and bailee.

LAW OF AGENCY

DEFINITION OF AGENT:

One who agrees and is authorized to act on behalf of another, a principal, to legally bind an individual in a particular business transaction third parties pursuant to an agency relationship”.

DEFINITION OF PRINCIPAL:

In agency relationship, the principal is the person who gives authority to another, called an agent, to act on his or her behalf

Essentials of relationship of agency

- Agreement between the principal and the agent
- Intention of the agent to act for the principal

Rules of agency:

- What a person can do personally, can be done through agent
- He who does an act through another can be dealt by himself

Classification of agents on the basis of extent of authority

1. Special agent
2. General agent
3. Universal agent



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4. Co-agents
5. Sub-agents
6. Substituted agents

Other classification:

1. Factor
2. Broker
3. Auctioneer
4. Agents of the commission
5. Agents of del credere

Creation of agency:

1. Agency by express agreement
2. Agency by operation of law
3. Agency by ratification
4. Agency by implied authority

Duties of an agent:

1. To carry out the work given by the director
2. To carry out the work with care, skill and diligence
3. To communicate with the director in case of difficulty
4. Do not try on your own
5. Pay the sums received by the principal
6. To protect and preserve the interests of the principal in the event of his death or insolvency



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7. Not to use information obtained in the course of the agency against the principal
8. Not to make secret profit from agency
9. Not to set up an adverse title
10. Not to put himself in a position where interest and duty conflict
11. Not to delegate authority

Liabilities of agent:

1. Liabilities regarding damages and misconduct
2. Personal liability of an agent when it is established by commercial custom or use
3. When an agent expressly accepts being responsible
4. Liability for their unlawful acts
5. Responsibility for the actions of subagents

Rights of an agent:

- Right of retainer
- Right to receive remuneration
- Right of lien
- Right of indemnification
- Right of compensation

Duties of principal:

- To indemnify the agent against the consequences of all lawful acts
- To indemnify the agent against the consequences of acts done in good faith
- To indemnify agent for injury caused by principal's neglect
- Duty to compensate
- Duty to reimburse



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Rights of principal:

- To recover damages
- To obtain an account of secret profits and recover them and resist a claim for remuneration
- To resist agent's claim for indemnity against liability incurred
- Termination of agency

Termination of agency by the operation of law

- Expiration of time
- Fulfillment of the object
- Death or madness of either party
- Insolvency of the director
- Destruction of matter
- Principal – alien enemy
- Liquidation of the company

Termination by the act of parties:

- Termination of the agency by the principal
- Termination of the agency by the agent
- Termination of the agency by both parties to the contract

Termination of sub-agency and substituted agency:

- The authority of sub agent will end when the main agency is finished. However, the substituted agency will not close automatically if the principal agent's authority is cancelled.



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B.B.A. SEM – 5 ADVANCE MARKETING MGMT.

UNIT	NAME
1	Marketing Research
2	Managing advertising
3	International marketing and online shopping
4	Case study



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Unit-1 Marketing Research

Marketing Research: Market research is the process of determining the viability of a new service or product through research conducted directly with potential customers. Market research allows a company to discover the target market and get opinions and other feedback from consumers about their interest in the product or service.

7 Stages or Steps Involved in Marketing Research Process

- Some of the major steps involved in marketing research process are as follows: **1. Identification and Defining the Problem 2. Statement of Research Objectives 3. Planning the Research Design or Designing the Research Study 4. Planning the Sample 5. Data Collection 6. Data Processing and Analysis 7. Formulating Conclusion, Preparing and Presenting the Report.**
- Marketing research exercise may take many forms but systematic enquiry is a feature common to all such forms. Being a systematic enquiry, it requires a careful planning of the orderly investigation process.
- Though it is not necessary that all research processes would invariably follow a given sequence, yet marketing research often follows a generalized pattern which can be broken down and studied as sequential stages.

The various stages or steps in the marketing research process are discussed below:

1. Identification and Defining the Problem:

The market research process begins with the identification “of a problem faced by the company. The clear-cut statement of problem may not be possible at the very outset of research process because often only the symptoms of the problems are apparent at that stage. Then, after some explanatory research, clear definition of the problem is of crucial importance in marketing research because such research is a costly process involving time, energy and money.



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Clear definition of the problem helps the researcher in all subsequent research efforts including setting of proper research objectives, the determination of the techniques to be used, and the extent of information to be collected.

It may be noted that the methods of explanatory research popularly in use are—survey of secondary data, experience survey, or pilot studies, i.e., studies of a small initial sample. All this is also known as ‘preliminary investigation’.

2. Statement of Research Objectives:

After identifying and defining the problem with or without explanatory research, the researcher must take a formal statement of research objectives. Such objectives may be stated in qualitative or quantitative terms and expressed as research questions, statement or hypothesis. For example, the research objective, “To find out the extent to which sales promotion schemes affected the sales volume” is a research objective expressed as a statement.

On the other hand, a hypothesis is a statement that can be refuted or supported by empirical finding. The same research objective could be stated as, “To test the proposition that sales are positively affected by the sales promotion schemes undertaken this winter.”

Example of another hypothesis may be: “The new packaging pattern has resulted in increase in sales and profits.” Once the objectives or the hypotheses are developed, the researcher is ready to choose the research design.

Planning the Research Design or Designing the Research Study:

After defining the research problem and deciding the objectives, the research design must be developed. A research design is a master plan specifying the procedure for collecting and analysing the needed information. It represents a framework for the research plan of action.

The objectives of the study are included in the research design to ensure that data collected are relevant to the objectives. At this stage, the researcher should also determine the type



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of sources of information needed, the data collection method (e.g., survey or interview), the sampling, methodology, and the timing and possible costs of research.

3. Planning the Sample:

Sampling involves procedures that use a small number of items or parts of the 'population' (total items) to make conclusion regarding the 'population'. Important questions in this regard are— who is to be sampled as a rightly

representative lot? Which is the target 'population'? What should be the sample size—how large or how small? How to select the various units to make up the sample?

4. Data Collection:

The collection of data relates to the gathering of facts to be used in solving the problem. Hence, methods of market research are essentially methods of data collection. Data can be secondary, i.e., collected from concerned reports, magazines and other periodicals, especially written articles, government publications, company publications, books, etc.

Data can be primary, i.e., collected from the original base through empirical research by means of various tools.

There can be broadly two types of sources

- (i) Internal sources—existing within the firm itself, such as accounting data, salesmen's reports, etc.
- (ii) External sources—outside the firm.

5. Data Processing and Analysis:

Once data have been collected, these have to be converted into a format that will suggest answers to the initially identified and defined problem. Data processing begins with the editing of data and its coding. Editing involves inspecting the data-collection forms for omission, legibility, and consistency in classification. Before tabulation, responses need to be classified into meaningful categories.



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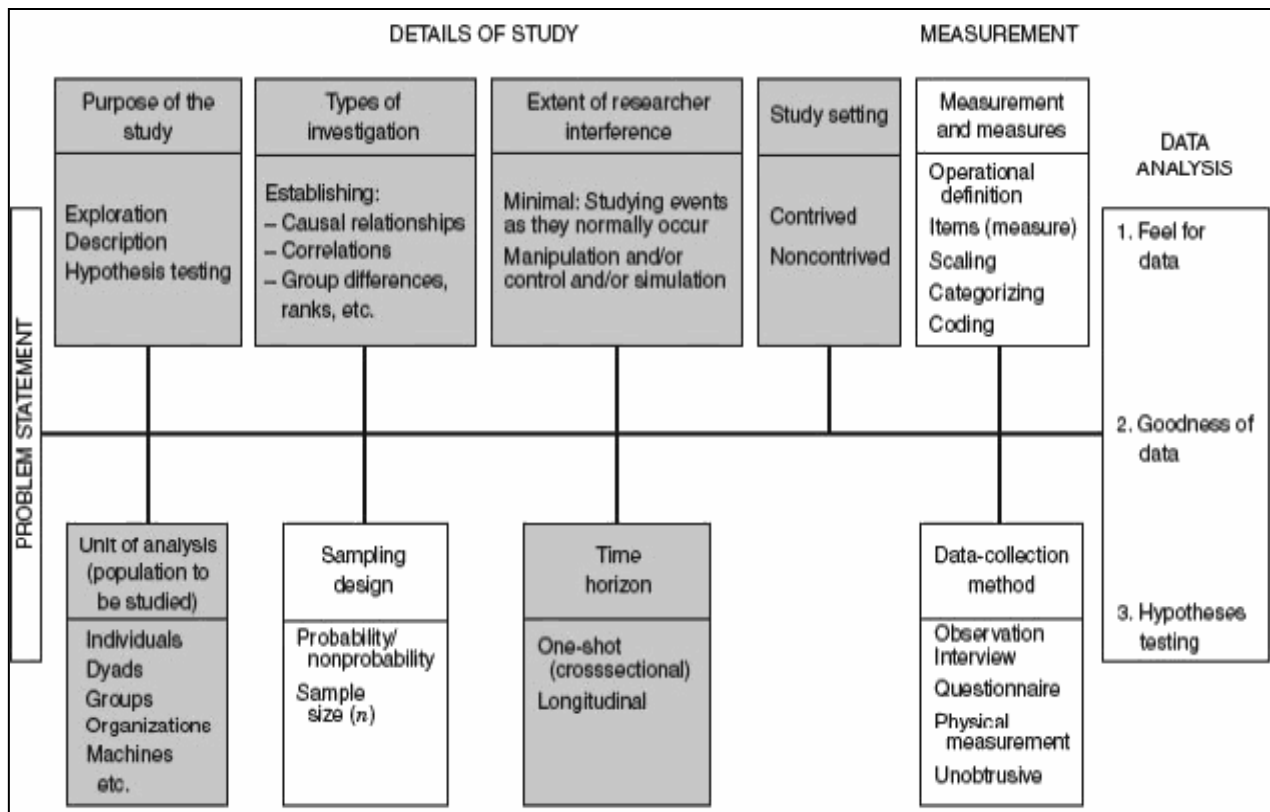
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The rules for categorizing, recording and transferring the data to ‘data storage media’ are called codes. This coding process facilitates the manual or computer tabulation. If computer analysis is being used, the data can be key punched and verified.

Analysis of data represents the application of logic to the understanding of data collected about the subject. In its simplest form analysis may involve determination of consistent patterns and summarising of appropriate details.

The appropriate analytical techniques chosen would depend upon informational requirements of the problem, characteristics of the research designs and the nature of the data gathered. The statistical analysis may range from simple immediate analysis to very complex multivariate analysis.

7. Formulating Conclusion, Preparing and Presenting the Report:





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The final stage in the marketing research process is that of interpreting the information and drawing conclusion for use in managerial decision. The research report should clearly and effectively communicate the research findings and need not include complicated statement about the technical aspect of the study and research methods. Often the management is not interested in details of research design and statistical analysis, but instead, in the concrete findings of the research. If need be, the researcher may bring out his appropriate recommendations or suggestions in the matter. Researchers must make the presentation technically accurate, understandable and useful.

Research Design

Definition : Research design is defined as a framework of methods and techniques chosen by a researcher to combine various components of research in a reasonably logical manner so that the research problem is efficiently handled. It provides insights about “how” to conduct research using a particular methodology. Every researcher has a list of research questions which need to be assessed – this can be done with research design.

☐ The sketch of how research should be conducted can be prepared using research design. Hence, the research study will be carried out on the basis of research design.

☐ The design of a research topic is used to explain the type of research (experimental, survey, correlation, semi- experimental, review) and also its sub-type (experimental design, research problem, descriptive case-study). There are three main sections of research design: Data collection, measurement, and analysis.

☐ The type of research problem an organization is facing will determine the research design and not vice-versa. Variables, designated tools to gather information, how will the tools be used to collect and analyze data and other factors are decided in research design on the basis of a research technique is decided.

Contents of Research Design:

The most common aspects involved in research design include at least followings:

1. Statement of research objectives, i.e., why the research project is to be conducted



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2. Type of data needed
3. Definition of population and sampling procedures to be followed
4. Time, costs, and responsibility specification
5. Methods, ways, and procedures used for collection of data
6. Data analysis – tools or methods used to analyze data
7. Probable output or research outcomes and possible actions to be taken based on those outcomes

Types of Research Designs:

The research design is a broad framework that describes how the entire research project is carried out. Basically, there can be three types of research designs – exploratory research design, descriptive research design, and experimental (or causal) research design. Use of particular research design depends upon type of problem under study.

1. Exploratory Research Design:

This design is followed to discover ideas and insights to generate possible explanations. It helps in exploring the problem or situation. It is, particularly, emphasized to break a broad vague problem statement into smaller pieces or sub-problem statements that help forming specific hypothesis.

The hypothesis is a conjectural (imaginary, speculative, or abstract) statement about the relationship between two or more variables. Naturally, in initial state of the study, we lack sufficient understanding about problem to formulate a specific hypothesis. Similarly, we have several competitive explanations of marketing phenomenon. Exploratory research design is used to establish priorities among those competitive explanations.

This design is followed to realize following purposes:

1. Clarifying concepts and defining problem
2. Formulating problem for more precise investigation
3. Increasing researcher's familiarity with problem



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4. Developing hypotheses
5. Establishing priorities for further investigation

Exploratory research design is characterized by flexibility to gain insights and develop hypotheses. It does not follow a planned questionnaire or sampling. It is based on literature survey, experimental survey, and analysis of selected cases. Unstructured interviews are used to offer respondents a great deal of freedom. No research project is purely and solely based on this design. It is used as complementary to descriptive design and causal design.

2. Descriptive Research Design:

Descriptive research design is typically concerned with describing problem and its solution. It is more specific and purposive study. Before rigorous attempts are made for descriptive study, the well-defined problem must be on hand. Descriptive study rests on one or more hypotheses.

For example, “our brand is not much familiar,” “sales volume is stable,” etc. It is more precise and specific. Unlike exploratory research, it is not flexible. Descriptive research requires clear specification of who, why, what, when, where, and how of the research. Descriptive design is directed to answer these problems.

2. Causal or Experimental Research Design:

Causal research design deals with determining cause and effect relationship. It is typically in form of experiment. In causal research design, attempt is made to measure impact of manipulation on independent variables (like price, products, advertising and selling efforts or marketing strategies in general) on dependent variables (like sales volume, profits, and brand image and brand loyalty). It has more practical value in resolving marketing problems. We can set and test hypotheses by conducting experiments.

Test marketing is the most suitable example of experimental marketing in which the independent variable like price, product, promotional efforts, etc., are manipulated (changed) to measure its impact on the dependent variables, such as sales, profits, brand loyalty, competitive strengths product differentiation and so on.



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The exploratory research design is used to increase familiarity of the analyst with problem under investigation. This is particularly true when researcher is new in area, or when problem is of different type.

Sampling

Definition : Sampling is a statistical procedure that is concerned with the selection of the individual observation; it helps us to make statistical inferences about the population.

Sampling is a process used in statistical analysis in which a predetermined number of observations are taken from a larger population.

The Main Characteristics of Sampling

In sampling, we assume that samples are drawn from the population and sample means and population means are equal. A population can be defined as a whole that includes all items and characteristics of the research taken into study. However, gathering all this information is time consuming and costly. We therefore make inferences about the population with the help of samples.

In simple terms, sampling is the process of selection of limited number of elements from large group of elements (population) so that, the characteristics of the samples taken is identical to that of the population. In above examples, suppose you choose 1000 students among 4 millions students. then:

- 4 millions students is population
- 1000 is the size of sample

Sampling is a great tool if you have to deal with a huge volume of data and you have limited resources. When you have large population of the data, then it can also be the only option you have.



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Although you do not subject all the data to your queries, the chance that you get the desired results is almost similar to that when you do thorough checking. Provided that your choice for the sampling techniques must be appropriate.

Advantages of Sampling

Sampling has various benefits to us. Some of the advantages are listed below:

- Sampling saves time to a great extent by reducing the volume of data. You do not go through each of the individual items.
- Sampling Avoids monotony in works. You do not have to repeat the query again and again to all the individual data.
- When you have limited time, survey without using sampling becomes impossible. It allows us to get near-accurate results in much lesser time
- When you use proper methods, you are likely to achieve higher level of accuracy by using sampling than without using sampling in some cases due to reduction in monotony, data handling issues etc.
- By using sampling, you can get detailed information on the data even by employing small amount of resources.

Disadvantages of Sampling

Every coin has two sides. Sampling also have some demerits. Some of the disadvantages are:

- Since choice of sampling method is a judgmental task, there exist chances of biasness as per the mindset of the person who chooses it.
- Improper selection of sampling techniques may cause the whole process to defunct.
- Selection of proper size of samples is a difficult job.
- Sampling may exclude some data that might not be homogenous to the data that are taken. This affects the level of accuracy in the results.



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Types of Sampling: Sampling Methods

Any market research study requires two essential types of sampling. They are:

1. **Probability Sampling:** Probability sampling is a sampling method that selects random members of a population by setting a few selection criteria. These selection parameters allow every member to have the equal opportunities to be a part of various samples.
2. **Non-probability Sampling:** Non probability sampling method is reliant on a researcher's ability to select members at random. This sampling method is not a fixed or pre-defined selection process which makes it difficult for all elements of a population to have equal opportunities to be included in a sample.

1. Probability Sampling Methods

Probability Sampling is a sampling technique in which sample from a larger population are chosen using a method based on the theory of probability. This sampling method considers every member of the population and forms samples on the basis of a fixed process. For example, in a population of 1000 members, each of these members will have 1/1000 chances of being selected to be a part of a sample. It gets rid of bias in the population and gives a fair chance to all members to be included in the sample.

There are 4 types of probability sampling technique:

- **Simple Random Sampling:** One of the best probability sampling techniques that helps in saving time and resources, is the Simple Random Sampling method. It is a trustworthy method of obtaining information where every single member of a population is chosen randomly, merely by chance and each individual has the exact same probability of being chosen to be a part of a sample.

For example, in an organization of 500 employees, if the HR team decides on conducting team building activities, it is highly likely that they would prefer picking chits out of a bowl. In this case, each of the 500 employees has an equal opportunity of being selected.



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- **Cluster Sampling:** Cluster sampling is a method where the researchers divide the entire population into sections or clusters that represent a population. Clusters are identified and included in a sample on the basis of defining demographic parameters such as age, location, sex etc. which makes it extremely easy for a survey creator to derive effective inference from the feedback.

For example, if the government of the United States wishes to evaluate the number of immigrants living in the Mainland US, they can divide it into clusters on the basis of states such as California, Texas, Florida, Massachusetts, Colorado, Hawaii etc. This way of conducting a survey will be more effective as the results will be organized into states and provides insightful immigration data.

- **Systematic Sampling:** Using systematic sampling method, members of a sample are chosen at regular intervals of a population. It requires selection of a starting point for the sample and sample size that can be repeated at regular intervals. This type of sampling method has a predefined interval and hence this sampling technique is the least time-consuming.

For example, a researcher intends to collect a systematic sample of 500 people in a population of 5000. Each element of the population will be numbered from 1-5000 and every 10th individual will be chosen to be a part of the sample (Total population/ Sample Size = $5000/500 = 10$).

- **Stratified Random Sampling:** Stratified Random sampling is a method where the population can be divided into smaller groups, that don't overlap but represent the entire population together. While sampling, these groups can be organized and then draw a sample from each group separately.

For example, a researcher looking to analyze the characteristics of people belonging to different annual income divisions, will create strata (groups) according to annual family income such as – Less than \$20,000, \$21,000 – \$30,000, \$31,000 to \$40,000, \$41,000 to \$50,000 etc. and people belonging to different income. groups can be observed to draw conclusions of which income strata have which characteristics. Marketers can analyze



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which income groups to target and which ones to eliminate in order to create a roadmap that would definitely bear fruitful results.

Use of the Probability Sampling Method

There are multiple uses of the probability sampling method. They are:

- **Reduce Sample Bias:** Using the probability sampling method, the bias in the sample derived from a population is negligible to non-existent. The selection of the sample largely depicts the understanding and the inference of the researcher. Probability sampling leads to higher quality data collection as the population is appropriately represented by the sample.
- **Diverse Population:** When the population is large and diverse, it is important to have adequate representation so that the data is not skewed towards one demographic. For example, if Square would like to understand the people that could their point-of-sale devices, a survey conducted from a sample of people across US from different industries and socio-economic backgrounds, helps.
- **Create an Accurate Sample:** Probability sampling helps the researchers plan and create an accurate sample. This helps to obtain well-defined data.

Types of Sampling: Non-probability Sampling Methods

The non-probability method is a sampling method that involves a collection of feedback on the basis of a researcher or statistician's sample selection capabilities and not on a fixed selection process. In most situations, output of a survey conducted with a non-probable sample leads to skewed results, which may not totally represent the desired target population. But, there are situations such as the preliminary stages of research or where there are cost constraints for conducting research, where non-probability sampling will be much more effective than the other type.

There are 4 types of non-probability sampling which will explain the purpose of this sampling method in a better manner:



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- **Convenience sampling:** This method is dependent on the ease of access to subjects such as surveying customers at a mall or passers-by on a busy street. It is usually termed as convenience sampling, as it's carried out on the basis of how easy is it for a researcher to get in touch with the subjects. Researchers have nearly no authority over selecting elements of the sample and it's purely done on the basis of proximity and not representativeness. This non-probability sampling method is used when there are time and cost limitations in collecting feedback. In situations where there are resource limitations such as the initial stages of research, convenience sampling is used.

For example, startups and NGOs usually conduct convenience sampling at a mall to distribute leaflets of upcoming events or promotion of a cause – they do that by standing at the entrance of the mall and giving out pamphlets randomly.

- **Judgmental or Purposive Sampling:** In judgmental or purposive sampling, the sample is formed by the discretion of the judge purely considering the purpose of study along with the understanding of target audience. Also known as deliberate sampling, the participants are selected solely on the basis of research requirements and elements that do not suffice the purpose are kept out of the sample. For instance, when researchers want to understand the thought process of people who are interested in studying for their master's degree. The selection criteria will be: "Are you interested in studying for Masters in ...?" and those who respond with a "No" will be excluded from the sample.

- **Snowball sampling:** Snowball sampling is a sampling method that is used in studies which need to be carried out to understand subjects which are difficult to trace. For example, it will be extremely challenging to survey shelterless people or illegal immigrants. In such cases, using the snowball theory, researchers can track a few of that particular category to interview and results will be derived on that basis. This sampling method is implemented in situations where the topic is highly sensitive and not openly discussed such as conducting surveys to gather information about HIV Aids. Not many victims will readily respond to the questions but researchers can contact people they might know or volunteers associated with the cause to get in touch with the victims and collect information.



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- **Quota sampling:** In Quota sampling, selection of members in this sampling technique happens on basis of a pre-set standard. In this case, as a sample is formed on basis of specific attributes, the created sample will have the same attributes that are found in the total population. It is an extremely quick method of collecting samples.

Use of the Non-Probability Sampling Method

There are multiple uses of the non-probability sampling method. They are:

- **Create a hypothesis:** The non-probability sampling method is used to create a hypothesis when limited to no prior information is available. This method helps with immediate return of data and helps to build a base for any further research.
- **Exploratory research:** This sampling technique is widely used when researchers aim at conducting qualitative research, pilot studies or exploratory research.
- **Budget and time constraints:** The non-probability method when there are budget and time constraints and some preliminary data has to be collected. Since the survey design is not rigid, it is easier to pick respondents at random and have them take the survey or questionnaire.

Key Differences Between Probability and Non-Probability Sampling

The significant differences between probability and non-probability sampling

1. The sampling technique, in which the subjects of the population get an equal opportunity to be selected as a representative sample, is known as probability sampling. A sampling method in which it is not known that which individual from the population will be chosen as a sample, is called nonprobability sampling.
2. The basis of probability sampling is randomization or chance, so it is also known as Random sampling. On the contrary, in non-probability sampling randomization technique is not applied for selecting a sample. Hence it is considered as Non-random sampling.



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3. In probability sampling, the sampler chooses the representative to be part of the sample randomly, whereas, in non-probability sampling, the subject is chosen arbitrarily, to belong to the sample by the researcher.
4. The chances of selection in probability sampling, are fixed and known. As opposed to non-probability sampling, the selection probability is zero, i.e. it is neither specified nor known.
5. Probability sampling is used when the research is conclusive in nature. On the other hand, when the research is exploratory, nonprobability sampling should be used.
6. The results generated by probability sampling, are free from bias while the results of non-probability sampling are more or less biased.
7. As the subjects are selected randomly by the researcher in probability sampling, so the extent to which it represents the whole population is higher as compared to the nonprobability sampling. That is why extrapolation of results to the entire population is possible in the probability sampling but not in non-probability sampling.
8. Probability sampling test hypothesis but non probability sampling generates it.

Data Collection tool questionnaire :

Depending on research type, methods for data collection include: documents review, observation, questioning, measuring, or a combination of different methods. A questionnaire is a research instrument consisting of a series of questions and other prompts for the purpose of gathering information from respondents.

A questionnaire is a research instrument consisting of a series of questions (or other types of prompts) for the purpose of gathering information from respondents. The questionnaire was invented by the Statistical Society of London in 1838. Although questionnaires are often designed for statistical analysis of the responses, this is not always the case.

Questionnaires have advantages over some other types of surveys in that they are cheap, do not require as much effort from the questioner as verbal or telephone surveys, and often have standardized answers that make it simple to compile data.



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However, such standardized answers may frustrate users. Questionnaires are also sharply limited by the fact that respondents must be able to read the questions and respond to them. Thus, for some demographic groups conducting a survey by questionnaire may not be concrete.

Basic rules for questionnaire item construction

- Think of having an "open" answer category after a list of possible answers.
- Use only one aspect of the construct you are interested in per item.
- Use positive statements and avoid negatives or double negatives.
- Do not make assumptions about the respondent.
- Use clear and comprehensible wording, easily understandable for all educational levels
- Use correct spelling, grammar and punctuation.
- Avoid items that contain more than one question per item (e.g. Do you like strawberries and potatoes?).
- Question should not be biased or even leading the participant towards an answer. •Use statements which are interpreted in the same way by members of different subpopulations of the population of interest.
- Use statements where persons that have different opinions or traits will give different answers.

1. Questionnaire Design Process

Definition: Questionnaire: is a systematic, data collection technique consists of a series of questions required to be answered by the respondents to identify their attitude, experience, and behavior towards the subject of research.

One of the most critical parts of the survey is the creation of questions that must be framed in such a way that it results in obtaining the desired information from the respondents. There are no scientific principles that assure an ideal questionnaire and in fact, the questionnaire design is the skill which is learned through experience.



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Questionnaire Design Process

The following steps are involved in the questionnaire design process:

1. **Specify the Information Needed:** The first and the foremost step in designing the questionnaire is to specify the information needed from the respondents such that the objective of the survey is fulfilled. The researcher must completely review the components of the problem, particularly the hypothesis, research questions, and the information needed.
2. **Define the Target Respondent:** At the very outset, the researcher must identify the target respondent from whom the information is to be collected. The questions must be designed keeping in mind the type of respondents under study. Such as, the questions that are appropriate for serviceman might not be appropriate for a businessman. The less diversified respondent group shall be selected because the more diversified the group is, the more difficult it will be to design a single questionnaire that is appropriate for the entire group.
3. **Specify the type of Interviewing Method:** The next step is to identify the **way in which the respondents are reached**. In personal interviews, the respondent is presented with a questionnaire and interacts face-to-face with the interviewer. Thus, lengthy, complex and varied questions can be asked using the personal interview method. In telephone interviews, the respondent is required to give answers to the questions over the telephone. Here the respondent cannot see the questionnaire and hence this method restricts the use of small, simple and precise questions.

The questionnaire can be sent through mail or post. It should be self-explanatory and contain all the important information such that the respondent is able to understand every question and gives a complete response. The electronic questionnaires are sent directly to the mail ids of the respondents and are required to give answers online.

4. **Determine the Content of Individual Questions:** Once the information needed is specified and the interviewing methods are determined, the next step is to decide the content of the question. The researcher



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must decide on what should be included in the question such that it contribute to the information needed or serve some specific purpose.

In some situations, the indirect questions which are not directly related to the information needed may be asked. It is useful to ask neutral questions at the beginning of a questionnaire with intent to establish respondent's involvement and rapport. This is mainly done when the subject of a questionnaire is sensitive or controversial. The researcher must try to avoid the use of **double-barreled questions**. A question that talks about two issues simultaneously, such as Is the Real juice tasty and a refreshing health drink?

5. **Overcome Respondent's Inability and Unwillingness to Answer:** The researcher should not presume that the respondent can provide accurate responses to all the questions. He must attempt to overcome the respondent's inability to answer. The questions must be designed in a simple and easy language such that it is easily understood by each respondent. In situations, where the respondent is not at all informed about the topic of interest, then the researcher may ask the **filter questions**, an initial question asked in the questionnaire to identify the prospective respondents to ensure that they fulfil the requirements of the sample.

Despite being able to answer the question, the respondent is unwilling to devote time in providing information. The researcher must attempt to understand the reason behind such unwillingness and design the questionnaire in such a way that it helps in retaining the respondent's attention.

6. **Decide on the Question Structure:** The researcher must decide on the structure of questions to be included in the questionnaire. The question can be structured or unstructured. The **unstructured questions are the open-ended questions** which are answered by the respondents in their own words. These questions are also called as a **free-response** or **free-answer questions**.

While, the **structured questions are called as closed-ended questions** that pre-specify the response alternatives. These questions could be a multiple choice question, dichotomous (yes or no) or a scale.



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7. **Determine the Question Wording:** The desired question content and structure must be translated into **words which are easily understood** by the respondents. At this step, the researcher must translate the questions in easy words such that the information received from the respondents is similar to what was intended.
In case the question is written poorly, then the respondent might refuse to answer it or might give a wrong answer. In case, the respondent is reluctant to give answers, then “**nonresponse**” arises which increases the complexity of data analysis. On the other hand, if the wrong information is given, then “ **response error**” arises due to which the result is biased.
8. **Determine the Order of Questions:** At this step, the researcher must decide the **sequence in which the questions are to be asked**. The opening questions are crucial in establishing respondent’s involvement and rapport, and therefore, these questions must be interesting, non-threatening and easy. Usually, the **open-ended questions** which ask respondents for their opinions are considered as good opening questions, because people like to express their opinions.
9. **Identify the Form and Layout:** The **format, positioning and spacing** of questions has a significant effect on the results. The layout of a questionnaire is specifically important for the self-administered questionnaires. The questionnaires must be divided into several parts, and each part shall be numbered accurately to clearly define the branches of a question.
10. **Reproduction of Questionnaire:** Here, we talk about the **appearance of the questionnaire**, i.e. the quality of paper on which the questionnaire is either written or printed. In case, the questionnaire is reproduced on a poor-quality paper; then the respondent might feel the research is unimportant due to which the quality of response gets adversely affected.

Thus, it is recommended to reproduce the questionnaire on a good-quality paper having a professional appearance. In case, the questionnaire has several pages, then it should be presented in the form of a booklet rather than the sheets clipped or stapled together.

11. **Pretesting:** Pretesting means **testing the questionnaires on a few selected respondents**



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or a small sample of actual respondents with a purpose of improving the questionnaire by identifying and eliminating the potential problems. All the aspects of the questionnaire must be tested such as question content, structure, wording, sequence, form and layout, instructions, and question difficulty. The researcher must ensure that the respondents in the pretest should be similar to those who are to be finally surveyed. Thus, the questionnaire design is a multistage process that requires the researcher's attention to many details.

WHAT ARE DIFFERENT TYPES OF QUESTIONNAIRES

Questionnaires are commonly used to gather first-hand information from a large audience, in the form of a survey. There are different types of questionnaires in practice and the type of questionnaire to be used usually depends on the purpose of the survey and the type of data that has to be collected.

Questionnaires are highly practical and can be carried out by any number of people, and the results can be quickly quantified as well. Over the years, this form of conducting research has also been proven to be more scientifically accurate, as compared to other quantitative research tools.

Let's examine the various types of questionnaires.

Questionnaire Formats

Depending upon the nature of the questions in a questionnaire, there can be different types of questions in questionnaire -

1. Questions in Open Ended Format

Questions that allow the target audience to voice their feelings and notions freely are called open- format questions or open-ended questions. These questions are not based on pre-determined responses, giving respondents an opportunity to express what they feel is right, and often provide real, perceptual, and at times, startling proposals. Open-ended questions placed at the end of a questionnaire tend to draw accurate feedback and suggestions from respondents as well.



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How often do you visit the zoo?

- 1 – Never
- 2 – Rarely
- 3 – Sometimes
- 4 – Often
- 5 – Always

What are you planning to buy from the supermarket today?

2. Questions in Closed Ended Format

Questions which have multiple options as answers and allow respondents to select a single option from amongst them are called closed-format or closed-ended questions. This type of questionnaire is especially useful when conducting preliminary analysis. As a fixed answer set is provided, these are ideal for calculation of statistical information and percentages of various types. Closed -ended questions help to arrive at opinions about a product or service, and sometimes, about a company, in a more efficient manner.

7 Types of Closed Format Questions

Closed-ended questions which are aimed at collecting accurate statistical data can be classified into the following seven types:

i. Leading Questions

A question forcing the target audience to opt for a specific kind of answer is called a leading question. All answers for a leading question are almost similar. Leading questions are usually prepared to derive audience opinion within a set of limited words.



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What do you think of the horrible effects of pollution?

ii. Importance Questions

Questions which ask respondents to rate the importance of some specific matter on a rating scale of 1 to 5 are called importance questions. Such questions facilitate drawing what respondents consider significant - enabling vital business decision-making.

How do you rate our services?

