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B.COM SEM -5 **BUSINESS MGMT. – 5**

SR NO.	UNIT NAME
UNIT-1	INTRODUCTION TO MARKETING MGMT.
UNIT-2	PRICING DECISIONS AND PRODUCT DECISIONS
UNIT-3	DISTRIBUTION CHANNEL:PHYSICAL DISTRIBUTION DECISION
UNIT -4	PROMOTION DECISIONS



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UNIT 1: INTRODUCTION TO MARKETING MANAGEMENT

INTRODUCTION:

- Marketing has become the biggest buzzword now-a-days Liberalization and privatization coupled with globalization turned the world into a "global village".
- In the era of fierce competition, mushrooming of brands, shortening of brand life cycles, dynamic marketing environment, superfast technological innovations and knowledge explosion have undoubtedly created a need for systematic and aggressive marketing.
- Today all marketers have realized the fact that any idea, concept, product or services cannot stand without the strong support of marketing. As organizational excellence largely depends upon the judiciously designed marketing strategy, it must play a pivotal role in the modern organizations.
- The cases of marketing juggernauts like PEPSI, HUL, P&G, COCA COLA, NOKIA and many more are proven illustrations of sound market standing by vigorous marketing exercises.

EVOLUTION OF MARKETING CONCEPTS

- Marketing philosophies or concepts are set of presumptions held by marketing managers in executing marketing strategies and programs.
- It is also called as stages in which marketing as a -concept" has grown. Marketing is a discipline which comes from practice. It is also called as viable match between situation and strategy.
- Hence from past to the present, marketing has to pass through the test of various situations and from this, various concepts are evolved.

(1) The Production Concept:

- "The production concept believes that consumer prefers those products which are largely available and reasonably priced". The concept focuses on following aspects:

(1) Consumers buy those products which are easily and widely available.

(2) Consumers are price conscious products.

(3) The concept is relevant when demand exceeds supply.

(4) Product cost may be high and it has to be lowered down by increasing productivity and maximizing output.



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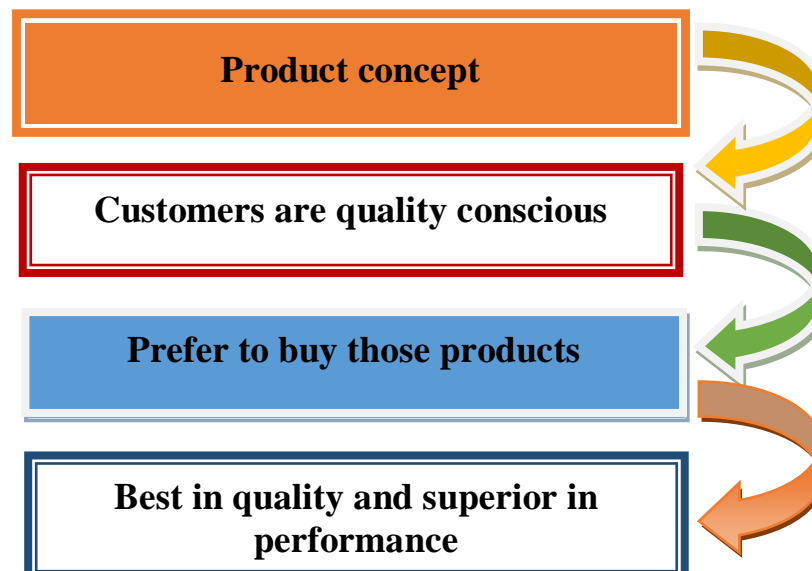
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Production concept

consumer prefers those products which are largely available and reasonably priced

(2) The Product Concept:

- Production Concept loses its relevance when market is moving from commodities to products and to brands. Due to some of the major changes in the market and environment like awareness of Consumers, varieties of products, awareness regarding quality, increase in research potential etc. gave birth to the product concept.
- According to this concept, "Consumers gradually become quality conscious and they prefer to buy those products which are best in quality and superior in performance.
- Thus, prime focus of managers is on the research, up gradation and innovation in the products". The managers holding this philosophy believes that product is most important competitive weapon in deciding market share of the company.
- So, if company wants, to survive, it has to give due importance to the product improvement and quality enhancement. According to this approach, consumers seek products that are technically and functionally competent and demonstrate better performance than competitors.





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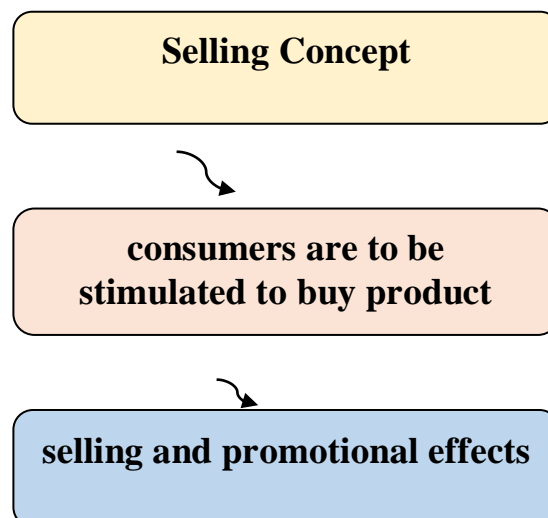
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(3) The Selling Concept:

- Due to emergence of some of the environmental factors and trends like,
- Increasing consumer awareness and education.
- Emergence of media and advertising tools.
- Introduction of selling techniques and promotional tools.

There is evolution of selling concept "The selling concept believes that consumers are to be stimulated to buy products by selling and promotional effects.

- The concept assumes that, consumers are unaware of the product. They need to be stimulated and motivated to buy products. Organization must undertake hard-selling efforts to create sales. When seller's market is converted into buyer's market, this concept is useful.
- In a nutshell, selling concept states aggressive selling and promotional efforts to achieve desired sales target and volume. The selling concept has injected great push to selling and it is major element of marketing, but it misses the core element of marketing process i.e. consumers.
- The concept only focuses on seller's perception and ignores consumer's needs and wants, as noted by Philip Kotler. The concept believes in "Try to sell what we can make instead of trying to make what we can sell."



(4) The Marketing Concept and Societal Concept:



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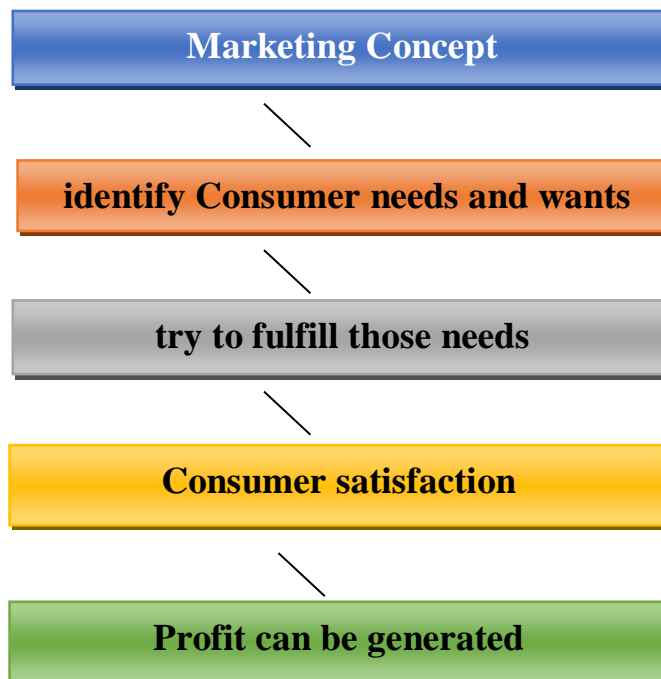
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- "The marketing concept believes that company / organization should identify Consumer needs and wants and try to fulfill those needs. It should match products and services with market requirement to create satisfied Consumer base."
- In the words of Philip Kotler, "The marketing concept holds that the key to achieve organizational goals consists in determining the needs and wants of target market and delivering desired satisfaction more effectively and efficiently than competitors."
- Analysis of the concept reveals following crucial elements

- (1) Consumer satisfaction is a focal point in business.
- (2) Know your customers and find their needs.
- (3) Focus on the specific target market.
- (4) Offer superior products and services than your competitors.
- (5) Profit is just outcome of consumer satisfaction.



- Challenges of the market made marketers- aware and conscious about the changes required in marketing strategy.



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- For example, Bajaj Auto has changed its focus from Scooters to Motorbikes as target. Market's preferences are switching over to latter product. US food chains like McDonalds and Pizza Hut are also Indianizing their recipes.
- The modern marketing starts and ends with consumer. According to the concept, it is very comprehensive process which includes study of market exploiting market opportunities, select market segment, designs suitable product and services, promote them and delivering them to customers.
- The Crux of the entire process is to serve target market in more superior, efficient and faster than competitors. It is a key to unlock hidden needs of customers.

1 WORD QUESTION ANSWER

<u>SR.NO</u>	<u>QUESTION</u>	<u>ANSWER</u>
1	_____ has become the biggest buzzword now-a-days	Marketing
2	Liberalization and privatization coupled with globalization turned the world into what?	"global village"
3	Today all marketers have realized the fact that any idea, concept, product or services cannot stand without _____	the strong support of marketing.
4	It must play a pivotal role in the modern organizations	Marketing strategy
5	_____are set of presumptions held by marketing managers in executing marketing strategies and programs.	Marketing philosophies or concepts
6	It is also called as stages in which marketing as a -concept" has grown.	Marketing philosophies or concepts
7	_____concept believes that consumer prefers those products which are largely available and reasonably priced.	The production concept
8	According to this concept, Consumers buy those products which are easily and widely available.	The production concept
9	According to this concept, Consumers are price conscious for purchase products.	The production concept
10	This concept is relevant when demand exceeds supply.	The production



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		concept
11	According to this concept, "Consumers gradually become quality conscious and they prefer to buy those products which are best in quality and superior in performance.	The Product Concept
12	The managers holding this philosophy believes that ____ is most important competitive weapon in deciding market share of the company.	product
13	This concept believes that consumers seek products that are technically and functionally competent and demonstrate better performance than competitors.	The product concept
14	The _____ believes that consumers are to be stimulated to buy products by selling and promotional effects.	selling concept
15	Which concept assume that consumers are unaware of the product. They need to be stimulated and motivated to buy products.	The selling concept
16	When seller's market is converted into buyer's market, at that time which concept is useful.	The selling concept
17	The selling concept only focuses on seller's perception and ignores consumer's needs and wants, as noted by whom?	Philip Kotler
18	"Try to sell what we can make instead of trying to make what we can sell."-this statement concentrate on which concept?	The selling concept
19	"_____concept believes that company / organization should identify Consumer needs and wants and try to fulfill those needs.	The marketing concept
20	Consumer satisfaction is a focal point in business & profit is outcome of satisfaction believes in this concept.	Marketing & selling concept

DIFFERENCES BETWEEN SELLING CONCEPT, MARKETING CONCEPT AND SOCIETAL CONCEPT



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Particulars	Marketing	Selling
Concept	It is a strategy based on a mix of activities that are aimed at increasing the sales.	It is the strategy of meeting the needs in an opportunistic, individual method, driven by human interaction.
Focus	<ul style="list-style-type: none"> It targets the construction of a brand identity, needs of the consumers and how to reach to the consumers. It starts with the buyers and focuses constantly on the buyer's needs. 	<ul style="list-style-type: none"> It is the final act of buying goods or products by the consumers through a point sale. It starts with the seller and is focused with the seller's needs.
Efforts	It makes an effort such that the customers actually want to buy the products in their own interest.	The company makes the product first and then figures a way to sell and make profit.
Business	A customer satisfying process.	Actual sales of goods.
Cost	The consumers determine the price; the price determines the cost.	Cost determines the price.
Motive	Customer satisfaction is the primary motive.	Sales are the primary motives.
Orientation	External market orientation.	Internal production orientation.
Perspective	It takes an outside-in perspective.	It takes an inside-out perspective.
Concept	It is a broad, composite and worldwide concept.	It is a narrow concept related to buyer, seller and production.
Strategy	It has a 'pull' strategy.	It has a 'push' strategy.
Beginning	It begins much before production of goods and services.	It comes after production and ends with delivery and collection of payment.
Scope	It has a wider connotation and includes many research activities.	It is a part of marketing.
Concern	It concerns with customer satisfaction.	It concerns with value satisfaction.
Structure	It is an organizational structure.	It is a functional structure.
Job	The main job is to find the right	The main job is to find the customers



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	products for the customers.	for the products.
Mindset	The mindset is “Satisfy the customers”.	The mindset is “Hook the customers”.

NATURE OF MODERN MARKETING

(1) It is a human activity and it involves interaction between two social units. Marketing is basically a social process, in which marketers offer goods and services to consumers. As it involves human factor, which attempts to analyze consumer behavior and psychological and social aspects influencing consumption pattern and process.

(2) It deals with sensing needs of market and converts them into profitable market opportunities. Marketers always explore new markets having great market potential. It focuses on sensing latent needs of the market and try to fulfill those needs and wants. For example, "Sugar free" was initially designed and developed to satisfy needs of diabetic patients and then it attempted to expand demand.

(3) It involves exchange process: Marketing can be successful only when the entire process results into fruitful exchange. It is a process of offering something to other party and getting something in return from other.

(4) It is a comprehensive and managerial process which involves various marketing activities like

(1) Determining target market.

(2) Formulating marketing strategy including designing product, setting price, promoting product and ultimately delivering products to the end users.

1 WORD QUESTION ANSWER

<u>SR.NO</u>	<u>QUESTION</u>	<u>ANSWER</u>
1	It is a human activity and it involves interaction between two social units.	Modern marketing
2	Marketing is also called _____	Exchange process
3	Marketing is deals with whom??	Customer needs &



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		convert into profitable channel
4	Marketing involves various marketing activities like_____	<ul style="list-style-type: none"> • Determining target market • Formulating marketing strategy
5	It is a process of offering something to other party and getting something in return from other.	Marketing as an exchange process

human activity and interaction
between two social units

Deals with Needs & convert into
Profit

exchange process

managerial process

IMPORTANCE OF MARKETING



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(1) Marketing Helps in Transfer, Exchange and Movement of Goods:

- Marketing is very helpful in transfer, exchange and movement of goods. Goods and services are made available to customers through various intermediaries' viz., wholesalers and retailers etc. Marketing is helpful to both producers and consumers.
- To the former, it tells about the specific needs and preferences of consumers and to the latter about the products that manufacturers can offer. According to Prof. Haney Hansen "Marketing involves the design of the products acceptable to the consumers and the conduct of those activities which facilitate the transfer of ownership between seller and buyer."

(2) Marketing Is Helpful in Raising and Maintaining the Standard of Living of the Community:

- Marketing is above all the giving of a standard of living to the community. Paul Mazur states, "Marketing is the delivery of standard of living".
- Professor Malcolm McNair has further added that "Marketing is the creation and delivery of standard of living to the society".

(3) Marketing Creates Employment:

- Marketing is complex mechanism involving many people in one form or the other.
- The major marketing functions are buying, selling, financing, transport, warehousing, risk bearing and standardization, etc. In each such function different activities are performed by a large number of individuals and bodies.

(4) Marketing as a Source of Income and Revenue:

- The performance of marketing function is all important, because it is the only way through which the concern could generate revenue or income and bring in profits.
- Buskirk has pointed out that, "Any activity connected with obtaining income is a marketing action. It is all too easy for the accountant, engineer, etc., to operate under the broad assumption that the Company will realize many dollars in total sales volume.

(5) Marketing Acts as a Basis for Making Decisions:



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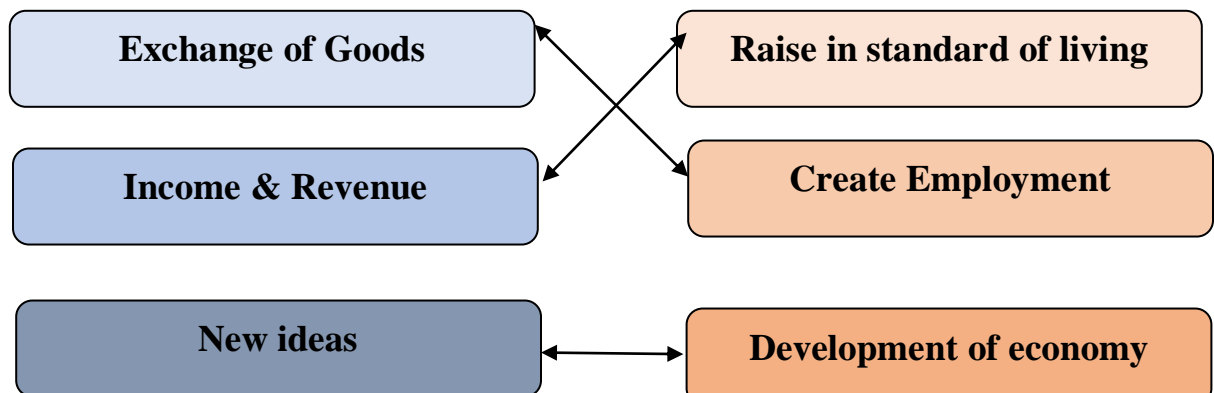
- A businessman is confronted with many problems in the form of what, how, when, how much and for whom to produce? In the past problems was less on account of local markets.
- There was a direct link between producer and consumer. In modern times marketing has become a very complex and tedious task.
- Marketing has emerged as new specialized activity along with production. As a result, producers are depending largely on the mechanism of marketing, to decide what to produce and sell. With the help of marketing techniques, a producer can regulate his production accordingly.

(6) Marketing Acts as a Source of New Ideas:

- The concept of marketing is a dynamic concept. It has changed altogether with the passage of time. Such changes have far reaching effects on production and distribution.
- With the rapid change in tastes and preference of people, marketing has to come up with the same.
- Marketing as an instrument of measurement, gives scope for understanding this new demand pattern and thereby produce and make available the goods accordingly.

(7) Marketing Is Helpful in Development of an Economy:

- Adam Smith has remarked that “nothing happens in our country until somebody sells something”. Marketing is the kingpin that sets the economy revolving.
- The marketing organization, more scientifically organized, makes the economy strong and stable, the lesser the stress on the marketing function, the weaker will be the economy.





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Basis for decision making

1 WORD QUESTION ANSWER

<u>SR.NO</u>	<u>QUESTION</u>	<u>ANSWER</u>
1	It Helps in Transfer, Exchange and Movement of Goods	Marketing
2	Marketing Is Helpful in _____	Raising and Maintaining the Standard of Living of the Community
3	Marketing also helps in _____	Creates Employment
4	The concept of marketing is a ____ concept	dynamic
5	Marketing Is Helpful in _____	Development of an Economy
6	Marketing as a Source of _____	Income and Revenue

MARKETING MIX (4P'S)

- Marketing Mix - A mixture of several ideas and plans followed by a marketing representative to promote a product or brand is called marketing mix.
- Several concepts and ideas combined to formulate final strategies helpful in making a brand popular amongst the masses form marketing mix.

Definition:

- The marketing mix refers to the set of actions, or tactics, that a company uses to promote its brand or product in the market.



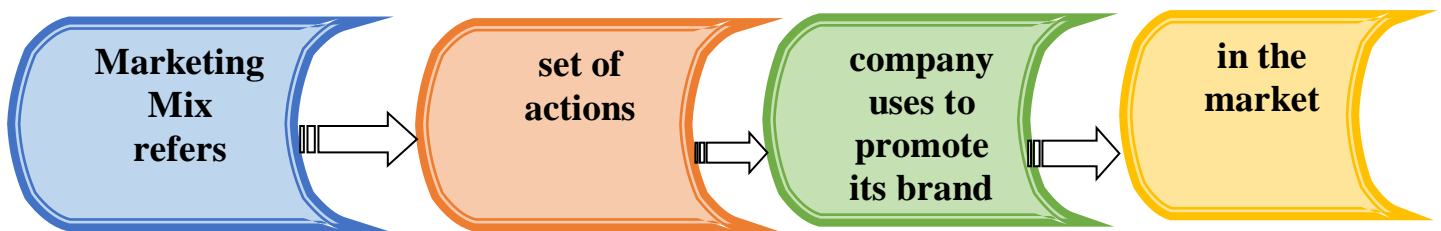
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- The 4Ps make up a typical marketing mix - Price, Product, Promotion and Place. However, nowadays, the marketing mix increasingly includes several other Ps like Packaging, Positioning, People and even Politics as vital mix elements.



Elements of Marketing Mix:

1.Product:

- It is a tangible good or an intangible service that is mass produced or manufactured on a large scale with a specific volume of units.
- Intangible products are service based like the tourism industry & the hotel industry or codes-based products like cell phone load and credits. Typical examples of a mass-produced tangible object are the motor car and the disposable razor.
- A less obvious but ubiquitous mass-produced service is a computer operating system. Packaging also needs to be taken into consideration. Every product is subject to a life-cycle including a growth phase followed by an eventual period of decline as the product approaches market saturation.
- To retain its competitiveness in the market, product differentiation is required and is one of the strategies to differentiate a product from its competitors.

2.Price Mix:

Price is economic value of a product denominated in terms of money. It is also significant weapon to capture market; especially Indian market is highly price sensitive.

For example, McDonald, the leading food chain of U.S., has offered happy price menu to Indian consumers. The decision of pricing includes following crucial elements

1. Methods of pricing.



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2. Which factors to be considered while designing pricing strategies. For example, level of demand, cost, competition or customer's preparation.
3. Other elements of pricing like discounts, allowances, credit terms etc.

3. Promotion Mix

- After designing product and setting price for the same, the next stage is to decide about how to plan promotion strategy to create awareness, persuade and convince consumer by highlighting powerful selling points by using various promotional tools. It includes following elements:

(1) Advertising:

- Advertising, being heavily used tool for communication and promotion, includes, basic five elements i.e. motive for advertising, media decision, advertising budget, message designing and measuring advertising effectiveness.

(2) Personal Selling:

- Personal selling activity is relevant in case of using zero level channel company. Company may directly sell products to consumers.
- For example, Eureka Forbes Ltd. sales water purifiers, vacuum cleaners etc. through direct selling. It includes selection, training, motivation and controlling sales force to handle selling as well as non-selling tasks effectively.

(3) Sales Promotion:

- To achieve desired sales target in short period, company uses sales promotion, which includes gifts, coupon, prizes, extra quantity discounts etc.
- Recently this tool has become very popular and extensively used by all marketers. For example, Boomer chewing gum is popular among kids due to "tattoos" inside the packet.
- Thus, sales promotion is used for short duration and intends to achieve faster achievement of sales target.

(4) Public Relations:

- To create sound and credible image of the whole company, public relation is developed. It is generally used in case of breakthrough innovation or at the time of new product launch.
- For example, when Tata launched its "Nano" car, at that time it got coverage in many newspapers and magazines



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4. Place Mix (Distribution):

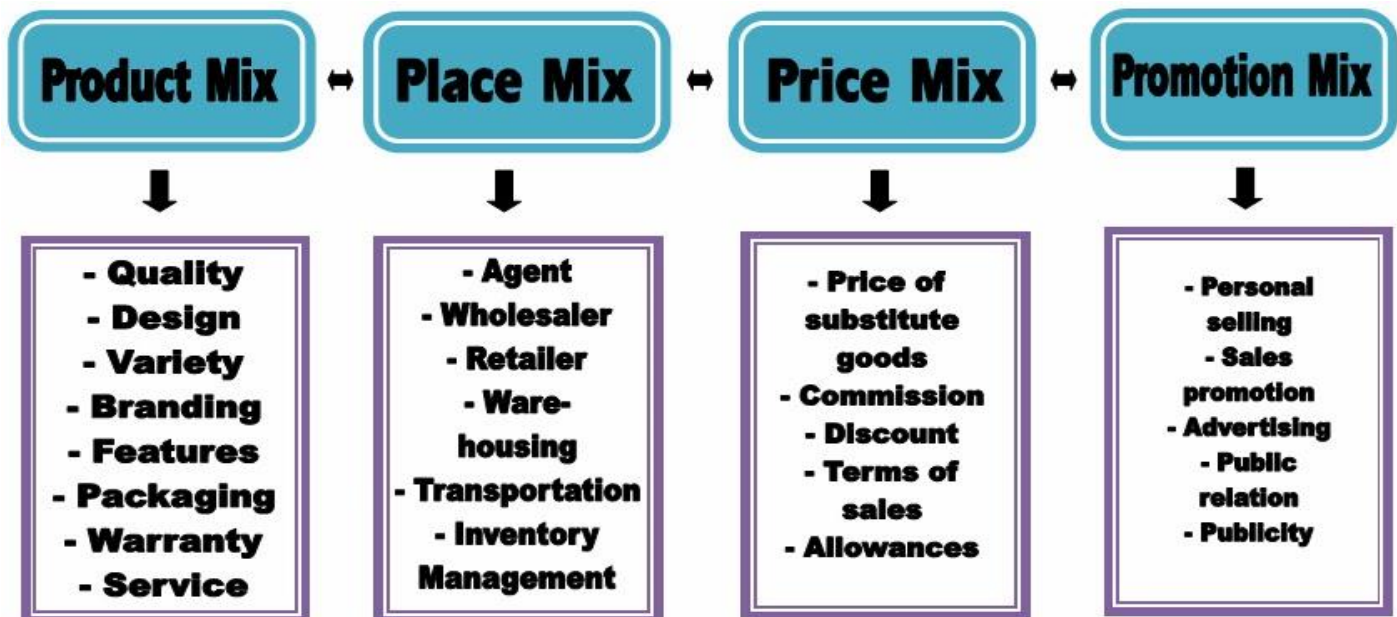
- The place mix is concerned with deciding about channels of distribution.
- It is concerned with number of intermediaries involved in distributing products. There are three kinds of distributions

(1) Exclusive distribution

(2) Selective distribution

(3) Intensive distribution for precious, costly and branded products, exclusive distribution strategy is used.

- While for consumer durables, scooters, electronic items few outlets are selected to distribute the products. It is called selective distribution.
- While large number of outlets are made for FMCG and they are intensively distributed due to its large and frequent consumption.
- Further, this decision also includes physical distribution of goods from manufacturers to intermediaries to consumers.
- It includes transportation, warehousing etc.



FACTORS AFFECTING MARKETING MIX



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- Marketing mix is a set of marketing tools which can be used scientifically and rationally to influence and convince desired target markets.
- These tools depend on various factors. There are different marketing recipes to be served according to the taste and preference of target.
- Generally, following dimensions are considered while deciding Marketing Mix.

(1) Target Market:

- Nature and type of target segment is a center point in deciding combination of marketing elements. For example, detergent powder, NIRMA focuses on economic class while Surf Excel and AREAL focuses on higher income group.
- Raymond is made for quality seekers as well as people searching for smooth fabric. While Reid and Taylor are for style promotion viewership and readers seekers.

(2) Marketing Budget:

- Cost factor is having strongest impact on marketing decisions. For example, marketing tools of SSI and large-scale industries are different.
- Further, cost of product research, advertising expenditure, channel cost and pricing strategy etc. have to be designed only after considering marketing budget.

(3) Nature of Product:

- Type of product, services and concept are major factors while designing marketing mix. For example, Industrial products, consumer products are marketed differently.
- Distribution channel, credit terms and pricing, advertising and promotion strategies are totally different from consumer products in case of industrial products.
- Further, for FMCGs, durable products services and concept marketing have special distribution channel, pricing and advertising strategies.

(4) Size and Effectiveness of Competition:

- Among all the market conditions, competition is a driving factor of marketing actions. Higher the competition as well as impact of competition, there is a greater scope of product innovation, price competition and higher expenditure on promotion.
- For example, HUL heavily emphasizes on rejuvenation of all marketing tools because of the competition by P & G, Reckitt and Bank shire and other marketers in the category of personal care products.