- 1 – Extremely helpful
- 2 – Very helpful
- 3 – Somewhat helpful
- 4 – Not very helpful
- 5 – Not at all helpful

iii. Likert Questions

The degree to which respondents agree to a specific statement can be ascertained using Likert questions. Customers' feelings about a topic, product or service can be easily gauged by asking them these questions.

iv. Dichotomous Questions

Questions that make respondents answer with a simple "yes" or "no" are called dichotomous questions. These questions carry one disadvantage-there is no other way of analyzing the answer between a "yes" and "no". A middle perspective is not possible.



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How often do you visit the zoo?

- 1 – Never
- 2 – Rarely
- 3 – Sometimes
- 4 – Often
- 5 – Always

Do you think that number of branches available for our bank is adequate?

- Yes
- No

v. Bipolar Questions

Questions that have two answers with different levels of extremities, written at opposite ends of a scale, are called bipolar questions. Respondents have to mark their response anywhere between these two extremities, showing their opinion.

What is your preference for the following?

I like
going
for walks

[]

[]

[]

[]

I like
watching
a movie

vi. Rating Scale Questions

Questions that ask respondents to provide a rating on a specific matter on a scale of 1 to 10 or on a scale of "poor" to "good" are called rating scale questions. Normally, these questions have an even number of choices, so as to prevent respondents to choose a middle way out.



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vii. Buying Propensity Questions

These are aimed at assessing customers' future intentions, determining their propensity toward buying a specific product or service. Buying propensity questions help marketers to understand the needs of customers and the probability of their buying a certain product or a service.

If our devices support wireless charging, would you think about buying it?

- 1 – Definitely
- 2 – Probably
- 3 – Probably not
- 4 – Not sure
- 5 – Definitely not

3. Other Types of Questionnaires

Apart from the above-mentioned two broad classifications there are two more types which are rarely used in practice, namely; Mixed Questionnaire and Pictorial Questionnaire.

- **Mixed questionnaires** consist of closed as well as open-ended questions. These are normally used in the field of social research

As part of your business travels, have you ever travelled to one of the following countries? If none, select “none of the above”

- 1 – Australia
- 2 – USA
- 3 – Turkey
- 4 – Other (Please Specify)
- 5 – None of the above



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- **Pictorial questionnaire** on the other hand is used in promotion of interest to answer questions. These are mostly used as study material for children

For most days of the past 1 month:

Sample What have you been eating most?



	
Soup <input type="checkbox"/>	Sausage <input type="checkbox"/>
	
Ice Cream <input type="checkbox"/>	Fruit <input type="checkbox"/>

Questions to Avoid in a Questionnaire

It is advisable to avoid certain types of questions while preparing a questionnaire, such as:

- **Hypothetical Questions:** Questions with misleading speculation and fantasy should be avoided
- **Embarrassing Questions:** Making respondents feel uncomfortable by asking details about personal or private issues which in turn can lead to losing trust
- **Extreme Positive / Negative Questions:** Care must be taken in designing a question to avoid hard positive or negative overtones



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Secondary data collection methods in Research

Secondary data means data that are already available i.e., they refer to the data which have already been collected and analysed by someone else. When the researcher utilises secondary data, then he has to look into various sources from where he can obtain them. In this case he is certainly not confronted with the problems that are usually associated with the collection of original data. Secondary data may either be published data or unpublished data.

Usually published data are available in:

- (a) various publications of the central, state and local governments;
- (b) various publications of foreign governments or of international bodies and their subsidiary organisations;
- (c) technical and trade journals;
- (d) books, magazines and newspapers;
- (e) reports and publications of various associations connected with business and industry, banks, stock exchanges, etc.;
- (f) reports prepared by research scholars, universities, economists, etc. in different fields; and
- (g) public records and statistics, historical documents, and other sources of published information. The sources of unpublished data are many; they may be found in diaries, letters, unpublished biographies and autobiographies and also may be available with scholars and research workers, trade associations, labour bureaus and other public/private individuals and organizations.

Secondary data collection in Research Methodology

Researcher must be very careful in using secondary data. He must make a minute scrutiny because it is just possible that the secondary data may be unsuitable or may be inadequate in the context of the problem which the researcher wants to study. In this connection Dr. A.L. Bowley very aptly observes that it is never safe to take published



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statistics at their face value without knowing their meaning and limitations and it is always necessary to criticise arguments that can be based on them.

Secondary data are the data collected by a party not related to the research study but collected these data for some other purpose and at different time in the past. If the researcher uses these data then these become secondary data for the current users. These may be available in written, typed or in electronic forms. A variety of secondary information sources is available to the researcher gathering data on an industry, potential product applications and the market place. Secondary data is also used to gain initial insight into the research problem. Secondary data is classified in terms of its source – either internal or external. Internal, or in-house data, is secondary information acquired within the organization where research is being carried out. External secondary data is obtained from outside sources. There are various advantages and disadvantages of using secondary data.

(i) **Advantages of Secondary Data:**

Advantages of secondary data are following:

- The primary advantage of secondary data is that it is cheaper and faster to access.
- Secondly, it provides a way to access the work of the best scholars all over the world.
- Thirdly, secondary data gives a frame of mind to the researcher that in which direction he/she should go for the specific research.
- Fourthly secondary data save time, efforts and money and add to the value of the research study.

(ii) **Disadvantages of Secondary data:** Following are the disadvantage of secondary data: •

The data collected by the third party may not be a reliable party so the reliability and accuracy of data go down.

- Data collected in one location may not be suitable for the other one due variable environmental factor.
- With the passage of time the data becomes obsolete and very old
- Secondary data collected can distort the results of the research. For using secondary data a special care is required to amend or modify for use.
- Secondary data can also raise issues of authenticity and copyright. Keeping in view the advantages and disadvantages of sources of data requirement of the



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research study and time factor, both sources of data i.e. primary and secondary data have.

Following are characteristics of Secondary data:

- 1. Reliability of data:** The reliability can be tested by finding out such things about the said data: (a) Who collected the data? (b) What were the sources of data? (c) Were they collected by using proper methods
(d) At what time were they collected?(e) Was there any bias of the compiler? (t) What level of accuracy was desired? Was it achieved ?
- 2. Suitability of data:** The data that are suitable for one enquiry may not necessarily be found suitable in another enquiry. Hence, if the available data are found to be unsuitable, they should not be used by the researcher. In this context, the researcher must very carefully scrutinise the definition of various terms and units of collection used at the time of collecting the data from the primary source originally. Similarly, the object, scope and nature of the original enquiry must also be studied. If the researcher finds differences in these, the data will remain unsuitable for the present enquiry and should not be used.
- 3. Adequacy of data:** If the level of accuracy achieved in data is found inadequate for the purpose of the present enquiry, they will be considered as inadequate and should not be used by the researcher. The data will also be considered inadequate, if they are related to an area which may be either narrower or wider than the area of present inquiry. From all this we can say that it is very risky to use the already available data. The already available data should be used by the researcher only when he finds them reliable, suitable and adequate. But he should not blindly discard the use of such data if they are readily available from authentic sources and are also suitable and adequate for in that case it will not be economical to spend time and energy in field surveys for collecting information. At times, there may be wealth of usable information in the already available data which must be used by an intelligent researcher but with due precaution.



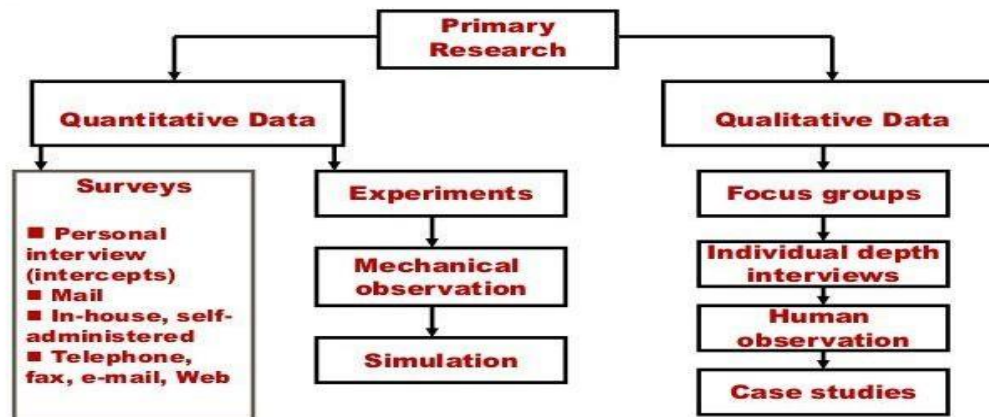
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Primary Research Methods & Techniques



Primary Data: Primary data are information collected by a researcher specifically for a research assignment. In other words, primary data are information that a company must gather because no one has compiled and published the information in a forum accessible to the public. Companies generally take the time and allocate the resources required to gather & primary data only when a question, issue or problem presents itself that is sufficiently important or unique that it warrants the expenditure necessary to gather the primary data. Primary data are original in nature and directly related to the issue or problem and current data. Primary data are the data which the researcher collects through various methods like interviews, surveys, questionnaires etc. The primary data have own advantages and disadvantages:

- (i) **Advantages of primary data:** Advantages of primary data are as follows:
- The primary data are original and relevant to the topic of the research study so the degree of accuracy is very high.
 - Primary data is that it can be collected from a number of ways like interviews, telephone surveys, focus groups etc. It can be also collected across the national borders through emails and posts. It can include a



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large population and wide geographical coverage. • Moreover, primary data is current and it can better give a realistic view to the researcher about the topic under consideration. • Reliability of primary data is very high because these are collected by the concerned and reliable party.

(ii) Disadvantages of primary data: Following are the disadvantages of primary data: • For collection of primary data where interview is to be conducted the coverage is limited and for wider coverage a more number of researchers are required. • A lot of time and efforts are required for data collection. By the time the data collected, analysed and report is ready the problem of the research becomes very serious or out dated. So the purpose of the research may be defeated. • It has design problems like how to design the surveys. The questions must be simple to understand and respond. • Some respondents do not give timely responses. Sometimes, the respondents may give fake, socially acceptable and sweet answers and try to cover up the realities.

• With more people, time and efforts involvement the cost of the data collection goes high. The importance of the research may go down. • In some primary data collection methods there is no control over the data collection. Incomplete questionnaire always give a negative impact on research. • Trained persons are required for data collection. In experienced person in data collection may give inadequate data of the research.

Marketing Information System

Definition: The **Marketing Information System** refers to the systematic collection, analysis, interpretation, storage and dissemination of the market information, from both the internal and external sources, to the marketers on a regular, continuous basis.

The marketing information system distributes the relevant information to the marketers who can make the efficient decisions related to the marketing operations viz. Pricing, packaging, new product development, distribution, media, promotion, etc.



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Every marketing operation works in unison with the conditions prevailing both inside and outside the organization, and, therefore, there are several sources (viz. Internal, Marketing Intelligence, Marketing Research) through which the relevant information about the market can be obtained.

Components of Marketing Information System



1. **Internal Records:** The Company can collect information through its internal records comprising of sales data, customer database, product database, financial data, operations data, etc. The detailed explanation of the internal sources of data is given below:

- The information can be collected from the documents such as invoices, transmit copies, billing documents prepared by the firms once they receive the order for the goods and services from the customers, dealers or the sales representatives.
- The current sales data should be maintained on a regular basis that serves as an aide to a the Marketing Information System. The reports on current sales and the inventory levels help the management to decide on its objectives, and the marketers can make use of this information to design their future sales strategy.
- The Companies maintain several databases such as*Customer Database- wherein the complete information about the customer’s name, address, phone number, the



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frequency of purchase, financial position, etc. is saved.

*Product Database- wherein the complete information about the product's price, features, variants, is stored.

*Salesperson database, wherein the complete information about the salesperson, his name, address, phone number, sales target, etc. is saved.

- The companies store their data in the data warehouse from where the data can be retrieved anytime the need arises. Once the data is stored, the statistical experts mine it by applying several computer software and techniques to convert it into meaningful information that gives facts and figures.

Marketing Intelligence System: The marketing intelligence system provides the data about the happenings in the market, i.e. data related to the marketing environment which is external to the organization. It includes the information about the changing market trends, competitor's pricing strategy, change in the customer's tastes and preferences, new products launched in the market, promotion strategy of the competitor, etc.

In order to have an efficient marketing Information System, the companies should work aggressively to improve the marketing intelligence system by taking the following steps:

- Providing the proper training and motivating the sales force to keep a check on the market trends, i.e. the change in the tastes and preferences of customers and give suggestions on the improvements, if any.
- Motivating the channel partners viz. Dealer, distributors, retailers who are in the actual market to provide the relevant and necessary information about the customers and the competitors.
- The companies can also improve their marketing intelligence system by getting more and more information about the competitors. This can be done either by purchasing the competitor's product, attending the trade shows, reading the competitor's published articles in magazines, journals, financial reports.
- The companies can have an efficient marketing information system by involving the



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loyal customers in the customer advisory panel who can share their experiences and give advice to the new potential customers.

- The companies can make use of the government data to improve its marketing Information system. The data can be related to the population trends, demographic characteristics, agricultural production, etc. that help an organization to plan its marketing operations accordingly.
- Also, the companies can purchase the information about the marketing environment from the research companies who carry out the researches on all the players in the market.
- The Marketing Intelligence system can be further improved by asking the customers directly about their experience with the product or service via feedback forms that can be filled online.

2. **Marketing Research:** The Marketing Research is the systematic collection, organization, analysis and interpretation of the primary or the secondary data to find out the solutions to the marketing problems. Several Companies conduct marketing research to analyze the marketing environment comprising of changes in the customer's tastes and preferences, competitor's strategies, the scope of new product launch, etc. by applying several statistical tools. In order to conduct the market research, the data is to be collected that can be either primary data (the first-hand data) or the secondary data (second-hand data, available in books, magazines, research reports, journals, etc.)

The secondary data are publicly available, but the primary data is to be collected by the researcher through certain methods such as questionnaires, personal interviews, surveys, seminars, etc.

A marketing research contributes a lot in the marketing information system as it provides the factual data that has been tested several times by the researchers.

3. **Marketing Decision Support System:** It includes several software programs that can be used by the marketers to analyze the data, collected so far, to take better marketing decisions. With the use of computers, the marketing managers can save the huge data in a tabular form and can apply statistical programs to analyze the data and make the



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decisions in line with the findings.

Thus, the marketers need to keep a check on the marketing environment, i.e. both the internal (within the organization) and the external (outside the organization, so that marketing policies, procedures, strategies can be designed accordingly.

Research Report: Introduction, Definition and Report Format

“Research report is a research document that contains basic aspects of the research project”.

Introduction: Mostly, research work is presented in a written form. The practical utility of research study depends heavily on the way it is presented to those who are expected to act on the basis of research findings. Research report is a written document containing key aspects of research project.

Research report is a medium to communicate research work with relevant people. It is also a good source of preservation of research work for the future reference. Many times, research findings are not followed because of improper presentation. Preparation of research report is not an easy task. It is an art. It requires a good deal of knowledge, imagination, experience, and expertise. It demands a considerable time and money.

Definitions:

1. In simple words:

Research report is the systematic, articulate, and orderly presentation of research work in a written form.

2. We can also define the term as:

Research report is a research document that contains basic aspects of the research project.

3. In the same way, we can say:



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Research report is the systematic, articulate, and orderly presentation of research work in a written form.

2. We can also define the term as:

Research report is a research document that contains basic aspects of the research project.

3. In the same way, we can say:

- (i) Cover page
- (ii) Title page
- (iii) Certificate or statement
- (iv) Index (brief contents)
- v) Table of contents (detailed index)
- (vi) Acknowledgement
- (vii) List of tables and figures used
- (viii) Preface/forwarding/introduction
- (ix) Summary report

II. Main Report (Central Part of Report):

- (i) Statement of objectives
- (ii) Methodology and research design
- (iii) Types of data and its sources
- (iv) Sampling decisions
- (v) Data collection methods
- (vi) Data collection tools
- (vii) Fieldwork
- (viii) Analysis and interpretation (including tables, charts, figures, etc.)
- (ix) Findings
- (x) Limitations
- (xi) Conclusions and recommendations
- (xii) Any other relevant detail

III. Appendix (Additional Details):

- (i) Copies of forms used



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- (ii) Tables not included in findings
- (iii) A copy of questionnaire
- (iv) Detail of sampling and rate of response
- (v) Statement of expenses
- (vi) Bibliography – list of books, magazines, journals, and other reports
- (vii) Any other relevant information

Key Considerations/Factors:

While preparing research report, following issues must be considered:

- (i) Objectives
- (ii) Type of problem/subject
- (iii) Nature and type of research
- (iv) Audience or users of research work
- (v) Size of report
- (vi) Form of writing – handwritten, typed, or computerized.
- (vii) Time and cost
- (viii) Language
- (ix) Contents of report
- (x) Order of contents
- (xi) Number of copies
- (xii) Format – type and size of paper; lengths width, and depth of report; and pattern of writing including paragraph, indent, numbering, font size and type, colouring, etc.
Binding (for soft, and, particularly, for hard copy) – type, quality of material, colour, etc., related issues



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Unit-2 Managing Advertising

Advertising

Definition:

- Advertising is a means of communication with the users of a product or service. Advertisements are messages paid for by those who send them and are intended to inform or influence people who receive them, as defined by the Advertising Association of the UK.
- Advertising is the action of calling public attention to an idea, good, or service through paid announcements by an identified sponsor.
- According to Kotler –Advertising is any paid form of non-personal presentation & promotion of ideas, goods, or services by an identified sponsor.
- A simpler (and modern) definition of advertising can be – A paid communication message intended to inform people about something or to influence them to buy or try something.

Explanation of Concept:

- Advertising is always present, though people may not be aware of it. In today's world, advertising uses every possible media to get its message through.
- It does this via television, print (newspapers, magazines, journals etc), radio, press, internet, direct selling, hoardings, mailers, contests, sponsorships, posters, clothes, events, colours, sounds, visuals and even people (endorsements).

Characteristics Of Advertising

1. **Paid Form:** Advertising requires the advertiser (also called sponsor) to pay to create an advertising message, to buy advertising media slot, and to monitor advertising efforts.



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2. **Tool For Promotion:** Advertising is an element of the promotion mix of an organization.
3. **One Way Communication:** Advertising is a one-way communication where brands communicate to the customers through different mediums.
4. **Personal Or Non-Personal:** Advertising can be non-personal as in the case of TV, radio, or newspaper advertisements, or highly personal as in the case of social media and other cookie-based advertisements.

Objectives Of Advertising

There are 3 main objectives of advertising. These are:

To Inform

Advertisements are used to increase brand awareness and brand exposure in the target market. Informing potential customers about the brand and its products is the first step towards attaining business goals

To Persuade

Persuading customers to perform a particular task is a prominent objective of advertising. The tasks may involve buying or trying the products and services offered, to form a brand image, develop a favourable attitude towards the brand etc.

To Remind

Another objective of advertising is to reinforce the brand message and to reassure the existing and potential customers about the brand vision. Advertising helps the brand to maintain top of mind awareness and to avoid competitors stealing the customers. This also helps in the word of mouth marketing.

Other objectives of advertising are subsets of these three objectives. These subsets are:

- Brand Building
- Increasing Sales
- Creating Demand
- Engagement
- Expanding Customer Base



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- Changing Customers' attitudes, etc.

5 M's of Advertising :



Advertising Message / Advertising Development Process (With Diagram):

Message means a lesson or central idea of advertising. Message is also referred as the theme or appeal. The theme is the basic idea regarding products while the appeal is the systematical way to express the theme. However – more or less – advertising message, theme, and appeal are taken as same.

The message is something that advertiser wants to convey the market. Message must be such that makes the viewers or readers to try and/or buy the products. Message or theme has different types of appeals like fear appeal, emotion appeal, beauty appeal, confidence or distinction appeal, economy appeal, health appeal, personality and image appeal, etc.

In short, an advertising message must touch needs, emotions, and attitudes of customers. Mostly, the message expresses major benefits the product offers. It shows superiority of company's product among the products of close competitors. Creativity plays an important role in advertising message. Advertisements differ in terms of the messages they carry with. It is the powerful factor determining effectiveness of overall advertising programme.



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Message must fulfill certain conditions:

- Message must be attractive.
- It must be suggestive.
- It must be appealing or motivating.
- It must fulfill legal and social conditions.
- It must be convincing.
- It must be memorable.
- It must indicate major benefits of products, etc.

Process of Developing Advertising Message:

Philip Kotler suggests four steps to develop an advertising message. Figure 3 shows the process of developing advertising message.



Figure 3: Advertising Message Development Process

1. Message Generation:

In the first stage, the advertiser has to think about what he wants to appeal the market. He tries to generate as many as possible advertising themes/messages. Message creation involves discovering the key benefits a product offers.

Sometimes, a marketer has to change benefits without changing the product when consumers seek new or different benefits. Marketer can talk to consumers, dealers, experts, or competitors directly or indirectly to prepare the themes.



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However, consumers are the major source of new ideas. Their views about strengths and shortcomings of existing products elicit clues to create the messages. Care should be taken to avoid irrationality and exaggeration.

2. Message Evaluation and Selection:

The second step calls for evaluating the alternative messages. A good message must focus the basic aspects of product. While evaluating different messages, desirability, exclusiveness, believability, attractiveness, etc., criteria should be considered. In order to find out which appeal is the most effective, a marketer often conducts marketing research. Message should be evaluated from the viewpoint of customers. It must be selected in light of basic characteristics of the target market. In short, the most suitable or impressive message should be selected.

3. Message Execution:

It is a challenging task. The message is the central idea/theme an advertiser wants to convey about the product. The impact of advertising message largely depends on how it is expressed. That is, “what is said” is not only important, but “how it is said.” It may be positioned rationally or emotionally. Indian advertising messages are more emotional than rational.

They express indirect benefits. Style, colour, getup, association, etc., are used to influence feeling of buyers. The message is executed in such way that consumers are made feel that the company offers products for their well-being or welfare.

Use of word, slogan, style, tone, and so on makes advertising appeal attractive and effective. For effective execution, the choice of headlines, style, slogan, and so forth are important. Hero Honda, Hyundai, Raymond, Samsung, TVS, etc., have the impressive strategy to execute the message.

Message execution includes the use of following aspects:

- i. Styles
- ii. Tone
- iii. Words



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Style:

Style indicates method, approach, or manner. It has an important role in message execution.

Some styles used for executing the message have been listed as:

(a) Slice of life:

It shows one or more persons using the product in a normal setting, or a family seated at the dinner table might express satisfaction with the product. It is common in edible items like edible oil, ice-cream, rice, tea, or masala (spices).

(b) Life style:

It shows how the product suits or fits with a life style. It is commonly used for whiskey, cold drinks, cigarettes, clothing, shoes, etc. Message carries the personality appeal.

(c) Fantasy:

It consists of creating a fantasy around the product or its use. Perfumes, bathing soaps, beauty creams, goggles, hair oils, etc., use fantasy style.

(d) Mood, Image, or Love:

The message is executed showing product's contribution to enhance mood, improve image or indicate love and affection. The message creates mood or image around the products. Healthcare, car, motorbike, toilet soap, cigarette, energy foods, and similar products use this style.

(e) Music:

Music is the most common style to execute the message. Here, background music is used, or one or more persons or cartoon characters are shown singing a song with musical effect about/with products. It is commonly used in many products like chocolates, toys, cold drinks, motorbikes, and so forth.

(f) Personality Symbols:

Attempts are made to associate the product with popular personality. Popular people like film stars, cricketers, musicians, political heroes, etc., are shown using of or appealing for the products.



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(g) Technical Expertise:

It shows technical excellence, expertise, and experience of the manufacturers. Along with products, the technical staff, plants, materials, and other related aspects are highlighted. Technical expertise helps build customers confidence on product or brand.

(h) Scientific Evidence:

Scientific evidences or results of survey are linked with the products. Friendly Wash Chemicals, Colgate, and many other pharmaceutical and energy food companies use scientific evidences to reinforce their appeals.

(i) Testimonials Evidence:

Testimonials evidences are commonly used in advertising message execution. To convince the customers, testimonials, awards, certificates, government recommendation, etc., are produced with the products. For example, along with products ISI or ISO certificates are highlighted.

Tone:

Tone the means use of impressive sound with musical effect. Company sets tone for its advertisement for different appeals. Tone may be in forms of humor, fear, emotion, error, etc. In most of TV advertisements, we find tones. Tone indirectly forces or kicks the customers to try or buy the product.

Words:

Impressive words or slogans are widely used in written, oral, and audiovisual advertisements. Words used are memorable and attention-catching. Words must be meaningful and attractive to draw the attention of the audience.

They are placed on headlines. Words help recognizing products. For example, Virat Compressive Strength by Ambuja Cement; Dam Hai by Kinetic Boss; Des ki Dhadkan by Hero Honda, Hamara Bajaj by Bajaj Auto; Thanda Matab Coca- Cola by Coco-Cola Company, etc., are famous words or slogans used to execute the message.

Step-4 Message Format:

Company must care for the format of message. Format simply means arrangement of various items of the advertising message. Systematic format increases impression and reduces costs.



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Thus, a message format mainly includes arranging or designing all message-related items, such as ad size, colour, illustration, words, slogan, pictures, figure, and the order of these items.

Message Social Responsibility Review:

Advertiser must care for social responsibility. While preparing and executing the message, care should be taken that legal and social norms must not be violated. Message must be truthful or claim must be honest. Words, slogans, and picture used must not be erotic, false, misleading, materialistic, exciting communal sentiments, etc.

In short, a message must comply with the contemporary legal and social norms, that is, it must be free from legal constraints and social resistance. Many countries including India have formulated and implemented a number of statutory provisions to safeguard interest of consumers and society in general. Knowledge of relevant legal provisions and social norms, values, and traditions seems to be important to prepare and execute a non-controversial ad message.

Advertising Copy

An advertising copy is a term used to describe the main text used in the advertisement. The text could be a dialogue, a catchy punch line or a company's dictum.

It is a print, radio or TV advertising message that aims at developing and retaining an interest of the target customer and prompting him to purchase the product within a couple of seconds. According to the UK advertising guru, David Ogilvy, 'people do read lengthy advertisements if they are skillfully written'. The most significant part of the copy is the headline, and sometimes even a small shift in the text brings magnanimous results. A short ad copy is the most popular in consumer-product advertising, or an artful, indigenous lengthy ad copy may work wonders too. An advertisement copy is mostly a result of extensive advertising and consumer research designed by professional copywriter's employees by advertising agencies. Drafting an ad copy demands skill and effort. An ad copy involves a complete investigation of the target audience. There is a substantial effort that goes into making an ad copy. Companies outsource their ad



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campaigns. The advertisement industry flourishes when they succeed in delivering the advertisement just like its copy.

ESSENTIALS OF A GOOD ADVERTISEMENT COPY

An ad copy is made of various principles, all of which are integrated into a few lines of the copy that the advertisers are allowed to engage. It combines search engine optimisation with marketing strategies and is used in all kinds of advertisements, not only pay per click and contextual ads. The essentials of a good ad copy are as follows:

Credibility- An ad copy must focus on the credibility or the reliability of the ad. The copywriters should essentially flaunt an element of reliability in the ad so that the consumers are convinced to go ahead with the product. The credibility of an advertisement is the extent of honesty in the ad message. Misleading and misinterpreted ads harm the reputation of the selling house.

Attention- The keywords, punch lines or phrases that seize the attention of the potential consumers or some component in the ad that attracts the target audience is essential in a good advertising copy.

Assurance of benefit– An advertisement copy must contain some promise of the benefits that the product offers if the consumer purchases and uses the product.

Brief and clear- An ad copy must be brief and clear, i.e. it must be to the point. It doesn't mean that the copy must omit the important elements of the ad. A clear copy is easy and quick to be read by the readers. It is self-explanatory, definite, and precise. Clarity makes way for interpretation.

Apt and conforming- The copy must be apt and must match the needs of the prospects. A copywriter has to use the most suitable USP. Every ad copy must meet the conforming standards and rules acceptable to the advertising media and the laws of the land. A copy that offends the morality challenges religious beliefs of the people is not welcomed by any media.



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Types Of Advertising Copy

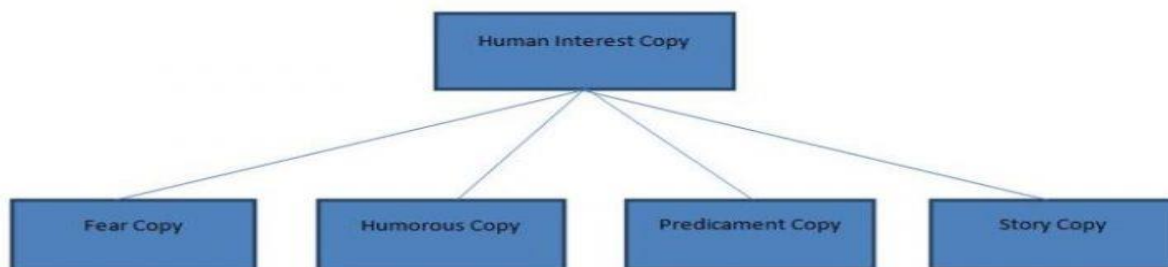
Technique or formula of presentation of an ad is the way in which a message is presented. Various types of advertisement copies are formulated to inform, inspire, influence, affect, engrave, and inscribe the mindset of the reader. Certain elements are significant in a copy like the attention, conviction, sentiment, instinct, and education.

The advertisement copies can be divided into six main types:

- Human interest ad copy
- Educational ad copy
- Reason why? ad copy
- Institutional ad copy
- Suggestive ad copy
- Expository ad copy

Human Interest Copy

Human interest copy entices the emotions and senses of its prospective customers rather than the intellect and judgment. This advertisement copy defines the product to people instead of sticking to facts. Human Interest copy gets to selling part indirectly or reluctantly. It focuses on people's undying interest in themselves, their families and friends. The most important forms of Human Interest Copy are- humorous copy, fear copy, predicament copy, and story copy.



HUMOROUS COPY

Humorous ad copy is a copy which is designed to make the reader laugh. This copy brings about a smile on the readers face.



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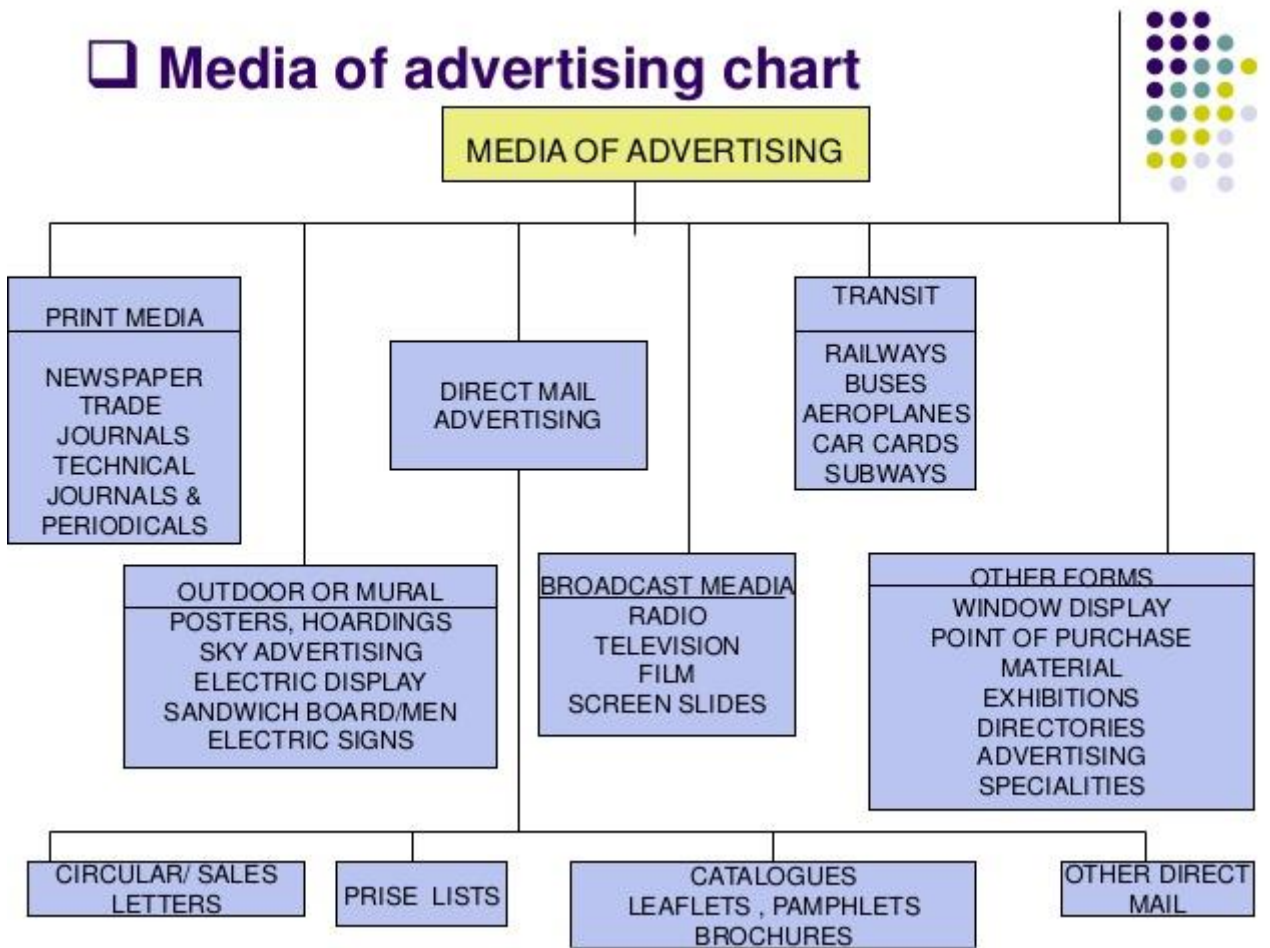
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FEAR COPY

Fear ad copy arouses a sense of fear in the reader to save their lives or to protect themselves from something. It creates interest among its consumers by instilling a sense of fear in them. Fear advertisement copies must be designed carefully as it may carry an unpleasant association on the viewer’s mind concerning the product.

Types Of Advertising Media

Media of advertising chart





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Media simply refers to a vehicle or means of message delivery system to carry an ad message to a targeted audience. Media like TV, Radio, Print, Outdoor and Internet are instruments to convey an advertising message to the public.

The main task of media planners is to select the most appropriate media channels that can effectively communicate the advertising message to a targeted audience. Hence, it is essential for media planners to:

- Keep up with latest media trends
- Keep up with New technological developments
- Determine long and short term effects of different media
- Analyse Strengths and Weaknesses of different media

Factors determining Media selection

- Nature of product
- Market requirements
- Advertising objectives
- Distribution strategy
- Nature of message and appeal
- Advertising Budget
- Competitors choices
- Media availability
- Penetration
- Size and Nature of business

Types of Media / Media Classification

Media can be classified into four types:

- Print Media (Newspapers, Magazines)
- Broadcast Media (TV, Radio)
- Outdoor or Out of Home (OOH) Media
- Internet



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Print Media:

(i) Newspaper

- Newspaper is a major source of information for a large number of readers.
- It may be National or local, daily or weekly newspaper.
- Newspapers allow presentation of detailed messages which can be read at reader's conveyance.
- It allows prompt delivery of detailed coverage of news and other information with interesting features for readers.
- It is a high involvement media as readers are required to devote some effort in reading the message.
- It is available to masses at a very low cost.

Classification of Newspapers

- National Newspapers
- Daily newspapers (Local/Regional)
- Special Audience newspapers

Types of Ads in Newspapers

- **Classified advertisement** – Advertisements arranged according to product or service
- **Display advertisement** – Ads that use illustrations, photos, visual elements, may be National or Local.
- **Special Inserts** – Tender notices, Public notices, Shifting of office etc.
- **Free Standing Insert** – Pre-printed ad inserted in newspapers folds that fall out when the reader opens it and attract immediate attention

Advantages

- Flexibility
- Geographic and language selectivity
- Widespread coverage
- Offers penetration
- Reader involvement
- Cheap media with high frequency
- High repetitive value and quick response



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Disadvantages

- Poor Presentation and Quality
- Short life span
- Limited selectivity with regard to lifestyles
- Hard to reach illiterate and poor peoples

(ii) Magazines

- A Magazine is a specialized advertising media that serves educational, informational, entertainment and other specialized needs of consumers, businesses, and industries.
- A Magazine allows presentation of a detailed ad message along with photos, illustrations, colours etc.
- It is a high involvement media as readers pay a premium price for it and magazines are not dumped after reading.
- Magazines can be classified into Local/Regional/National or Weekly/Monthly/Quarterly Magazines.

Types of Magazines

Consumer magazines – Magazines bought by general public for information and entertainment. It can be used to reach a specific target audience. It may be a –

- General Interest Magazine
- Glamour Magazine
- Film Magazine
- Special Interest Magazine
- Women Lifestyle Magazine

Business Publications – Business magazines includes publications such as trade journals for businesses, industries or occupations. It may be published weekly monthly or quarterly. Generally, readership includes business managers and executives, businessmen, business students etc. It may be categorized into –

- Business Publications
- Professional Publications
- Trade Journals
- Industrial and Institutional Publications



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Advantages

- Long Life
- Better reproduction
- Highly selective, avoids waste of circulation
- Can create image, prestige or reputation
- Reader involvement
- Allows services like `split runs`
- Can reach specialized groups

Disadvantages

- High cost
- Limited reach and frequency
- Long response time
- Low flexibility
- May face competition

Broadcast Media

(i) Television Advertising

- TV is a principal source of information and entertainment for people exposed to mass media.
- It is believed to be the most authoritative, influential, exciting medium for reaching very large audience.
- It combines visual images, sound, motion and colour to achieve viewer's empathy.
- It allows development of creative and imaginative ad messages in a unique way.
- It is considered intrusive in nature as the audience have no control over the nature and pace of advertisements.

Advantages

- Powerful audio-visual media
- Wide coverage with effective cost
- Attention – intrusive in nature
- High selectivity and flexibility



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Disadvantages

- High cost
- Short lived message
- Limited attention by viewers
- Zapping – changing channels
- Zipping – fast-forwarding commercial to avoid commercials
- Intrusive in nature

(ii) Radio

- Radio is a premier mass medium for users and advertisers.
- It has a wide spread reach.
- It delivers the ad message to a large number of people across the length and breadth of a country.
- Commercial broadcasting is undertaken in major cities even rural areas.
- Radio time in India is usually sold in slots of 7, 10, 15, 20 or 30 seconds.
- It is one of the most personal medium and offers selectivity, cost efficiency and flexibility advantages over other media.
- Efficiency of a radio ad depends upon the precision of script, accompanying sounds and level of distortion

According to Rebecca Piirto: “In some ways radio listeners act more like magazine subscribers than television viewers. They tend to listen habitually, at predictable times, to stations with narrowly targeted formats. They are loyal, identifiable and much cheaper to reach than TV audience.”

Advantages

- Wide coverage
- Helps to reach lower income people, illiterate people
- Mental imagery – encourages audience to use imagination
- Offers high selectivity
- Cost efficient
- Flexible



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Disadvantages

- Lack of visual elements
- Short lived message
- Audience fragmentation
- Limited research data
- Clutter – Too many ad messages

Support Media

(i) Outdoor advertising

- It is usually used as a supportive medium by advertisers.
- It includes bill boards, boarding, neon signs posters etc.
- It can generate considerable reach and frequency level at low cost.
- Useful when introducing a new product.
- Helps to remind the customers.
- Helps to generate sales at point of purchase/point of sale.

Advantages

- Point of Place (POP) Advantage
- Geographic flexibility
- Continuity
- Efficient and cheap
- Flexible and Creative impact

Disadvantages

- Limited message
- Wastage in terms of coverage
- Limited effectiveness
- Message fades due to over exposure over time
- Public criticism



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(ii) Transit Advertising

- Uses billboards, neon signs and electronic messages.
- It is targeted at users of various modes of transportation.
- Advertising rates depend on the amount of traffic which passes every day.

Advantages

- Long exposure
- Exposure frequency
- Geographic selectivity
- Low cost

Disadvantages

- Waste coverage
- Creative limitations
- Audience mood
- Image of advertiser – effect is difficult to measure
- Brief message

(iii) Cinema and Video Advertising

- Cinema is a popular source of entertainment comprising of audience from all classes and socio-economic groups of society.
- Films are watched by a significant number of people everyday.
- It involves use of cinema halls and video tapes to deliver the ad message.
- Commercials are shown before films and previews carrying ad message.
- Advertisers may prepare a presentation for projection or 35mm ad films based on a script.
- Similar to TV, it also combines sight, sound, colour and movement to deliver a creative message.
- Video rentals include messages by local advertisers.
- Advertisement can also be displayed by cable operators.

Advantages

- Large exposure



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- Audience mood
- Selectivity
- Recall
- Lack of clutter

Disadvantages

- Audience irritation
- Limited reach
- Limited frequency

Internet

- Internet is a worldwide medium that provides means of exchanging information through a series of interconnected computers.
- It is a rapidly growing medium of advertising.
- It is a future medium which offers limitless advertising opportunities.
- It involves use of world wide web to showcase a website or e-commerce portal to the world.
- Advertising through internet involves email marketing, social media marketing, online ads and mobile marketing.
- It provides a sophisticated graphic user interface to users.
- It is accessible to anyone with a computer and broadband connection.

Type of Internet Advertisements

- Websites – Online Brochure of product/services, Virtual Office
- Ad buttons – Icons which provide link to advertiser`s website
- Ad banners – Creative & Dynamic Display ads
- Sponsorship – Companies sponsor bloggers to write about them.
- Classified ads – Similar to newspaper ads
- E-mail – Electronic mails carrying ad message



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Advantages

- Interactive medium
- Global medium
- Generates immediate response
- Provides high selectivity and flexibility
- Gives detailed information (in depth info and reviews)
- Reaches B2B users easily

Disadvantages

- Lack mass media efficiency
- Targeting and research costs are high
- Slow downloads
- Cost of PC is high
- Security is a primary concern
- Not persuasive

Factor Affecting The Choice Of Advertising Media:

1. Objectives of Firm:

Company's general and advertising objectives are the prime considerations in media selection. Those media capable to meet company's expectations are likely to be selected. Advertising objectives may be to inform, remind, convince, create prestige, or to increase sales and profits. Different media have varying capacity to meet these objectives.

2. Costs Media and Company's Financial Position:

Media selection decision is highly influenced by media costs and firm's ability to pay. Company has to pay for buying space or time and preparing advertising copy fit for the media to be selected. TV, radio, films are costly in terms of buying time and preparing advertising copy. Print media are relatively cheaper in both space and preparation of advertising message. Some outdoor media are quite low in cost. As per media costs and company's financial capacity, the appropriate media should be selected.



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3. Reach or Number of People Exposed to the Message:

It is an important criterion to choose among ad media. Reach means the number of different people exposed to a particular medium at least once during a specified time period. Mass media are capable to reach millions of people by just one exposure. Television has more exposure capacity compared to outdoor media in a particular time.

Local media can expose the message to limited persons. In the same way, frequency (the number of times within a specified time period the average person exposed to the message), and impact (the impact created on audience by an exposure through given medium) are also key criteria to choose among advertising media. Reach, frequency, and impact are important variables that determine cost-effectiveness of various media.

4. Company's Advertising Policy and Approach:

Company's advertising policy and approach determine which of the media should be selected. For example, if company's policy is not to spend more money for advertisement and to offer the product at a low price, it may go for cheaper media.

5. Type of Buyers:

People to be influenced should be taken into account while selecting the media. Buyers can be classified into various classes as discussed in market segmentation. Each medium has its special viewers, readers, or audience. For the firm, it is important to know whether the target groups can be exposed by the particular medium.

Television is the most common medium, but can be made more particular by selecting the special programme. Magazines are capable to appeal particular sex, age groups, or professionals. Daily newspapers are again very general in nature.

6. Condition under which Customers are influenced:

Readers'/viewers' mood and interest determine receptivity of message. Television is the best-fit medium to associate advertising message when people are watching or enjoying related programmes. For example, advertising TVS Victor motorbike on television during the live telecast of the TVS Cup One-day Series.



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However, it is difficult to determine mood or interest of readers for daily newspapers. It is relatively easy to determine mood of people during a specific programme in radio or television. In case of outdoors media, the place is very important to judge mood of people. For example, hoardings, posters, or banner near gardens or picnic places are more likely to be attracted.

7. Circulation/Coverage:

The area covered by (or number of people exposed to) the medium is an important criterion. Some media are capable to cover the globe while some can cover only the limited locality. For example, the local newspapers cover limited areas, the national newspapers like The Time of India and The Economic Times cover the whole nation.

Similarly, certain magazines have national and international circulation. And, the same is true with audio-visual and outdoor media. As per geographical concentration of customers, the suitable media should be selected.

8. Repetition or Frequency:

Repetition or frequency implies the number of times within specific time period an average person is exposed to the message by specific medium. Most of the outdoor media hold the message for relatively long time. Magazines or periodicals publish monthly or quarterly; mostly they publish advertisements only in a particular edition.

The more is the repetition of advertising message, the more is the effect of the medium on people. Naturally, advertisement appears frequently is more likely to read or attend than if it appears only once. However, repetition in case of newspapers, TV, radio, etc., depends on company's ability to pay.

9. Credibility and Image of Media:

In case of newspapers and magazines, the factor is critical. Naturally, advertising message appears in the reputed newspapers or magazines carry heavy impression and effect than substandard media. People don't trust the appeal published in the lower standard media.



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Prestige of media becomes the prestige of advertiser. Firms opt for credible or prestigious media to carry the advertising message.

10. Past Experience:

Company's own past experience may be instrumental to decide on advertising media. For example, if company has satisfactory experience of using a particular medium, there are more chances to use the same medium and vice versa.

11. Experience of other Companies:

Experience of other companies is one of the important considerations in media selection. Company may try to know what other companies say about applicability and usefulness of various media. Views of other companies must be followed with care and caution.

12. Expert Opinion:

Marketing experts or consultants who work on professional basis can be consulted to suggest an appropriate medium to carry the message. These experts, on the basis of analysis of market situations in relation to products to be advertised, can recommend the suitable media. Since they have experience and expertise in the field, they are in better position to judge the suitability of each of the media in relation to product and company's financial position. They charge fees for their consultancy services.

13. Type of Advertising Message:

Each advertising message needs specific advertising vehicle. If a message is simple, print media are sufficient. If a message is complicated, and the company wants to demonstrate and explain, audiovisual media suit the needs.

14. Others:

Apart from above mentioned factors, there are certain factors that affect media selection decision.



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They are listed as under:

- Effectiveness of Media
- Availability of Media
- Government Rules and Regulations
- Time and Place
- Type of Products, etc.

Media selection is a crucial decision. It determines the cost-effectiveness of media. Failure of advertising programme, in many cases, is attributed to use of inappropriate media. Advertiser should consider all these factors carefully and should select the most favoured or suitable media.

Advertising Budget:

- An advertising budget is an estimate of a company's promotional expenditures over a certain time period. ... When creating an advertising budget, a company must weigh the value of spending an advertising dollar against the value of that dollar as recognized revenue.
- When creating an advertising budget, a company must weigh the value of spending an advertising dollar against the value of that dollar as recognized revenue.
- An advertising budget is part of a company's overall sales or marketing budget that can be viewed as an investment in a company's growth.

Factor affecting advertising budget decision

There are 5 specific factors to consider when setting the advertising budget

1. Stages in the life cycle:

Advertisement requirements are different for different product life cycle stages as shown below:

i. Introduction stage: New products typically receive large advertising budgets to build awareness for early adopters and trade



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ii. Growth stage: The consumer awareness spread in mass market helps to generate consumer trial and further sales

iii. Maturity stage: At this stage advertisements must create differentiations in brand positioning through different perspectives such as benefits, applications, price etc. Established brands usually are supported with lower advertising budgets as a ratio of sales.

iv. Decline stage: At this stage, the budget must be reduced to the level needed to retain loyal customers only.

2. Market share and consumer base:

The products, which are having high market share usually require low expenditures as a percentage of sales to maintain share. Building market share by increasing market size requires large expenditures, on a cost per impression basis. It is less expensive to reach consumers of a widely used brand than to reach consumers of low share brands.

3. Competition and clutter:

In a market with a large number of competitors and a high advertising spending, a brand must advertise more heavily to be heard.

4. Advertising frequency:

The number of repetitions needed to put across the brand's message to consumers has an important impact on the advertising budget.

5. Product substitutability:

Brands in a commodity class such as cigarettes, soft drinks and liquor require heavy advertising to establish a differential image. Advertising is also important when a brand can offer unique physical benefits or features.



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Method To Set Advertising Budget:

1. Percentage of Sales Method:

It is a commonly used method to set advertising budget. In this method, the amount for advertising is decided on the basis of sales. Advertising budget is specific per cent of sales. The sales may be current, or anticipated. Sometimes, the past sales are also used as the base for deciding on ad budget. For example, the last year sales were Rs. 3 crore and the company spent Rs. 300000 for advertising. It is clear that the company has spent 1% of sales in the last year.

Company has the tendency to maintain certain per cent (or percentage) of sales as ad budget. Based upon the past, the current and the expected sales, amount for advertising budget is determined. This method is based on the notion that sales follow advertising efforts and expenditure. It is assumed that there is positive correlation between sales and advertising expenditure. This is not the scientific method to decide on advertising budget.

Merits:

The method offers following merits:

- It is based on sales volume. Therefore, cost of advertising can be offset against profits earned from the sales. It satisfies financial management.
- This method encourages marketing manager to think in terms of relationship between promotional costs, selling price, and profits per unit.
- It maintains competitive parity. All firms in the industry spend approximately the same percentage of sales for advertising.
- It keeps the company in constant touch with the sales target to be achieved.

Demerits:

The method has been criticized on following grounds:

- In absence of specific guidelines, it is not possible to decide the appropriate per cent of sales. It lacks a scientific base.
- Long-term planning is not possible because a long-term sales forecasting seems difficult.



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(c) It neglects other objectives of advertising. Only sales are given priority. It doesn't consider the need of advertising.

(d) Stage of product life cycle is not considered.

(e) It is, to some extent, inflexible.

(f) It is assumed that only advertising affect sales. It is erroneous.

2. Objectives and Task Method:

This is the most appropriate ad budget method for any company. It is a scientific method to set advertising budget. The method considers company's own environment and requirement. Objectives and task method guides the manager to develop his promotional budget by (1) defining specific objectives, (2) determining the task that must be performed to achieve them, and (3) estimating the costs of performing the task. The sum of these costs is the proposed amount for advertising budget.

The method is based on the relationship between the objectives and the task to achieve these objectives. The costs of various advertising activities to be performed to achieve marketing objectives constitute advertising budget.

Under this method, following steps are to be followed to set advertising budget:

1. Determine main objectives of marketing department.
2. Set advertising objectives in terms of sales, profits, brand loyalty, competitive stability, etc.
3. Determine advertising task in terms of various advertising activities required to be performed to achieve the advertising objectives.
4. Estimate cost of each advertising activity for the defined period.
5. Make sum of costs of all the activities. It is the estimated amount for advertising.

Thus, advertising budget is set on the basis of the objectives a company wants to achieve and in what way it wants the objectives to be achieved. This method is logically consistent and practically applicable for all the companies. The method emphasizes on actual needs of the company. It is considered as a scientific method to set ad budget.



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3. Competitive Parity Method:

Competition is one of the powerful factors affecting marketing performance. This method considers the competitors' advertising activities and costs for setting advertising budget. The advertising budget is fixed on the basis of advertising strategy adopted by the competitors.

Thus, competitive factor is given more importance in deciding advertising budget. For example, if the close competitors spend 3% of net sales, the company will spend, more or less, the same per cent for advertising. Here it is assumed that "competitors or leaders are always right." If not followed carefully, this method may result into misleading.

It is obvious that a company differs significantly from the competitors in terms of product characteristics, objectives, sales, financial conditions, management philosophy, other promotional means and expenses, image and reputation, price, etc.

Therefore, it is not advisable to follow the competitors blindly. Marketing/advertising manager should take competitors' advertising strategy as the base, but should not follow as it is. The advertising budget must be adjusted to the company's internal and external situation.

Limitations:

Manager must be aware of following limitations of the competition parity method:

- (a) In case of a new product, the method fails to guide for deciding on advertising budget.
- (b) It is difficult to know in which stage of life cycle the product of close competitor is passing through.
- (c) Company differs in terms of sales, profits, challenges, financial conditions, and so on. To follow competitors directly may be erroneous.
- (d) Advertising is not the sole factors that affect the sales; interplay of many factors determines sales.
- (e) In case, when there are many competitors, it is difficult to decide as to whom the company should follow.



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(f) The method is followed only when there are dominant competitors. In absence of competition, the method cannot be used.

(g) The method can make a sense only to followers and challengers. It is not applicable to a market leader.

4. Affordable or Fund Available Method:

This is, in real sense, not a method to set advertising budget. The method is based on the company's capacity to spend. It is based on the notion that a company should spend on advertising as per its capacity. Company with a sound financial position spends more on advertising and vice versa.

Under this method, budgetary allocation is made only after meeting all the expenses. Advertising budget is treated as the residual decision. If fund is available, the company spends; otherwise the company has to manage without advertising. Thus, a company's capacity to afford is the main criterion.

Limitations:

Following are the limitations of the method:

- (a) The method completely ignores the role or need of advertising in the competitive market environment.
- (b) In long run, it leads to uncertain planning as there is no guarantee that the company will spend for advertising.
- (c) Except company financial position, other factors like company's need for advertising, consumer base, competition, and so forth are ignored.
- (d) This method only guides that a company should not spend beyond its capacity.
- (e) This is not a method in real sense.
- (f) There is possibility of bias in deciding advertising amount.

5. Expert Opinion Method:

Many marketing firms follow this method. Both internal and external experts are asked to estimate the amount to be spent for advertisement for a given period. Experts, on the basis of



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the rich experience on the area, can determine objectively the amount for advertising. Experts supply their estimate individually or jointly.

Along with the estimates, they also underline certain assumptions. Internal experts involve company's executives, such as general manager, marketing manager, advertising manager, sales manager, distribution manager, etc.

Whereas external experts involve marketing consultants, dealers, suppliers, distributors, trade associations, advertising agencies, and other professionals related to the field. Marketing consultants and advertising agencies provide such services on professional basis.

Advertising budget recommended by external experts is more neutral (bias-free) and, hence, is reliable. Experts considers overall situation and give their opinion on how much a company should spend. Mostly, the experts consider all the relevant factors related to advertising while deciding on advertising budget.

Merits:

Expert opinion method offers following merits:

- (a) The estimates tend to be more balanced as various executives and experts are involved.
- (b) The budget is more accurate and realistic because the internal executives are well aware of company's strengths and weaknesses.
- (c) It is the only option when a company is new, having no past experience.
- (d) External experts tend to be more neutral as they are external to organisation

Demerits:

However, the user must be aware of following possible demerits:

- (a) It is not a scientific method. Personal value, experience, and attitudes play vital role.
- (b) It is difficult to fix responsibility of the final estimates as many experts contribute to budget estimates.
- (c) External experts are not fully aware of the company's marketing situations.
- (d) When more internal experts are involved, it may deteriorate relation due to possible conflicts or lack of consensus.
- (e) Possibility of prejudice or bias cannot be ignored.



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(f) All opinions, right or wrong, are given equal importance

6. Other Methods:

There are some other methods used for setting advertising budget.

They have been listed below:

- i. Arbitrary Allocation Method
- ii. Profit Maximization Approach
- iii. Incremental Method
- iv. Sales Force Opinion Method, etc.

Advertising Agencies - Meaning, its Role and Types of Agencies

“The work of a tailor is to collect the raw material, find matching threads, cut the cloth in desired shape, finally stitch the cloth and deliver it to the customer.”

Advertising Agency is just like a tailor. It creates the ads, plans how, when and where it should be delivered and hands it over to the client. Advertising agencies are mostly not dependent on any organizations.

These agencies take all the efforts for selling the product of the clients. They have a group of people expert in their particular fields, thus helping the companies or organizations to reach their target customer in an easy and simple way.

The first Advertising Agency was William Taylor in 1786 followed by James “Jem” White in 1800 in London and Reynell & Son in 1812.

Role of Advertising Agencies

1. Creating an advertise on the basis of information gathered about product
2. Doing research on the company and the product and reactions of the customers.
3. Planning for type of media to be used, when and where to be used, and for how much time to be used.
4. Taking the feedbacks from the clients as well as the customers and then deciding the further line of action



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Function Of Advertising Agencies

1- Attracting clients

- Advertising agency needs clients (advertisers). Without them, it cannot survive.

2- Account Management

- Within an advertising agency the account manager or account executive is tasked with handling all major decisions related to a specific client.
- The account manager works closely with the client to develop an advertising strategy.

3- Creative Team

- The principle role of account managers is to manage the overall advertising campaign for a client, which often includes delegating selective tasks to specialists.
- Advertising agency put the advertising-plan into action under its creative function. Creation of ads is the most important function of an ad agency. Generally, it involves activities like:
- Copy writing, Drawing photographs, Making illustrations, layouts, an effective ad message, etc.
- These jobs are done by experts like copy writers, artists, designers, etc. These people are highly skilled and creative. They make an advertisement more appealing. Attractive ads help to increase the sales of the product.

4- Researchers

- Full-service advertising agencies employ market researchers who assess a client's market situation, including understanding customers and competitors, and also are used to test creative ideas.
- Advertising agency gathers information related to the client's product. It collects following information about a product under its research function:
- Features, quality, advantages and limitations of a product, Present and future market possibilities, Competition in the market, Situation in the market, Distribution methods, Buyers' preferences, so on



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- Ad agency analyses (studies) all this collected information properly and draws conclusions for its research. It helps in planning an advertising campaign, selecting proper media and creation function.

5- Media Planners

- Advertising agency helps an advertiser to select a proper media (ad platform) to promote his advertisement effectively.
- Media selection is a highly specialized function of an ad agency. It must select the most suitable media for its client's ad.
- Advertising agency plans the entire ad campaign of its client. Advertising planning is a primary function of an ad agency. It is done when its research function is completed. That is, after analyzing the client's product, its competitors, market conditions, etc. It is done by experts who use their professional experience to make a result-oriented advertising-plan.
- Once an advertisement is created, it must be placed through an appropriate advertising media.
- Each advertising media, of which there are thousands, has its own unique methods for accepting advertisements, such as different advertising cost structures (i.e., what it costs marketers to place an ad), different requirements for accepting ad designs (e.g., size of ad), different ways placements can be purchased (e.g., direct contact with media or through third-party seller), and different time schedules (i.e., when ad will be run). Understanding the nuances of different media is the role of a media planner, who looks for the best media match for a client and also negotiates the best deals.

6- Advertising budget

- Advertising agency helps an advertiser to prepare his ad budget. It helps him to use his budget economically and make the best use of it.
- Without a proper advertising budget, there is a risk of client's funds getting wasted or lost.

7- Coordination

- Advertising agency brings a good coordination between the advertiser, itself, media and distributors.



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8- Sales promotion

- Advertising agency performs sales promotion. It helps an advertiser to introduce sales promotion measures for the dealers and consumers. This helps to increase the sales of the product.

9- Public relations

- Advertising agency does the public relations (PR) work for its clients. It increases the goodwill between its clients and other parties like consumers, employees, middlemen, shareholders, etc. It also maintains good relations between the client and media owner.

10- Non-advertising functions

- Advertising agency also performs many non-advertising functions:
- It fixes the prices of the product, It determines the discounts, It designs the product, It also designs its package, trademarks, labels, etc.



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UNIT : 3

INTERNATIONAL MARKETING AND ONLINE SHOPPING

International Marketing

Introduction:

Marketing means, a human activity which is directed to satisfy needs and wants of consumers through exchange process. Thus, marketing carried on across national boundaries is considered as international marketing. With the development of advanced technology, man, machine and material – all resources can be marketed on a global platform. The world is so well connected today that by functioning from any corner of the world, marketers can provide products and services to consumers of any country. Advanced communication technology like cellular phones, internet etc. has opened the doors for new business opportunity. These benefits are not limited to large size business groups but even small marketers can market their product in international market and earn handsome profit.

Global players need to develop a strong marketing structure by considering political and economical situation of the target country. The only thing required for international companies is how they consider their international marketing strategies with overall marketing strategy. Marketer has to consider international marketing environment and variables before entering into a particular international market. Many people use export marketing, multinational marketing, global marketing and transnational marketing to represent the development of international markets.

- Definitions of international marketing :

International marketing is defined as :

“Marketing carried on across national boundaries.”



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“The performance of business activity that direct the flow of goods and services to consumers or users in more than one nation.” – Hess & cateora

There are some factors which are similar between **Domestic and international markets** like technical factors (product, packaging, price etc.) which have universal phenomenon. While some social factors like consumer behaviour, attitudes and preferences will differentiate both of them.

- **Difference between international market and domestic market :**

- 1) **Sovereign political entity of a country :**

Every country is a sovereign political entity and they enforce specific restrictions on import and export of goods and services for providing security to the domestic firms. Marketers have to analyze all these restrictions, which may include :

- a) **Local tax structure :**

The local tax structure for imported goods are decided with an objective to market the goods at a higher price and there by safeguarding national interest.

- b) **Tariff and custom duties :**

To restrict the entry of foreign players, tariff and custom duties on import and export of goods and services are decided in such a manner that it will be very expensive to trade. **GATT (General Agreement on Tariff and Trade)** in post-war period to reduce tariff rates on regional and global basis for developing international trade.

- c) **Exchange Control :**

In some countries, due to existence of exchange control, importers are not allowed necessary foreign exchange to make payment for imported goods.



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d) Quantitative Control :

This is helpful to restrict some specific foreign products. The main objective here is to safeguard the domestic industries from facing competition from foreign companies. In some cases, exchange and quantity control are combined together for getting import license.

2) Different Monetary Systems :

Each country has its own monetary systems and the exchange rates, for the currency of each country vary as per the rules and regulations of **International Monetary Fund (IMF)**. The exchange rates are different for different countries and they fluctuate on demand and supply factor.

3) Different Market Structures :

Each country has its own market structures with respect to (w.r.t.) consumer behaviour, demand-supply, advertisements and other promotional methods, distribution network and methods etc. this factor is based on government regulations and systems which are different in different countries. For example : India, China, U.K. have different market characteristics due to their government systems of democracy and communism.

4) Differences in legal and procedural work :

Each country has its own legal framework. The existence of different legal systems regarding restrictions, business framework etc. create opportunities or barriers for the marketers.

5) Mobility of production facility :

Facility of production is less mobile between countries than in domestic regions. However, equipments, machines and labour are mobile through road, ship and air transport. By using online banking facility, money can also be transferred to another country. But as compared to domestic market, international market still faces many difficulties w.r.t. these factors.



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- **Similarities in International and Domestic Marketing :**

1) Marketing Strategies :

The strategies regarding marketing mix i.e. product, price, place and promotion and other marketing techniques are quite similar to both domestic as well as international markets.

2) Objective :

In both domestic as well as international market, the objective of the marketer is to satisfy the needs of consumers. The success of any marketer depends on this factor only. It means to identify consumer needs and wants and to fulfill these by providing goods and services.

3) Requirements of research and developmental facility :

Marketers have to go through intensive research and development for product improvements that is common for domestic as well as international market.

4) Building Goodwill and Brand Image :

it is necessary for both the domestic as well as international marketers to satisfy and win the confidence of the consumer as a provider of quality goods at a reasonable price. Besides these, marketers can also offer various after sales services to the consumers which will create a good reputation and image in the market.

Define international marketing and forces leading to growth of international marketing.

- **Introduction:**

Marketing means, a human activity which is directed to satisfy needs and wants of consumers through exchange process. Thus, marketing carried on across national boundaries is considered as international marketing. With the development of advanced technology, man, machine and material – all resources can be marketed on a global platform. The world is so well connected today that by functioning from any corner of the world, marketers can provide products and services to consumers of any country. Advanced communication



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technology like cellular phones, internet etc. has opened the doors for new business opportunity. These benefits are not limited to large size business groups but even small marketers can market their product in international market and earn handsome profit.

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There are some factors which are similar between **Domestic and international markets** like technical factors (product, packaging, price etc.) which have universal phenomenon. While some social factors like consumer behaviour, attitudes and preferences will differentiate both of them.

- **Forces on International Marketing :**

International marketing means exchange of services across more than one nations. International trading is a growth engine for any country through export/import centric approach. Globalization across countries makes equal integration of economic and production



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factory like financial capital and labours. The main forces that lends to growth in international marketing are :

India's Import Trade (F.Y.2020)		India's Export Trade (F.Y. 2020)	
1. Crude petroleum		1. Petroleum products	13.18%
2. Gold	21.64 %	2. Pearl, precious & semi precious stones	6.6%
3. Petroleum products	5.95 %	3. Drug formation, biological	5.09%
4. Coal, coke & briquettes	5.86%	4. Gold & other jewellery	4.39%
5. Pearl, precious & semi precious stone	4.73%	5. Iron & steel	2.96%
6. Electronic component	4.73%	6. Electronic machinery & equipment	2.86%
7. Telecom instruments	3.44%	7. Readymade cotton garments & accessories	2.76%
8. Organic chemicals	3%	8. Organic chemicals	2.66%
9. Industrial machinery	2.57%	9. Motor vehicles / cars	2.49%
10. Electrical machinery & equipment	2.52%	10. Products on iron & steel	2.24%
	2.38%		

1) Increased demand :

In past, consumers of certain countries those who did not have enough purchasing power to purchase high quality and branded goods, can now purchase them due to improving economic conditions. By way the demand of certain luxury and expensive goods are increased across globe.

2) Global competition :

Many companies now a days jumps into the global market due to:



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- New product easily and quickly becomes aware and known globally.
- In different countries companies can operate their business.
- Domestic firms now became international.

3) Development of communication and technology :

In the 21st century , there has been a rapid growth of technology and communication across the globe. Due to communication and technology people from anywhere in any corner of one world are now aware about the demand, products and services of other part of the world. In addition with this, improvement in transportation facility also leads to expansion of their international business.

4) Low labour cost :

The labour cost is quite low in developing countries then developed countries, so the companies from developed countries find it cheaper to shift their production facility in developing countries. By this way, the firm can achieve high economy of scale and increased profit.

5) Saturation at domestic level :

In many countries, due to continuous production of substitute products since so many years led to the situation.

Concept of Pull & Push forces

It is one of the critical reason to be considered while entering into new market because the firm is facing problem in managing their current market.

• Push factors :

- ❖ Domestic market becomes saturated. There is not much growth opportunities at domestic level.
- ❖ There is some economic difficulties like slow down, depression, inflation, low purchasing power etc. started in domestic markets.



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- ❖ The product reach at declining stage in the domestic market.
- ❖ Marketers have excess capacity after satisfying the domestic demand.

Marketer wants to diversify his risk and not just want to depends only domestic market.

These are the forces encourage (push) / enforce the marketer to start the operations at global level.

- **Pull Factors:**

- ❖ The global market looks very attractive to the marketer for his product. Marketer finds a good profit potential in international market. Just like many foreign firms attract towards indian market for expanding their business.
- ❖ Global marketing gives **vast opportunities** to the marketer for increase in sales.
- ❖ As the sales increase, marketer will increases its scale of operation. By this way, the cost of production will decrease, and profit will be increased. ,marketer will enjoy greater economy of scale.
- ❖ Marketer can extend the life cycle of the product. Suppose at domestic level, if product reaches at declining stage, he can search the opportunities in the global market where his product may create the demand.
- ❖ Some marketers have a vision to put his footprint on the world map. So, they develop such standard product. When they find right time, they will start their global operations.