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- Due to entry of many "noodles" marketers, Nestle has launched many variants of "Maggi" Noodles.

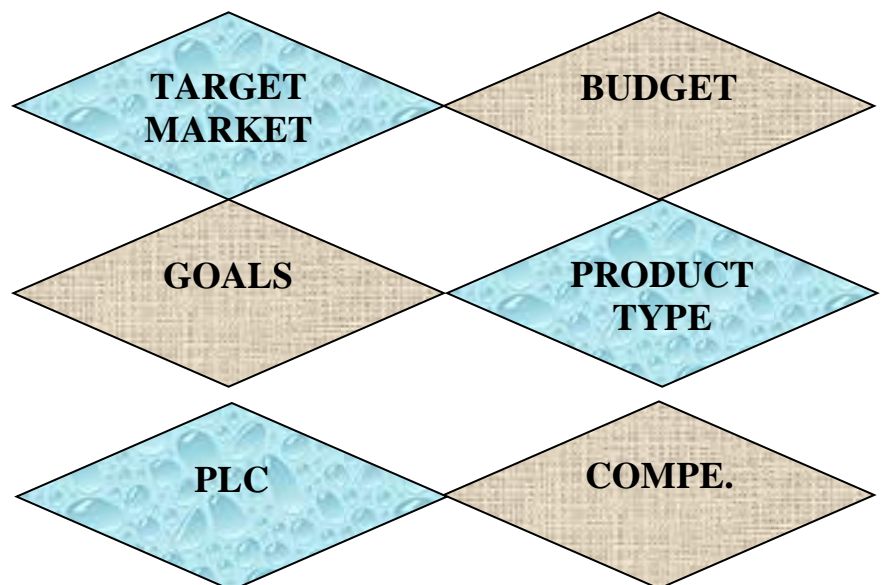
(5) Marketing Objectives:

- The entire marketing process plans and programs are led to achieve a specific goal and mission. Thus, marketing mix is also designed to reach that destination.
- Vodafone has extensively focused on advertising and promotion in India initially because it wants to create and build a brand to replace Hutch effectively.
- Tata "NANO" has used publicity and created hype in the market to position itself the most affordable car i.e. (Khusio Ki Chabi). In short, the tools of marketing are set and structured in a way that objectives of marketing and organization are fulfilled.

(6) Product Life Cycle:

- It is rightly said that the task of marketing is to influence timing and level of demand. To illustrate Skimming product life cycle penetration pricing strategies as well can be used in the introduction stage of product.
- Product and market modification are required in the growth stage of product life cycle. Hence when and which tool is to be stressed more is decided by product life cycle.

**FACTORS
AFFECTING
MARKETING
MIX**



1 WORD QUESTION ANSWER

SR.NO

QUESTION

ANSWER



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1	Marketing mix is also known as??	4P'S
2	Give name of 4P.	Product, price, place, promotion
3	It refers to the set of actions, or tactics, that a company uses to promote its brand or product in the market.	Marketing mix
4	Which are elements of marketing mix.	Product, price, place, promotion
5	It is a tangible good or an intangible service that is mass produced or manufactured on a large scale with a specific volume of units.	product
6	_____ is economic value of a product denominated in terms of money.	Price
7	Which are elements of promotion mix.	Advertising, personal selling, sales promotion, public relation
8	The _____ is concerned with deciding about channels of distribution.	place mix
9	Which factors affecting marketing mix.	Target Market, marketing budget, type of product, PLC

Features/ Characteristics of Marketing:

The marketing Management refers to planning, organizing, directing, control of the activities which facilitate the exchange of goods and services between the producers to end consumers. Firms today need to spend money to create time, place and ownership utilities. The main features of modern marketing are as follows:

- ✚ **Marketing is a science as well as art:** Marketing has evolved from the economics but it has a closer relationships with social and behavioral sciences. Marketing is closely associated with streams of science as well humanities and subject lines such as



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Economics, Law, Psychology, Anthropology, Sociology, Information Technology etc. Marketing heavily depends upon the demographic features of the target market, political environment, philosophy, mathematics, statistics etc.

- ✚ **Exchange is essence of marketing:** Marketing revolves around commercial exchange. This also involves exchange of technology, exchange of information and exchange of ideas.
- ✚ **Marketing is Goal Oriented:** The ultimate goal of marketing is to generate profits through the satisfaction of the customer.
- ✚ **Marketing is a continuous process:** marketing is not an isolated, static process but is a complex, continuous and interrelated process. It involves continuous planning, implementation and control. It is an important functional area of the management.
- ✚ **Marketing is Consumer Oriented:** All firms exist because of their business to satisfy the human needs, wants and demands. The ultimate objective of marketing is to find out what the consumer wants and how to fulfill consumer need. This leads to production of the goods and services as per the needs of the customer.
- ✚ **Marketing starts with consumer and ends with consumer:** Marketing is consumer oriented and it is very important to know what the consumer wants.

Scope of Marketing:

Marketing is a huge field but still, when we try to go into the depth we understand the scope of marketing is very large. Following are scope for [marketing](#) which helps an organization to focus on their growth & profit.

1.Product design

Product design is the four most important elements in marketing the communication **needs & problems of the consumer** have to be considered before marketing a new product design.

2. Implementation of product

Once the decision is finalized about the design of the product more focus should be there on communication with the production department regarding the implementation of product features.



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3. Pricing of Product

Pricing is the most important aspect of the product because it only decides the major buying decision of the consumer. So if the product is very new to the market correct & affordable pricing should be done.

4. Selection Of Layout

The layout is the place where actually the product /services will be availed so more focus should be done on the exact location and layout.

5. Publicity of the product

Publicity means communication about the product and services for **creating awareness** & demand for the product by publicity& Advertisement.

6. Distribution channel

Distribution channel means the number of **intermediator like whole-sellers, Retailers, distributors, Agent** who all are involved in the marketing channel.

7. Selling of Product

Selling involves the actual challenge of marketing. The selling of products and services involves different strategies like distribution through **stores, salesmen, Advertisements, Exhibitions, trade fairs**, etc.

8. Collecting the feedback

This begins after the product is marketed and sold collecting feedback regarding **satisfaction or dissatisfaction** related features like **price, to make availability** etc it is to make changes in the marketing mix.

Functions of Marketing:

The following are the functions of marketing:

1. Identify needs of the consumer:



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The first steps in marketing function is to identify the needs and wants of the consumer that are present in the market. Companies or businesses must therefore gather information on the customer and perform analysis on the collected information.

By doing this they can present the product or service that matches closely with the customer needs and wants.

2. Planning:

The next step in marketing function is planning. It is considered very important for a business to have a plan. The management should be very clear about the company objectives and what it wishes to achieve from the created plan.

The company should then chalk out a timeline that is essential for achieving the objectives.

3. Product Development:

After the details are received from the consumer research, the product is developed for use by the consumers. There are many factors that are essential for a product to be accepted by the customer, a few factors among the many are product design, durability and cost.

4. Standardisation and Grading:

Standardisation refers to the process of ensuring uniformity in the product which means that a product developed by a business shall be standard for every consumer with the same quality and design and this is one of the key aspects that needs to be maintained by the business.

Grading is referred to as the process of classifying products that are similar in quality and characteristics. Grading helps in making the customer know about the quality of the product offered. It helps in making customers understand that the products conform to highest quality standards.

5. Packing and Labelling:

The first impressions of a product are its packaging and the label attached to it. Therefore, packaging and labelling should be looked after very well. It is a well known fact that a great packaging and labelling goes a long way in ensuring product success.

6. Branding:

Branding is referred to as the process of identifying the name of the producer with the product. Certain brands are there in the market which have a lot of goodwill and any product



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coming from the same brand will be accepted more warmly by the consumers. Although, having a separate identity for the product can be helpful.

7. Customer Service:

A company has to set-up various kinds of customer service based on their product. It can be pre-sales, technical support, customer support, maintenance services, etc.

8. Pricing:

It can be regarded as one of the most important parts of marketing function. It is the price of a product that determines whether it will be successful or a failure. Some other factors are market demand, competition, price of competitors.

The company or business should understand clearly that bringing about frequent changes in the price of a product can lead to confusion in the minds of consumers.

9. Promotion:

Promotion is the process of making the customers aware of the product by presenting it to customers across various channels of promotion and entice them to buy the product.

The major channels of promotion are: advertising, media, personal selling and promotion (publicity). An ideal promotion mix will be a combination of all or some methods.

10. Distribution:

Distribution refers to the movement of consumer goods to the point of consumption. A company must ensure that the correct channel of distribution is selected for the product.

The mode of distribution is dependent on the factors such as shelf life, market concentration and capital requirements. Proper management of inventory is also essential.

11. Transportation:

Transportation is defined as the physical movement of goods from one place to another. In other words, it is the movement of goods from the place of production to the place of consumption.

Also, the correct mode of transportation can be selected based on the geographical boundaries of the market.

12. Warehousing:

Warehousing of products creates time utility. It is often seen that there is a gap between the time a product is produced and the time when it is consumed. Companies like to maintain the



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smooth flow of goods even when the products are of seasonal nature. Warehousing and storing provides the opportunity to provide goods during off season also.

STRATEGIC MARKET PLANNING – AN OVERVIEW:

Meaning of Strategic Market Planning:

- Strategic Market Planning is an ongoing process through which the company creates marketing strategies and plans its implementations in the target market. The process taken into account the current position of the company helps in identifying the promotional opportunities & then evaluating these opportunities. Target market is identified through comprehensive research.
- Marketing is a complicated process and mostly cannot be planned in short period of time. The strategic market planning takes into account long term and short term view of the market and considers various parameters to plan according to the target market.



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UNIT – 2 PRICING DECISIONS AND PRODUCT DECISIONS

PRICING DECISIONS

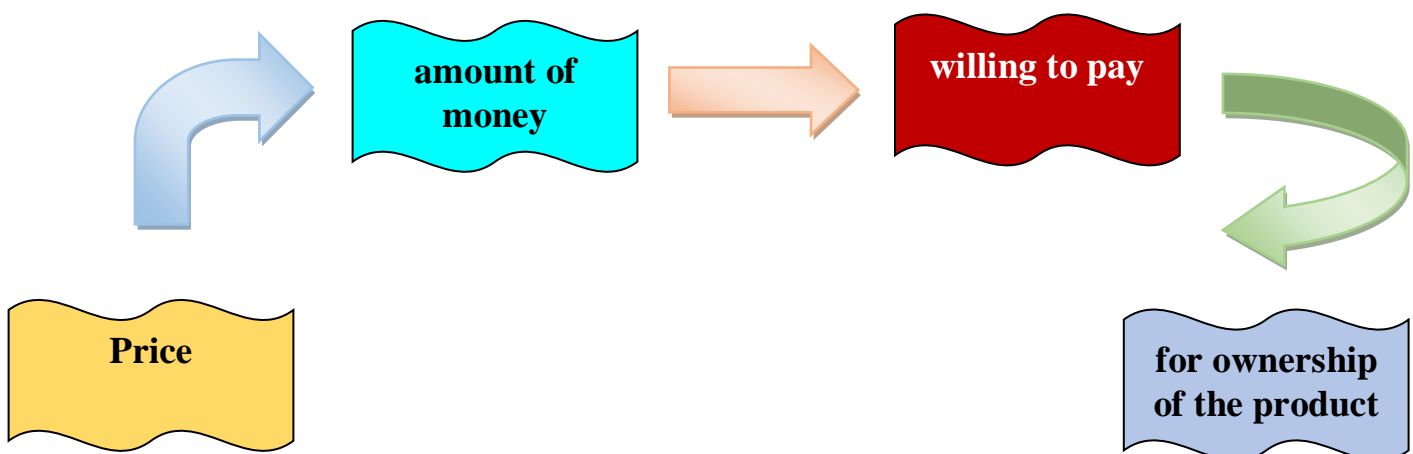
INTRODUCTION:

Every business operates with the primary objective of earning profits, and the same can be realized through the Pricing methods adopted by the firms.

While setting the price of a product or service the following points have to be kept in mind:

- Nature of the product/service.
- The price of similar product/service in the market.
- Target audience i.e. for whom the product is manufactured (high, medium or lower class)
- The cost of production viz. Labor cost, raw material cost, machinery cost, inventory cost, transit cost, etc.
- External factors such as Economy, Government policies, Legal issues, etc.

DEFINITION: “The amount of money that the consumer is willing to pay for ownership of the product.”





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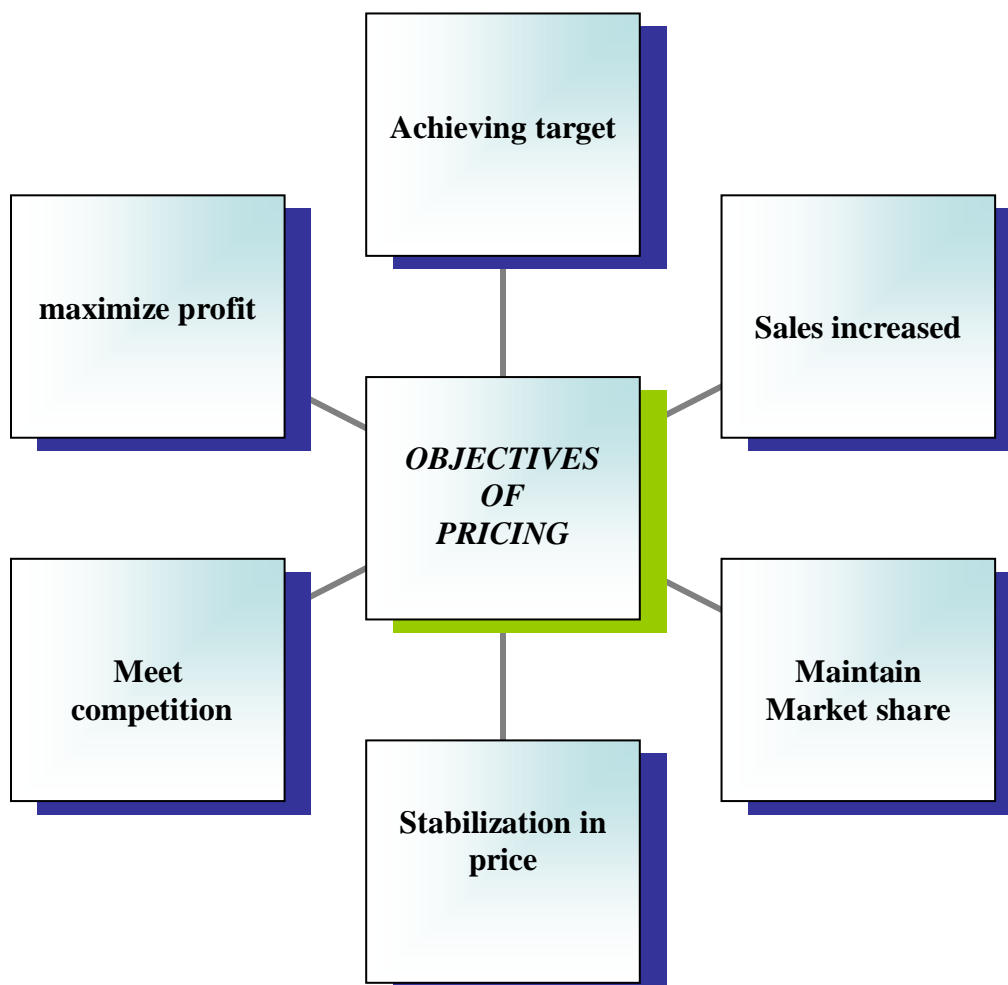
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OBJECTIVES OF PRICING:

- **To maximize profit:** One of the objectives of pricing is to maximize the profit. It is very important to maximize the profit to run the organization. Some company set price to their products or services with a view of maximizing profit. It is very important to focus on profit maximization.
- **Achieving target return:** Another objective of pricing is to achieve target return. Some company may determine the price of their goods or services to achieve a certain return on investment or on sales. This is the desired profit. It is necessary to have target return in the pricing process.





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- **Achieving target return on sales:** It is necessary to achieve target return on sales in pricing. Mostly resellers manage their pricing to achieve a target return on sales. For example, 10% of sales. If there is not more competition this objective can be used.
- **Sales volume increase:** One of the pricing objectives may be determined in terms of increasing sales volumes over the certain period of time. For example, 10% increase annually. This does not mean that profit should be avoided. Organization believes that higher sales volume will lead to lower unit costs and higher long run profit. It is necessary to focus in the increment in sales volume of the company.
- **Maintain market share:** Pricing should have the basic objectives in maintaining market share. Market share is really a meaningful measure of the success of a firm's marketing strategy. A market share price objective can be either to maintain the market share, to increase it or sometimes to decrease it. The company uses the price as an input to enjoy a target market share. This market share is normally expressed as a percentage of the total industry sales.
- **Stabilization of price:** Pricing should have the objectives in stabilizing the price of a product. Some organization may set their pricing objective in order to maintain or stabilize price and prevent from market uncertainty. These objectives are adopted for minimizing the risk of loss. Small organizations in market adopt these objectives. These objectives build up their status and goodwill.
- **Meet competition:** The objective of pricing is to meet the competition in the market. Now there is big competition in the market. In highly competitive market some organization may set the meet competition. Under this objective organization set the prevailing market price. It is important to meet the competition in the market. Without it, market cannot achieve its objectives.

1 WORD QUESTION ANSWER

<u>SR.NO</u>	<u>QUESTION</u>	<u>ANSWER</u>
1	The amount of money that the consumer is willing to pay for ownership of the product.	Price
2	Which is primary objective of any business.	Earning profit



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3	Which points keep in mind while setting a price of product.	Nature, cost, competitors price, condition of country
4	Which are objectives of pricing??	Increase sales, profit, share, meet competition

SIGNIFICANCE OF PRICING IN MARKETING:

Price is important factor which correlates with both customers as well as seller to meet their buying and selling needs. The importance of price can be understood from the following points....

- A right price policy can attract new customers also maintain interest of existing customers.
- By perfect price decision, company may earn maximum profit.
- Every marketing mix program include pricing decision.
- A price is that the factor which decides success or failure of company’s product.
- By pricing, customer can calculate the total value of its transaction.
- Through pricing, exchange process can be possible between buyer and seller.
- Price is a factor which influences the behavior of the customer to purchase in small quantities or in bulk.
- Price is a factor which reflects the economy of the country.

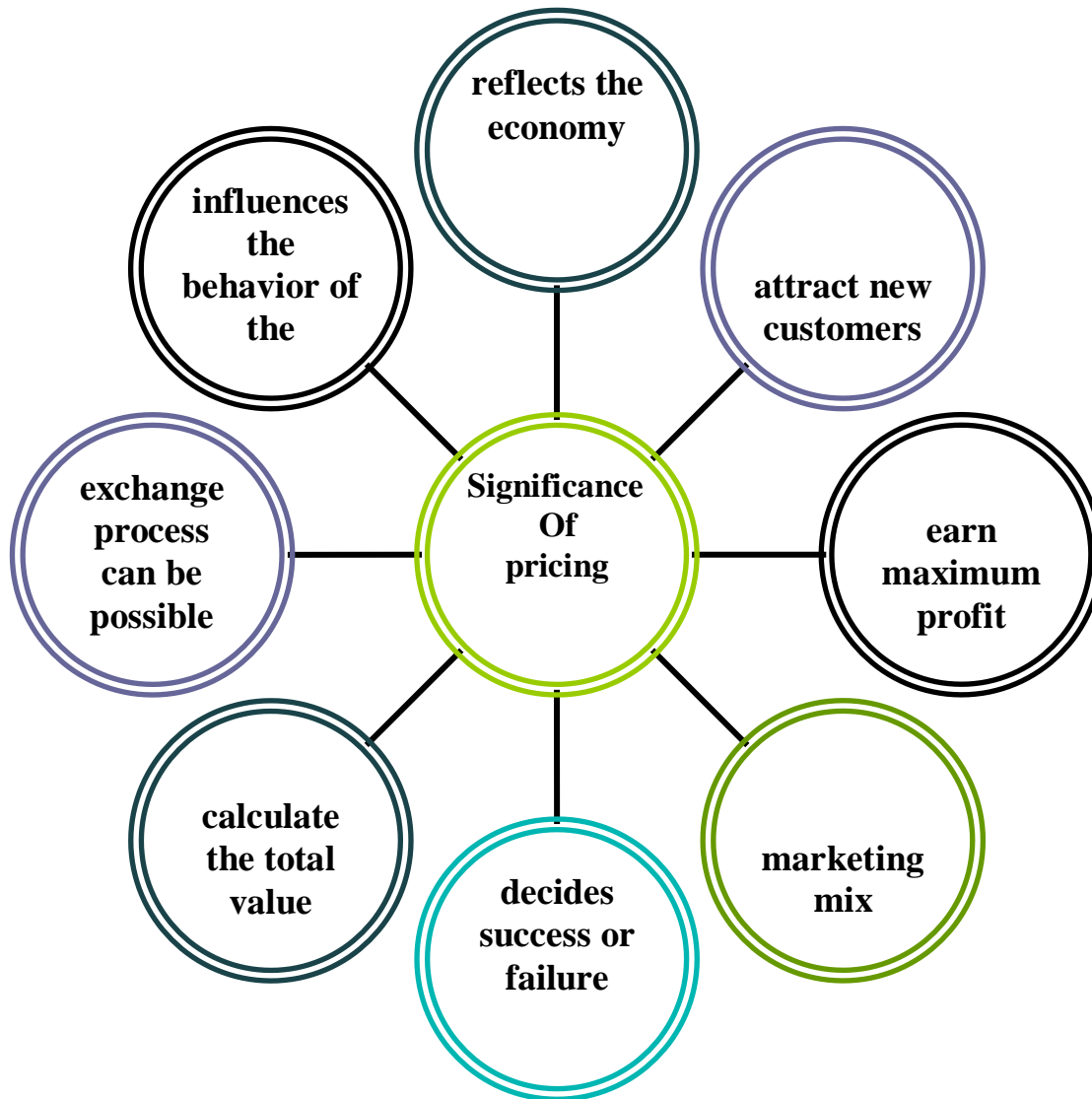


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PRICE SETTING/ PRICE SETTING PROCESS:

The pricing decision considers all the relevant internal and external factors. The price fixation covers the potentiality of market, competitive environment and other related variables which affect pricing decisions. The steps in price determination are as follow:

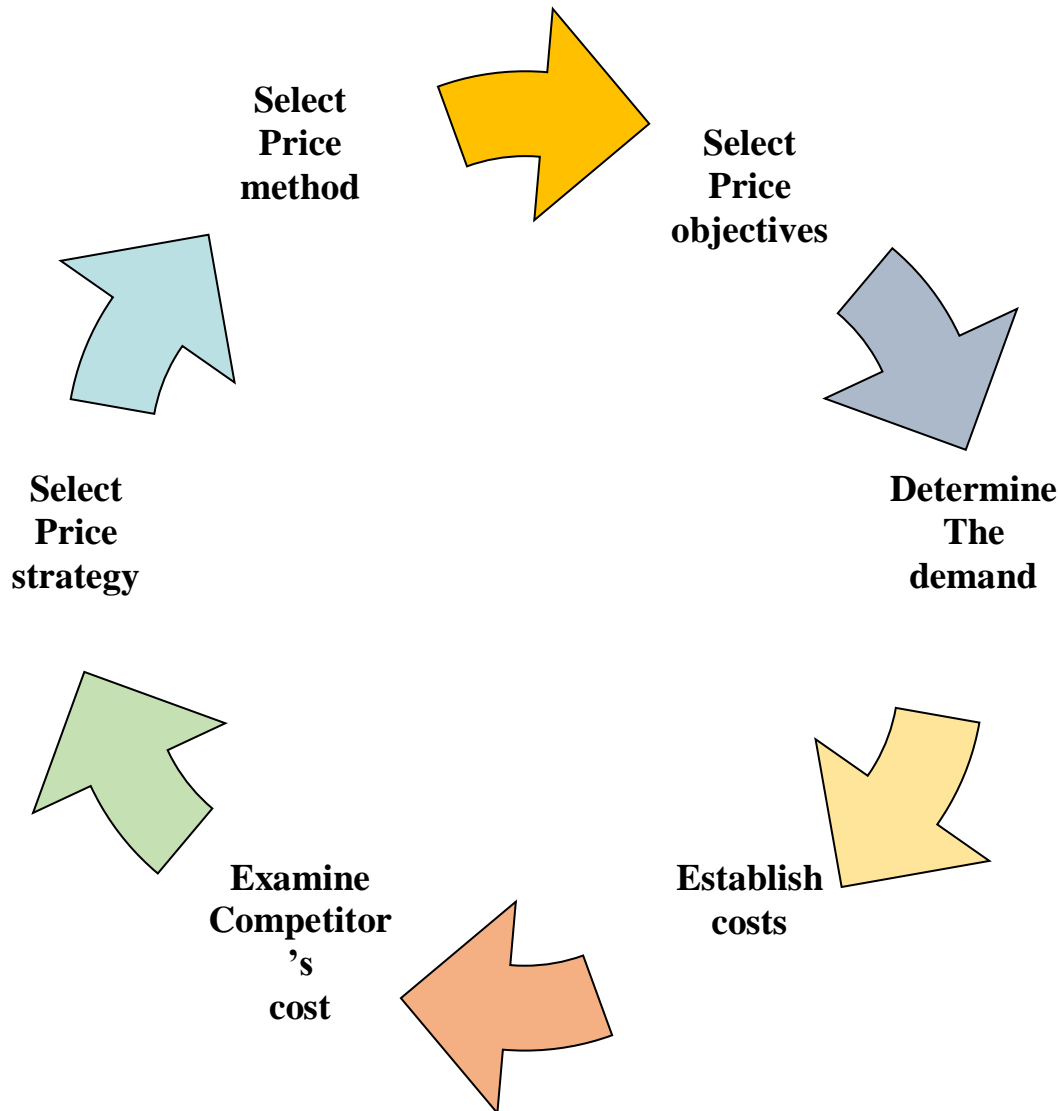


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Step - 1: Selecting the Price Objectives:

We all know the price setting is the major part of marketing policy and one of 4P of marketing mix. So, it is the first in which you have to select the price object for setting it. It may be

a) Survival the product in market: Company thinks that his product is new and for creating its position in market, company should take minimum price from its customers.



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b) Maximum profit objective: If company wants to earn maximum profit, the company can set high price underprice skimming. Company thinks that if it will fix high price, no competitor faces it.

c) High market share objective: Company's object is to increase sale. So, it will determine low price than competitors.

Step - 2: Determining the Demand:

Main aim of taking second step is to check whether our set price is best for increasing demand or not. In this step, we take following decisions

a) Create the demand curve and check the trend: With past records of our company's product price and past sales company can create demand curve, it shows the effect of changing price on demand of customer. The company can take the help of economist which they can explain its technical explanation. But with this, company can know whether company's price is creating bad effect on demand or good effect on demand.

b) Demand Elasticity: With this, company can estimate about how much demand is affected with increasing or decreasing the price.

Step 3: Estimating Costs: For determination the price of product company should estimate the cost of product.

Variable and Fixed Cost: Price must cover variable & fixed costs and as production increases costs may decrease. The firm gains experience, obtains raw materials at lower prices, etc., so costs should be estimated at different production levels.

Differential Cost in Differential Market: Firms must also analyze activity-based cost accounting (ABC) instead of standard cost accounting. ABC takes into account the costs of serving different retailers as the needs of differ from retailer to retailer.