So many forces affecting on global manufacturing which can be clubbed together in two forces.

a) Driving Forces :

- Technology is a major driving force that affect on global marketing. Today, anywhere a new technology developed across the globe, will soon be available everywhere eg. Cell phones, television, computer etc.



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- Many international trade agencies like **GATT, IMF, WORLD BANK, EU** etc. makes multilateral trade agreements which also facilitates global marketing.
- Rapid developments of transportation, production and communication have also reduce the distance between two nations eg. Internet, courier services etc.
- The cost of research and developing new product is also high, which needs faster returns. This will lead to promote global marketing.
- Growth of economy is also a driving force for the growth of global marketing.
- Liberalization in government policies, privatization also open the economy for the global market.

Consumer needs and preferences now becomes homogeneous in product preferences and buying habits.

b) Restraining forces :

There are three types of forces that restrain company's efforts to go global. **Nearsighted management** generally ignores global opportunities. **Ethnocentric organization** cultured companies restricts management to make venture out of the home country **national trade controls and trade barriers**. Sometimes restricts to enter in some global markets.

variables affecting international marketing.

There are many differences between domestic and international marketing which we have discussed earlier. Following are some key factors that should be considered while making any decision related with international marketing.

1) Supply and demand :



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It is the major factor for any marketer anywhere in the world. Marketers have to make thorough investigation of market potentiality when they place their produce into international market.

2) Class Structure :

When marketer takes the decision at international level, he should consider the class structure because it differs from country to country. Generally it is of lower, middle and upper class but the strength of the class differs between the countries.

3) Per Capital Income :

Per capital income shows company's wealth and it becomes very important for a marketer to determine the potential of target market.

4) Banking and Transaction System:

This factor shows how the payment procedure is different in different countries. Now-a-days, we can buy the products internationally through credit/debit cards, online payment processors, cash transfer etc. but it is different from country to country.

5) Languages :

In traditional marketing, language transaction plays very important role like in advertising, salesmanship etc. marketer should prefer the use of local language support in their marketing practices.

6) Taste and Preferences :

In every country, the taste preferences of consumers differs. For example, when Mcdonald's entered indian market, they specially offered jain / vegetarian menu considering the taste and preferences of consumers. Raymond also started with traditional segment of Manyavar by considering indian wedding market.



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7) Consumer Behaviour :

When marketer enters in a foreign country, he has to study their consumer behaviour factors like culture, personality, society (individual / collective), social and psychological etc. that influence on buying decisions.

8) Demographic Factors:

This factor directly affect in both domestic as well as in international marketing. Marketer should consider demographic factors like age, gender ratio , social class structure, literacy level, occupation income level etc. of the people of that country.

9) Laws and Licensing System :

The legal system of the countries directly affect the business and may create barriers. The legal system of the country directly affect on marketing strategy, production process, financial dealing as well as labour related issues. Marketer has to study certain specific laws while entering in a country like consumer protection, company law, sales of goods, labour law etc. this legal system in foreign country gives you the license for manufacturing and selling the products.

10) Tax Structure:

Tax structure of the country directly affect the profitability of the business. The high taxation structure creates a barrier for the international player to run the business sustainability.

11) Tariff rates :

Every country enforce certain tariff on trade balance to protect domestic industries from losing business. Eg. Indian bound tariff rates on agriculture products ranging from 100% to 300%.



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12) Currency :

The risk of fluctuation in currency rate is always there in international trade.
Eg. 1.00 USD = 74.49 RUPEES (11th july, 2021) and it is fluctuating every day.

13) Quotas :

Quotas works like a tariffs to restrict foreign players. Quotas are design to protect domestic business with a country.

Marketer has to consider economic factor and take a rational approach for making export decision. Marketer should have determination for getting success in international market. Before jumping from being a non-exporting firm to being an exporting firm, the marketer has to consider following factors or variables which will act as a clue for international entry:

◆ Management Approval and Recognition :

Sometimes management may recognize the importance of export business, like :

- 1) Market potentiality of the product in the internationalmarkets.
- 2) Unexpected inquiries and orders from international market.
- 3) Government motivation w.r.t. taxes, exemptions (liberation) etc.

◆ Benefits of Exports for the Marketer :

In this, the management identifies potential benefits of export and its effect on total business. This includes :

- 1) Utilization of available infrastructure facilities and plant capacity.
- 2) Expectations of higher profit from export.
- 3) Fulfillment of growth oriented objective of the firm.
- 4) Supporting investment requirements for export trading.



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◆ Positive Effect of Firm's Characteristics, it includes :

- 1) Potentiality of export business trade.
- 2) Optimum use of available production capacity.
- 3) Potentiality of domestic market is questionable.
- 4) Product factors include quality, price, colour, size, packaging, brand image etc.

From the above analysis, it is quite clear that if a firm does not have a sufficient demand of its product in the domestic market, and international market provides better advantage, then it is better for a firm to take this opportunity. It is also logical for getting entry into the international; market when the firm has a sound domestic market and it wants to utilize its excess capacity.

◆ Determination of Organization :

Before entering into international market, the marketer has to be clear and determinant about following points.

- Export trading should not negatively affect domestic business.
- Availability of sufficient resources for covering international market.
- Take the help of expert consultants for getting right advice and appoint expert staff for international market.

International marketing environment.

• Introduction:

Analysis of environmental forces is necessary for any international marketers before entering into foreign market. Compared to domestic market, social, cultural, economic, political, technological and real forces of marketing environment in other countries are quite different.

• Variables of international marketing environment :



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1) Economic Environment :

The study of economic environment of the country helps the marketer to make necessary adjustments. Economic factors are standard of living, income level, buying power, discretionary income, availability of national resources and infrastructural facilities. The economic parameter GNP (Gross National Product) is an overall measure of national economy w.r.t. all products produced by the country at that time.

GNP per capital is the dollar value of a country's final output of goods and services in a year dividend by it's population. It also reflects average income of country's citizens. It doesn't mean that countries who are having less GNP are not potential. Some countries having low GNP , ARE FAST growing as compared to high GNP countries, for eg. China, india, brazil etc.

- **International Marketing Environments :**

Economic Environments :

International marketer should evaluate the level of economic development of a country. Marketer should frame the marketing strategies as per the economy of the country. Marketer should evaluate present as well as future economic potential of the country. Marketer should use economic indications like GNP, purchasing power of consumers, spending capacity, rate of economic growth, industrial infrastructure, development of media etc. he should also examine the role of various international agencies like GATT, IMF, World bank etc. in the trade and industry of the country.

- **GNP of Various Countries**

Japan	: \$ 5.23 trillion
China	: \$ 13.18 trillion
India	: \$ 2.73 trillion
U.K.	: \$ 2.77 trillion



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United States : \$ 20.64 trillion

- **GDP of various countries (per capital)**

Japan : \$ 39,048

China : \$ 510,839

India : \$ 1,877

U.K. : \$ 39,229

United states : \$ 63,051

2) Technological Environment :

Marketer has to also study the technological development of a country in which he wants to enter. In past, generally American and Japanese technology was used in the rest of the world especially developing countries. Still this fact is applicable upto somewhat extent. But , in past the growth of technological upgradation especially in developing countries is much slower than what is today. Now-a-days, countries like china and india experience a rapid growth of technological upgradation. China is a dominant player of manufacturing industries specially in electronic items like television, mobile phones, computer accessories etc. in the same way, india enjoys the dominance in software industry, machine tool industry, ceramics etc.

It is an important environmental factor affecting on framing marketing strategies. It is relevant with computerization, automization,, transportation. Communication and manufacturing process. the growth of technology affect the degree of export marketing strategy.

Eg. Many companies from the advanced countries had shifted their production unit in developing countries like china, india etc. to take the advantages of low labour cost. So, advancement in technology may also lead to relocation of their production facility.



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In a last decade there is a tremendous growth of technology in packaging food processing, transportation etc. a microwave ovens now becomes a new dimensions to food marketing. In US approx 90 % of the households are using microwave ovens.

Today, in the developing countries, there is a trend of intermediate technology which combines the element of traditional technology and modern technology. There is a time laps between the developed countries and developing countries in the adaption of new technology. In recent era, the growth of developing countries technology is very high.

3) Political and Legal Environment :

Country's political system, ruling party and opposition parties indirectly affects the international marketer.

The other factors are :

- Laws and regulations of foreign trade
- Influencing power of court
- Govt. policies for domestic marketing and foreign firms.
- Important barriers
- Tariff and non-tariff barriers
- Taxation structure for imported goods
- Environment, health and safety restrictions

Political environment affects the existence of the business and its success over these. It includes following attention :

a) Political system :

Marketer should make the assessment of political environments i.e. the type of government in that targeted country such of socialist, army, communist or democratic government. It is natural that political philosophy of the government affects directly on trade of industrial policies.



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b) Government Philosophy :

A foreign marketer should examine the government's philosophy and policy towards private sector in general and foreign players. It is necessary for a government to classify the business areas in which foreign players are welcomed. In india , foreign exchange regulation act, 1973 provides guidelines for foreign private investments.

The policy and philosophy of every political party differs from one another so as and when there is a change in government the preferences for foreign player may also be changed. So marketer should make the assessment of present government's philosophy as well as direction of all political parties.

c) Government stability :

The foreign marketer should make the assessment of stability and permanency of the government policy in the targeted country. If certain unpredictable and major shifts in government policy is found then there is a risk factor for foreign player. Instability in government policy may be due to :

• Tax & custom related :

- Country tax code
- Tax registrations on business
- Export import restrictions
- Tax reliefs
- Taxes on consumed goods
- Individual & corporate income tax
- Overall tax and fiscal policy
- Consumer protection related
- Consumer protection act
- Weight and measures laws
- Product description laws



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- **Employee related**

- Anti discrimination laws (age, religion etc.)
- Labour laws
- Health, safety and work environment
- Trade union regulations
- Fair and minimum wage
- Employment of foreign worker
- Retirement laws
- Health care laws
 - Change of ruling political party in government.
 - Growing philosophy of nationalism

Political and economic ideologies that also impacts on country's legal system. In general, there are three kinds of legal system.

1) Civil law :

A detailed set of laws including codes and application of laws to the facts, spread across the world.

2) Common law :

It is based on traditional regarding common law system, providence, interpretation of judges and judicial system of the country.

3) Religion law :

Theoretical legislation based on religious guidelines eg. Hindu marriage act, 1955 eg. Muslim marriage law framed by muslim personal law board.

d) Social Environment :

Experts say that marketing is a societal process. therefore, social factors will directly affect on consumers. Every country has its own social phenomenon. Many



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social factors like family, religion, education, recreation facilities etc. definitely will affect consumers. Indian population increased upto 140 million. Approximately 26% people live in urban areas. The literacy rate reached to approx. 68% the income of middle class people rose to 32% has and high income group rose to 15% approximately. This analysis helps the marketer to select specific market segment. The age group between 15 years to 45 years has emerged as the largest group in india. The life style of the people has changed drastically with the development of communication media like television channels, branded stores, electronic instruments (mobile phone), I-pads, computers, internet, laptops etc.

Social Environment consist of all the beliefs, traditions, practices and the way that society behaves. Every society construct it's own social environment that affect their business practices. It includes internal and external social environment.

External : an environment is created by a society where a business operates and functions.

Internal : a business also have their own social environmental factors known as internal social environments. It includes beliefs, customs, practices and behaviours within the framework of business.

Marketer should verify and analyse the social changes in the foreign country. Marketer can not ignore the impact of cultural changes happening in the society.

e) Cultural environment :

This is one of the most critical factors affected to international marketers because it will change from domestic to national and upto international marketing. Culture passes from generation to generation. It is an acceptable behaviour of people living in the society. Culture is a set of values and concepts that people of a society, who have distinctive behavioural pattern and other characteristics. The body gestures, colour, attitude and a product usages vary across different cultures. The adoption of a product also influences on cultural value of the people. When people want to



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adopt any foreign product, first they analyse the reputation of the country. If the country has a very good prestige and reputation as a supplier of quality products, it create a positive image in the minds of the consumers.

*Cultural variations among different countries *

INDIA :

- **Greeting** : palms of the hands touch and the head nodded for greeting.
- **Colours** : * **Positive** : red, green, yellow, orange, ***Negative** : black & white.
- **Number** : Number are used as a brand name.

EUROPE :

- **Greeting** : it is acceptable to send flowers in thanks for a dinner invitation but not rose.
- **Colour** : ***Positive**: white and blue , ***Negative** : black.
- **Number** : ***Positive** : 5,7 ***Negative** : 13.

cultural environment blowing the culture of the country is quite important for the marketer before entering into the foreign country. Culture means a way of life in a social manner. It is a total of man's knowledge, beliefs, art, meals, laws, customs and any other capabilities and habits acquired by a man as a member of society. Marketer should develop an understanding of all natural dimensions of a foreign market. It includes:

- **Language**
- **Name and the universe (belief system)**
- **Material culture (technology, economy)**
- **Social institutions (political structure, social organization and education)**
- **Aesthetics, music, dance, drama, art, graphic etc.**



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How can the marketer enter into the international market ?

Methods for entering in Foreign Markets :

As and when the marketer takes a decision to enter in international market, there are various methods available for entry. Marketer has to select a particular method depending upon his resources and potentiality of his product. These methods are :

- 1) Starting manufacturing base in foreign country.
- 2) Creating joint ventures with foreign firms.
- 3) Indirect – direct export to foreign countries.
- 4) Creating licensing agreement with foreign firms.
- 5) Consulting and project work.
- 6) Management contracts.

Now, we will discuss each of these methods with its advantages and limitations.

1) Starting manufacturing base in foreign country :

When the marketer identifies low manufacturing cost in a foreign country, facing a higher cost of export, tariff and non-tariff barriers of import, then the marketer will prefer to establish a manufacturing set up in a foreign country. It will have the following.

• Advantages to marketers :

- Easy to understand market potential and consumer behaviour.
- Effective implementation of marketing strategies.
- Free from import and export barriers.
- Marketer enjoys all advantages, as he is the complete owner of his unit for taking any important decision.
- Low transportation cost.
- For foreign countries, it provides employment opportunities and source of revenue.

For example : general motors, ford, pepsi etc.



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- **Disadvantages/ limitations :**

- It requires heavy investments, which is not easy for every marketer especially for a small unit.
- Also, it is very risky because it depends on many factors like market scenario, political, economic, social factors etc. which are constantly changing.

2) Creating joint venture with other foreign firms :

A marketer can join local investors to create joint venture and share the profits in importing country. It may be choice based i.e. marketing purpose or total manufacturing and marketing both for the product.

For example : Maruti- Suzuki, Tata AIG etc.

- **Advantages :**

- When marketer faces lack of financial and human resources for international marketing.
- In some countries, (ex. Gulf countries) have a restriction for foreign players as a condition for entry.
- A marketer wants to get advantage of a strong distribution and marketing network of local player.
- Sometimes it is highly advantageous to make a joint venture with local firms and utilize its brand image at the entry level. (for example : Bajaj Allianz, Birla sun life, hero Honda).
- It will also reduce risk for the marketer w.r.t. political and economic factors.

- **Disadvantages :**

- Conflicting conditions may exist between parties w.r.t. policy implementation, decision making, ownership, investment, marketing or on any other issues.



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3) Indirect- Direct Export to Foreign Country :

It is an easy and normal method for entering into international market. It is based on the availability of resources and potential for the product. It may be possible in following ways :

- **Indirect Export :**

Selling through independent middlemen :

- Export management companies handle all the marketing and selling tasks for export by charging fees.
- Co-operative organizations provide export support on behalf of the marketers.
- Domestic base export merchants purchase the product of the marketers and they directly sell the goods in foreign market.
- Domestic base export agents working on commission and work-out contracts and negotiation with international or domestic marketers.

Indirect export requires comparatively less investments w.r.t. selling expenses, distribution etc. another advantages is that it is less risky because such middlemen have a sound knowledge of particular foreign market.

- **Direct Export :**

Sometimes marketer decides to go for direct export to grab lucrative profit opportunity, though there is a great degree of risk and higher investment is required.

It is done in following ways :

- a) **Foreign based agents :**

These agents have exclusive rights for trading company's product in his country.

- b) **Developing sales branch or subsidiary :**

These small sales branches handle various marketing functions for the company's product like sales, distribution, promotion, warehousing and services.



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c) Exporter's salesmen :

Salesman of the company travel around the world and perform marketing functions for developing business.

d) Developing domestic support by export department :

Marketers create a special export division which performs export function and generates profit for the company.

4) Creating licensing agreement with foreign firms :

It is also one of the easiest and simplest method for entering international market. In this method, marketer will issues a license to a foreign company for manufacturing the product by using the marketer's name, symbol, specified technology etc. with an agreement. Marketer will get a specified – agreed percentage of revenue on gross sales. **Licensing exists in following conditions :**

- When the marketer faces a risk of copy regarding his patent and trade mark;
- When the marketer wants to protect his patent and trademark against cancellation for non-use;
- When foreign country imposes import restrictions and barriers;
- Sometimes, foreign country is sensitive to ownership.
(for example: gulf countries)

• Advantages :

- For marketers, there will be less risk and easy entry because all the requirements will be fulfilled by the foreign player.
- For the foreign player, it gives an opportunity to get expertise on a particular product.
- It does not require huge investment.

• Disadvantages:

- Marketer may not control and have awareness about the actual production and sales facilities.
- Sometimes, foreign firm can become a competitor when the contract ends. To



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prevent this, it is important for a marketer to monopolise some of his component / ingredients and supply it to the marketer. For example : Pepsi, Coca-cola.

- Many countries are now worried about foreign ownership and this method is generally suitable for small and medium size units.

5) Consultancy and project work :

Many countries in Africa and south Asia are still at underdeveloped and developing stages. They invite foreign firms for participating in their developmental projects. These foreign firms have expertise, experience and knowledge and enter into contracts with the government or with the local firms based on advice / consulting or full completion of projects in the following ways : **For Example** : Delhi metro-rail project.

a) Turkey project :

Ex. : civil construction, plant set-up, supply for machineries and equipments etc.

b) Consultancy services :

Ex.: For developing a new plant/ technology, project report for new set-up, designing and giving advise for project specification.

c) Engineering services:

Ex.: Maintenance and servicing, plant set-up, and other supply of technical services.

6) Management Contracts :

In this method, an international marketer enters into a foreign country based on specific fees for managing their former investment on a time based period. In such a situation when the investment of marketer in a foreign country are by expropriated by the government in foreign country, required managerial and other suitable facilities are not available, then firms have no other choice for entering the



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international market. Marketers generally do not like this method. But sometimes due to political pressures, the government and the marketers have to follow this methods forcefully.

The decision areas considered by the marketer before entering into international market

- Decision areas considered by the marketer before entering into international market :

Under following situations, marketers have to take a decision to enter into international market :

- 1) Market selection
- 2) Entry methods
- 3) Marketing mix decision
- 4) Organizing structure
- 5) Profit potentiality of export business
- 6) Domestic demand is inadequate
- 7) Optimum use of available / installed plant capacity
- 8) Legal and other political barriers
- 9) For improving productivity and growth
- 10) Product life cycle stage
- 11) Tough competition in domestic market
- 12) Social responsibility

Now, we shall discuss about all the situation in detail :

1) Market selection :

When a marketer is firm to enter into global market then first he has to make decision regarding market selection. Marketer will analyze about his present resources, plant capacity, product dimension, etc. and future plant of expansion. Accordingly decision for entering in one or more country to enter can be taken with



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the market selection. He has to enter can be taken with the market selection. He has to also decide about the type of foreign consumer that he can serve efficiently and effectively. It includes two aspects :

- Market segmentation and
- Target market selection

At the initial stage, it is better for the marketer to target easy markets which have enough potential and attractiveness. Research is necessary for a marketer before entering into foreign markets. It should include study of foreign consumer behaviour, profitability, buying preferences etc. the criterias are :

- Present as well as future market opportunities
- Market share
- Market challenges and uncertainties
- Cost / benefit analysis
- Return on investments

2) Entry Method :

After deciding the market, the next decision about entry methods that to be used is foreign market entry. The methods are :

- Starting a manufacturing base in a foreign country.
- Developing a joint venture with foreign firm.
- Exporting
- Licensing / franchising
- Consultancy and project tasks
- Management contracts

All these methods, we had discussed earlier, marketer should study about all the merits and demerits of all these methods and select the most appropriate method relevant to the business and foreign country.



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3) Marketing mix method :

It includes marketing mix strategies for international market. The decision is just like domestic market except the target preference of foreign segment. It includes product, price, place and promotion strategies.

*Product Mix Decision :

It involves the decision concerning with whether marketer should continue with the (same existing) product mix for the foreign market or needs change as per suitability of the foreign buyer behaviour. It involves :

- Launching entirely new product range for the foreign market.
- Modifying the existing product mix as per preferences of foreign market.
- Continue with the same product mix.

*Pricing Decision :

It involves the decision concerning with pricing strategy as per the economy of the foreign country. It needs the analysis of :

- Cost structure
- Competitive pricing
- Purchasing power of consumers
- Inflation rate
- Income level etc.

*Place (Distribution) decision :

It involves the decision concerning distribution strategy in a foreign market. There are two methods :

- Direct channel
- Indirect channel through middlemen
 - One level Three level
 - Two level Four level



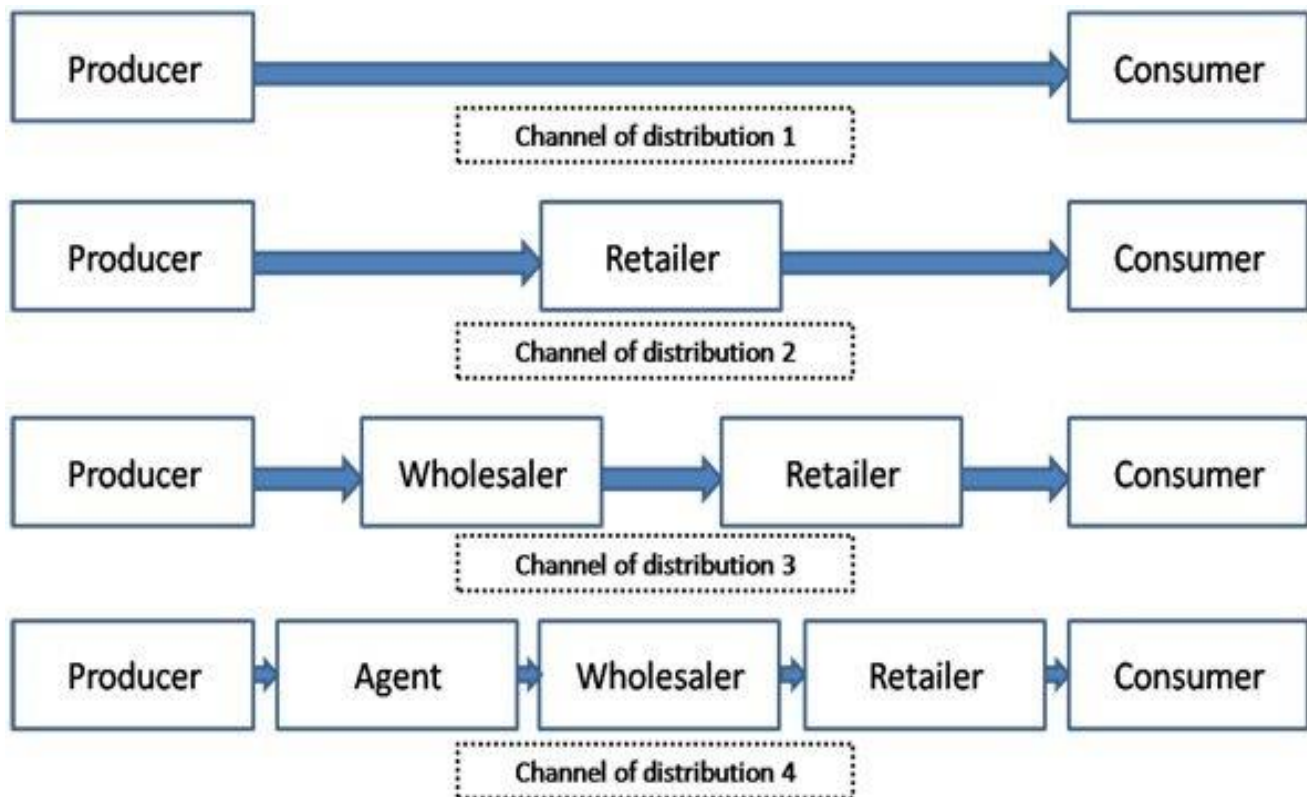
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Producer → Agent → Distribution → Wholeseller → Retailer → Consumer



Now a days, many marketer are using online distribution strategy to distribute their goods in a foreign market. Marketer has to study the pros and cons of every strategy before entering into the foreign country.

*Promotion Strategy :

It is concerning with deciding promotional strategy for the foreign market. It includes advertising, personal selling, sales promotion and publicity. Marketer has to study various factors before deciding promotional strategy like consumer preferences, competition, education level, availability of media, charges / cost etc.



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4) Organizing Structure :

It is quite important for a marketer to design the organization structure for proper implementation, directing and controlling their global marketing efforts. The organisation structure depends on many factors like :

- Number of countries to target
- Nature of product
- Buying behaviour of foreign consumers etc.
- Marketer should develop a separate division for the foreign trade. The structure may be of :
 - ~ product wise division
 - ~customer wise division
 - ~country wise division
 - ~hybrid structure

5) Profit Potentiality Of Export Business :

If we consider in india context, generally the rate of export profit is far better than domestic business. The total cost of manufacturing and distribution will also be reduced and it will give a competitive advantage to the firm. It will raise the strength of the firm.

6) When Domestic Demand Is Not Sufficient :

If in the domestic market, the marketer does not find enough opportunities, in foreign market, there might be a chance of good opportunity, then the firm will take a decision to enter into foreign markets. Also if in the foreign markets, there is a sudden rise in demand of the product as compared to domestic market, then also the marketer will take a decision to enter in foreign market.

7) Optimum Use Of Available Plant Capacity :

Sometimes, it may be possible that after fulfilling domestic demand satisfactory, the firm still has an excess capacity. In such a case, the firm will take a



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decision to enter into foreign markets.

For example:

A firm manufactures a soap with an average demand of 50,000 soaps in a month, but a firm can manufacture 10,000 soaps with an additional facility. These 10,000 soaps can be exported and the firm can get competitive advantage. This will provide an easy way to the firm for making export decisions by using installed capacity. It will increase profit and reduce the cost of manufacturing. It will also provide stability to the marketer in case of fall in domestic demand for the product.

8) Legal And Other Political Barriers :

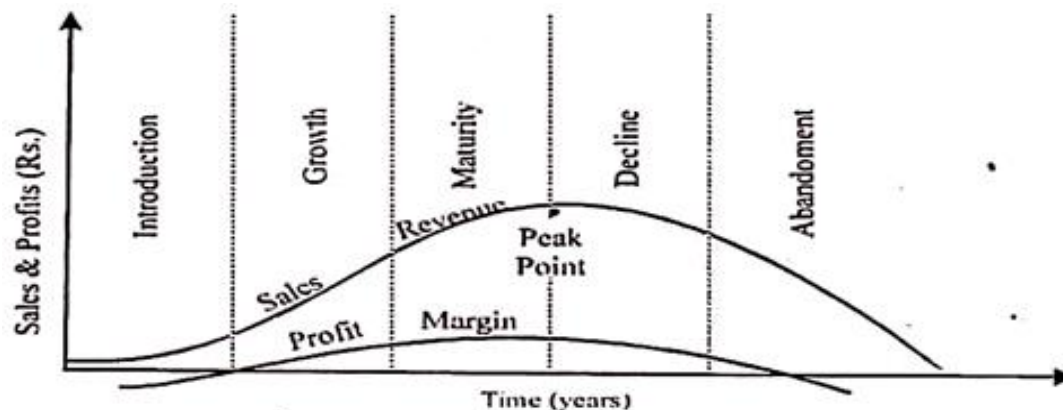


Fig. 15.2 : Product Life-Cycle

Every country imposes certain levels of legal and political restrictions for the growth and expansion of certain business or products for the better interest of the country or for social benefits. On the contrary, in case of export business, every country removes or relaxes these barriers if it will not affect the domestic market. So, in this situation, marketer will go for export decision for its growth. In other condition, countries import many products, technology etc. which may not be available domestically. In such a case, country imposes certain export obligations on that firm who are making imports. The importing firm will have to export the whole or part of his product for balancing imports. These will be beneficial to both, firm as well as the country.



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9) Improving Productivity And Growth :

Now-a-days, continuous research is an essential part of any business to improve the productivity of production. Research requires heavy investments. These heavy investment can be compensated by doing export in foreign market.

10) Product Life Cycle Stage :

Every product has a limited time span(broadness) and it passes through various stages like introduction, growth, maturity, saturation, decline and finally, obsolesce. There might be a chance that in domestic market, product may not succeed, but in foreign market, product may be successful. There are many products, which reach at obsolesce stage in developed countries but when they enter in developing or underdeveloped market, they will create success stories.

For example: electronic goods like computer, laptop, television-LCD, LED, 3D, HD, mobile phones etc.

11) Tough Competition In Domestic Market :

It is found that the marketer first concentrates on domestic demand and tries to improve production capacity to meet domestic demand. But generally, in domestic market, there is a tough competition. Sometimes , due to competition factor, marketer faces a problem of survival also. In such a case, marketer will decide to enter in foreign market. Competition is everywhere but, in foreign markets, level of competition is different. In foreign markets, price factor plays a very important role, which can be a basic strength for the marketer to succeed. Many indian companies have entered in foreign markets because they are facing intense competition in domestic market. These companies create success stories due to good quality products at reasonable prices as compared to other multinational companies.



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12) As A Part Of Social Responsibility :

Many marketers consider exporting products as a part of their social responsibility towards society and government to generate revenues. They will create a good prestige of the company in the society, in domestic market as well as in foreign market also.

Growth and Importance of international marketing compared to domestic marketing

It is quite clear that exporting is necessary for the economic development of developing and under-developing economy.

“ efficient employment of the productive forces of the world is a direct economical advantage of foreign trade. But there are, besides indirect efforts, which must be counted as benefits of a high order. One such is the tendency of every extension of the market is to improve the process of production. A country which produces for a larger market than its own, can introduce a more extended division of labour, can make greater use of machines and is more likely to make inventions and improvements in the process of production.” - J.S. mill

India is in a good position to develop foreign exports due to rapid development and availability of needed infrastructural facilities.

Our presence in international market is only 1% but this growth of export is continuously increasing, which shows a bright future of export in india. The importance of international marketing can be categorized into following categories :

- 1) Importance of international marketing for the marketer himself.
- 2) Importance of international marketing for economy of the country.
- 3) Miscellaneous



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1) Importance of international marketing for the marketer himself.

Marketer will earn more profits and their business will grow by doing export trade. Due to these benefits, marketers will be motivated to export their products. The benefits are :

a) Reduce business risk :

Exporting in different countries helps the marketer to balance their business in time of fluctuations. If the marketer fails to get profit in one country, it will be counter balanced by getting profit potentiality in another country. In this way, marketer can reduce their business risk.

b) Improvement in productive and profitability of the firm :

Generally , if we consider about indian context, export business is definitely a potential profit opportunity. This will help the marketer to become more competitive in domestic market also. With this export trade, there will be development in social and technical areas also. By this way mass production will be undertaken by lowering the cost. This will improve the productivity of the firm.

c) Business expansion :

Sometimes, marketers have more capacity of production as compared to domestic demand. In such cases, they can use this excess capacity for the export business and expand the business.

On the other hand, if the product has less demand in domestic market, the marketer can develop export business and sustain in the market.

d) Improvement in technology:

This is another benefit that is specially applicable to the marketers of developing and under-developed countries. Marketer can introduce new varieties and range of product by taking the help of foreign advanced technology. This will give strength to the marketer to sustain in domestic market also.



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e) The effect of legal restrictions:

In many countries, for protecting industries and economy, the government enforces some restrictions on certain industries for the growth, development, production and distribution also. In such situations, the marketer can move to foreign markets and start with exporting. This will be beneficial for the country also.

f) Product life cycle :

It is quite clear that though a product which has become outdated in one market may be having a demand in some foreign market. The marketer has to find out a potential country where his product can create a space. By this way, life cycle of product will be rotated in various countries.

g) Social Responsibility :

Many marketers consider exporting as a part of their social responsibility towards their country and world also. They have full commitment to expand their business in every corner of the world and show their presence on world map.

2) Importance of international marketing for the economy of the country :

It is quite clear that for boosting the economic growth, every country needs to focus on exporting. Government provides various benefits to the exporting firms due to following benefits of international trade :

a) Importance of exports in national income :

It is very much clear that export play a significant contribution in the national income of the country. The approximate percentage of exports in national income of some countries are : Japan :15%; England : 25% ; Canada : 24%.

b) It provides employment opportunities :

This is very important for countries like India, China etc. (developing and under-developed countries) who face major problem of unemployment and poverty. By increasing the exports, it will generate new job opportunities directly and indirectly.