Target Costing: Also, the firm may attempt Target Costing (TG). TG is when a firm estimates a new product's desired functions & determines the price that it could be sold at. From this price the desired profit margin is calculated. Now the firm knows how much it can spend on



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production whether it be engineering, design, or sales but the costs now have a target range. The goal is to get the costs into the target range.

Step – 4: Examining Competitors Costs, Prices, and Offers

Examining the market demand and company costs, a range of possible prices can be considered. However, the company must also examine the cost, prices, and possible responses of competitors in the industry. Learning competitors' costs, prices, and offers is an ongoing function of marketing research. When one company dominates an industry, it may set the tone for price decisions in the industry, such as De Beers Consolidated Mines Ltd., or Intel in the case of computer processors. The company must appreciate that other companies in the industry can change their prices in reaction to prices set by the company. Obviously, the nearest competitor is the first choice to consider for setting a price. The first step is to ascertain what positive differentiation features the company's offer contains and not offered by the nearest competitor. The second step is to ascertain the worth of additional positive features to consumers and this worth should be added to the competitor's price to set the company's product price. If the worth of positive differentiation features of competitor's product is more and the company's product does not have those features on its offer, then the value should be subtracted from competitor's price for setting the company's product price. This exercise can help whether to keep the price higher, or lower than the competitor, or the same.

Step – 5 Selecting a Pricing Strategy

A pricing strategy is a course of action framed to affect and guide price determination decisions. These strategies help realizing pricing objectives and answer different aspects of how will the price be used as a variable in the marketing mix, such as new product introductions, competitive situations, government pricing regulations, economic conditions, or implementation of pricing objectives. More than one pricing strategy may be selected to address the needs of different markets or to take advantage of opportunities in certain markets. [Price Setting Procedure]

Step – 6 Selection of a Pricing Method

After selection of the pricing strategy or strategies to accomplish the pricing objectives, a company decides about a pricing method. A pricing method is a systematic procedure for



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setting the prices on a regular basis. The pricing method structures the calculation of actual price of a product based on considerations of demand, costs, and competition

1 WORD QUESTION ANSWER

<u>SR.NO</u>	<u>QUESTION</u>	<u>ANSWER</u>
1	company may earn maximum profit by_____	By perfect price decision
2	Every marketing mix program include which decision??	Price decision
3	_____ is a factor which influences the behavior of the customer to purchase in small quantities or in bulk.	Price
4	By pricing, customer can calculate what?	the total value of its transaction
5	How many steps are there in price setting process?	6
6	Which is first step of price setting process?	Selecting pricing objectives
7	Which is last step of price setting process?	Selection of a Pricing Method

FACTORS AFFECTING PRICING DECISION:

There are various factors which may affect price decision directly or indirectly. Some of the are as follow:

Objectives of Firm

Economic environment

Cost of product

Stage of product in PLC

Market position

Behavior of consumer



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Competitor's price

Distribution channel policy

Government policy

Price & demand elasticity

- **Objectives of the Business:** There may be various objectives of the firm such as getting a reasonable rate of return, to capture the market, maintenance of control over sales and profits etc. A pricing policy thus, should be established only after proper consideration of the objectives of the firm.
- **Cost of the Product:** Cost and price of a product are closely related. Normally, the price cannot or shall not fixed below its cost (including the product, administrative and selling costs). Price also determines the cost.
- **Market Position.** The prices of the products of different producers are different either because of difference in quality because of the goodwill of the firm. A reputed concern may fix higher prices for its products on the other hand, a new producer may fix lower prices for its products. Competition may also affect the pricing decisions.
- **Competitors Prices:** Competitive conditions affect the pricing decisions. The company considers the prices fixed and quality maintained by the competitors for their products.
- **Distribution Channels Policy:** The nature of distribution channels used, and trade discounts which have to be allowed to distributors and the distribution expenses also affect the pricing decisions.
- **Price Elasticity and Demand Elasticity:** Price elasticity affects the decisions of price fixation. Price elasticity means the consequential change of demand for the change for the change in the prices of the commodity. If demand is elastic, the firm should not fix high prices rather it should fix lower prices than that of the competitors.
- **Product's Stage in the Life Cycle of the Product :** Pricing decision is affected by the stage of product in its life-cycle. In the introductory stage of the product, it the price strategy which determines the price of the product.



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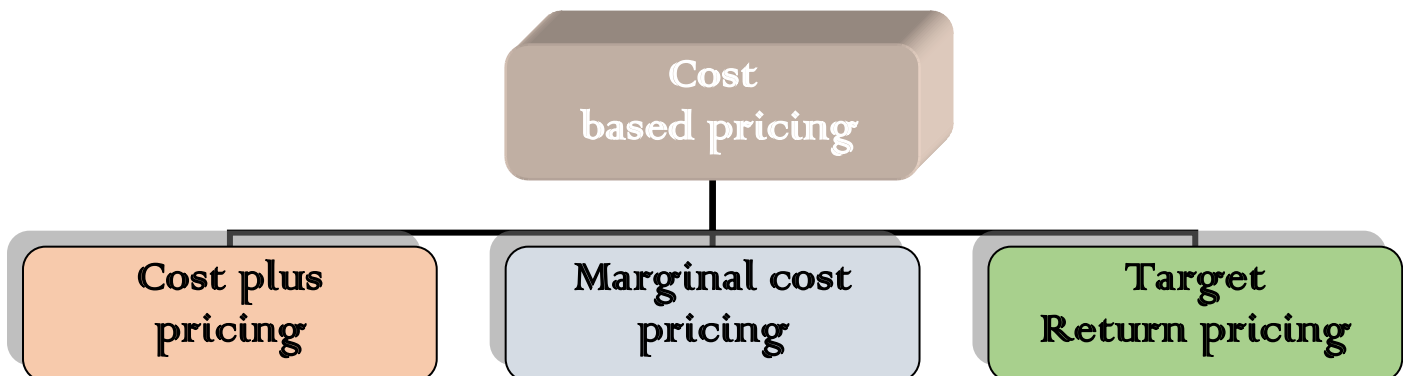
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- **Product Differentiation:** The price of the product also depends upon the characteristics of the product. In order to attract the customers different characteristics are added to the product such as quantity, size, color, alternative uses, etc.
- **Buying Patterns of the Consumers:** If the purchase frequency of the product is higher, lower prices should be fixed to have a low profit margin. It will facilitate increasing the sale volume and the total profits of the firm.
- **Economic Environment :** In recession period, the prices are reduced to a sizable extent to maintain the level of turnover. On the other hand, the price and increased in boom period to cover the increasing cost of production and distribution.
- **Government Policy:** Price discretion is also affected by the price control by the government through enactment of legislation when it is thought proper to arrest the inflationary trend in prices of certain commodities.

DIFFERENT FORMS/ METHODS OF PRICING: There are various methods available to determine the price of product. They can be discussed as follow:



A) COST BASED PRICING METHOD:

1.cost plus pricing: under this method, the price is determined on the basis of cost (material, overhead, labor) and with that, adds a markup (predetermined % of profit) to cover the cost. It can be also known as full cost pricing or mark-up pricing.

Advantages: 1) The price based on this method looks actual and realistic compared with any other method.**2)** for the firm that wants to remain stable in the market, this method is become quite useful.



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Limitations: 1) demand factor is not considered. 2) ignores marginal costs and uses average costs. 3) the calculation of overhead cost is totally arbitrary and unrealistic.

2. Marginal cost pricing: under this method, the marketers can make separation with respect to market segment and can fix high price for some market and low price for some other market segment. The marketer wants to achieve maximum profit in such a way that:

Marginal cost (M.C) = Marginal Revenue (M.R)

Advantages: 1) marginal pricing allows marketers to become more aggressive than with full cost pricing, which will be changing sales and relative reduction in marginal cost represents these changes. 2) marginal pricing is also helpful in changing the price at different stages of product life cycle.

Limitations: 1) in case of fall down, marketers will reduce its marginal cost and lower price which may create price war in the market. 2) this method does not cover the fixed cost. So it has been generally targeted to special purchase orders.

3. Target return pricing: Target return is expressed in terms of return on investments that a marketer wants to achieve. It is decided by management by considering product features, competitive environment, type of market.

B) AUCTION PRICING METHOD:

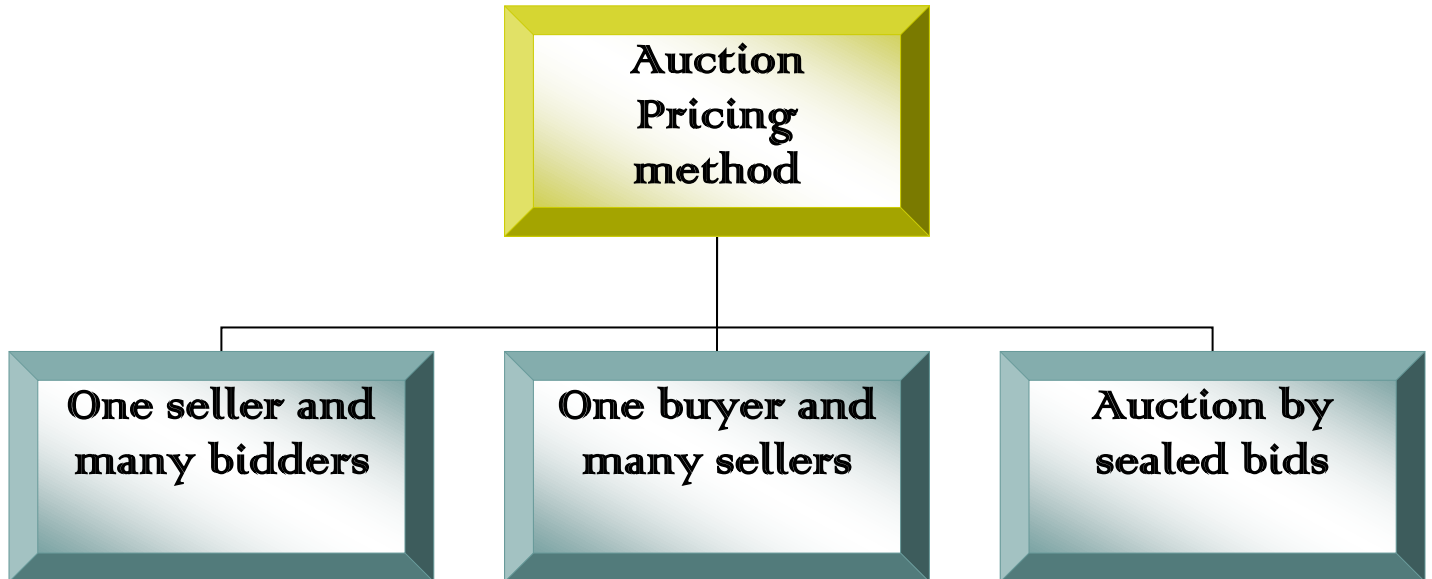


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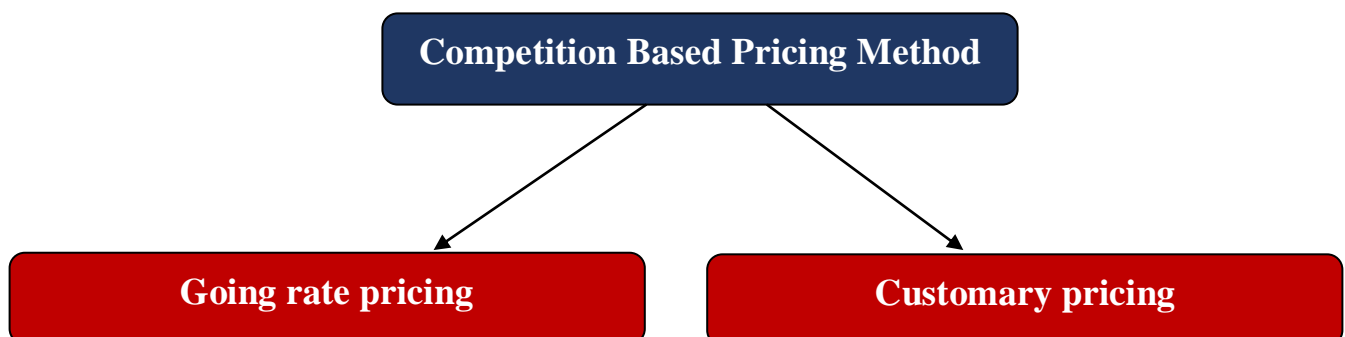
With the development of internet and communication in India, auction pricing is become more popular nowadays. Most of the agricultural products, antique items, and metals, gold, silver is sold through auction. The types of auctions are as below:

One seller and many bidders: in this method, the seller puts its product at a high price, and gradually he reduces the price until the bidder accepts the price.

One buyer and many sellers: under this method, buyer announces something that he needs to purchase. After that the sellers who wants to fulfill those needs come in front and give offers to the buyer at a low price.

Auction by sealed bids: generally, this method is adopted by multinational organizations, government institutions and other professional institutions for their procurements.

A) COMPETITION BASED PRICING METHOD:





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1.going rate pricing: in this method, though every marketer concentrates on the cost, then focus is here is on market situation. Many Indian marketers have adopted going rate pricing methods. They either follow industry standards or market leader. If marketer wants to become price leader, then he follows industry structure and sets his own pricing. This situation is somewhat risky and marketers have to face its outcome. On the other hand, if marketer wants to remain safe, then it is better to follow the market leader.

2.customary pricing: in this method, marketers follow the expectations of customers. Sometimes marketer offer the product at a low price which may create negative effect in the mind of consumers, that the product might be of inferior quality. Marketer tries to maintain his existing price and that is a better way to maintain customer interest.

D) PRICE SETTING METHOD:

1.Geographical method: in this method, marketer decide price based on location of the consumers with respect to local market, regional market, national market and international market.

2.leader pricing: marketer reduces the price of the product to attract customers. In this way, the total volume of sale and profit will also increase.

3. price lining: in India, retailing to garments, cosmetics, etc. is done by this method. E.g. All jeans with respect to a particular group price Rs. 400

4.dual or discrimination or differentiated pricing: in this, marketer charges different prices for this product to different customer groups based on customer type, location and other factors. The types of these methods are as follow:

1) customer segment pricing: marketer charge different prices for same product or services to different customer segments.

2)product from pricing: marketer charge different prices as per the different features/quality of product in the same category.



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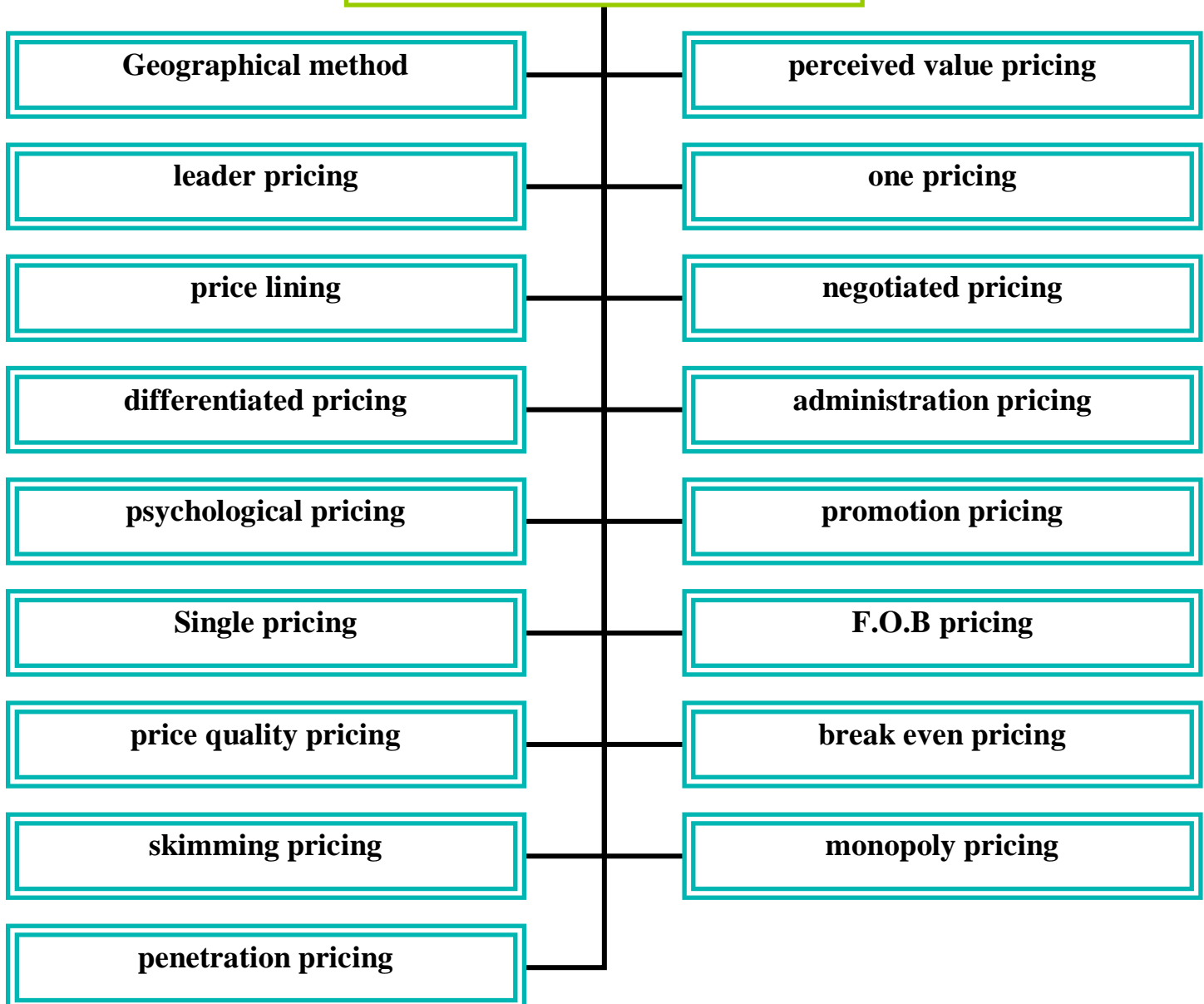
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3) Image pricing: marketer charges price for the same product at two different levels based on image differences.

4) time piecing: marketer charge different pricing as per the season/day/hour.

METHODS OF PRICE SETTING





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5. psychological pricing: in this, marketer decide the price based on the psychology of customer. Psychological pricing increases sales because consumer rates the price with respect to quality. E.g., Bata shoes – price is odd 1099.99. the types:

1)charm pricing: reduce the left digits by one. It includes using price ending with “9”/”99”. many companies adopting this strategy.

2)bogof: “buy one get one free”. If Consumer purchase one product and they will get one free.

3)comparative pricing: a most effective psychological strategy by offering two similar products but making one products’ price more attractive than another one.

6. Single pricing: in this, marketer charges the same price for all market segments.

7.price quality pricing: it means when a marketer offers best product and so they charge higher than other competitors and can become market leaders.

8. skimming pricing premium price: in this method, marketer charges higher price at initial stage to take advantage by assuming that a specific market segment may pay higher price willingly than others. Also, marketer can cover its initial investment at initial stage. But the conditions that...

Marketer has a superior product, advanced technology, efficient distribution network, best promotional companies etc....

9. penetration pricing: in this method, marketer decides to charge low price at an initial stage.

10. perceived value pricing: in this method, marketers decide the price based on the market perception.

11. one pricing: in this method, marketer charges the same unique pricing to all customers irrespective of quantities that they purchase.

12. negotiated pricing: in this, the price of the product depends on the capacity of customer as how much they can bargain.



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13. administration pricing: in this method, marketer has to follow government 's rules and regulations. here price is fixed by government.

14. promotion pricing: this price method is based on sales promotion technique adopted by marketers. for example, clearance sale/discount. There are many ways of sales promotion like money back offer, price off, gift vouchers, bulk discount, trade discounts, seasonal discounts, special allowances etc.

15. F.O.B pricing: in this method, marketers decide the piece by ex-showroom or by ex-factory price.

16. break even pricing (demand-oriented price): the point at which there is no profit no loss, it is considered as a breakeven point. Means total revenue=total cost. After BEP, sales are considered as a total profit for the marketer. So, marketer decides the price in such a way that he can achieve the break-even point as early as possible.

17. monopoly pricing: monopoly in the market in a unique for the marketers. As there is no competitor of the product, marketer enjoys total control for his product in the market. Marketer enjoys the total freedom to fix the price of his product.

1 WORD QUESTION ANSWER

<u>SR.NO</u>	<u>QUESTION</u>	<u>ANSWER</u>
1	under this method of pricing, the price is determined on the basis of cost (material, overhead, labor) and with that, adds a markup.	Cost plus pricing
2	In this method of pricing, though every marketer concentrates on the cost, then focus is here is on market situation.	Going rate pricing
3	In this method of pricing, marketers follow the expectations of customers to set the price.	Customary pricing
4	The point at which there is no profit no loss, it is considered as a___	Breakeven point
5	In this method, marketers decide the piece by ex-showroom.	FOB pricing



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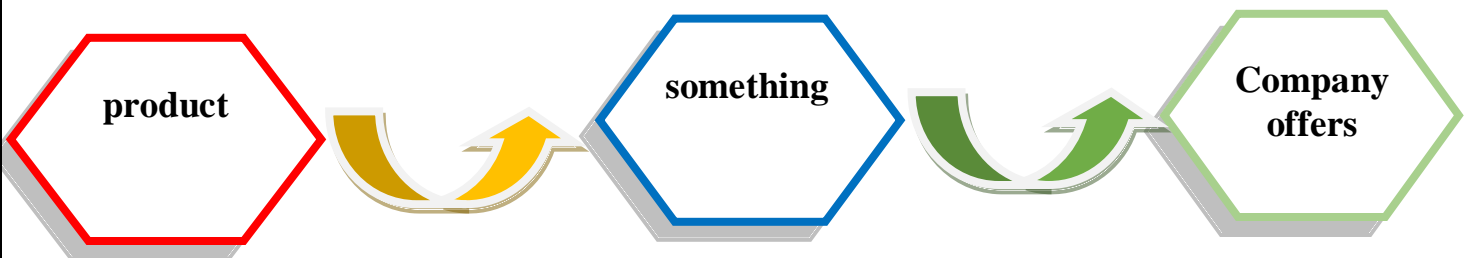
6	In this method of pricing, marketer has to follow government 's rules and regulations to set the price of product.	Administration pricing
7	In this method, marketer charges the same unique pricing to all customers irrespective of quantities that they purchase.	One pricing
8	In this method of pricing, marketer decides to charge low price at an initial stage.	Penetration pricing
9	In this method of pricing, marketer charges higher price at initial stage to take advantage by assuming that a specific market segment may pay higher price willingly than others.	Skimming price policy
10	in this method of pricing, marketer decide the price based on the psychology of customer.	Psychology pricing

PRODUCT DECISIONS

INTRODUCTION OF PRODUCT:

For formulating any kind of marketing strategies, the product is considered as most important part in the marketing mix. Product is considered as a central part of all marketing activities. Without product, there are no possibilities of marketing. When consumer purchase any kind of product at the same time, he expects more than what he pays for purchasing it like quality, quantity, price, brand name etc. The product would be satisfied needs and wants of the consumer that is ultimate goal of any marketer/producer.

DEFINITION OF PRODUCT: “A product is something that an organization offers perspective consumers to satisfy their needs and wants.”



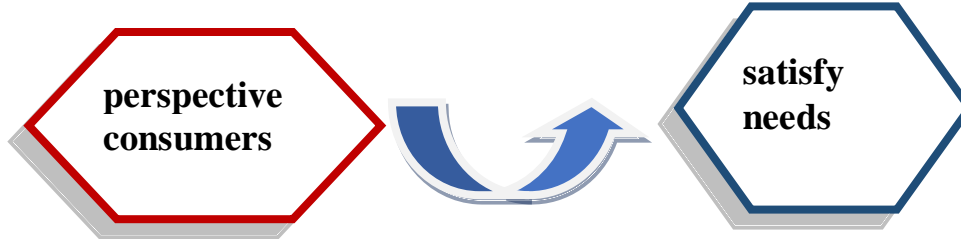


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IMPORTANCE OF PRODUCT:

central point for all marketing activities

starting point of planning

Tool for earn profit

1. Product is considered as the central point of all the marketing activities. All marketing activities are depending on product decisions. Without product, all other elements like advertising, selling, distribution are not possible.
2. Product is the starting point of planning. Product planning defines other planning like promotion, distribution, sales etc.
3. Product is only that the tool by which producers/ manufactures/ marketer are earn maximum profit but, on the condition, that the marketer that satisfy the needs and wants of the consumers.

1 WORD QUESTION ANSWER

<u>SR.NO</u>	<u>QUESTION</u>	<u>ANSWER</u>
1	For formulating any kind of marketing strategies, the ___ is considered as most important part in the marketing mix.	Product
2	It is a central part of all marketing activities.	product



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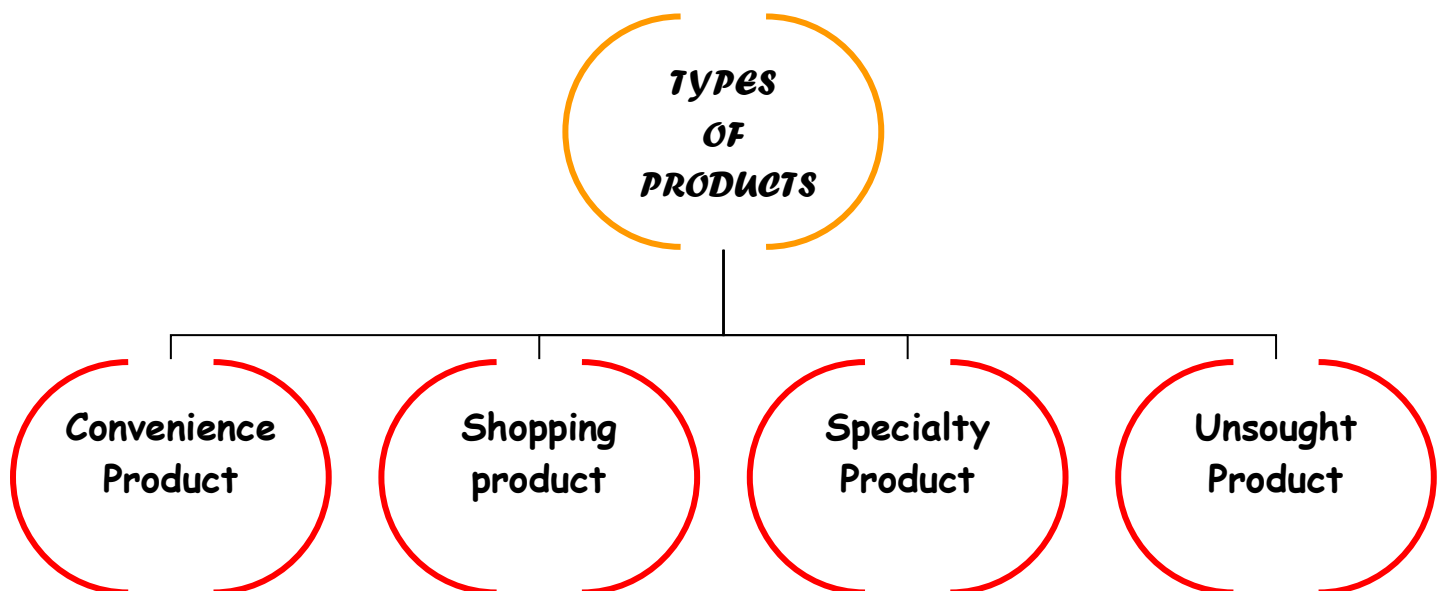
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3	The product would be _____	satisfied needs and wants of the consumer
4	What is the starting point of planning.	product
5	Product is only that the tool by which producers/manufactures/ marketer can do what	earn maximum profit
6	“It is something that an organization offers perspective consumers to satisfy their needs and wants.”	Product

TYPES OF PRODUCT:

A product is a set of tangible and intangible attributes, including packaging, color, price, quality and brand plus the services and reputation of the seller.