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c) To boost up economic growth :

For industries, exporting will boost up their development process. The main requirement is accurate planning which will help in increasing production with surplus to export. This will bring a handsome revenue and technological development which is quite beneficial in domestic market also. Exporting is directly related to development of a country as well as the organization. According to “R.F. Emery”, “the co-relation between exports and GNP with real GNP per capital increase 1% for every 2.5% rise in exports.” Therefore, after fulfilling domestic demand, the marketer has to look for exporting surplus production. At least, the marketer has to improve their production capacity to meet domestic as well as foreign demand. Exporting also brings foreign exchange which is quite valuable to meet import needs and other industrial needs. Another growth oriented benefit is to make industries more competitive by exposing the industry which is known as “spin off” benefits. The other benefit is optimum use of available resources which will improve their productivity also. In this way, there will be a rapid growth of industries and the economy.

d) To meet import needs of domestic industries :

Developing countries and underdeveloped countries need import of precious raw material (ex. Oil), heavy equipments, technology etc. from developed countries. To meet these import needs of domestic demand, the country has to export by exploring international marketing. Otherwise, the economy will face crisis due to difference between import-export crunches. Government needs to motivate industries to expand their capacity and develop international market. Therefore, in today's era, exporting is a compulsory tool for any economy to meet import needs of domestic demand as well as to earn a foreign exchange.

e) Debt servicing:

All the developing and under-developed countries in the world take loan from various international trade agencies, like WTO, IMF, World Bank etc. for meeting



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their industrial, infrastructural and social development. For this, they have to arrange foreign exchange to repay this loan amount by paying installments including interest. Therefore, for all these countries, it is quite necessary to export to recover imports and debt servicing.

f) Utilization of natural resources :

By profitable use of natural resources, a firm can earn valuable foreign exchange which will be helpful to meet import needs. Natural resources are a valuable asset of the country which should be fully explored by keeping interest of the country in mind and providing valuable services to the world and domestic market.

g) Competition :

Every development promotes export and provides many benefits to the exporting unit. Marketer is aware about this fact and can concentrate on product improvement to meet international standards. These will be beneficial in two aspects. One is, marketer will get government incentives and his profit will also increase. Another benefit is by the way of exports. Marketer will improve their products by latest technology of international standards, which will be helpful in domestic market also. By the way, marketers can face competition in domestic as well as in international markets also.

h) To raise standard of living of the society :

International marketing will be beneficial for improving the standard of living of the society by :

- The quality of product will improve upto international standards. By this way, domestic customer gets standard product at a reasonable price.
- International marketing will develop industrialization in country which will increase their foreign exchange.
- If exports are more, the government can make more imports of necessary goods like oil, advanced technology, electronics items etc.



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- International marketing will raise employment opportunities in the country. This will indirectly affect to the purchasing power of the domestic consumer.

3) Miscellaneous Importance Of International Marketing :

a) Developing cultural relations:

International business will develop close cultural relations between countries. The discussion between local authorities and foreign delegation strengthen the relationship between countries. Developing branches, franchises, office etc. in foreign countries initiates a favorable and positive relation between nations. Eg. India- USA; china- Pakistan.

b) Trading and exchange relationship :

Generally developed countries fix their import quotas from different countries w.r.t. products. Country start with export to the developed country to take the benefits of this quota. Countries can also make a collaboration and group like EU (European union), OPEC(oil and petroleum exporting countries), NAFTA (north America federation trade association) etc. for dealing with certain issues and make joint decisions for maintaining their interests.

c) Maintain peaceful atmosphere :

There might be some conflicting issues between countries like India-Pakistan, USA-Russia (cold war), USA-Iraq etc. for, maintaining peaceful atmosphere between them. If trading starts, among such countries, then it will automatically maintain political peace in the world.

Major practical problems in international business.

The most common issues you can face doing international trade:

1. Distance:

Due to long distance between different countries, it is difficult to establish quick and



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close trade contacts between traders. Buyers and sellers rarely meet one another and personal contact is rarely possible.

There is a great time lag between placement of order and receipt of goods from foreign countries. Distance creates higher costs of transportation and greater risks.

2. Different languages:

Different languages are spoken and written in different countries. Price lists and catalogs are prepared in foreign languages. Advertisements and correspondence also are to be done in foreign languages.

A trader wishing to buy or sell goods abroad must know the foreign language or employ somebody who knows that language.

3. Difficulty in transportation and communication:

Dispatch and receipt of goods takes a longer time and involves considerable expenses. During the war and natural calamities, transportation of goods becomes even more difficult. Similarly, the costs of sending or receiving information are very high.

4. Risk in transit:

Foreign trade involves much greater risk than home trade. Goods have to be transported over long distances and they are exposed to perils of the sea. Many of these risks can be covered through marine insurance but increases the cost of goods.

5. Lack of information about foreign businessmen:

In the absence of direct and close relationship between buyers and sellers, special steps are necessary to verify the creditworthiness of foreign buyers. It is difficult to obtain reliable information concerning the financial position and business standing of the foreign traders. Therefore, credit risk is high.

6. Import and export restrictions:



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Every country charges customs duties on imports to protect its home industries. Similarly, tariff rates are put on exports of raw materials. Importers and exporters have to face tariff restrictions.

They are required to fulfill several customs formalities and rules. Foreign trade policy, procedures, rules and regulations differ from country to country and keep on changing from time to time.

7. Documentation:

Both exporters and importers have to prepare several documents which involve expenditure of time and money.

8. Study of foreign markets:

Every foreign market has its own characteristics. It has requirements, customs, weights and measures, marketing methods, etc., of its own. An extensive study of foreign markets is essential for success in foreign trade. It is very difficult to collect accurate and up to date information about foreign markets.

9. Problems in payments:

Every country has its own currency and the rate at which one currency can be exchanged for another (called exchange rate) keeps on fluctuating change in exchange rate create additional risk.

Remittance of money for payments in foreign trade involves much time and expense. Due to wide time gap between dispatch of goods and receipt of payment, there is greater risk of bad debts.

10. Frequent market changes:

It is difficult to anticipate changes in demand and supply conditions abroad. Prices in international markets may change frequently. Such changes are due to entry of new competitors, changes in buyers' preferences, changes in import duties and freight rates, fluctuations in exchange rates, etc.



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PUSH & PULL forces on international marketing.

What makes a company choose to enter into a new international market? Academics have pondered this idea for considerable time and have come up with a range of potential drivers for internationalization. These drivers can be broadly categorised into push and pull factors (Alexander 1997).

Push factors relate to phenomena in a company's domestic market that motivate it to enter into new markets. **Pull factors** are phenomena in other international markets that draw the company to them.

Push factors tend to be regarded as negative (Evans et al. 2008). For example, a firm may find that it has saturated its domestic market and is therefore driven to enter a new market. However, push factors need not always be negative; for example, a domestic government may encourage a domestic firm to trade globally and offer tax benefits or support to do so. Push factors can include resources, management expertise, company culture and environmental factors.

Pull factors are commonly seen as positive or opportunistic drivers for internationalization. For example, a new international market may have an emerging middle class with increased spending power, presenting a potential opportunity for a company to exploit. Pull factors can include market size, economic and social conditions, and foreign market characteristics.

- **Pull/ Proactive Forces- Attractiveness of the Foreign Markets:**

Profit advantage due to increase in volume: For companies, mostly in the developed countries, which have been operating below their capacities, the developing markets offer immense opportunities to increase their sales and profits.

Low wage/ cheap labour attraction: Many multinational companies (MNCs) are locating their subsidiaries in low wage and low cost countries to take



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advantage of low cost production.

Taking advantage of growth opportunities: MNCs are getting increasingly interested in a number of developing countries as the income and population are rapidly rising in these countries. Foreign markets, in both developed country and developing country, provide enormous growth opportunities for the developing country firms too.

Growth of regional trading blocs: Regional trading blocs are adding to the pace of globalization. WTO, EU, NAFTA, MERCOSUR and FTAA are major alliances among the countries. Trading blocs seek to promote international business by removing trade and investment barriers. Integration among countries results in efficient allocation of resources throughout the trading area, promoting growth of some business and decline of others, development of new technologies and products, and elimination of old.

Declining trade and investment barriers: Declining trade and investment barriers have vastly contributed to globalization. The free trade regime, business across the globe has grown considerably. Goods, services, capital and technology are moving across the nations significantly.

- **Push/ Reactive Forces- Compulsion of the Domestic Market:**

Saturation of domestic demand: The market for a number of products tends to saturate or decline in the advanced countries. This often happens when the market potential has been almost fully tapped. For example, the fall in the birth rate implies contraction of market for several baby products. Businesses undertake international operations in order to expand sales, acquire resources from foreign countries, or diversify their activities to discover the lucrative opportunities in other countries.



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Scale economies and technological revolution: Economies of scale are reductions in unit production costs resulting from large-scale operations. The technological advances have increased the size of the optimum scale of operation substantially in many industries making it necessary to- have foreign market, in addition to the domestic market, to take advantage of scale economies.

Technological revolution: Revolution is a right word which can best describe the pace at which technology has changed in the recent past and is continuing to change. Significant developments are being witnessed in communication, transportation and information processing, including the emergence of the internet and the World Wide Web.

Domestic recession: Domestic recession often provokes companies to explore foreign markets. One of the factors which prompted the Hindustan Machine Ltd. (HMT) to take up exports very seriously was the recession in the home market in the late 1960s.

Competition as driving force: Competition may become a driving force behind internationalization. There might be intense competition in the home market but little in certain foreign countries. A protected market does not normally motivate companies to seek business outside the home market.

Government policies and regulations: Government policies and regulations may also motivate internationalization. There are both positive and negative factors which could cause internationalization. Many governments offer a number of incentives and other positive support to domestic companies to export and to invest in foreign investment.

Improving image of the companies: International business has certain spin-offs too. It may help the company to improve its domestic business; international



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business helps to improve the image of the company. There may be the ‘white skin’ advantage associated with exporting- when domestic consumers get to know that the company is selling a significant portion of the production abroad, they will be more inclined to buy from such a company.

Strategic vision: The systematic and growing internationalisation of many companies is essentially a part of their business policy or strategic management. The stimulus for internationalisation comes from the urge to grow, the need to become more competitive, the need to diversify and to gain strategic advantages of internationalization.

Merits and demerits of international market.

- **Merits of international market:**

1. Higher Sales

International marketing helps business in enhancing their sales by presenting them at international level. It provides access to wider market globally through which business connects with large number of customers. This boosts the sales volume and overall profitability of organization.

2. Minimizes Cost

It help companies in reducing their cost by producing goods in large quantities. Companies when trade in international market performs their operations at large scale which helps them in attaining cost competency in both national and international market.

3. Earns Foreign Currency

International marketing is an important source for earning foreign revenue by nations. Companies by trading in foreign market brings large amount of foreign



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reserves in their home country. All business dealings are made in foreign currency by companies operating at an international level.

4. Enhance Living Standards

International marketing helps people of different nations in enhancing their living styles. People are easily able to purchase high quality goods which are not produced in their home country from international brands. It serves as a platform where different reputed brands are able to sell their products in various nations.

5. Create Employment

It generates employment opportunities in home country as well as in host country. International marketing requires large scale operations to be performed by companies for meeting out the demands of large population. Companies hires huge no. of employees for carrying out their activities efficiently.

6. Rapid Industrial Growth

International marketing leads to rapid industrial growth of the country. It creates demand for new products which enhances the scale of operations of industries. Various infrastructural facilities such as transportation, insurance and banking are also guided by international marketing that contributes to national economy.

7. Benefits At Time Of Emergency

International marketing provides special benefits to nations facing emergency situations. Whenever any country is adversely affected by situations like drought and flood, it gets help from other nations in international market. Emergency supply of all goods and services for fulfilling the urgent needs of peoples in such countries is facilitated through international market.



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- **Demerits of international marketing :**

- ✓ **Cultural Differences**

International marketing faces many difficulties due to varying cultures and norms across the globe. Different countries have their distinct norms, traditions, lifestyles, languages and preferences. Companies may sometimes find it difficult to sell their products.

- ✓ **High Competition**

The degree of competition in international marketing is very high due to the presence of large competitors. Companies entering foreign market have to compete with both home brands as well as various international brands.

- ✓ **Government Restrictions**

International marketing is bound to follow various strict rules and regulations imposed by government. Government impose high tax and duties on import and export of goods which adversely affect the profitability and continuity of companies. Sometimes, it become difficult for companies to abide by all the rules and regulations in host country.

- ✓ **War Situations**

International marketing is adversely affected by tension and war like situation among nations. It is subjected to diplomatic relation between countries and continues as long as these countries shares friendly relations. If any tension is erupted in host country, companies incurs huge losses and may lead to complete shutdown of their operations.

- ✓ **Distance Issues**

Large geographical distance among nations is a major drawback in international marketing. Companies requires large efforts in servicing customers at far distant



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places. Suppling of fresh and perishable products to far nations becomes a challenging task for companies.

Challenges on international marketing.

Different challenges faced by international marketing are as given below:-

- **Traffic Barriers**

It refers to various tax and duties which are imposed on import and export of goods or services. International marketers sometimes find it difficult to abide by all the rules and regulations imposed by the foreign government. Such taxes may adversely affect their profitability and create a problem for them.

- **Variations In Exchange Rate**

Every country has its own currency and need to be exchanged with each other while doing international trade. There are fluctuations in the currency exchange rate every day. It becomes a great challenge before international marketer for converting currencies in case if fluctuations in exchanges rate sometimes goes extraordinary.

- **Cultural Diversity**

Cultural diversity means difference in culture and norms among people in several nations. Every country's people have distinct tastes, habits, language, preferences, buying and consumption pattern. Companies may face difficulty in introducing their product in international market.

- **Distance Problem**

Another major problem in international marketing is the large geographical distances between countries. Trading with the nation at far distances is a quite challenging task as it requires large time and effort. In case of supplying perishable and fresh goods, companies may face a big problem.



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- **Political Environment**

There is a difference in the political atmosphere of every country. These political differences may pose threats or provide opportunity to companies. Government of foreign countries has distinct priorities and approaches to international trade. Companies may face restrictive trade policies imposed by the government of that country while trading their products.

- **Competition**

Existence of high competition in the international market is another problem faced by companies. It may become difficult for them to sell their products or compete with existing companies in developed countries.

Online shopping

Online shopping – definition and meaning

- **Online shopping** is the activity or action of buying products or services over the Internet.
- It means going online, landing on a seller’s website, selecting something, and arranging for its delivery.
- The buyer either pays for the good or service online with a credit or debit card or upon delivery.
- In this article, the term ‘online’ means ‘on the Internet.’
- The term does not only include buying things online but also searching for them online.
- In other words, I may have been engaged in online shopping but did not buy anything.
- Online shopping has been around for about twenty-five years.
- It has grown in popularity significantly.



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- Today, we can purchase nearly anything online.
- In fact, retail experts say that online shopping will soon overtake traditional shopping in monetary terms.
- Online shopping is part of **E-Commerce**, which stands for Electronic Commerce.
- Online Shopping occurs when a customer buys through a digital platform.
- An example of such a platform is Bikerringshop.com, online biker ring store from Thailand. You don't have to live in this country to get one of the products this store sells. Global coverage is one of the major benefits of online shopping.
- We like shopping online. The main appeal is that we can find and buy items we require without ever needing to leave the house.
- During the period leading up to Christmas, online shopping is particularly appealing. It is appealing because shoppers can avoid those long lines (*British: queues*) with angry consumers.
- According to OxfordDictionaries.com, online shopping is:

“The action or activity of buying goods or services over the Internet.”

Which retailers provide online shopping

Today, most stores provide online shopping facilities. In other words, they have a website that allows consumers to purchase from them on the web.

The retailer either delivers to the shopper's home, office, a neighbor, or a nearby store location.

- Many people do their weekly supermarket grocery shopping online.
- Some companies, in fact, only sell online. They have no physical shop that people can visit.



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- For example, *Amazon.com* sells nearly all of its goods online through its e-commerce platform.

NewEgg, Ocado, and TigerDirect also focus primarily on online shopping facilities.

➤ How does online shopping work

- Above all, you will need an Internet connection, a debit or credit card, and secure password. You may also need to have an email address or mobile phone number.
- Most retailers will allow you to make up your password. Make sure it is a password that nobody could guess. Avoid your birthdate and those of relatives. Ideally, you should include a combination of letters, numbers, and higher and lower cases
- You then scroll through the items the retailer is offering. Sometimes they will have a category list, such as furniture, sports equipment, gardening, etc.
- Most retailers also have a search facility. This means that you can write the name of the item you seek to determine whether they have it.

➤ Online shopping – paying

- When it is time to pay, the retailer will ask for your card details. They will require the name on the card, the long 16-digit number, the expiry date, and a 3-digit number at the back. You may also need to provide details of the card's billing address.
- When giving your card details, make sure their web address starts with '*HTTPS*' and **NOT** '*HTTP*.' A web address that starts with '*HTTPS*' means it is a secure page, and suitable for handling payments.
- Online shopping is great for buying things that are identical. For example, printer toner, toilet paper, or windshield liquid for your car are items that do not vary. However, fruit and vegetables are different. They may be overripe or



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not ripe enough.

- Most retailers allow you to send back goods. In fact, in some countries, you get a *'grace period.'* This means that the law allows you to send back goods within a certain period.
- Therefore, online shopping is also good for items that you need to try on, such as shoes or clothes. Because you can send them back.
- A *ShopperTrak* survey found that physical retailers face a major challenge. Their challenge is how to satisfy connected consumers. Connected consumers' expect to be able to flex between physical and online stores.
- When we pay for a book online or register for an e-learning course, we are paying for knowledge. In fact, knowledge commerce or K-commerce is a massive global industry

Advantages and disadvantages of online shopping.

• 10 Benefits of Shopping Online:

○ Convenience.:

Convenience is the biggest perk. Where else can you comfortably shop at midnight while in your pajamas? There are no lines to wait in or cashiers to track down to help you with your purchases, and you can do your shopping in minutes. Online shops give us the opportunity to shop 24/7, and also reward us with a 'no pollution' shopping experience. There is no better place to buy informational products like e-books, which are available to you instantly, as soon as the payment goes through. Downloadable items purchased online eliminate the need for any kind of physical material at all, as well, which helps the environment!

○ Better prices.

Cheap deals and better prices are available online, because products come to you direct from the manufacturer or seller without involving middlemen.



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Plus, it's easier to compare prices and find a better deal. Many online sites offer discount coupons and rebates, as well. Not only are prices better, but you can save on tax as well, since online shops are only required to collect a sales tax if they have a physical location in your state. Factor in the saved expense of gas and parking and you have saved yourself a lot of money!

- **More variety.**

The choices online are amazing. You can find almost any brand or item you're looking for. You can get in on the latest international trends without spending money on airfare. You can shop from retailers in other parts of the state, country, or even world instead of being limited to your own geography. A far greater selection of colors and sizes than you will find locally are at your disposal. Plus, the stock is much more plentiful, so you'll always be able to find your size and color. Some online shops even accept orders for out-of-stock items and ship when they come in.

- **You can send gifts more easily.**

Sending gifts to relatives and friends is easy, no matter where they are. All the packaging and shipping is done for you. Oftentimes, they'll even gift wrap it for you! Now, there is no need to make distance an excuse for not sending a gift on occasions like birthdays, weddings, anniversaries, Valentine's Day, Mother's Day, Father's Day, and so forth.

- **More control.**

Many times, when we opt for conventional shopping, we tend to spend a lot more than planned and end up buying items that aren't exactly what we wanted (but we can't find anything better in the store). Online, you don't have to let the store's inventory dictate what you buy, and you can get exactly what you want and need.

- **Easy price comparisons.**



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Comparing and researching products and their prices is so much easier online. If you're shopping for appliances, for example, you can find consumer reviews and product comparisons for all the options on the market, with links to the best prices. We can research firsthand experience, ratings, and reviews for most products and retailers.

- **No crowds.**

If you are like me, you hate crowds when you're shopping. Especially during holidays, festivals, or on weekends, they can be such a huge headache. Also, being crushed in the crowds of shoppers sometimes makes us feel rushed or hurried. You don't have to battle for a parking place. All of these problems can be avoided when you shop online.

- **No pressure.**

Oftentimes when we're out shopping, we end up buying things that we don't really need, all because shopkeepers pressure us or use their selling skills to compel us to make these purchases.

- **You can buy used or damaged items at lower prices.**

The marketplace on the Internet gives us access to listings of old or damaged items at rock bottom prices. Also, if we want to buy antiques, there's no better place to find great ones.

- **Discreet purchases are easier.**

Some things are better done in the privacy of your home. Online shops are best for discreet purchases for things like adult toys, sexy lingerie, and so on. This enables me to purchase undergarments and lingerie without embarrassment or any paranoia that there are people watching or judging me.



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➤ 10 Disadvantages of Online Shopping:

○ **Negative environmental impact of packaging and gas.**

Having your purchase packed in several layers of plastic and cardboard packaging and delivered right to your front door is good for you, but not so great for the environment. Even if you try to recycle the cardboard, you're creating unnecessary waste by shopping online.

○ **Shipping problems and delays.**

Even the biggest and best shipping companies and online retailers have their bad days, so there's no way to ensure that you'll get your hands on your purchase in time unless you pick it up from a store. Items get lost, detoured, damaged, or delivered to the wrong address more often than you can imagine.

○ **Risk of fraud.**

If you're shopping online, there's a larger risk of fraud: credit card scams, phishing, hacking, identity theft, counterfeit products, bogus websites, and other scams are common.

○ **Spending too much time online.**

Especially if your job requires that you look at a computer all day, you might get burnt out on all that screen time. Shopping online can turn into a marathon of scrolling and clicking down rabbit holes and before you know it, you've been online for most of the day. The internet is a nice place to visit, but you probably don't want to live there.

○ **Less contact with the community.**

If you do all your business online, you'll never have to leave your home.

This might be great for a while but sometimes, you might want to go outside,



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breathe some fresh air, get a change of scenery, talk to real people, participate in your community, and just be a part of the crowd. Sometimes, a computer monitor can't compete with a real human connection.

- **You don't know exactly what you're getting.**

Unless you are intimately familiar with a brand or product, buying online requires a leap of faith . . . one that doesn't always end in your favor. Sizes are often imprecise. You can't determine texture, fabric, fit, cut, quality, heft, or durability just by looking at a photo. Products that looked great might feel chintzy, awkward, or cheap when you hold them in your hands.

- **Returns can be complicated.**

Some sellers make the process breezy, but many make it extra hard for you to return their merchandise or get a refund. Many times, you can't get reimbursed for any shipping costs. Labeling, packaging, shipping, tracking, and filling out all the proper forms is a hassle you can avoid if you buy in person (and if you hand-select your merchandise, you won't need to return things so often).

- **Unfriendly, scammy, or complicated websites.**

Some sites require that you join their mailing list and make it impossible to unsubscribe. Some sell your email address to others, so your email is full of ads. Sometimes, sites don't offer good or accurate descriptions of the goods, or you just can't figure out how to purchase or return an item or speak to customer service.

- **No sales assistance.**

In a store, there's usually someone to help you but online, you're on your own. If you're confused or have questions, it's just too bad for you. You might have to make blind purchases and mistakes you'll regret later because there was no one to talk to.



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○ No support for local retailers.

If everyone started doing all their shopping online, all the local stores would go out of business. When all the stores in town are gone, we'll have to drive further and further away to shop at a real store. Many people and places have already experienced the negative and sometimes devastating impacts of e-commerce which take away jobs and devastate local economies.

Online payment

➤ Introduction :

- The world has been moving towards all things digital for some time now. However, the year 2020 put into perspective the dire need to adapt to digital technology as soon as possible.
- This adaptation happened almost instantly with the lockdown coming into effect, especially for digital payments in India.
- The Indian government has been promoting and propagating online payments aggressively, starting with demonetization back in 2016.
- 'Digital India' had been the guiding force of many economic and financial decisions that pushed Indians to switch to online payments.
- According to cashlessindia.gov.in, the Digital India programme is a flagship programme of the Government of India. "Faceless, Paperless, Cashless" is one of the professed roles of Digital India.

➤ digital payment

- Digital payment is a transaction that takes place via digital or online modes, with no physical exchange of money involved. This means that both parties, the payer and the payee, use electronic mediums to exchange money.
- Please note that digital payments can take place on the internet as well



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as on physical premises. For example, if you buy something from Amazon and pay for it via UPI, it qualifies as a digital payment. Similarly, if you purchase something from your local Kirana store and choose to pay via UPI instead of handing over cash, that also is a digital payment.

➤ What are the different methods of digital payments?

After the launch of Cashless India, we currently have ten methods of digital payment available in India. Some methods have been in use for more than a decade, some have become recently popular, and others are relatively new.

#1: Banking Cards:

Indians widely use Banking cards, or debit/credit cards, or prepaid cards, as an alternative to cash payments. Andhra Bank launched the first credit card in India in 1981.

Cards are preferred because of multiple reasons, including, but not limited to, convenience, portability, safety, and security. This is the only mode of digital payment that is popular in online transactions and physical transactions alike. Nowadays, many apps are being launched with the sole purpose of managing card transactions like Cred, Square, etc.

#2: Unstructured Supplementary Service Data(USSD):

USSD was launched for those sections of India's population which don't have access to proper banking and internet facilities. Under USSD, mobile banking transactions are possible without an internet connection by simply dialing *99# on any essential feature phone.

This number is operational across all Telecom Service Providers (TSPs) and allows customers to avail of services including interbank account to account fund transfer,



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balance inquiry, and availing mini statements. Around 51 leading banks offer USSD service in 12 different languages, including Hindi & English.

#3: Aadhaar Enabled Payment System (AEPS):

AEPS is a bank-led model for digital payments that was initiated to leverage the presence and reach of Aadhar. Under this system, customers can use their Aadhaar-linked accounts to transfer money between two Aadhaar linked Bank Accounts. As of February 2020, AEPS had crossed more than 205 million as per NPCI data.

AEPS doesn't require any physical activity like visiting a branch, using debit or credit cards or making a signature on a document. This bank-led model allows digital payments at PoS (Point of Sale / Micro ATM) via a Business Correspondent(also known as Bank Mitra) using Aadhaar authentication. The AePS fees for Cash withdrawal at BC Points are around Rs.15.

#4: Unified Payments Interface (UPI):

UPI is a payment system that culminates numerous bank accounts into a single application, allowing the transfer of money easily between any two parties. As compared to NEFT, RTGS, and IMPS, UPI is far more well-defined and standardized across banks. You can use UPI to initiate a bank transfer from anywhere in just a few clicks.

The benefit of using UPI is that it allows you to pay directly from your bank account, without the need to type in the card or bank details. This method has become one of the most popular digital payment modes in 2020, with October witnessing over 2 billion transactions.

#5: Mobile Wallets:

Mobile Wallets, as the name suggests, is a type of wallet in which you can carry cash



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but in a digital format. Often customers link their bank accounts or banking cards to the wallet to facilitate secure digital transactions. Another way to use wallets is to add money to the Mobile Wallet and use the said balance to transfer money.

Nowadays, many banks have launched their wallets. Additionally, notable private companies have also established their presence in the Mobile Wallet space. Some popularly used ones include Paytm, Freecharge, Mobikwik, mRupee, Vodafone M-Pesa, Airtel Money, Jio Money, SBI Buddy, Vodafone M-Pesa, Axis Bank Lime, ICICI Pockets, etc.

#6: Bank Prepaid Cards:

A bank prepaid card is a pre-loaded debit card issued by a bank, usually single-use or reloadable for multiple uses. It is different from a standard debit card because the latter is always linked with your bank account and can be used numerous times. This may or may not apply to a prepaid bank card.

A prepaid card can be created by any customer who has a KYC-complied account by merely visiting the bank's website. Corporate gifts, reward cards, or single-use cards for gifting purposes are the most common uses of these cards.

#7: PoS Terminals:

PoS(Point of Sale) is known as the location or segment where a sale happens. For a long time, PoS terminals were considered to be the checkout counters in malls and stores where the payment was made. The most common type of PoS machine is for Debit and Credit cards, where customers can make payment by simply swiping the card and entering the PIN.

With digitization and the increasing popularity of other online payment methods, new PoS methods have come into the picture. First is the contactless reader of a PoS machine, which can debit any amount up to Rs. 2000 by auto-authenticating it, without the need of a Card PIN.



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#8: Internet Banking:

Internet Banking, also known as e-banking or online banking, allows the customers of a particular bank to make transactions and conduct other financial activities via the bank's website. E-banking requires a steady internet connection to make or receive payments and access a bank's website, which is called Internet Banking.

Today, most Indian banks have launched their internet banking services. It has become one of the most popular means of online transactions. Every payment gateway in India has a virtual banking option available. NEFT, RTGS, or IMPS are some of the top ways to make transactions via internet banking.

#9: Mobile Banking:

Mobile banking refers to the act of conducting transactions and other banking activities via mobile devices, typically through the bank's mobile app. Today, most banks have their mobile banking apps that can be used on handheld devices like mobile phones and tablets and sometimes on computers.

Mobile banking is known as the future of banking, thanks to its ease, convenience, and speed. Digital payment methods, such as IMPS, NEFT, RTGS, IMPS, investments, bank statements, bill payments, etc., are available on a single platform in mobile banking apps. Banks themselves encourage customers to go digital as it makes processes easier for them too.

#10: Micro ATMs:

Micro ATM is a device for Business Correspondents (BC) to deliver essential banking services to customers. These Correspondents, who could even be a local store owner, will serve as a 'micro ATM' to conduct instant transactions. They will use a device that will let you transfer money via your Aadhaar linked bank account by



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merely authenticating your fingerprint.

Essentially, Business Correspondents will serve as banks for the customers. Customers need to verify their authenticity using UID(Aadhaar). The essential services that will be supported by micro ATMs are withdrawal, deposit, money transfer, and balance inquiry. The only requirement for Micro ATMs is that you should link your bank account to Aadhaar.

➤ Benefits of digital payments

In a country like India, where disparities are sometimes poles apart, ensuring financial equality becomes an issue of prime importance. One of the reasons why our government started vocalizing Cashless Economy and Digital India was to improve access to financial resources. There are multiple benefits that digital payments bring to the table.

- **Ease and convenience:**

One of the most significant advantages of digital payment is the seamless experience they provide to customers. Reduced dependency on cash, fast transfer speed, and the ease of transacting make online payments a preferred option. Traditional payment methods like cash and cheques add to factors like risk, steps, and physical presence. With digital payment, you can send and receive funds from anywhere in the world at the click of a button.

- **Economic progress:**

Customers transact more online when they see the ease, convenience, and security of online payments. This means that more and more people feel comfortable buying online, investing digitally, and transferring funds via electronic mediums. The increase in money movement and online business contributes to the progress of the economy. This is why online ventures are being launched every day and even more are making profits daily.



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- **Safety and efficient tracking:**

Handling and dealing in cash is a cumbersome and tedious task. Along with the risk of losing money, there is the hassle of carrying cash everywhere you go and keeping it safe. With digital payments, one can keep their funds secured in online format effortlessly. Nowadays, your mobile phone alone is enough to make and receive payments – thanks to UPI, netbanking, and mobile wallets. Additionally, most digital payment channels provide regular updates, notifications, and statements for a customer to track his funds.

Major player of online shopping.

- Trade has long ago moved from offline world to e-Commerce and many of us have either heard of, or used services of the following companies.

1. Amazon, Inc. – The King of eCommerce:

- Not surprisingly, we start the list of the largest eCommerce companies in the world with Amazon and its empire.



- Founded in 1994 in Seattle by now immortal Jeff Bezos, Amazon has in the years since become a household name when it comes to **online shopping**.



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- This internet company today has the **largest revenue in the world**, but its beginnings were humble.
- It was initially not more than an online **bookstore**. Take a look at this interview with Jeff Bezos from 1999 and see how unpredictable things were back then.
- Amazon was diversifying the scope of products it sold online in the following years. Who says books aren't profitable!
- **Trivia about Amazon:**
- Bezos can recall the title of the actual first book he sold from his garage in July 1995: *Fluid Concepts & Creative Analogies: Computer Models of the Fundamental Mechanisms of Thought*
- **Latest business data**
- **Market capitalization:** \$1,668 B
- **Revenue:** \$386.06 B
- **Number of employees:** 1,298,000

2. Jingdong – Chinese eCommerce With the Cutest Logo

- Many of us living in a western world didn't even heard of this eCommerce giant! The second on our list of the largest eCommerce companies in the world is Jingdong, also known as JD.com





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- This eCommerce company operating from Beijing is the first of three major Chinese companies we list here.
- Rivalled by the more popular *Alibaba*, *Jingdong* has well over **quarter of a billion registered users** as of 2018.
- It was founded in 1998 and started trading online six years later. Today, the company brandishes its high tech delivery system, comprised of robots, AI, and a fleet of drones.
- Now, if we measure market capitalization, **JD.com** is significantly smaller than Alibaba.
- However, if we benchmark it by the revenue in last year, JD.com had over \$43B more.
- If we are comparing the number of employees, JD.com has over 310.000 while Alibaba currently has a little over 117.000
- **Trivia about JD:**
- Jingdong are so tech crazy, they have plans to build drone airports, flight training and even flight control for drones who deliver goods.
- They have teamed up with scientists to design drones that could carry freights weighing up to one metric ton!
- **Latest business data**
- **Market capitalization:** \$115.96 B
- **Revenue:** \$114.97 B
- **Number of employees:** 310,000

3. Alibaba Group Holding Ltd. – Chinese eCommerce Dragon

- If you are buying stuff on the Internet, there's a significant chance that you bought something from AliExpress or Alibaba.
- This Chinese mega company comes third on the list of the largest eCommerce



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companies in the world!



Alibaba Group

- Few people haven't heard of **Jack Ma's** success story.
- The Chinese business magnate's life is a riches-to-rags story. Having been rejected from more than 30 job posts in the early 1990s, he started making websites for companies with his wife and a friend. The business grew exponentially and in the year 1999, *Alibaba Group* was founded, the world's largest retailer of present-day, operating in more than **200 countries**.