Consumer products can be classified into convenience product, shopping product, specialty products, and unsought products. A brief description of products has been given below:



i. Convenience Product: Convenience products are those products which are purchased by the customers without spending their time from the convenient places that, too, from the nearby



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where they are residing. According to Philip Kotler, “Convenience products are goods that the customers usually purchase frequently, immediately with a minimum effort.” These goods are usually familiar with the customers. Thus, cigarettes, soaps, bulbs, flashlight and low-priced electrical equipment etc. are convenience products. They can be further classified into three categories:

- Staple product
- Impulse product
- Emergency product

ii. Shopping product: Shopping products are those products where consumers devote considerable time in selecting those before they buy. The consumers want to compare a quality, price, and style in several shops before they buy. According to Philip Kotler, “Shopping goods are the goods that the customers, in the process of selection and purchase, characteristically compare on such bases as suitability, quality, price, and style.” Furniture items, dress materials, shoes, and household appliances are the examples of shopping products.

iii. Specialty Product: Specialty products are those products which enjoy a set of special features. Special efforts are made in their purchase. These products possess’ unique characteristics and brand identification which calls for special efforts. According to Melvin T. Coplenad, “Specialty goods are those which have some attraction for the consumers, other than price, which induces him/ her to put in a special effort to visit the store in which they are sold and to make a purchase without shopping.”

iv. Unsought Product: Unsought product are those products that do not fall in any of the above categories, but they are important for the customer. The customer might not know the existence of the product or know but do not think of buying them. Such goods are not normally bought by the customer unless there is a high level of promotion campaign showing the necessity of those products for satisfying their needs.



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Types of Consumer Products

Marketing consideration	<i>Convenience</i>	<i>Shopping</i>	<i>Speciality</i>	<i>Unsought</i>
Customer buying behaviour	Frequent purchase, little effort (planning, comparison), low customer involvement	Less frequent purchase, much effort (planning and comparison of brands on price, quality, style etc.)	Strong brand preference and loyalty, special purchase effort, little comparison of brands, low price sensitivity	Little product awareness and knowledge or little interest
Price	Low price	Higher price	High price	Varies
Distribution	Widespread distribution, convenient locations	Selective distribution, fewer outlets	Exclusive distribution in only one or a few outlets	Varies
Promotion	Mass promotion	Advertising and personal selling	More carefully targeted promotion	Aggressive advertising and personal selling
Examples	Toothpaste, magazines, laundry detergent	Television, furniture, clothing	Luxury goods (e.g. Rolex watch), designer clothing	Life insurance and pre-planned funeral service

Industrial products: Industrial products are those products which are used in producing other goods or rendering services. These are the products that are to be sold to ultimate consumers. The main characteristics of industrial goods are a geographical concentration of the market, a limited number of buyers, a large unit of individual purchase and technical considerations. These goods have a derived demand.

Industrial goods can be classified into following five categories:

i. Raw materials: Raw materials are the industrial goods. They have not been processed except for their physical handling. Raw materials may be divided into natural products- minerals and product of the forests and the seas and agricultural products- wheat, cotton, tobacco and animal products such as eggs and raw milk.

ii. Fabricating material & parts: Fabricating materials and parts are the industrial goods. These goods have undergone manufacturing processes but they need further processing or need to



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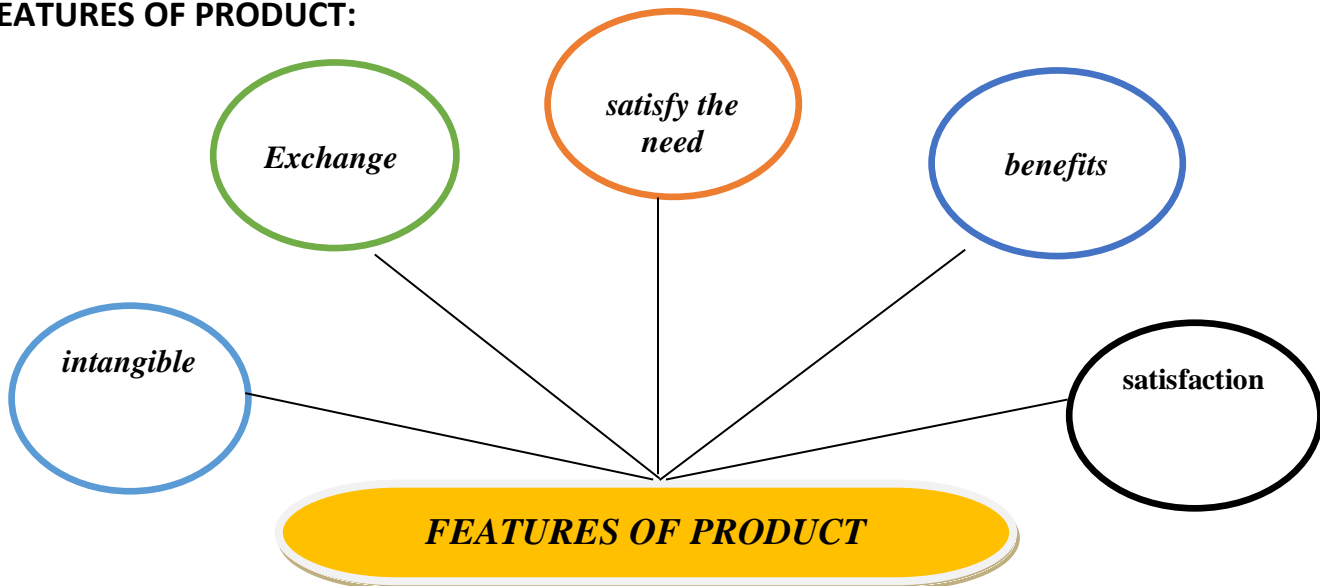
be combined with other materials or parts before they are ready to reach the ultimate consumers.

iii. Equipment: Equipment are used merely to provide facilities to the manufacturer, as they cannot be part & parcel of finished goods. Unit price and life are less than installations. For example, tools, such as screwdrivers, files set, spanners set, computers, time clock, conveyers, sharpeners, typewriter, etc.

SERVICES: “services are a form of product that consist of activities, benefits, or satisfaction offered for sale, that are essentially intangible and do not result in the ownership of anything.” e.g. railway, banking, airlines etc.



FEATURES OF PRODUCT:



- A product must be tangible like pen, pencil etc. which can be physically felt.
- Some of the products are in intangible form also like banking services.



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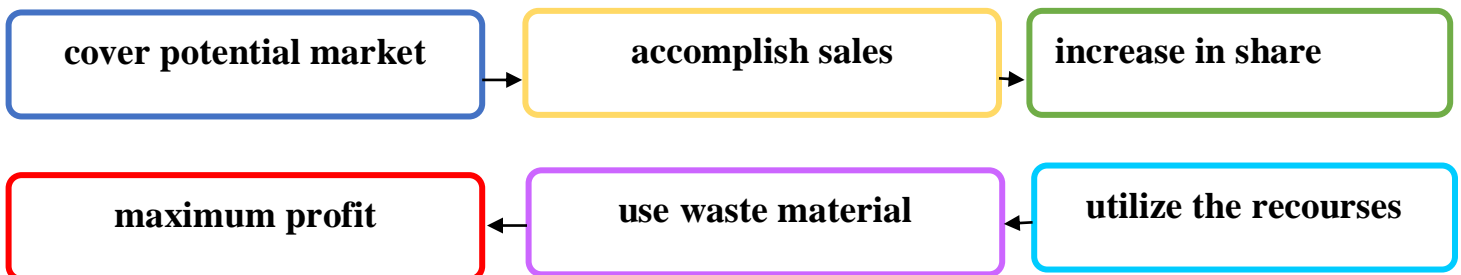
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- Product should be capable of exchange between marketer and consumer on agreed conditions.
- A product should satisfy the need of the customer.
- A product should possess number of benefits.
- A product should provide complete satisfaction to the consumer.

OBJECTIVES OF PRODUCT: when marketer introduce a new or modified product in the market, they want to accomplish certain objectives which are as below:



- To cover potential market opportunities.
- To accomplish sales target and sales growth.
- To earn maximum profit.
- To increase in market share.
- To use waste material and scrap.
- To utilize the recourses at optimum level.

1 WORD QUESTION ANSWER

<u>SR.NO</u>	<u>QUESTION</u>	<u>ANSWER</u>
1	How many types of products (in terms of consumer) are there??	4
2	_____ are those products which are purchased by the customers without spending their time from the convenient places	Convenience products
3	_____are those products where consumers devote considerable time in selecting those before they buy.	Shopping products
4	_____are those products which enjoy a set of special features. Special efforts are made in their purchase.	Specialty products
5	_____are those products that do not fall in any of the above	Unsought product



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	categories, but they are important for the customer.	
6	“These are a form of product that consist of activities, benefits, or satisfaction offered for sale, that are essentially intangible and do not result in the ownership of anything.”	services
7	Give examples of services.	railway, banking, airlines
8	Services are _____ in nature.	Intangible
9	Services cannot give _____ to its customers.	ownership

PRODUCT AND PRODUCT MIX:

INTRODUCTION: A product co- relates both buyer and seller. Seller has to sell a product and buyer wants to buy what seller wants to sell. A buyer will only purchase that product only if that product satisfies their needs. In recent era, to sell the product, marketer has to adopt various approaches. Marketer has to give unique, creative, new product according to taste and preferences of the consumer. Marketer also thinks about that whether to offer a single product or offer a complete product line with product mix.

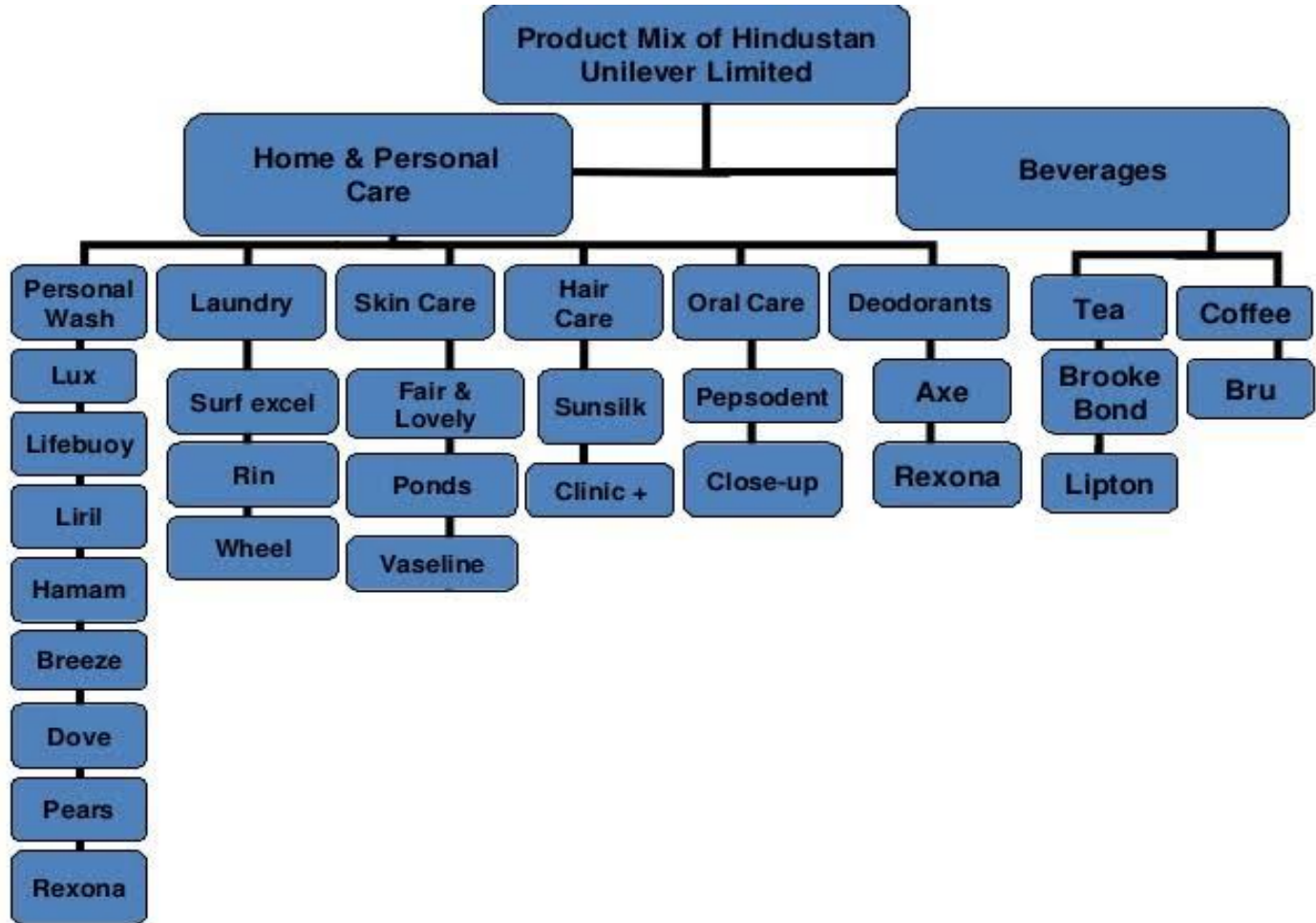


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PRODUCT LINE:

Definition: Product Line can be understood as an array of related products, under a specific brand, offered by a company to its customers. For instance, **Amul** offers a series of closely related products such as milk, butter, ghee, dahi, yoghurt, ice cream, Srikhand, Gulab jamun, flavored milk, chocolate, etc. There are many

companies which are engaged in multiple product lines, i.e. depending on the type and nature of the target audience, the product line is added by the company.