Trivia about Alibaba:

Jack Ma once asked a random waitress in a San Francisco bar what's her first association to the name Ali Baba, and she replied: "Open Sesame." Ma saw it as a perfect symbol of the opportunities and jobs his company could open for small businesses. Plus, it's catchy, easy to pronounce and known across the world.

Latest business data

Market capitalization: \$619.84 B

Revenue: \$71.99 B

Number of employees: 117,600

4. Suning.com – One of China's Largest Retailers (Non-Governmental)



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苏宁易购
suning.com

- What started as an air-conditioner retail store in 1990, is now one of the largest retailers in China.
- With its head office located in Nanjing, Suning.com hires more 117,000 workers in some 9,000 stores across China.
- The company's eCommerce platform offers everything from 3C products to baby care products.
- **Trivia about Suning.com:**
- Suning.com is listed on the Shenzhen Stock Exchange as of 2004. Interestingly enough, the retailer was ranked 324th at the *Fortune* Global 500 list in 2020, the year of the pandemic when other Chinese businesses struggled to stay afloat.
- **Latest business data**
- **Market capitalization:** \$13.47 B
- **Revenue:** \$38.06 B
- **Number of employees:** 39,031

5. Meituan – The Chinese Version of Groupon



Meituan



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- Founded in Beijing in 2010, Meituan grew into a localized shopping platform where the Chinese can find consumer products from their region of the country.
- Most of the products and services fall under the dining, entertainment, delivery, and travel categories. As of 2015, the company expanded its business by allowing users to review restaurants, offering them group discounts and vouchers as well.
- **Trivia about Meituan:**
- The secret behind Meituan’s vast user base of more than 300 million monthly active users can be found in over 400,000 partnering agreements with Chinese local businesses.
- **Latest business data**
- **Market capitalization:** \$219.63 B
- **Revenue:** \$17.68 B
- **Number of employees:** 69,205

6. Wayfair – The American eCommerce Home Goods Giant



- Once known as CSN Stores, Wayfair started its operation back in 2002.
- Today, the digital platform is connected with over 11,000 suppliers worldwide to offer around 14 million furniture pieces and home goods to its customer base.



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- Apart from the States, Wayfair runs offices and warehouses in Germany, Ireland, the United Kingdom, and Canada.
- **Trivia about Wayfair:**
- Headquartered in Boston, Massachusetts, Wayfair actually runs five online retail platforms: Joss & Main, AllModern, Perigold, Birch Lane, as well as its main website.
- **Latest business data**
- **Market capitalization:** \$31.92 B
- **Revenue:** \$14.15 B
- **Number of employees:** 16,122

7. Otto Group – Ecommerce Mail Order the German Way

otto group

- Surprisingly enough, this the first **European** company on the list of the largest eCommerce companies in the world.
- Headquartered in Hamburg, the Otto Group has mastered mail order and retail eCommerce.
- They run nearly 60 subsidiary companies in more than 20 countries.
- Some of their more famous brands are the French 3 Suisses and the British Freemans.
- For more than half a decade, the Otto Group has been expanding its business into financial services and real estate.
- **Trivia about the Otto Group:**
- The Otto's family business is among the oldest on our list, as it was founded back in 1949.
- The very first catalogue they produced offered 28 styles of shoes. The online shopping website that made the group world-famous was launched in 1995.



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UNIT: 4 CASE STUDY

➤ INTRODUCTION :

- Earlier you have studied about the survey research, ex-post-facto research and experimental research. Now we are going to read about the case study method in research work.
- In the field of social sciences case study is important tool for a good research methodology. It can be apply on the single subject, small and large group, a class within a school, a school with in a city, or event.
- Case study methods involve an in-depth study, longitudinal examination of a single subject or event and it may be descriptive or explanatory.
- A case study is not different to a survey method, but instead of collecting data about few factors from a large number of units the researcher makes a depth and intensive study of a single subject.
- It is limited in scope but more exhaustive and more informative as compared to survey. It can be used in a school atmosphere, for example, a teacher may use case study to identify the causes of failure in mathematics of a group of three students in class V of a village primary school who continuously failed in three unit tests.
- The teacher will study these cases in detail in order to arrive at the specific causes of the failure of these students and then take a decision about the remedial measures, which may be taken to overcome the problem of failures. In this unit you will be understand the nature of case study, criteria and types of case study.

➤ Definition of case study:

- There are multiple definitions of case studies, which may emphasize the number of observations (a small N), the method (qualitative), the thickness of the research (a comprehensive examination of a phenomenon and its



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context), and the naturalism (a "real-life context" is being examined) involved in the research.

- There is general agreement among scholars that a case study does not necessarily have to entail one observation, but can include many observations within a single case or across numerous cases.
- **John Gerring** defines the case study approach as an "intensive study of a single unit or a small number of units (the cases), for the purpose of understanding a larger class of similar units (a population of cases)."
- **According to Gerring**, case studies lend themselves to an idiographic style of analysis, whereas quantitative work lends itself to a nomothetic style of analysis.
- He adds that "the defining feature of qualitative work is its use of noncomparable observations—observations that pertain to different aspects of a causal or descriptive question", whereas quantitative observations are comparable.
- **According to John Gerring**, the key characteristic that distinguishes case studies from all other methods is the "reliance on evidence drawn from a single case and its attempts, at the same time, to illuminate features of a broader set of cases."

➤ NATURE OF CASE STUDY

- Case study provides a systematic and scientific way of perceiving or examining events, collect data, analyse information, and prepare a report.
- As a result the researcher may gain a sharpened understanding of why the instance happened as it did, and what might become important to look at more extensively in future research. Case studies lend themselves to both generating and testing hypotheses.
- In other words, case study should be defined as a research strategy, an empirical inquiry that investigates a phenomenon within its real-life context.



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- Case study research means single and multiple case studies, can include quantitative evidence, relies on multiple sources of evidence and benefits from the prior development of theoretical propositions.
- Case studies based on any evidence of quantitative and qualitative research. Single subject-research provides the statistical framework for making inferences from quantitative case-study data.
- **According to Lamnek (2005)** “The case study is a research approach, situated between concrete data taking techniques and methodologic paradigms.”
- In the past years, case study method was used in the field of clinical psychology to examine the patient’s previous history regarding the person’s mental health status. To know about the patient’s physical and mental health, and to make an accurate diagnosis, it is very important to know about the patient’s past and present health related and environmental problems and issues.

➤ **Objectives of Case study:**

- The case study is designed to complement the other materials available on the website, rather than serve as a stand alone teaching tool.
- The other, static, portions of the site provide content, specifically on the rules governing responsible image processing.
- The primary goal of the case study is to give users an opportunity to see how the image guidelines apply in the context of an actual lab, and how they intersect with issues of mentoring, authorship and technical training; a secondary goal is to reinforce the understanding of the rules guiding image presentation.
- The case study also aims to help users identify various temptations and pressures that make misconduct more likely, and to reflect on ways to avoid those temptations.



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➤ Importance of Case Study in Education:

- What is a case study? Case study is a research method which allows a person to understand why and how to investigate questions.
- Here, researcher has no control over variables especially in the situations when the case is current. In a studied case, there are many factors that affect the phenomenon and can be described only by the case study.
- In educational research, case study can be used for many purposes as it allows the capacity to describe different factors and interaction with each other in real contexts.
- It offers various learning opportunities and experiences by influencing different practice of theories.
- For researchers, it is considered as the valuable data source in terms of diversity and complexity of educational purposes and settings.
- It plays a significant role in putting theories into the regular practice. It is always important for the student to understand the clarity in nature and focus of case study.
- Important fact – Case study research method helps in the investigation of educational settings by offering suggestions for practice to the researchers.

Why Use Cases? Most of the students are beginners rather than balanced reasoners. It results in the better learning with examples when compared with the basic principles like logical development. Therefore, the use of case studies makes it an effective classroom technique.

➤ STEPS FOR CASE STUDY

The following steps are used in the conduct of a case study:



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Step 1. Determining the present status of the case or cases

The first step is to determine the present status of the case or cases through direct observation. In addition to physical examination of the case or cases, a psychological evaluation is required to determine the general ability level etc. For example, to make a case study of a 'slow learner', the first thing to do is to determine the present status of the child by making an assessment of his physique cognitive factors through direct observation and psychological test.

Step 2. Identifying the most probable antecedents of the case or cases

Determining the most probable antecedents of the case or cases is the next important steps. This information helps in formulating a workable hypothesis or a set of hypothesis. For example, in case of 'slow learner' cited in Step 1, the researcher may formulate a hypothesis that occurrence of slow learning behaviour in the child is due to unhealthy home environment, bad study habits and poor teaching in the school.

Step 3. Verification of Antecedents/Hypotheses

The case is then checked for the presence or absence of the antecedents supposed to apply to situation of under study. For example, the behaviour of slow learning of the child. This involves multi-method approach, which includes observation, past history of the case, interview etc.

Step 4. Diagnosis and Remedial Measures

After the verification of the antecedents or hypothesis (es), the next step is directed towards the diagnosis of the causes (example, causes of slow learning) and suggesting remedial measures in the light of the causes.



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Step 5. Follow-up of the case or cases

The last step of the case study is the follow-up of the case (es) to study the impact of remedial measures. If impact is positive, the diagnosis is taken to be correct.

➤ WAYS OF CASE STUDIES

There are different ways of using case studies, which are given below:

➤ **Writing analysis of case study**

The most careful analysis of a case study is probably obtained when it is made in writing. Case studies can be used as term papers with other related readings and bibliographies.

➤ **Panel of experts**

Although group members miss the advantages of participation, listening to a panel of experts a case may be useful especially as an introduction to the case method. A variation of this technique would be to bring in a panel of experts to analyse a case after a group had already done so.

➤ **Analysis of similar case studies**

Case Study Another variation of case discussion is to collect from the group members incidents from their experience similar to the case under consideration. Generalisations drawn from the case under consideration may carry over to the experiences of other members.

➤ **Cross examination**

By cross examination group members with questions prepared in advance, they will discover that it is necessary to do careful thinking and preparation before entering into case study. This technique, especially appropriate for use with cases containing a great deal of detail, gives the researcher many opportunities to



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ask individuals to defend their points of views in terms of the data presented.

➤ How to Use case study Method(Methods of using Case Study):

➤ Goal setting (Re – prepared):

Clarify the set of objectives to accomplish in the case with facts, principles and viewpoints: know all the issues involved in the case, questions/problems, actions etc.

Cases are narratives, situations, data samplings, statements with situations or questions. Take enough time to get this sense of matters.

To avoid frustration.....

- Start with a simple case first.
- Discuss the purpose and suggested methods for attempting case.
- Use team/group discussion.
- Give sufficient time to digest the case.
- Provide discussion guidelines.
- Give opportunity to everyone for participating in the case discussion.
- Try to maintain familiarity with the students.
- Introduce a case briefly and provide some guidelines for approaching.
- Ask questions to move the discussion to another level.
- Write the comments on the board to engage the students.

Asking Questions:

- As the discussion gets going, it is important to listen and plan follow up questions carefully.
- Delay the problem solving part until the rest of the discussion has to develop.
- Shift points of view from one character to another characters.
- Shift the level of abstraction to get more concrete explanations.
- Ask for merits and demerits of a position.



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- Shifts time frame by asking what's next how it can be different?
- Follow up questions like asking clarification of decision, what does it mean?
Etc.

Role Play:

While identify students for role play, consider their backgrounds with either in positive side or on the exact negative side of the problem horizon. Pick students who have participated before in discussion, as they can contribute more.

Voting: A vote requires in certain situations to publically commit to their stands. It also push some shy/silent students to get involves in the case discussion. It encourages more strong arguments and debate to clarify their votes/positions. If majority of the students stands on one side, minority group should not feel ignorance and stop participating and debating.

Message boards: have the students continue the discussion on a message board within black board, class blog or using twitter. This will give them space to reflect on their stands and allow to trace their discussion over time.

Evaluation: each and every tie with a new case, it is important to assess what the students have learned and there is still a scope of improvements, make it better. Use different techniques and make continuous evaluation.

Assignment: Having students complete assignment based on the case study will not only engage them with the material, but will help to determine the progress. It helps to make further improvement in case study method.



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➤ List of the Advantages of the Case Study Method

1. It turns client observations into useable data:

Case studies offer verifiable data from direct observations of the individual entity involved. These observations provide information about input processes. It can show the path taken which led to specific results being generated. Those observations make it possible for others, in similar circumstances, to potentially replicate the results discovered by the case study method.

2. It turns opinion into fact.

Case studies provide facts to study because you're looking at data which was generated in real-time. It is a way for researchers to turn their opinions into information that can be verified as fact because there is a proven path of positive or negative development. Singling out a specific incident also provides in-depth details about the path of development, which gives it extra credibility to the outside observer.

3. It is relevant to all parties involved.

Case studies that are chosen well will be relevant to everyone who is participating in the process. Because there is such a high level of relevance involved, researchers are able to stay actively engaged in the data collection process. Participants are able to further their knowledge growth because there is interest in the outcome of the case study. Most importantly, the case study method essentially forces people to make a decision about the question being studied, then defend their position through the use of facts.



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4. It uses a number of different research methodologies.

The case study method involves more than just interviews and direct observation. Case histories from a records database can be used with this method. Questionnaires can be distributed to participants in the entity being studied. Individuals who have kept diaries and journals about the entity being studied can be included. Even certain experimental tasks, such as a memory test, can be part of this research process.

5. It can be done remotely.

Researchers do not need to be present at a specific location or facility to utilize the case study method. Research can be obtained over the phone, through email, and other forms of remote communication. Even interviews can be conducted over the phone. That means this method is good for formative research that is exploratory in nature, even if it must be completed from a remote location.

6. It is inexpensive.

Compared to other methods of research, the case study method is rather inexpensive. The costs associated with this method involve accessing data, which can often be done for free. Even when there are in-person interviews or other on-site duties involved, the costs of reviewing the data are minimal.

7. It is very accessible to readers.

The case study method puts data into a usable format for those who read the data and note its outcome. Although there may be perspectives of the researcher included in the outcome, the goal of this method is to help the reader be able to identify specific concepts to which they also relate. That allows them to discover



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unusual features within the data, examine outliers that may be present, or draw conclusions from their own experiences.

➤ List of the Disadvantages of the Case Study Method

1. It can have influence factors within the data.

Every person has their own unconscious bias. Although the case study method is designed to limit the influence of this bias by collecting fact-based data, it is the collector of the data who gets to define what is a “fact” and what is not. That means the real-time data being collected may be based on the results the researcher wants to see from the entity instead. By controlling how facts are collected, a research can control the results this method generates.

2. It takes longer to analyze the data.

The information collection process through the case study method takes much longer to collect than other research options. That is because there is an enormous amount of data which must be sifted through. It’s not just the researchers who can influence the outcome in this type of research method. Participants can also influence outcomes by given inaccurate or incomplete answers to questions they are asked. Researchers must verify the information presented to ensure its accuracy, and that takes time to complete.

3. It can be an inefficient process.

Case study methods require the participation of the individuals or entities involved for it to be a successful process. That means the skills of the researcher will help to determine the quality of information that is being received. Some participants may be quiet, unwilling to answer even basic questions about what is being studied. Others may be overly talkative, exploring tangents which have nothing to do with the case study at all. If researchers are unsure of how to manage this process, then incomplete data is often collected.



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4. It requires a small sample size to be effective.

The case study method requires a small sample size for it to yield an effective amount of data to be analyzed. If there are different demographics involved with the entity, or there are different needs which must be examined, then the case study method becomes very inefficient.

5. It is a labor-intensive method of data collection.

The case study method requires researchers to have a high level of language skills to be successful with data collection. Researchers must be personally involved in every aspect of collecting the data as well. From reviewing files or entries personally to conducting personal interviews, the concepts and themes of this process are heavily reliant on the amount of work each researcher is willing to put into things.

Case Study-1

Healthcare & Hospitality

(Price doesn't matter)

Indian consumers with affordable capacity would like to opt for branded hospital services like Sterling, Wockhardt, Apollo, etc. irrespective of their heavy charges of treatment. These kind of chain hospitals provide efficient diagnostic services, qualified/experienced doctors and staff with advanced technology and machineries. These hospitals look like a five-star hotel or shopping mall and charge at premium rates. Generally, in a health care sector, while considering quality, charges are not important. Similarly, In the case of hospitality sector, Five-star and Seven star hotels charges heavily to their domestic and overseas customers. These type of hotels like Taj group. Lords, Oberoi, T&B, Leela etc. provide excellent services like conference rooms, executive suits, gardenia rooms with beautiful outview etc. as a memorable



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to their customers. Customers would never think about gardenia rates which normally start from Rs. 10,000 per day. This clearly shows that once an organization achieves a brand name and leadership position, they will never compromise with pricing. They will focus on more personalized customer services and value satisfaction. People have to analyse the quality and service concern while price will become next.

Questions: . 1. Analyze the price factor, w.r.t. Hospitality and health care sector.
2 How the customer has to evaluate the price factor in case of hospitality and health
-care segments ?

Case Study -2

Mentos-'Deemag ki Batti Jala De

Generally, it is quite difficult to design a creative ad campaign for a normal sweet peppermint. This kind of product requires different positioning and smartness. Many peppermint brands like Parle Mangobite, Poppins, Pan Pasand etc. in the market too have to follow the same strategy, but in terms of creativity and positioning (tag line Deemag ki Batti Jala De') Mentos becomes unique. The ad campaign was designed by O & M. It starts with entry of a student in the class-room when professor has already started lecture. He punished the late comer student and told him to stay outside the class-room. On the next day. after taking Mentos being smart student (same) enters the class by taking back steps. The professor stops him for leaving the class and orders him to sit down. Afterwards, the same student smiled to the beautiful girl and message came Dimag ki Batti Jala De'. O & M designed an innovative ad with creative humour touch. The shooting was done at Sophia college, Mumbai and the ad received good response from the market.

Questions: 1. Why it is difficult to design an innovative ad campaign for a



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peppermint ?

2. For a Evaluate The success of Mentos Ad Campaign'.

Case study – 3

Designing Brand name

Here, we provide you the details that how brand names were developed in some multinational companies:

- 1) Mercedes-Benz: Mercedes means grace-name of the daughter of Austrian businessman who bought the first Mercedes.
- 2) Apple : Co-founder – steve Jobs designed this name when he was working in a small apple farm.
- 3) Compaq: com for computer & paq for small object
- 4) Hotmail : Derived from HTML :A programming language for web page
- 5) Intel : Integrated(Int) + Electronics(el)
- 6) Microsoft : Micro (small) + soft (computer software)
- 7) Yahoo :Yet another hierarchial officus oracle

It represents a person who is repulsive in appearance and action and is barely human (Jonathan swift – Gulliver’s Travels)

Case study – 4

Marketing strategy of Mushroom

Mr. Hasmukh Patel and Mr.Suresh Rathod recently passed out from management course. They decide to start the business of distributing fresh vegetables in Rajkot city. They make forecasting of food segment and decided to cultivate and distribute Mushrooms.

They thought that Mushroom is best suited food for vegetarians. They make a trial batch of Mushrooms of about 50 kg.everyday.



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Afterwards many small entrepreneurs entered this business with cold storage facility and target of export market. Now, Mr. Hasmukh and Suresh want to spread their market throughout the country.

Case Study – 5

Mr. Raviraj Vaghela works as an auditor for smart Environment services, a toxic waste disposal company.

The company has a contract with many clinics and hospitals around Rajkot city. During his work, he found that the company has actually been disposing some of this medical waste in an open landfill. He was surprised and shocked to find these unlawful practices, which may be harmful to the public at any time.

He immediately prepares a report with supported evidences and takes them to his supervisor, Mr. Jitendra Patel. Mr. Patel said, "It is not your concern or business where this wastage gets disposed. We are simply an examiner, not decision maker."

In the next week, he prepares a complete document with facts, figures and photographs and reports to the general manager Mr. Parag Shah. Mr. Parag was clearly irritated and said, "This is not your job. These practices are the part of company's cost cutting strategy to face competition. The amount of this wastage is quite low which will not create any danger for public."

After discussion with general manager, Mr. Raviraj thinks that further noise about this issue could affect his job security. His belief regarding company management (honesty, ethical, public safety etc.) had been totally broken. Further, he recalled the words of his supervisor, that it will not be of any danger for public safety. Mr. Raviraj now wants to disclose this information to local media.



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PRODUCTION AND OPERATIONS MANAGEMENT

<u>UNIT NO.</u>	<u>UNIT NAME</u>
1	INTRODUCTION TO PRODUCTION AND OPERATIONS MANAGEMENT
2	PROCESS SELECTION
3	AGGREGATE PLANNING AND MAINTENANCE MANAGEMENT
4	FACILITY LOCATION AND LAYOUT



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UNIT 1

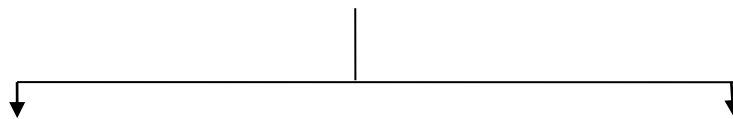
INTRODUCTION TO PRODUCTION AND OPERATIONS MANAGEMENT

Topic: Explain production management. Discuss various objectives of production management

(A) Production Management:

- Production management refers to the **application of management principles to the production function in a factory.**
- In other words, production management involves **application of planning, organizing, directing and controlling to the production process.**

OBJECTIVES



ULTIMATE OBJECTIVES

1. Manufacturing schedule
2. Manufacturing Cost
3. Product quality

INTERMEDIATE OBJECTIVES

1. Materials
2. Machinery and equipment
3. Manpower
4. Manufacturing services

1.

(B) Detailing:

INTRODUCTION

Production of tangible products and their marketing to the consumers for whom the products are made has remained the prime activities of the modern business world. The production management hovers around series of **functions like procurement of inputs, testing them before they are sent for processing, sequential processing in series of stages before they are ready for the dispatch to the market.** The production management is also identified or clubbed with the operations management because it is primarily involved in step by step operations of converting the raw materials into finished goods with the help of machines, men and other production facilities. Production is the basic activity of all industrial units. All other activities revolve around this activity. The end product of the production activity is the creation of goods for satisfaction of human wants.



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OBJECTIVES OF PRODUCTION MANAGENT

The objectives of the production function are classified as under:

(i)ULTIMATE OBJECTIVES:

The ultimate objectives can be sub-classified as under:

1. Manufacturing schedule:

Manufacturing activities can get side tracked because of many reasons. Thus it is important to consider all aspects while factoring time schedules. For more efficiency, the **time schedule should he broken up into sub systems like operating cycle time, inventory turnover rate, machine utilization rate, direct and indirect man- hours per unit, capacity utilization, machine and labor idle time, set-up, repair and maintenance time etc.** as well as the time schedule for shipments. This is extremely necessary since the time schedule objective has a direct impact on cost, quality and goodwill of the business.

2. Manufacturing Cost:

The estimates or **the unit cost of a product should be with careful consideration as it is essential to adhere to cost standards.** This is simpler to do if the cost is segregated into direct costs and variable costs. The following are effective strategies:

- **Variable cost reduction**
- **Fixed cost reduction**
- **The distribution of the fixed overheads should be made on scientific basis.**

3. Product quality:

Product specifications or consumers often dictate product quality standards. It is the manufacturer's job to translate quality prescriptions into measurable objectives. There will **always be a conflict between product quality and manufacturing costs,** objectives and manufacturing time schedules. However, none of these can be sacrificed. It is imperative to find a **balanced solution which optimizes all aspects quality, cost and time.**

INTERMEDIATE OBJECTIVES:

The intermediate objectives are as under:



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1. Materials:

The materials objectives are laid out in terms of **units, rupee value and space requirement**. Per unit material Costs must be specified and efforts must be made to enhance the inventory turnover of all types of inventories such as **raw materials, work - in - progress and finished goods**.

2. Machinery and equipment:

The objectives in the area of machinery and equipment are divided into:

- **Acquisition of machinery and equipment.**
- **Utilization of machinery and equipment.**

It is important to assess the **suitability of the existing machinery** and **make the required replacements or additions**. **Optimal use** of machinery must be factored in. **Utilization rate** of machinery can be increased through **proper maintenance and maximum occupancy** of the machines.

3. Manpower:

Manpower is an **integral input** of manufacturing activities. Objectives of **selection, placement, training, compensation and utilization of man power** must go **hand in hand with the objectives of production activities**. Generally, these objectives are **measured in terms of employee turnover rates, safety measures, industrial relations, absenteeism etc.**

4. Manufacturing services:

Proper objectives should be set for **provision of essential facilities such as power, water supply, material handling etc.** The adequate provision of such services has a **direct impact on inputs such as men, machines and materials**.

To summarize, production has to

- Manufacture a product with the correct **QUALITY**.
- To see that the product is manufactured in the correct **QUANTITY**.
- To see that the product is delivered at the right **PLACE and TIME**.
- To see that all the functions are performed at the right **PRICE**.



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(C)One Word Answers:

Sr.No	Question	Answer
1	_____refers to the application of management principles to the production function in a factory.	Production management
2	Production management involves application of planning, organizing, directing and controlling to the _____process.	Production
3	The _____hovers around series of functions like procurement of inputs, testing them before they are sent for processing, sequential processing in series of stages before they are ready for the dispatch to the market.	production management
4	_____is the basic activity of all industrial units	Production
5	The end product of the production activity is the creation of _____for satisfaction of human wants.	Goods
6	The adequate provision of _____services has a direct impact on inputs such as men, machines and materials.	Manufacturing
7	Utilization rate of machinery can be increased through proper _____and maximum occupancy of the machines.	Maintenance
8	It is important to assess the suitability of the _____machinery and make the required replacements or additions	Existing

Topic: Explain Production management and Operations management .Discuss various objectives of operations management.

(A)Production and Operations management:

- Production Management refers to the application of management principles to the production function in a factory
- Operations management is the process in which resources/inputs are converted into more useful products
- Production management and operations management are differentiated based on tangibility of finished goods/services



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Objectives of Operations Management

Performance Objectives

- i) Efficiency or productivity
- ii) Effectiveness
- iii) Lead Time/Throughput Time
- iv) Capacity Utilization
- v) Quality
- vi) Flexibility

Cost Objectives

- 1. Explicit costs
- 2. Implicit Costs

(B) Detailing:

Introduction

Operations Management is often used along with production management in literature on the subject. It is therefore, useful to understand the nature of operations management. Operations are purposeful actions or activities which are done methodically as part of a plan of work by a process that is designed to achieve the pre-decided Objectives.

It indicates that operations management consists of tactics such as scheduling work, assigning resources including people, equipment, managing inventories, assessing quality standards, process type decisions and the sequence for making individual items is a product mix set, put it simple. Operations management is understood as the process whereby resources or inputs are converted into more useful products.

Production/operations management is the process, which combines and transforms various resources used in the production/operations sub-system of the organization into value added product/services in a controlled manner as per the policies of the organization. Therefore, it is that part of an organization, which is concerned with the transformation of a range of inputs into the required (products/services) having the requisite quality level.

The set of interrelated management activities, which are involved in manufacturing certain products, is called as production management. If the same concept is extended to services management, then the corresponding set of management activities is called as operations management.



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Definitions

E.S. Buffa defines production management as, “**Production management deals with decision making related to production processes so that the resulting goods or services are produced according to specifications, in the amount and by the schedule demanded and out of minimum cost.**”

Objectives of Operations Management

Every system has certain goals and objectives which have to be achieved. It is thus, important to clearly identify the objectives. The objective of the production management is ‘to produce goods/services of right quality and quantity at the right time and right manufacturing cost’.

Every organization aims at producing goods/services in required quantity and of quality according to a schedule at a minimum cost. These objectives are thus classified into 2 broad categories:

(1) PERFORMANCE OBJECTIVES: These include:

i) Efficiency or productivity:

It is calculated as the *ratio of output per unit of input*.

ii) Effectiveness:

It is concerned with ‘*doing the right thing*’. It means producing a right set of outputs.

iii) Lead Time/Throughput Time:

Minimizing the time used in the *conversion/ transformation* process.

iv) Capacity Utilization:

Proper percentage utilization of *manpower, machines and all other resources*.

v) Quality:

The extent to which the product or service *satisfies the customer needs*. The output must conform to the minimum standards laid down by the company in the form of *quality specifications*.

vi) Flexibility:

The conversion process should be *flexible and capable of producing variety of outputs* to satisfy varied customer needs.

(2) COST OBJECTIVES:



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These include **attaining high level of customer satisfaction** by producing or providing goods/ services at **least possible costs**. Costs could be classified into:

Explicit costs:

Explicit costs are also known as direct costs or accounting costs. An explicit cost is a cost that happens for a purpose. In addition, explicit costs usually have a direct impact on the company and its profits. Costs like material and labor cost, cost of scrap or rework and maintenance cost etc. are explicit costs.

Implicit Costs:

Implicit Cost are also called as Imputed Cost, Cost that are implied cost which does not take a form of cash outlay, and are neither recorded in the books of accounts, Hidden costs like cost of carrying inventory, cost of grievance and dissatisfaction among employees, cost of inspection, opportunity costs, and costs of delayed deliveries or stock outs etc., are Implicit Cost

(C)One Word Answers:

Sr.No	Question	Answer
1	_____are purposeful actions or activities which are done methodically as part of a plan of work by a process that is designed to achieve the pre-decided Objectives	Operations
2	_____consists of tactics such as scheduling work, assigning resources including people, equipment, managing inventories, assessing quality standards, process type decisions and the sequence for making individual items is a product mix set	operations management
3	Operations management is understood as the process whereby resources or inputs are convened into more _____products.	Useful
4	The objective of the production management is 'to produce goods/services of right quality and quantity at the right time and right _____cost'.	Manufacturing
5	_____ is calculated as the ratio of output per unit of input.	Productivity
6	_____is concerned with 'doing the right thing', which means producing a right set of outputs.	Effectiveness
7	_____deals withProper percentage utilization of manpower, machines and all other resources.	Capacity Utilization
8	Quality of product or service should be which the satisfies	Customer



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	the _____ needs	
9	The _____ process should be flexible and capable of producing variety of outputs to satisfy varied customer needs.	Conversion
10	_____ include attaining high level of customer satisfaction by producing or providing goods/ services at least possible costs	Cost objectives

Topic: State various decision areas in operations management.

(A) Decision areas in operations management

- Operation managers are required to make a series of decisions in the production function and implement them too.
- They plan, organize, staff, direct and control all the activities in the process of converting all the inputs into finished products.
- The decisions made by operating managers about the activities of production systems fall into 3 categories:
 - i. **Strategy decisions** relating to products, processes and manufacturing facilities.
 - ii. **Operating decisions** relating to planning production to meet demand.
 - iii. **Control decisions** relating to planning and controlling operations.

(B) Detailing:

Operation managers are required to make a series of decisions in the production function. They plan, organize, staff, direct and control all the activities in the process of converting all the inputs into finished products. At each level, operating managers are expected to make decisions and implement them too.

The decisions made by operation managers about the activities of production systems tend to fall into three general categories, i.e.

(1) Strategic decisions relating to products, processes and manufacturing facilities. These decisions are major ones having strategic importance and **long-term significance** for the organization.

(2) Operating decisions relating to **planning production to meet demand**. These decisions are necessary in order to **ensure that the ongoing production of goods and services** meets the market demand and provides reasonable profits for the organization.



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(3) Control decisions relating to planning and controlling operations. These decisions concern the **day-to-day activities** of workers, quality of products and services, production and overhead costs and maintenance of machines.

The following are the decision areas of operation management:

1. Selection of process:

There are **many processes** by which product of required quantity and quality can be produced. It is the duty of the production manager to **evaluate these processes** and make the decision regarding the process. **Process could be conversion process, manufacturing process, testing process etc.**

2. Goods and service design:

The factors of **quality, cost and human resources** must be kept in mind during the stage of goods and services design which defines the transformation process. Due to different characteristics and tangible and intangible features of product and services operations management is different in both the cases. It **defines the transformation process.**

3. Quality:

Customers have a high standard of expectation of quality and to meet these high standards of customers in order to satisfy them, operations management decision must be clear and strict for its members to understand and abide by. Companies adopt various measures like **setting quality standards, benchmarks** and even hire professional firms/ consultants to monitor and assure quality of products and processes. They choose among the various alternatives of quality assurance depending upon the nature of business, product and its customers.

4. Location:

Location must be an area of operation management to decide and operation managers must think Global with globalization of business. **For services** the location is decided by **market convenience or near to customer** as possible as it is direct to customers. **For physical goods, the location is determined by a team of qualified people, raw material, and convenience to market, government rules and regulations, technology etc.**



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5.Layout design:

The decision for layout design can be done on the **basis of material flow, capacity needs, inventory requirement, workers needs etc.** For services such as hotels, along with capacity needs, layout also will develop its attributes and features to the customers.

6.Selection of equipment:

Decision regarding equipment must be taken and the **equipments chosen should be capable to deal with the capital limit prescribed and should go with the process selected.**

7.Human resource and job design:

Human resource is the most important part in the total system design. Operation management should **set a policy for improvement of knowledge, skills and abilities, to build a balance work and life quality and to set labor standards to ease conversion of skills for an effective cost target.** Services have an extra area of Operation Management which is customer's relationship.

8.Supply chain management:

Decisions that need to take place of **what material to buy, from where, what to produce, how is the cost and how is the delivery to be done from supplier to the final customer on time and with minimum possible cost.** It is critical in production of goods and services and ensuring that the customer gets the desired products and services in time and at the place where they are needed. It **reduces cost of transportation, warehousing and distribution.**

9.Inventory:

Decision regarding what is demanded have to be made by the production manager. As a part of this, they decide **how much inventory level is to be kept to ensure long-term customer's satisfaction, materials availability, suppliers and human resources needed, choose material etc.** Inventory control methods may be adopted **depending upon type of product, type of demand, quality and accommodation of storing space etc.**

10.Labor control:

Labor **assessment is and should be an important part** of production planning so that the **efforts made to increase production do not go waste.** Only if the wage payment system are evaluated, efforts of work measurements can be successful.



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(C)One word answers:

Sr.No	Question	Answer
1	_____are required to make a series of decisions in the production function and implement them too.	Operation managers
2	Operations Managers plan, organize, staff, direct and control all the activities in the process of converting all the inputs into_____.	finished products
3	_____has to evaluate all the available and suitable processes and make the decision regarding the process.	Production manager
4	Equipment chosen should be capable to deal with the capital limit prescribed and should go with the_____.	process selected
5	The factors of quality, cost and human resources must be kept in mind during the stage of goods and services design which defines the _____process.	Transformation
6	Production manager chooses among the various alternatives of quality assurance depending upon the nature of business, product and its_____.	Customers
7	For services, the location is decided by market convenience or near to _____,as possible as it is direct to customers	Customer
8	For physical goods, the location is determined by a team of_____, raw material, and convenience to market, government rules and regulations, technology etc. are considered.	qualified people
9	Decisions that need to take place of what material to buy, from where, what to produce, how is the cost and how is the delivery to be done from supplier to the final customer on time and with _____possible cost	Minimum
10	_____methods may be adopted depending upon type of product, type of demand, quality and accommodation of storing space etc.	Inventory control

Topic: Discuss the recent trends in operations management:

(A)Recent trends in operation management:

- Many recent trends in production/ operations Management related to global competition has a great impact on manufacturing firms.



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- Thus, it is important to study the recent trends in in production/ operations management.

(B)Detailing:

The process of organizing activities that produce goods and services is termed as Operations management. Operations management has **undergone a drastic change in recent times**. The major changes in trends in operations management are summarized below:

1. Just-in Time Production:

In the past, **mass production** was the norm. Large batches were produced and sold in masses which generated **economies of scale**. However '**Just-in-Time**' productions is the new norm of operations management. Now goods and services are **produced upon the receipt of order with customizations**. This has **cut down inventory cost drastically**.

2. Product Development:

Earlier product life cycles were long. A new product could be expected to stay in the market for a long period. However with the rapid spread of technology, the **product life cycle has reduced considerably**. A **new product replaces the old one within a short period of time**. This is the reason that companies cannot have lengthy product development processes. They are **forced to innovate and introduce rapid development of new product**.

3. Global Focus:

Local markets are no longer the sole focus. The **geographical limits have now expanded** the focus on global markets as well. This is a direct **result of the rapid development of technology, communication, globalization and increased mobility of resources among different countries**. Due to this, most countries aim at providing goods and services on a global scale.

4. Green Production:

In past production focused on obtaining resources at lowest possible cost and manufacturing at the lowest cost. The environment did not really figure into the scheme of things in any way. However with. **Companies ensure that business activities are carried on without damaging the environment, without destroying natural resources and by taking care of forests and wild life and so on**.



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5. Employee Empowerment:

Human Resource Management has played a huge role in changing the role of employees from just another input in the production process to **treating them as value adding resources**. In past employees were treated like machines and their concerns went largely unheard. However HR department of firms now focus on empowering employees where they treat employees as resources that bring competitive edge to the firm. In this concept **employee welfare, their mental and physical fitness are high on the priority list**.

6. Customized Production:

Mass and standardized production was the custom that was followed in the past to gain economies of scale. However, the demand of modern times is different. **The competitive market and increased flexibility are forcing companies to keep customer's requirements in mind and customize products accordingly**. Techniques like mass Customizations are used.

7. Time Reduction:

Companies are in a race to **provide products in the shortest (lead-time) order processing time**. This provides them a competitive edge over other competing companies. Thus, **most companies are trying to shorten manufacturing cycle time and fasten distribution markets**.

8. Flexible/Agile Production Systems:

All firms or companies need to **quickly adapt/adjust to change in product design, product mix, and volume of demand**. To cope up with these emerging issues, they use flexible manufacturing systems and multi-skilled labor force.

9. Redesigning Business Process:

To bring an improvement in the performance of a firm companies have taken to re-engineering, where they **begin the business process from scratch and try to eliminate weaknesses** in the process/system.

10. Technological Advancement:

Use of information technology, computerization, automation for all processes and products with the **intention of improving quality and speed** of the entire system.



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11. Corporate Downsizing:

Companies today are forced to **resize** themselves so that they can **control problems like declining profits and productivity** and provide a good return to stakeholders.

12. Supply chain Management:

Due to rapid changes in materials and processes, changing customer demands and shorter product life cycles, **suppliers have unique expertise and operations managers are outsourcing and building long term partnerships with certain important players in the supply chain.**

13. Mass Customization:

Cultural differences amongst customers who are spread across the world have forced operations managers to respond with **production process that are flexible to produce customized products whenever and wherever needed.**

14. Ethics:

Operations Managers are trying to **enhance ethical behavior in processes and people.**

15. Empowered Employees:

There is a need for more competent employees in the workplace as well as a technically advanced workplace demands more decision making by an individual worker.

(C)One word answers:

Sr.No	Question	Answer
1	Now a days, goods and services are produced upon the receipt of order with customizations, which has cut down _____ cost drastically.	Inventory
2	As product life cycle has reduced considerably, the companies cannot have _____product development processes, they are forced to innovate and introduce rapid development of new product.	Lengthy
3	_____ has directly resulted in the rapid development of technology, communication, globalization and increased mobility of resources among different countries.	Global focus
4	Companies ensure that business activities are carried on without damaging the_____, without destroying natural resources and	Environment



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	by taking care of forests and wild life and so on.	
5	Now a days they treat employees as ____ that bring competitive edge to the firm and not machines	Resources
6	The competitive market and increased flexibility are forcing companies to keep customer's requirements in mind and _____ products accordingly	Customize
7	Most companies are trying to shorten _____ time and fasten distribution markets.	manufacturing cycle
8	To cope up with change in product design, product mix, and volume of demand, firms are forced to use _____ manufacturing systems and multi-skilled labor force.	Flexible
9	To bring an improvement in the performance of a firm companies have taken to _____, where they begin the business process from scratch and try to eliminate weaknesses in the process/system.	re-engineering
10	Use of information technology, computerization, automation for all processes and products with the intention of improving _____ of the entire system.	quality and speed
11	Companies today are forced to resize themselves so that they can control problems like declining profits and productivity and provide a good return to _____.	Stakeholders
12	Due to rapid changes in materials and processes, changing customer demands and shorter product life cycles, suppliers have unique expertise and operations managers are outsourcing and building long term partnerships with certain important players in the _____.	supply chain
13	Cultural differences amongst customers who are spread across the world have forced operations managers to respond with production process that are flexible to produce _____ products whenever and wherever needed.	Customized
14	Operations Managers are trying to enhance _____ behavior in processes and people.	Ethical
15	There is a need for more competent employees in the workplace as well as a technically advanced workplace demands more decision making by an _____ worker.	Individual



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Topic: Difference between manufacturing and service operations

(A)MANUFACTURING OPERATIONS AND SERVICE OPERATIONS:

- The field of operations can be divided into manufacturing operations and service operations.
- Manufacturing Operations : Manufacturing operations convert inputs like materials, labor and capital into tangible outputs.
- Manufacturing processes are the primary processes and can be grouped under three basic categories, namely, forming, machining and assembly.
- The objectives of each process is to change the shape or physical characteristics of the raw materials.
- Non-manufacturing or service operations also transform a set of inputs into a set of outputs but the outputs are not tangible.
- Service operations can be classified into standard services and custom services according to the degree of standardization of their outputs and for the processes they perform.
- Some non-manufacturing operations such as, wholesale distribution and freight transportation deal with tangible products whereas some non-manufacturing operations such as advice, consulting or consultancy deal only in intangible products.

(B)Detailing:

Sr.No	Manufacturing Operations	Service operations
1	Manufacturing operations convert input like materials, labour etc., into tangible outputs	Service operations also transform input into output but outputs are intangible
2	Manufacturing operations allow separation between production and consumption	Customers receive service as it is performed. Thus, there is production as well as consumption of services at the same time
3	Productivity is easily measured in manufacturing operations because manufacturing operations produce tangible products	Productivity is not easily measured in service operations because the outputs of service operations are intangible
4	Expenses required for material handling is more in manufacturing operations	Expenses required for material handling are less as compared to manufacturing operations



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5	Customers have less contact with people who provide manufacturing operations	Customers have more contact with person who provide services
6	Quality standards are relatively simple and easy to establish in manufacturing operations	Quality standards are difficult to establish and product quality is difficult to evaluate in service operations
7	Manufacturing operations depend on maintenance and repair work	Service operations do not depend on maintenance and repair work
8	Manufacturing operations are flexible in selecting work methods, scheduling work	Service operations are inflexible because services are in direct contact with the customers and customers are a part of service system
9	Manufacturing operations can accumulate or decrease Inventory of finished products	Service Operations cannot produce output that can be stored
10	Amount required to be invested on assets like equipment, buildings etc.	Higher amount not required to be invested on assets, as most of them are labour intensive
11	Manufacturing operations are standardized and less customised	Service operations are more customised
12	Quality Assurance is relatively easy and controllable. Variation in inputs can be controlled and defects can be rectified in output before they reach the customer	Quality Assurance in services is challenging. There is high level of variation in input in case of services. This affects service quality.
13	Manufacturing operations usually are larger in size and operation.	Service operations need direct contact with customer and hence relatively smaller in size and operation

(C)One word answers:

Sr.No	Question	Answer
1	Manufacturing operations convert input like materials, labour etc., into _____ outputs	tangible
2	Service operations also transform input into output but outputs are _____	Intangible
3	_____ operations allow separation between production and consumption	Manufacturing
4	Customers receive service as it is performed. Thus, there is production as well as consumption of services at the	Same



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	_____time	
5	Productivity is easily measured in _____operations because manufacturing operations produce tangible products	Manufacturing
6	Productivity is not easily measured in service operations because the outputs of service operations are _____	Intangible
7	Quality standards are relatively simple and easy to establish in _____operations	Manufacturing
8	_____standards are difficult to establish and product quality is difficult to evaluate in service operations	Quality
9	_____operations depend on maintenance and repair work	Manufacturing
10	Service operations are _____because services are in direct contact with the customers and customers are a part of service system	Inflexible
11	_____Assurance is relatively easy and controllable. Variation in inputs can be controlled and defects can be rectified in output before they reach the customer	Quality
12	_____operations usually are larger in size and operation.	Manufacturing
13	Service operations need direct contact with customer and hence relatively _____in size and operation	Smaller
14	Quality Assurance in _____is challenging.	Services
15	There is high level of variation in _____in case of services, which affects service quality.	Input

Topic: Discuss the Functions of Production and operations management.

INTRODUCTION:

Production/operations management is the process, which combines and transforms various resources used in the production/operations subsystem of the organization into value added product/services in a controlled manner as per the policies of the organization. Therefore, it is that part of an organization, which is concerned with the transformation of a range of inputs into the required (products/services) having the requisite quality level.

The set of interrelated management activities, which are involved in manufacturing certain products, is called as production management. If the same concept is extended to services management, then the corresponding set of management activities is called as operations management.



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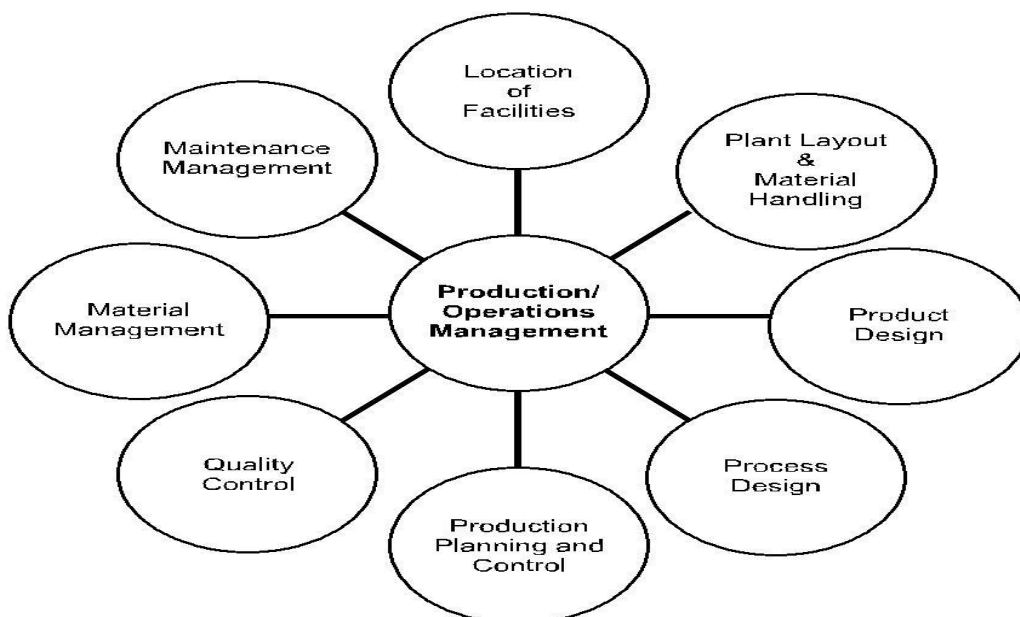
DEFINITIONS

E.S. Buffa defines production management as, “Production management deals with decision making related to production processes so that the resulting goods or services are produced according to specifications, in the amount and by the schedule demanded and out of minimum cost.”

FUNCTIONS

Production and operations management concern with the conversion of inputs into outputs, using physical resources, so as to provide the desired utilities to the customer while meeting the other organizational objectives of effectiveness, efficiency and adoptability. It distinguishes itself from other functions such as personnel, marketing, finance, etc., by its primary concern for ‘conversion by using physical resources.’

1. Location of facilities
2. Plant layouts and material handling
3. Product design
4. Process design
5. Production and planning control
6. Quality control
7. Materials management
8. Maintenance management.





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1) LOCATION OF FACILITIES

Location of facilities for operations is a long-term capacity decision which involves a long term commitment about the geographically static factors that affect a business organization. It is an important strategic level decision-making for an organization. It deals with the questions such as ‘where our main operations should be based?’

The selection of location is a key-decision as large investment is made in building plant and machinery. An improper location of plant may lead to waste of all the investments made in plant and machinery equipments.

2) PLANT LAYOUT AND MATERIAL HANDLING

Plant layout refers to the physical arrangement of facilities. It is the configuration of departments, work centres and equipment in the conversion process. The overall objective of the plant layout is to design a physical arrangement that meets the required output quality and quantity most economically

‘Material Handling’ refers to the ‘moving of materials from the store room to the machine and from one machine to the next during the process of manufacture’. It is also defined as the ‘art and science of moving, packing and storing of products in any form’. It is a specialized activity for a modern manufacturing concern, with 50 to 75% of the cost of production. This cost can be reduced by proper section, operation and maintenance of material handling devices. Material handling devices increases the output, improves quality, speeds up the deliveries and decreases the cost of production. Hence, material handling is a prime consideration in the designing new plant and several existing plants.

3) PRODUCT DESIGN

Product design deals with conversion of ideas into reality. Every business organization have to design, develop and introduce new products as a survival and growth strategy. Developing the new products and launching them in the market is the biggest challenge faced by the organizations. The entire process of need identification to physical manufactures of product involves three functions: marketing, product development, manufacturing. Product development translates the needs of customers given by marketing into technical specifications and designing the various features into the product to these



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specifications. Manufacturing has the responsibility of selecting the processes by which the product can be manufactured.

4) PROCESS DESIGN

Process design is a macroscopic decision-making of an overall process route for converting the raw material into finished goods. These decisions encompass the selection of a process, choice of technology, process flow analysis and layout of the facilities. Hence, the important decisions in process design are to analyse the workflow for converting raw material into finished product and to select the workstation for each included in the workflow.

5) PRODUCTION PLANNING AND CONTROL

Production planning and control can be defined as the process of planning the production in advance, setting the exact route of each item, fixing the starting and finishing dates for each item, to give production orders to shops and to follow up the progress of products according to orders. Main functions of production planning and control includes planning, routing, scheduling, dispatching and follow-up.

Planning is deciding in advance what to do, how to do it, when to do it and who is to do it. Planning bridges the gap from where we are, to where we want to go. It makes it possible for things to occur which would not otherwise happen.

Routing may be defined as the selection of path which each part of the product will follow, which being transformed from raw material to finished products. Routing determines the most advantageous path to be followed from department to department and machine to machine till raw material gets its final shape.

Scheduling determines the programme for the operations. Scheduling may be defined as 'the fixation of time and date for each operation' as well as it determines the sequence of operations to be followed.

Dispatching is concerned with the starting the processes. It gives necessary authority so as to start a particular work, which has already been planned under 'Routing' and 'Scheduling'. Therefore, dispatching is 'release of orders and instruction for the starting of production for any item in acceptance with the route sheet and schedule charts'.



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6) QUALITY CONTROL

Quality Control (QC) may be defined as ‘a system that is used to maintain a desired level of quality in a product or service’. It is a systematic control of various factors that affect the quality of the product. Quality control aims at prevention of defects at the source, relies on effective feedback system and corrective action procedure.

7) MATERIALS MANAGEMENT

Materials management is that aspect of management function which is primarily concerned with the acquisition, control and use of materials needed and flow of goods and services connected with the production process having some predetermined objectives in view.

The main objectives of materials management are:

- To minimize material cost.
- To purchase, receive, transport and store materials efficiently and to reduce the related cost.
- To cut down costs through simplification, standardization, value analysis, import substitution, etc.
- To trace new sources of supply and to develop cordial relations with them in order to ensure continuous supply at reasonable rates.
- To reduce investment tied in the inventories for use in other productive purposes and to develop high inventory turnover ratios.

8) MAINTENANCE MANAGEMENT

In modern industry, equipment and machinery are a very important part of the total productive effort. Therefore, their idleness or downtime becomes very expensive. Hence, it is very important that the plant machinery should be properly maintained.



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(C) One Word Answers:

Sr.No	Question	Answer
1	it is very important that the _____ should be properly maintained.	plant machinery
2	_____ management is that aspect of management function which is primarily concerned with the acquisition, control and use of materials needed and flow of goods and services connected with the production process	Materials
3	_____ may be defined as 'a system that is used to maintain a desired level of quality in a product or service'	Quality Control
4	_____ may be defined as 'the fixation of time and date for each operation' as well as it determines the sequence of operations to be followed.	Scheduling
5	_____ of facilities for operations is a long-term capacity decision which involves a long term commitment about the geographically static factors that affect a business organization.	Location
6	_____ is 'release of orders and instruction for the starting of production for any item in acceptance with the route sheet and schedule charts'.	dispatching

Topic: Discuss the Objectives and importance of operations management

(A) THE MAIN OBJECTIVES OF PRODUCTION MANAGEMENT ARE:

- Manufacture a product with the correct **QUALITY**.
- To see that the product is manufactured in the correct **QUANTITY**.
- To see that the product is delivered at the right **PLACE and TIME**.
- To see that all the functions are performed at the right **PRICE**.

(B) Detailing:

OBJECTIVES OF PRODUCTIONS MANAGEMENT

The objective of the production management is 'to produce goods services of right quality and quantity at the right time and right manufacturing cost'.



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1. RIGHT QUALITY

The quality of product is established based upon the customers needs. The right quality is not necessarily best quality. It is determined by the cost of the product and the technical characteristics as suited to the specific requirements.

2. RIGHT QUANTITY

The manufacturing organization should produce the products in right number. If they are produced in excess of demand the capital will block up in the form of inventory and if the quantity is produced in short of demand, leads to shortage of products.

3. RIGHT TIME

Timeliness of delivery is one of the important parameter to judge the effectiveness of production department. So, the production department has to make the optimal utilization of input resources to achieve its objective.

4. RIGHT MANUFACTURING COST

Manufacturing costs are established before the product is actually manufactured. Hence, all attempts should be made to produce the products at pre-established cost, so as to reduce the variation between actual and the standard (pre-established) cost.

IMPORTANCE OF PRODUCTION MANAGEMENT:

1. HELPS TO INTRODUCE NEW PRODUCTS:

Production management helps to introduce new product within the market. It conducts analysis and development. This helps the firm to develop newer and higher quality product. These products are productive within the market as a result of the offer full satisfaction to the purchasers.

2. EXPANSION OF THE FIRM:

The production management helps the firm to get bigger and grow. This is often as a result of it tries to enhance quality and cut back prices. This helps the firm to earn higher profits. These profits facilitate the firm to expand and grow.

3. MINIMIZES PRICE OF PRODUCTION:

Production management helps to reduce the value of production. It tries to maximize the output and minimize the inputs. This helps the firm to attain its price reduction and potency objective.



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4. ACCOMPLISHMENT OF FIRM'S OBJECTIVES:

Production management helps the business organization to attain all its objectives. It produces product that satisfy the customer's wants and needs. So, the firm can increase its sales. This can facilitate it to attain its objectives.

5. REPUTATION, GOODWILL AND IMAGE:

Production management helps the firm to satisfy its customers. This will increase the firm's name, goodwill and image. An honest image helps the firm to expand and grow.

6. HELPS TO FACE COMPETITION:

Production management helps the firm to face competition within the market. This can be as a result of production management produces product of right amount, right quality, and right value and at the correct time. These products are delivered to the purchasers as per their necessities.

7. OPTIMUM UTILIZATION OF RESOURCES:

Production management facilitates optimum utilization of resources like work force, machines etc. therefore the firm will meet its capability utilization objective, this may bring higher returns to the organization.

8. SUPPORTS DIFFERENT USEFUL AREAS:

Production management supports different useful areas in a corporation, like selling, finance and personnel. The marketing department can notice it easier to sell good-quality product and therefore the finance department can get a lot of funds as a result of increase in sales.

(C)One word question answers:

Sr.No	Question	Answer
1	The objective of the _____management is 'to produce goods services of right quality and quantity at the right time and right manufacturing cost'.	Production
2	_____management helps to introduce new product within the market	Production
3	The marketing department can notice it easier to sell good-quality product and therefore the _____department can get a lot of funds as a result of increase in sales.	Finance



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4	Production management tries to maximize the output and _____ the inputs	Minimize
5	Production management facilitates _____ utilization of resources like work force, machines etc.	Optimum
6	Production management helps the firm to face _____ within the market	Competition
7	Production management helps the firm to _____ its customers	Satisfy
8	Production management helps the business organization to attain all its _____	Objectives



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UNIT 2

PROCESS SELECTION

TOPIC: Discuss the types of process and which are the factors affecting to process decisions?

FACTORS TO BE CONSIDERED FOR SELECTION OF PROCESS:

- Quantity to be produced
- Utilization of existing equipment
- Requirements of the product
- Minimum idle time
- Less scrap
- Flexibility
- Elimination of unnecessary operations
- Safety
- Skill required
- Technology

TOPIC: DISCUSS THE TYPES OF PROCESS.

A.BASED ON MARKET ORIENTATION

- **Make to stock-**

The goods usually are standard, mature products. As a general rule make to stock products compete primarily on the basis of cost and availability. Example of such products includes most retail goods.

- **Assemble to order-**

Products are standard items that are assembled from in stock subassemblies. This allows customers to specify a wide range of options.



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- **Make to order-**

They are made from previously designs, but are made only after an order has been received. Make to order products are used when the standard product is too costly to stock, have too uncertain demand, or will deteriorate if stocked on shelf.

- **Engineer to order-**

This market orientation is used to make unique products that have not been previously engineered, Extensive customization to suite the customers' need is possible but only if customer is willing to wait for this addition stage in the value creation process.

B.BASED ON PRODUCTION SYSTEM

a. Job Shop Process

Job shops are designed to manufacture a wide variety of products with small lot sizes in order to achieve maximum flexibility. Products have usually different operation sequences and operating time for each operation could vary significantly in job shop manufacturing. Products are released to the job shops in batches also called jobs.

General purpose machines are suitable in job shops because they are capable of performing many different types of operations and thus capable of producing a wide variety of products with small lot sizes. Machines which perform similar function grouped together: lathe machines in one department, milling machines in another department and so forth.

Advantages of job shop manufacturing

1. Better utilization of machines

In job shop manufacturing, all machines are fully and effectively utilized thus fewer machines are required to manufacture a wide variety of products. Thus job shop manufacturing needs lower investment because of comparatively less number of machines. Also purchasing cost of general purpose machines becomes lower.



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2. Greater flexibility

Both a varied quantity and a varied mix of products can be manufactured because there are no dedicated machines. This leads to greater flexibility in job shop manufacturing.

3. More effective supervision

As the machines are grouped into departments on the basis of functions performed by them, the specialized knowledge of supervisors about their departments ensures the specialized and more effective supervision. Supervision task becomes more effective because each supervisor has to supervise limited same types of machines functioning in his/her department.

4. Development of high skills & knowledge in operators

Each operator is working in a single department. This develops high skills and knowledge in operators to perform various tasks in their departments. Management can also take advantages of capabilities of operators in order to execute manufacturing activities more effectively and efficiently in each department.

Disadvantages of job shop manufacturing

1. High material handling cost

Material/parts must be moved from one department to another department. If machine in another department is not ready to accept a job or worker is unavailable then materials need to be stored and protected there. Status & location of materials are difficult to track and control. Thus cost of moving, storing, protecting and controlling materials becomes high in job shop manufacturing.

2. High material flow distance

When the processing of a part has been completed in one department in the job shop manufacturing, it usually must be moved to next department travelling a large distance. Material flow distance is high in job shop manufacturing because every parts may have to travel through the entire shop to complete all of the required operations.



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3. High production lead time

Each part in a batch must wait for the remaining parts in its batch to complete processing before it is moved to the next stage of production. This causes high production lead time and low production rates in job shop manufacturing.

4. High levels of work in progress inventory

Level of work in progress inventory is high in job shop manufacturing because of high production lead time.

5. High production cost

A production cost in job shop manufacturing is high because of high material handling cost and high material transportation cost.

BATCH PROCESS

Manufacturers of everything from cakes to computer chips have many ways of organizing production to increase efficiency. One of these methods is called batch production, or batch processing. In this approach, instead of manufacturing items individually or continuously, manufacturing moves in groups or batches.

Each of the steps in the production process is applied at the same time to an entire batch of items, and that batch does not move onto the next stage of the production process until the whole batch is done. For some situations and products, batch production is the only realistic method.

Advantages of Batch Production

There are a number of advantages to using batch production:

- It generally has lower capital costs.
- It has the flexibility to produce a variety of different product variations, or different products.



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- It works well when small production runs are needed, such as individual sandwich shops baking only the cookies they need.
- It is ideal for custom or seasonal orders, or trial runs of a new product.
- It reduces inventory. This can be critical when spoilage or space are issues.
- It allows a single production system to be used for making different seasonal items.
- It makes sense when the demand for a product is not sufficient to keep a dedicated machine or production process operating continuously.

Disadvantages of Batch Production

There are three major drawbacks to batch production.

- Reconfiguring the production system to produce something different results in downtime. In lean manufacturing language, these are wasted resources.
- The production equipment uses a lot of space. When it's idle, this space is not being utilized to make money.
- Labor is required to move items from one stage of the batch process to another, in addition to the labor required for batch manufacturing.

CONTINUOUS PRODUCTION SYSTEM

Continuous production system involves a continuous or almost continuous physical flow of materials. It makes use of special purpose machines and produces standardized items in large quantities. The examples are petrochemical, cement, steel, sugar and fertilizer industries, etc.

In a continuous Process, the items are produced for the stocks and not for specific orders, Before planning to manufacture to stock, a sales forecast is made to estimate likely demand of the product and a master is prepared to adjust the sales forecast based on past orders and level of inventory. Here, the inputs are standardized and a standard set of processes and sequence of processes can be adopted. Due to this, routing and scheduling for the whole processes can be standardized



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Characteristics of Continuous Production System

1. Standard products are manufactured, which have large demand throughout the year.
2. Standardized inputs and standardized sequence of operations, machine tools and equipment are used.
3. Division of labour is made more efficient.
4. Minimum and constant material handling.
5. Minimum flow of work at any point of time.
6. Small work in progress is involved.
7. Use of productivity techniques is feasible.
8. Minimum cost of production per unit is possible.
9. Rigid quality control is exercised.
10. More maintenance is required.

Advantages of Continuous Production System

1. Reduced Labour cost,
2. High accuracy,
3. Reduced material handling,
4. Simple control process,
5. Minimum wastage,
6. Better materials /inventory control,
7. Higher return on investments.

Disadvantages of Continuous Production System

1. Heavy loss during slack demand period
2. Rigid maintenance and upkeep of machines
3. Customers' tastes cannot be met as only one standard product is manufactured.
4. Difficult to adjust to new situations and specifications.
5. Special purpose machine tools are required.



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ASSEMBLY PRODUCTION

In assembling process, two or more components are combined to manufacture a finished product. Manufactured parts are joined into sub-assemblies or final assemblies. Such process is employed in assembling automobiles, radio sets, television sets, bicycles, watches, cameras, etc.

Assembly line is a type of flow production which was developed in the automobile industry in the U.S.A. A manufacturing unit prefers to develop and employ the assembly line because it helps to improve the efficiency of production. The use of flow production methods results in cost reduction. Assembly line is particularly useful when a limited variety of similar products is to be produced on a mass scale or in fairly large batches on a regular or continuous basis.

In any production system, the most vital decision is the proper layout of assembly line. The design of assembly line involves the proper balancing of technology and other manufacturing facilities so as to develop a rational approach for optimization of results. The assembly line design depends largely upon product design and location of production. In order to develop an assembly line, machines are positioned keeping the following considerations in view:

- i. the rate of flow of work
- ii. the direction of manufacturing operations
- iii. the inconvenience and comfort of operators or workers
- iv. the availability of service facilities like water, electricity, compressed air, oxygen, etc.
- v. the supply and demand of materials.

In an assembly line, each machine must directly receive material from the previous machine and pass it on directly to the next machine. Therefore, the location of machines is automatically regulated by the sequence of operations.

Machines and equipment should be arranged in such a manner that every operator has a free and safe access to each machine. Space should be provided for free movement of fork lifts, trucks, etc., which deliver materials and collect the finished products. The passage



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should not be blocked and workers must not be in danger of being hit by the moving trollies, etc. At the same time, there should be commercial utilization of floor space. Assembly line process is employed in assembling automobiles, radios, television sets, computers and other electrical and electronic products.

ADVANTAGES OF ASSEMBLY LINE PROCESS

1. Uniform rate of production.
2. Less material handling.
3. Less work in process.
4. Easy production control.
5. Effective use of facilities/ labor.
6. Less congestion.

DISADVANTAGES

1. More capital intensive (i.e. demands larger investments)
2. Low flexibility
3. Monotony of work for operators

PROJECT PROCESS

Project process is to simply put, the process and activity of planning, organizing, motivating and controlling procedures, protocols and resources to achieve a specific goal. Without project management, it would be extremely difficult for goals to be met.

A project is a highly flexible and low volume type operation. Usually the item to be produced stays in a fixed place and all the resources come to it. At the end of production, resources leave the place.

Examples are Ship construction, Bridge construction, - Buildings and - Large machines, etc. Some types of Service Operations may also be called as Projects. These involve a team of people over a period of time and then the people leave the project.



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Example:

Developing a software package may be a project type of service operation.

ADVANTAGES

- The project manager has full authority over the project
- Team members report to one boss
- Shortened communication lines
- Team pride, motivation, and commitment are high

DISADVANTAGES:

- Duplication of resources
- Organizational goals and policies are ignored
- Lack of technology transfer
- Team members have no functional area "home"



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UNIT 3

AGGREGATE PLANNING AND MAINTENANCE MANAGEMENT

TOPIC: WHAT IS AGGREGATE PLANNING AND DISCUSS ITS METHODS, APPROACHES AS WELL AS IMPORTANCE

INRODUCTION:

Aggregate planning is the process of developing, analyzing, and maintaining a preliminary, approximate schedule of the overall operations of an organization. The aggregate plan generally contains targeted sales forecasts, production levels, inventory levels, and customer backlogs.

This schedule is intended to satisfy the demand forecast at a minimum cost. Properly done, aggregate planning should minimize the effects of shortsighted, day-to-day scheduling, in which small amounts of material may be ordered one week, with an accompanying layoff of workers, followed by ordering larger amounts and rehiring workers the next week. This longer- term perspective on resource use can help minimize short-term requirements changes with a resulting cost savings.

In simple terms, aggregate planning is an attempt to balance capacity and demand in such a way that costs are minimized. The term "aggregate" is used because planning at this level includes all resources "in the aggregate;"

IMPORTANCE OF AGGREGATE PLANNING

Aggregate planning plays an important part in achieving long-term objectives of the organization. Aggregate planning helps in:

- Achieving financial goals by reducing overall variable cost and improving the bottom line
- Maximum utilization of the available production facility
- Provide customer delight by matching demand and reducing wait time for customers
- Reduce investment in inventory stocking



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- Able to meet scheduling goals there by creating a happy and satisfied work force

APPROACHES TO AGGEGRATE PLANNING

An aggregate plan takes into consideration the overall level of output and the capacity that is required to produce it. There are two basic approaches to estimating the capacity that will be required to produce an aggregation or grouping of a company's products.

1. Top down approach to aggregate planning involves development of the entire plan by working only at the highest level of consolidation of products. It consolidates the products into an average product and then develops one overall plan. This plan is disaggregated to allocate capacity to product families and individual products.

2. A bottom-up approach or sub-plan consolidation approach, involves development of plans for major products or product families at some lower level, within the product line. These sub-plans are then consolidated to arrive at the aggregate plan, which gives the overall output and the capacity required to produce it.

METHODS FOR AGGREGATE PLANNING

a. Graphical methods in aggregate planning are techniques that work with a few variables at a time to allow planners to compare projected demand with existing capacity. It is a trial and error approach which does not guarantee optimization, but requires computations. In this approach even the clerical staff can follow the steps:

- (1) Determine the demand in each period,
- (2) Determine capacity for regular time, overtime and subcontracting,
- (3) Find labor costs, hiring and layoff costs, and inventory holding costs,
- (4) Consider company policies that may apply to workers, and
- (5) Develop alternative plan and examine their total costs.



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b. Mathematical approaches such as transportation method of linear programming produce an optimal plan for minimizing costs.

1) Transportation method of linear programming:

This approach is a way of solving or planning problems in all the problem of allocating operating capacity to meet the forecasted demand, one can use the linear programming format. It can specify a regular and overtime production in each time period, the number of units to be subcontracted, extra shifts an inventory carry over from period to period. However, this method does not work well when negative factors or non-linear factors like lay off, hiring etc. are used. In such a case, the more general linear programming method needs to be used.

2) Mathematical model(management coefficient's model):

It is a formal planning model built around a manager's experience and performance. The past performance of a manager can be used as a basis for future decisions.

This technique uses regression analysis of past production decisions made by managers. The regression line provides the relationship between variables like demand and Labor for future decisions.

3) Computer model(scheduling by simulation):

It uses a search procedure to find minimum cost combination of values for workforce size and production rate.

4) Some other models are linear decision rule and simulation:

Linear decision rule is a technique which specifies an optimal rate of production and workforce level over a specific period. It minimizes the total cost of payrolls, hiring, layoffs, over time and inventory through a series of quadratic cost curves



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AGGREGATE PLANNING IN SERVICES

For manufacturing firms the luxury of building up inventories during periods of slack demand allows coverage of an anticipated time when demand will exceed capacity. Services cannot be stockpiled or inventoried so they do not have this option. Also, since services are considered "perishable," any capacity that goes unused is essentially wasted. An empty hotel room or an empty seat on a flight cannot be held and sold later, as can a manufactured item held in inventory.

Service capacity can also be very difficult to measure. When capacity is dictated somewhat by machine capability, reasonably accurate measures of capacity are not extremely difficult to develop. However, services generally have variable processing requirements that make it difficult to establish a suitable measure of capacity.

Historically, services are much more labor intensive than manufacturing, where labor averages 10 percent (or less) of total cost. This labor intensity can actually be an advantage because of the variety of service requirements an individual can handle. Thus, controlling cost of labor is important in service forms and it includes:

1. Scheduling laborers accurately so that customer demand can be responded to.
2. Flexibility to add or delete a labor resources to meet unexpected demand (on call labor)
3. Flexibility to relocate available labor by ensuring flexibility in worker skills
4. Flexible hours of work to meet changing demand.

However, in service industries labor is the basic aggregate planning vehicle. Approaches to aggregate planning before by the services provided.

For instance, police and fire departments have provision for calling in of Duty employees for emergencies and may work longer hours / shifts in case of extended emergencies.



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However, in restaurants and retail stores when business is slow, employees are sent home early.

Similarly, in supermarkets, talk logs work as crashes when the customer lines for billing become too lengthy.

Different services face different problems in aggregate planning like hospitals face aggregate planning problems in allocating money, staff and supplies to meet the demand of patients.

Airlines and auto rental forms have unique aggregate scheduling problems like number of flights in and out of each base/ Centre, number of flights on all routes, number of passengers to be serviced on all flights, number of air personnel and ground staff required at its Centre/ airport, determining number of seats to be allocated to various fare classes.

TOPIC: DISCUSS C ONCEPT OF CAPACITY PLANNING AND ITS IMPORTANCE

CONCEPT OF CAPACITY PLANNING

Capacity Planning Classification

The production system design planning considers input requirements, conversion process and output. After considering the forecast and long-term planning organization should undertake capacity planning.

Capacity is defined as the ability to achieve, store or produce. For an organization, capacity would be the ability of a given system to produce output within the specific time period. In operations, management capacity is referred as an amount of the input resources available to produce relative output over period of time.

In general, terms capacity is referred as maximum production capacity, which can be attained within a normal working schedule.



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Capacity planning is essential to be determining optimum utilization of resource and plays an important role decision-making process, for example, extension of existing operations, modification to product lines, starting new products, etc.

Capacity planning based on the timeline is classified into three main categories: long range, medium range and short range.

Long Term Capacity (More than one year):

It is a function of adding facilities and equipment that have long lead (waiting) time

Intermediate/Medium Term Capacity (3 to 12 months):

When we can add equipment, personal and shifts. We can subcontract or build or use inventory. This is aggregate planning task.

Short Term Capacity (Up to 3 months):

Where we schedule jobs and people and allocate machinery. We use capacity that is already existing and modifying capacity is difficult.

Capacity can also be explained as follows:

1) Fixed capacity:

The total capital assets of a company at a particular time is known as fixed capacity. It represents upper limit to the internal capacity that a company can use to meet its demand. It can't be easily changed in intermediate range time horizon.

2) Adjustable capacity:

It is the size of workforce, number of hours per week they work, number of shifts and extent of subcontracting.



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3) Design capacity or Installed capacity:

It is the planned rate of output of goods/services under normal or full scale operating conditions. It sets maximum limit and helps in determining actual utilization of capacity.

4) System capacity:

It is less than or equal to the design capacity. It is the maximum output of a specific product or product mix that the system (machines, workers) is capable of producing.

5) Potential capacity:

It is that which can be made available within the decision horizon of top management.

6) Immediate capacity:

It is the capacity that can be made available within the current budgeted period.

7) Effective capacity:

It is the operating/practical capacity. It usually ranges from 75% to 85% of maximum theoretical/installed or designed capacity. This is due to loss of capacity due to machine breakdown, preventive maintenance or delays due to scheduling. Thus, the efficiency attained is always less than 100%. Moreover, there would also be loss of output due to rejections and scrap.

8) Normal/ Rated /Average capacity:

Capacity of a plant is the estimated quantity of output or production that should be achieved as per the estimation done by Industrial Engineering department. E.g. A steel plant may have rated capacity of 1 lakh tons of steel per month.

9) Actual or utilized capacity:

This is expressed as a percentage of rated capacity. It is the actual output achieved during a particular time period. The actual output may be less than rated output due to factors like employee absenteeism, productivity level, actual demand for the product or any other inefficiency.



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IMPORTANCE OF CAPACITY DECISIONS

1. Impacts ability to meet future demands
2. Affects operating costs
3. Major determinant of initial costs
4. Involves long-term commitment
5. Affects competitiveness E.g. speed
6. Affects ease of management
7. Globalization adds complexity
8. Impacts long range planning

Capacity Planning

Capacity Planning is concerned with defining long term and short term capacity needs of a firm and also deciding how those needs would be met. It involves activities like:

- (1) Assessing existing capacity
- (2) Forecasting future capacity needs.
- (3) Identifying various ways of modifying capacity.
- (4) Evaluating financial, economic and technological alternatives for capacity planning.
- (5) Selecting a capacity alternative which is consistent with the mission of business.

In short, it involves decisions that match consumer demands with human, material and financial resources of the organization.

TOPIC: DISCUSS THE FACTORS AFFECTING CAPACITY PLANNING

FACTORS AFFECTING CAPACITY PLANNING

Two kinds of factors affecting capacity planning are:

1. CONTRABLE FACTORS:

amount of labor employed, facilities installed, machines, tooling, shifts of work per day, days worked per week, overtime work, subcontracting, preventive maintenance and number of production set ups.



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2. LESS CONTRABLE FACTORS:

Absenteeism, labor performance, machine break-downs, material shortages, scrap and rework, strike, lock-out, fire accidents etc.

TYPES OF CAPACITY PLANNING

Capacity planning is mainly of two types:

1. BASED ON TIME HORIZON

- (i) Long-term capacity plans which are concerned with investments in new facilities and equipment. These plans cover a time horizon of more than two years.
- (ii) Short-term capacity plans which takes into account work-force size, overtime budgets, and inventories

2. BASED ON RESOURCE EMPLOYED

- (i)FINITE CAPACITY PLANNING
- (ii)INFINITE CAPACITY PLANNING

CAPACITY REQUIREMENT PLANNING (CRP)

Capacity Requirement Planning is a technique for determining what labor/personnel and equipment capacities are needed to meet the production objectives symbolized in the master production schedule (MPS) and the Material requirement Planning (MRP-I) MRP-I and CRP establish specifically what material and capacities are needed and when they are needed.

Capacity Time Horizons:

Long-range:

Resources planning of land, facilities, equipment and human resources involves strategy of changing facilities and employment levels over long-range time horizon. This applies to Business and Corporate Companies objectives.



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Medium Range:

a) Resources requirement planning of total resources needed to satisfy master production schedule (i.e. MRP-II) uses lead profiles for each product and simulation of alternative MPS. Managing through work force re-allocation, inventory and back order and sub-contracting strategies.

b) Capacity requirement planning of labor and equipment in key work centers (uses finite loading) managing through employment and work force re-allocation inventory, sub-contracting make or buy decisions, alternative routing and more tooling. This is applicable to end products & MRP items.

Short range:

Capacity control of input-output and operation sequencing (uses finite loading) managing via overtime, idle time, workforce reallocation, subcontracting and alternative tooling. This applies to Production activity control.

TOPIC : DISCUSS THE CONCEPT AND SCOPE OF MAINTENANCE MANAGEMENT

Introduction

The purpose of maintenance is to ensure the maximum efficiency and availability of production equipment, utilities and related facilities at optimal cost and under satisfactory conditions of quality, safety and protection for the environment.

Maintenance was long considered as a subordinate function, entailing an inevitable waste of money. There was a tendency to lump it together with troubleshooting and repairing machinery that was subject to wear and obsolescence. However, enterprises today are realizing that maintenance is not merely a 'partner' in production: it is an indispensable requirement for producing. Its relation with equipment performance is a question of



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integrated strategy at senior management level. As such, the maintenance function becomes a management responsibility

Scope of Maintenance

Plant maintenance services provide attention for the maintenance of machines and equipment's due to their frequent use and strategic position in the entire production function. A machine is the name given to a mechanism consisting of the services of sequential components each performing its specific function which is part of the whole system or mechanism.

Maintenance covers two broad categories of function as listed below:

(A) Primary Functions:

- (i) Equipment inspection, cleaning and lubrication.
- (ii) Alterations to existing equipment's and buildings.
- (iii) Maintenance of existing plant buildings and grounds.
- (iv) Maintenance of existing plant and equipment's.
- (v) New installations of equipment and buildings.
- (vi) Generation and distribution of utilities.

(B) Secondary functions:

- (i) Property accounting.
- (ii) Insurance administration against theft and fire etc.
- (iii) Store keeping for maintenance purposes.
- (iv) Plant protection against fire etc.
- (v) Pollution and noise control.
- (vi) Waste disposal.
- (vii) Salvage.
- (viii) Providing caretaker services.
- (ix) Any other services concerning maintenance as delegated by plant management.



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TOPIC: DISCUSS THE OBJECTIVES OF MAINTENANCE MANAGEMENT AND IMPACT OF POOR MAINTENANCE

OBJECTIVES OF MAINTENANCE MANAGEMENT

The more specific objectives of maintenance management are as follows:

- To optimize the reliability of equipment and infrastructure;
- To ensure that equipment and infrastructure are always in good condition;
- To carry out prompt emergency repair of equipment and infrastructure so as to secure the best possible availability for production;
- To enhance, through modifications, extensions, or new low-cost items, the productivity of existing equipment or production capacity;
- To ensure the operation of equipment for production and for the distribution of energy and fluids;
- To improve operational safety;
- To train personnel in specific maintenance skills;
- To advise on the acquisition, installation and operation of machinery;
- To contribute to finished product quality;
- To ensure environmental protection.

IMPACT OF POOR MAINTENANCE

Maintenance operations include all efforts to keep production facilities and equipment's in an acceptable operating condition. Failure or ml-functioning of machines and equipment's in manufacturing and service industries have a direct impact on the following:

1. Production capacity:

Machines idled by breakdowns cannot produce, thus the capacity of the system is reduced.

2. Production costs:

Labor costs per unit rise because of idle labor due to machine breakdowns. When machine malfunctions result in scrap, unit labor and material costs increase. Besides, cost of



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maintenance which includes such costs as costs of providing repair facilities, repair crews, preventive maintenance inspections, spare parts and stand by machines will increase as machines break down frequently.

3. Product and service quality:

Poorly maintained equipment's produce low quality products. Equipment that have not been properly maintained have frequent break downs and cannot provide adequate service to customers. For example, air craft fleets of the airline, railway and road transport services not maintained well can result in poor service to customers.

4. Employee or customer safety:

Worn-out equipment is likely to fail at any moment and these failures can cause injuries to the workers, working on those equipment. Products such as two wheelers and automobiles, if not serviced periodically, can break down suddenly and cause injuries to the stress.

5. Customer satisfaction:

When production equipment break own, products often cannot be produced according to the master production schedules, due to work stoppages. This will lead to delayed deliveries of products to the customers.

TOPIC: DISCUSS THE TYPES OF MAINTENANCE

TYPES OF MAINTENANCE

The seven forms of maintenance distinguished BELOW are the main types currently used in practice.

Maintenance:



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Maintenance is the function whose objective is to ensure the fullest availability of production equipment, utilities and related facilities at optimal cost and under satisfactory conditions of quality, safety and protection of the environment.

Design-out maintenance :

This is also known as plant improvement maintenance, and its object is to improve the operation, reliability or capacity of the equipment in place. This sort of work usually involves studies, construction, installation, start-up and tuning.

Preventive maintenance :

The principle of preventive maintenance is anticipation. It is put into practice in two forms: systematic (periodic) maintenance and condition-based maintenance.

Corrective maintenance :

Also called breakdown maintenance, palliative or curative maintenance. This form of maintenance consists of:

- troubleshooting on machines whose poor condition results in stoppage, or in operation under intolerable conditions;
- Repairs.

Systematic maintenance :

This consists of servicing equipment at regular intervals, either according to a time schedule or on the basis of predetermined units of use (hours of operation or distance travelled). The aim is to detect failure or premature wear and to correct this before a breakdown occurs. The servicing schedule is usually based on manufacturers' forecasts, revised and adjusted according to experience of previous servicing; this information is recorded in the machine file. This type of maintenance is also called periodic maintenance.

Condition-based maintenance:

This type of maintenance, also called predictive or auscultative maintenance, is a breakdown-prevention technique which requires no dismantling, as it is based on



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inspection by auscultation of the equipment involved. It requires continuous observation of an item of equipment in order to detect possible faults or to monitor its condition.

Planned maintenance:

Maintenance which is known to be necessary sufficiently in advance for normal planning and preparation procedures to be followed.

Unplanned maintenance:

This is maintenance which is not carried out regularly as the need for it is not predictable; it is sometimes called unscheduled maintenance.



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Unit 4

FACILITY LOCATION

TOPIC: DISCUSS THE STEPS IN SELECTION OF PLANT LOCATION

Facility location may be defined as a place where the facility will be set up for producing goods or services. The need for location selection may arise under any of the following conditions:

- a. When a business is newly started.
- b. When the existing business unit has outgrown its original facilities and expansion is not possible; hence a new location has to be found.
- c. When the volume of business or the extent of market necessitates the establishment of branches.
- d. When the lease expires and the landlord does not renew the lease.
- e. Other social or economic reasons.

While selecting Location, the following factors are kept in mind the following:

- a. Nature and type of business
- b. cost benefit and profitability
- c. advantages of running a plant in a particular place or region like minimizing marketing cost or cost of raw material etc.

STEPS IN SELECTION OF PLANT LOCATION

1. DECIDING ON DOMESTIC OR INTERNATIONAL LOCATION:

The entrepreneurs should decide the location domestically or internationally. A country like India with local government and leading companies' ads to the building of challenging project sites. Selection of a location in a particular country can be made on the basis of business opportunities, exchange rates, expanding New Horizons, export and import quotas, political stability, physical and natural conditions, cultural and economic characteristics of a country.



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For example:

- i. It is cheaper to produce clothes in India, china and Thailand then in the US.
- ii. Motorola chose to open its plant in us instead of Asia to get the advantage of infrastructure and education level of the country which would be an advantage for the production activity.

2. SELECTION OF REGION:

It is the second step in the selection of plant location. The factors to be considered are :

Factors Affecting the Plant Location:

Many factors are considered while selecting a site. According to their importance these are classified as primary factors & secondary factors.

Primary factors:

Raw material supply:

Production process will continue properly when adequate supply of raw material is there. Raw material cost is a part of total production cost. Inadequate supply of raw material will result in the reduction in production. It will increase downtime & hence reduce efficiency of industry. Due to this inadequacy, profit maximization may not be obtained. The time to transport & cost of transportation is also important. Hence, industries are situated where raw material is available easily.

Nearness to market:

This factor will produce the product to customer in short time period and hence it will be less damage to the product. It also reduces transportation cost. Also it will help the supplier to know the requirement of customers.

Transportation Facility:

While selecting a site one thing has to be considered that is transportation of any raw material, semi- finished & finished goods should be as less as possible. By this factor



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material will be transported less, which will affect the material quality, cost of transportation, time to transport etc. Hence for all above reasons producer has to select cheap & speedy transportation with various sources like road, airways, railways, waterways etc.

Labor Supply:

Labor is most effective part of the industry, who produces the product. The producer has to choose the site in such a way that labor should present in adequate quantity with low cost and labor would be skilled or unskilled. If labors are not present in sufficient numbers it will increase downtime of production and decrease plant efficiency.

Power Supply:

Electrical, diesel, automatic etc. energies are required to produce the product and also required for transportation. For continuous production process regular and sufficient supply is necessary. Many companies follow the industrial area because of availability of regular & sufficient power supply.

Supply of Capital:

Capital is required for the industries for production, day to day working, expansion, marketing etc. Large scale production require large amount of capital which may be raised by shares, debentures etc.

Secondary factors:

Natural factors:

Factors like land, water, climate etc. are very important for industries.

Government Policy:

In particular area new plant cannot be started due to some rules and regulations made by government. Also, there are some subsidies and other facilities to support small scale industries to grow up.



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Availability:

Availability of housing, hospitality, entertainment, education facilities also helps in deciding plant location.

Miscellaneous factors:

1. Sufficient water supply
2. Danger of attack during war
3. Personal factors
4. Environmental & ecological factors
5. Availability of safety facilities like fire- fighting, police etc.

Selection of Site as per Area:

Broadly, the area can be classified as rural, suburban and urban area.

1. Rural area:

In some cases, rural area is selected to start a production unit. Government is providing various incentives & subsidies to entrepreneurs to start plant in rural area instead of urban area.

Advantages of rural area:

- Land is available in abundance with cheap rate.
- Large number of labor is available with less salary & wages due to lower standard of living.
- Taxes are not there in rural area.
- More stable labors are available. Less chances of job hopping due to less job opportunities.
- No hostile environment between labor & managers.
- No restrictions for height of building, drainage etc.
- Rural environment is healthy. Slum & dirty area is not present in rural area.



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Disadvantages of rural area:

- Less transportation facility.
- Poor communication facilities. Sometimes, postal, telegraph, telephone services may not work properly.
- Less modernization.
- Support industries are not available.
- Unskilled labors are available in large number than skilled labors.
- Water supply, drainage, fire- fighting facilities is not available.
- Poor education, entertainment, hospital facilities.

2. Urban area:

Urban area is exactly opposite to rural area. Now-a-days, large plants are not allowed in cities, only offices are allowed.

Advantages of urban area:

- All types of transportation are available.
- Big market is available for the product. Most of the companies first introduce product in city area.
- Skilled labors are available, so no need to train them.
- All municipal facilities like water supply, drainage, fire- fighting is available.
- Banking & insurance facilities are found good in cities.
- All types of supporting industries are available.
- Entertainment, education, hospital, postal services are available easily as compared to rural area.

Disadvantages of urban area:

- Higher land cost.
- Higher labor cost due to high standard of living.
- Due to availability of jobs, employee changes job consistently. Job snatching also takes place in cities by giving more salary or by good incentive schemes.



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- Some restrictions are made by municipal in case of height of building, drainage etc.
- Strong trade union movement.
- Industrialization in city increases slum & dirty area.

3. Sub-urban area:

Both city & rural areas have certain limitations. Due to which the trend is towards sub-urban area, which will take advantages of both the areas & eliminate limitations.

Advantages of rural area:

- As compared to urban area, land is available at cheaper rate.
- Adequate land is available for future expansion.
- Skilled & unskilled labors are available.
- Training services for labors are also available.
- Infrastructural facilities like road, water, banking etc. developed by government, authorities or industrial associates.

Disadvantages of rural area:

After few years sub-urban area may be developed into urban area with its advantages & disadvantages.

In general, urban area provides benefits for small enterprises, whereas, rural area provide benefits for large scale industries. Sub-urban area is suitable for medium size industries.

4. SELECTION OF EXACT SITE:

The fourth and the last step after selecting the locality is to choose the actual site where the production unit can be set. The selection of exact site is influenced by the following considerations:

i) Topography and size of land:



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Soil is an important consideration of the plant is agro-based. The plant that is to be said is to produce engineering goods then also the soil is important as it will have to bear the load of the building structure and so it must be tested before finalising the exact location. The size of the land available should be suitable for establishing existing facility as well as should provide scope for expansion.

ii) Disposal of waste:

Disposal of production waste must be done very carefully and for this reason proper care must be taken. The site chosen should have proper facilities for the waste disposal.

Among all the above factors discussed, personal factors and business contacts affect location decisions the most.

Importance of Plant Location:

Plant location with thorough analysis leads the organization towards success. The basic objective of organization is to maximize the profit level. Hence, it will be beneficial for both i.e. newly established business & already established business. The profit maximization can be done by increasing sales price, increasing sales with reduced production cost, by analyzing market trend, nature & level of competition etc. Production can also be reduced, if firm is located at a place where all the basic requirements (that fulfill input needs) will be available easily.

Selection of appropriate location is necessary due to following reasons:

- Plant location partially determines operating and capital cost. It determines the nature of investment.
- Each plant location requires some basic facilities like transportation, availability of water, electricity, fuel, cheap labors etc.
- Each prospective location implies a new allocation of capacity to respective market area.



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- Government plays an important role in the choice of the location keeping in view the national benefits.

TOPIC: DISCUSS THE RECENT TRENDS IN THE LOCATION OF INDUSTRIES

RECENT TRENDS IN THE LOCATION OF INDUSTRIES

The traditional factors like nearness of sources of raw materials, motive power, nearness of markets, labor supply etc. have no longer remained the effective pulling forces in the location of industries. The location trends have changed substantially due to the development of substitute raw materials, network of electrification and transportation by roads and railway, mobility of the labor and persuasive and compulsive policies of the government for balanced regional development.

The recent trends in the selection of industrial location can be described as under:

Priority for the suburban areas

The industrialists show their preference for the suburban area as the site for establishment of a new unit or relocation of the existing one. The industrial policy of the government does not permit the establishment of a new unit or expansion of an existing one in city areas. At the same time infrastructure facilities are developed in the suburban areas.

Industrial development in the notified backward areas

In order to have balanced regional development, the Central Government as well as the State Government has notified certain backward areas. Different types of incentives like cash subsidy, tax relief, financial assistance with low interest rates, cheaper land and power supply etc. are provided. So, many such areas have been developed substantially in the recent times.



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Establishment of Industrial estate

Industrial estate is a piece of vast land sub-divided into different industrial plots wherein factory sheds are constructed. The Government of India has planned a national policy for the development of industrial estates. It assigned the responsibility of the development of industrial estates to State Governments. In each state, the State Development Corporation (SDC) has developed many industrial estates practically in all the districts of the state.

Industrial estates have also been developed by private entrepreneurs and Chambers of Commerce. The plots of land along with factory sheds and infrastructure facilities are developed in the industrial estates and are sold to the prospective promoters. The establishment of industrial estates has greatly affected the location of industries.

Decentralization of industries

Under the conscious industrial policy of the Government, concentration of industrial units is prevented through licensing policy. New units are not permitted to be started in certain industrially congested areas. Similarly, existing units either establish their additional plants in a less developed area or sometimes relocate the whole unit in such areas.

Increased role of the Government in the decision of location of industries

Government through its persuasive and compulsive methods greatly influences the location decision in recent times. It provides certain attractive incentives to the promoters to establish their units in less developed areas, at the same time it does not permit excessive industrialization in certain developed areas.

Competition between Government and institutions

As industry provides job opportunities to the local population, many local organizations attempt to tempt the prospective promoters to establish the units in their areas. They provide different types of incentives like cheap land, relief in local taxes etc. Sometimes the



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objective of local organizations and the government comes in conflict on the issues of location of industries.

Thus, the whole pattern of decision about the location of industries has undergone substantial changes in recent times.

Location Break Even Analysis:

Locational break even analysis happens to be an important management tool, it shows the point where the business has met all its expenses and has now begun to show profit for the organization. Locational break even analysis is done by breaking down costs as variable cost and fixed cost and comparing these costs to a certain level of sales. Where variable cost is the happens to be directly related to the production process or those necessary in providing the services, and fixed cost is where the cost remains the same and is not affected by the change in the output

TOPIC: DISCUSS THE OBJECTIVE OF FACILITY LAYOUT

INTRODUCTION:

Facility layout is an arrangement of different aspects of manufacturing in an appropriate manner as to achieve desired production results. Facility layout considers available space, final product, safety of users and facility and convenience of operations. For an organization to have an effective and efficient manufacturing unit, it is important that special attention is given to facility layout.

Facility layout is an arrangement of different aspects of manufacturing in an appropriate manner as to achieve desired production results. Facility layout considers available space, final product, safety of users and facility and convenience of operations.

An effective facility layout ensures that there is a smooth and steady flow of production material, equipment and manpower at minimum cost. Facility layout looks at physical allocation of space for economic activity in the plant. Therefore, main objective of the



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facility layout planning is to design effective workflow as to make equipment and workers more productive.

FACILITY LAYOUT OBJECTIVE

A model facility layout should be able to provide an ideal relationship between raw material, equipment, manpower and final product at minimal cost under safe and comfortable environment. An efficient and effective facility layout can cover following objectives:

- To provide optimum space to organize equipment and facilitate movement of goods and to create safe and comfortable work environment.
- To promote order in production towards a single objective
- To reduce movement of workers, raw material and equipment
- To promote safety of plant as well as its workers
- To facilitate extension or change in the layout to accommodate new product line or technology upgradation
- To increase production capacity of the organization

An organization can achieve the above-mentioned objective by ensuring the following:

- Better training of the workers and supervisors.
- Creating awareness about of health hazard and safety standards
- Optimum utilization of workforce and equipment
- Encouraging empowerment and reducing administrative and other indirect work

TOPIC: DISCUSS THE FACTORS AFFECTING PLANT LAYOUT

1. Nature of the product:

The nature of the product to be manufactured has a significant influence on plant layout. Small and light products can be moved from one machine to another with minimum effort and time and therefore line layout would be more suitable. Stationary layout would be



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suitable for heavy and bulky products. In case of production of large variety of non-standardized products, process layout is ideal.

2. Production volume:

Line layout should be preferred if standardized commodities are manufactured on a large scale. Functional layout is suitable if production is based on customers orders. It is better suited for low volume job production.

3. Location of the site:

The topology and size of the site influences the choice of a particular layout. The idea is to maximize the utilization of space. Layout should also suit the factory building. The positioning of elevators, stairways, parking lots and storage points also influence the layout.

4. Type of machines:

Stationary layout is preferable if machines are heavy and emit more noise. Such heavy machinery can be fitted on the floor. Adequate space should be provided for the location of machines and also there should be sufficient space between them to avoid accidents.

5. Climate:

Temperature, illumination, ventilation should be considered while deciding on the type of layout. The above factors should be considered in order to improve the health and welfare of employees.

6. Service facilities:

The layout should provide for the comforts and welfare of the employees. It should have adequate provision for rest rooms, drinking water, lavatory. There should be sufficient space for free movement of workers.

7. Safety of employees:

While deciding on a particular type of layout, the safety of employees should be given importance. The layout should provide for obstruction free floors, non-slippery floors, protection against dangerous fumes, excess heat, strong odors Etc.



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8. Type of production:

Layout plans differ according to the type of production. In case of job orders, production of non-standardized products are undertaken, and therefore functional or process outlet is suitable. Line layout would be suitable when there is mass production of standardized goods.

9. Type of process:

In the case of intermittent type of production (bi-cycle manufacturing, electronics), functional layout is suitable. For synthetic type of Production (cement and automobile industries), line layout is preferable.

10. Management policies:

Policies of the management relating to type of product, quality, scale of production, level of plant integration, type of production, possibility of future expansion etc., influence the type of layout to be adopted

TOPIC: DISCUSS THE OBJECTIVES OF AN IDEAL LAYOUT AND SERVICE FACILITY DESIGN AND LAYOUT

OBJECTIVE OF AN IDEAL PLANT LAYOUT

1. Provide enough production capacity by providing for flexibility of volume and product.
2. Maximum utilization of floor area, Providing space for future expansion.
3. Maximum reduction of internal transport from one operation to the next and reducing material handling cost.
4. Appropriate lighting and ventilating of areas.
5. Lowering cost of scrap and waste.
6. Minimising possibility of accidents.
7. Minimising production delays.
8. Ensuring safety of personnel and equipment.
9. Providing better conditions for both executives and operative employees.



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10. Avoiding unnecessary changes
11. Saving costs.
12. Providing for easy supervision
13. Neatness.
14. Providing proper production control.
15. Eliminating waste effort For speeding up production.
16. .Providing facilities to produce better quality of product.
17. Increase Employee Moral.
18. Facilitate co-ordination by eliminating bottlenecks and balancing plant capacity.

SERVICE FACILITY DESIGN AND LAYOUT

The major factors considered for service providers, is an impact of location on sales and customer satisfaction. Customers usually look about how close a service facility is, particularly if the process requires considerable customer contact. Hence, service facility layouts should provide for easy entrance to these facilities from the freeways. Well-organized packing areas, easily accessible facilities, well designed walkways and parking areas are some of the requirements of service facility layout.

Service facility layout will be designed based on degree of customer contact and the service needed by a customer. These service layouts follow conventional layouts as required. For example, for car service station, product layout is adopted, where the activities for servicing a car follows a sequence of operation irrespective of the type of car. Hospital service is the best example for adaptation of process layout. Here, the service required for a customer will follow an independent path.

TOPIC: DISCUSS THE TYPES OF LAYOUT IN DETAIL

TYPES OF LAYOUT

Layouts can be classified into the following five categories:

1. Process layout
2. Product layout
3. Combination layout



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4. Fixed position layout
5. Group layout

PROCESS LAY OUT

In the case of process lay out all the machines performing similar type of operations are grouped at one location. In process layout the arrangement of facilities is grouped together according to their functions and operations. The flow of material through the facilities from one functional area to another functional area varies from product to product. Process layout is suggested for batch production. Usually the paths are long and there will be possibility of backtracking. Process layout is normally used when the production volume is not sufficient to justify a product layout.

Advantages of process layout

Advantages of process layout are as follows:

1. In process layout machines are better utilized.
2. Flexibility is possible in process layout.
3. Lower investment on account of comparatively less number of machines
4. Higher utilisation of production facilities.
5. A high degree of flexibility with regards to work distribution to machineries and workers.
6. The diversity of tasks and variety of job makes the job interesting.
7. Supervisors will become highly knowledgeable about the functions under their department.

Limitations of process layout

1. Backtracking of materials.
2. Material handling cannot be mechanised which adds to cost.
3. Lower productivity due to number of set-ups.
4. Space and capital are tied up by work-in-process



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5. Long movements may occur in the handling of materials thus reducing material handling efficiency.

PRODUCT LAYOUT

In product layout, machines and other supporting services are located according to the processing sequence of the product. It implies that various operations on a product are performed in a sequence and the machines are placed along the product flow line. In product layout machines are arranged in the sequence in which a given product will be operated upon. This type of layout is preferred for continuous production of goods.

Advantages of product lay out

1. The flow of product will be smooth.
2. Work -in-process inventory is less.
3. Processing time is less.
4. Minimum material handling cost.
5. Simplified production, planning and control systems are possible.
6. Less space is occupied by work transit and for temporary storage.
7. Reduced material handling cost due to mechanised handling systems.
8. Perfect line balancing which eliminates all bottlenecks.
9. Manufacturing cycle is short due to continuous flow of materials.
10. Small amount of work-in-process inventory.
11. Unskilled workers can manage the production.

Limitations of product layout

1. A breakdown of one machine in a product line may cause stoppages of machines in the downstream of the line.
2. A change in product design may require major alterations in the layout.
3. Comparatively high investment in equipment's is required.
4. Lack of flexibility.
5. A change in product may require the facility modification



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COMBINATION LAY OUT

A combination layout combines the advantages of both types of product and process layouts. A combination layout is possible where an item is being made in different types and sizes. Here machinery is arranged in a process layout but the process grouping is then arranged in a sequence to produce various types and sizes of products. It is to be noted that the sequence of operations remains same with the variety of products and sizes.

Advantages

The major advantages of this type of layout are:

1. Helps in job enlargement
2. Upgrades the skills of the employees.
3. Greater flexibility is possible.
4. Layout capital investment is lower

FIXED POSITION LAYOUT

This is also called the project type of layout. In this type of layout, the material, or major components remain in a fixed location and tools, machinery, men and other materials are brought to this location. This type of layout is suitable when one or a few pieces of identical heavy products are to be manufactured and when the assembly consists of large number of heavy parts, the cost of transportation of these parts is very high.

Advantages

The major advantages of this type of layout are:

1. Helps in job enlargement and upgrades the skills of the operators.
2. The workers identify themselves with a product in which they take interest and pride in doing the job.
3. Greater flexibility with this type of layout.
4. Layout capital investment is lower.