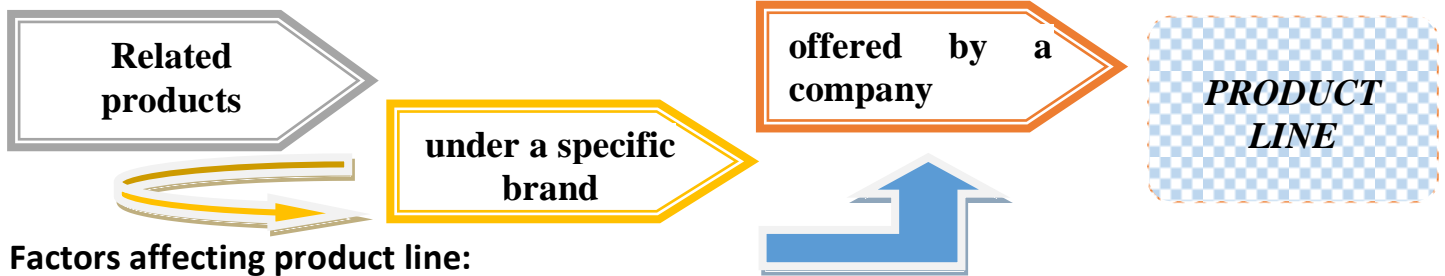


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- *Change in consumer preference*
- *Competition*
- *Market demand factor*
- *Product innovation or change*
- *Financial factor*

Product line strategies: product line is considered as a dynamic concept because a product line may not be satisfying the consumers' needs for a longer period. This requires change or modification in existing product line. The change in product line strategies are:

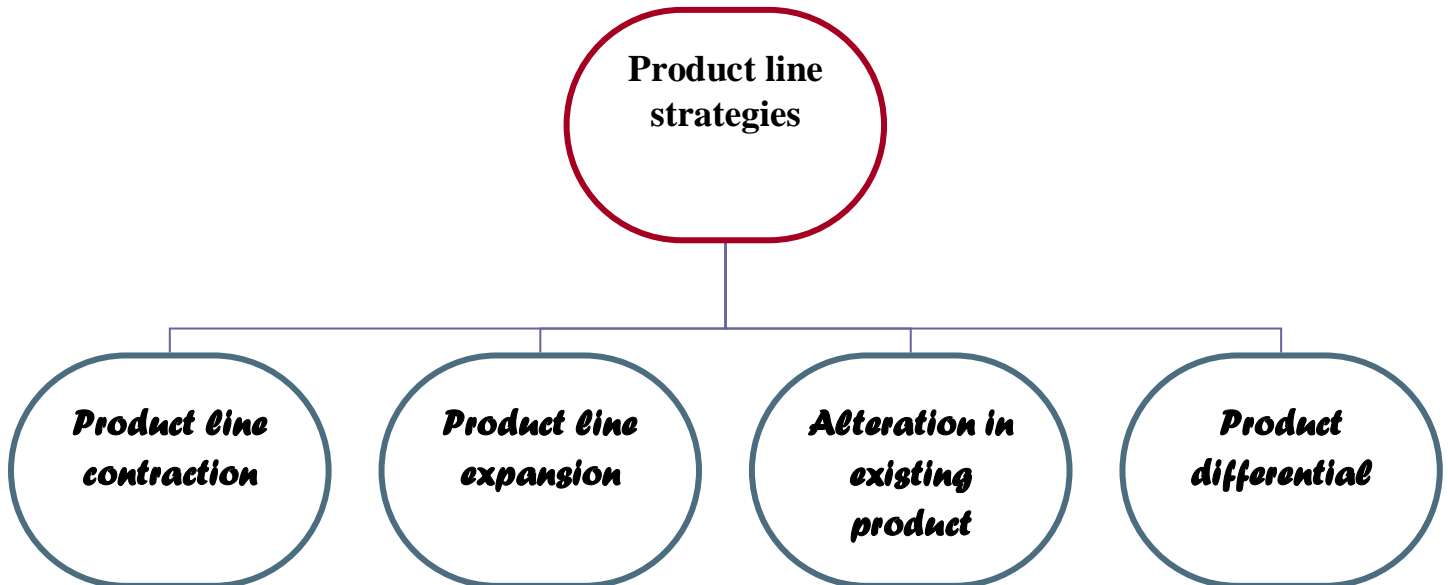


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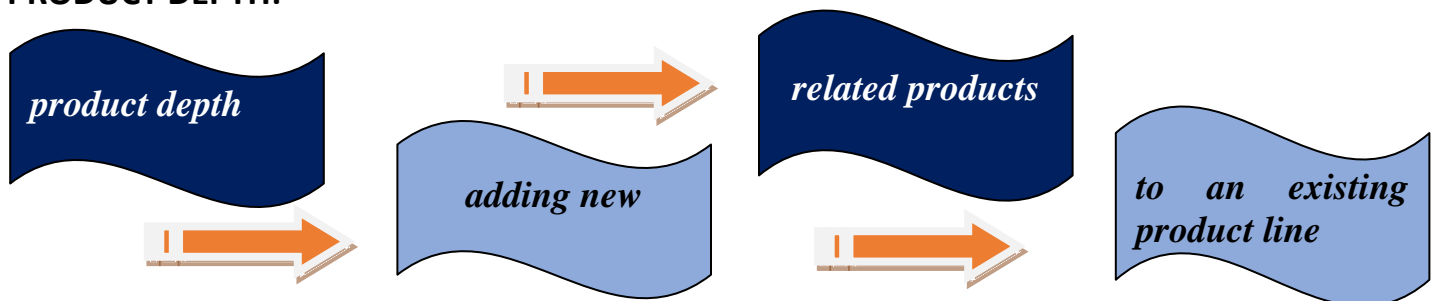
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1. **Product line contraction:** for a marketer, product line contraction is a very difficult decision because heavy investments have already taken place. So, when marketer has various options, then he will take this decision.
2. **Product line expansion:** if the marketer has enough finance, time and other resources then he will think about product line expansion.
3. **Alteration in existing product:** alteration in existing product by design, size, color, improvement etc. may become more profitable and less risky for marketer.
4. **Product differential and market segmentation:** it is possible for marketer to make product differential based on product quality, price, packing, or design. While under market segmentation, marketer knows that the whole market is a combination of many smaller similar segments with different needs and wants.

PRODUCT DEPTH:





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The number of sub-**products** offered by a business within a line of **products**. Increasing a company's **product depth** can involve adding new, related **products** to an existing **product** line or increasing the number of varieties of a product offered. E.g. HUL Company

PRODUCT WIDTH:

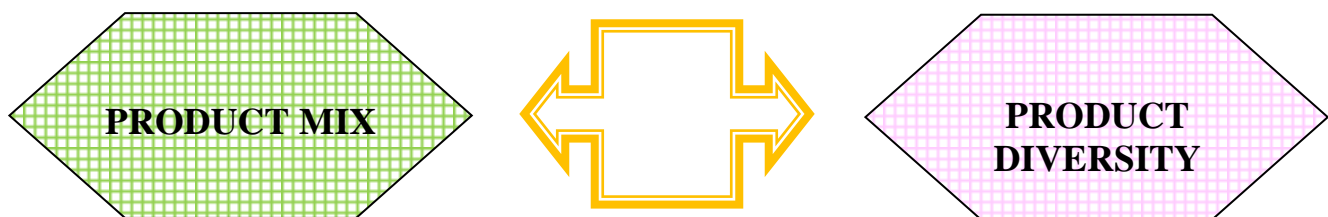


The number of different product categories across which different brands and products created by a firm are classified is called **product width**.

CONSISTENCY IN PRODUCT MIX: It refers to the relation of various product lines in terms of production requirements/distribution in some other way, E.g. BAJAJ electrics have their total consistency in electrical products.

Product mix:

Concept of Product Mix:



Product mix refers to the depth and width of product policy of a company. It is concerned with product diversity, i.e. how far a company can or should diversify its products. It is defined as **“the composite of products offered for sale by a firm or a business unit.”** The ‘depth’ of product policy refers to the various models, designs, sizes, and colors whereas ‘width’ involves number of product lines. For example, a variety of electrical appliances such as fans, lamps, etc. produced and marketed by Bajaj Electricals is the width of its product policy.

Factors affecting Product Mix:

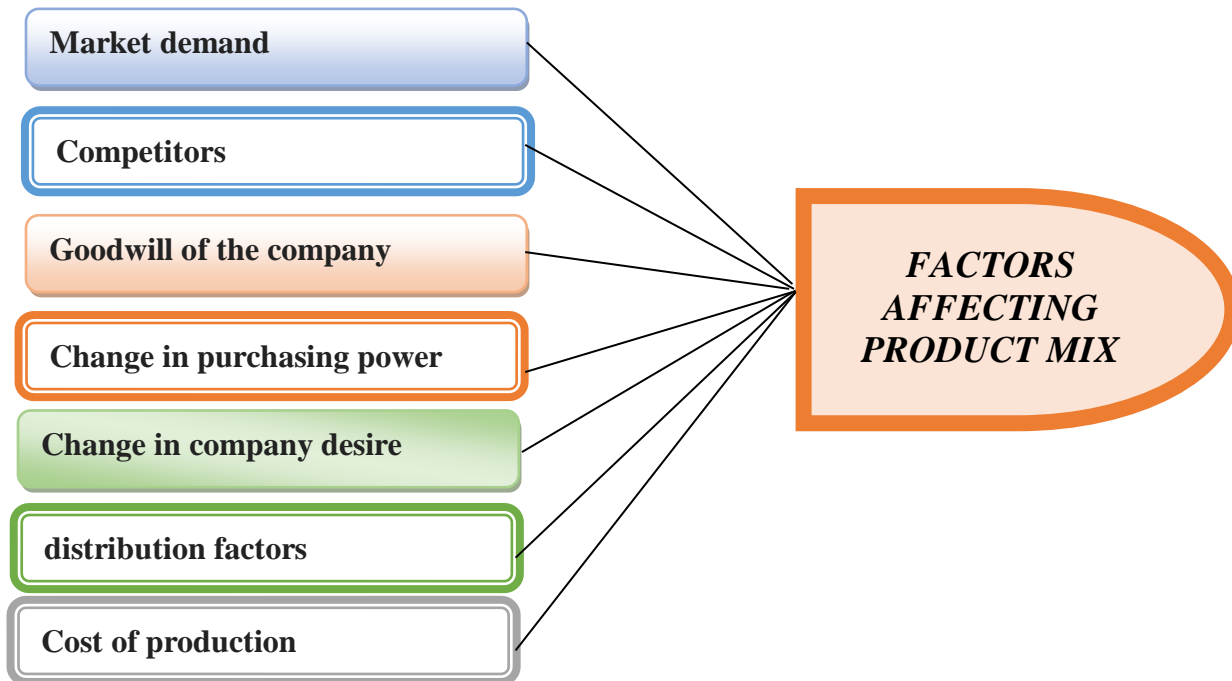


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1. **Market demand:** The change in the demand of a product affects the decision of product mix. If the demand of a new product is increasing in the market and the production of that new product is beneficial to the company considering its cost of production, utilization of its plant and machinery and labor force and if it thinks that it can compete with its competitors, it can start production of the new product. Likewise, if the demand of a product is declining fast, it can decide to drop its production.
2. **Competitors' actions and reactions:** The decision of adding or eliminating the product may be the reaction of competitors' action. If company thinks that it can meet the competition well by adding new product it can decide to produce the product.
3. **Quantity of production:** If the production of the new product is considered to be at a large scale and the company can add more items to its product line just to get the economies of large-scale production.
4. **Use of residuals:** If residuals can be used gainfully the company can develop its by-products into the main products. For example, a sugar mill can develop the production of paper, card board or wine from the bagasse profitably.



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5. **Goodwill of the company:** If the company is of repute, it can market any new product in the market without much difficulty. It may take decision of adding new product without any hitch because it knows that customer will accept any product introduced by the firm. For example, if a new product is introduced by the Hindustan Lever Ltd. It will gain favor by the customers over competitors' product and it is only because of the good will of the firm in the market of consumer products.
6. **Change in purchasing power or behavior of the customers:** If the number of customers increases with the increase in their purchasing power or with the change in their buying habits, fashion etc., the company may think of adding one more product keeping mass production or increase in profitability in mind.
7. **Change in company desire:** Keeping in mind the objectives of the firm i.e., maintaining or increasing the profitability of the concern, the firm may eliminate some of its unprofitable processes or may start the process of producing a new product. In this way, the firm tries to make its product mix an ideal one.
8. **Advertising and distribution factors:** Advertising and distribution factor may be the one of the reasons for the change in production mix. If the advertising and distribution organization are the same, the company may take the decision to add one more item to its product line. For example, company can manufacture one more product if the same raw materials are used in its production. A company producing the Suitcase may add production to hold all or attach-case and the advertising and distribution cost will not increase at all or it may increase marginally in introducing the product in the market.
9. **Cost of production:** If the company can develop a new product with the help of the same labor force, plant and machinery and technique, it can decide to start the production of that product at lower cost. For example, a by-product can be developed by a company at low cost.



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1 WORD QUESTION ANSWER

<u>SR.NO</u>	<u>QUESTION</u>	<u>ANSWER</u>
1	_____ can be understood as an array of related products, under a specific brand, offered by a company to its customers.	Product Line
2	Give example of product Line.	AMUL company
3	if the marketer has enough finance, time and other resources then he will think about _____.	product line expansion
4	It involves adding new, related products to an existing product line or increasing the number of varieties of a product offered.	Product depth
5	The number of different product categories across which different brands and products created by a firm are classified is called _____.	product width
6	It refers to the relation of various product lines in terms of production requirements/distribution in some other way.	Consistency in product mix
7	Product mix refers to the depth and width of product policy of a company.	Product mix
8	“The composite of products offered for sale by a firm or a business unit.”	Product mix
9	_____ involves number of product lines.	‘width’



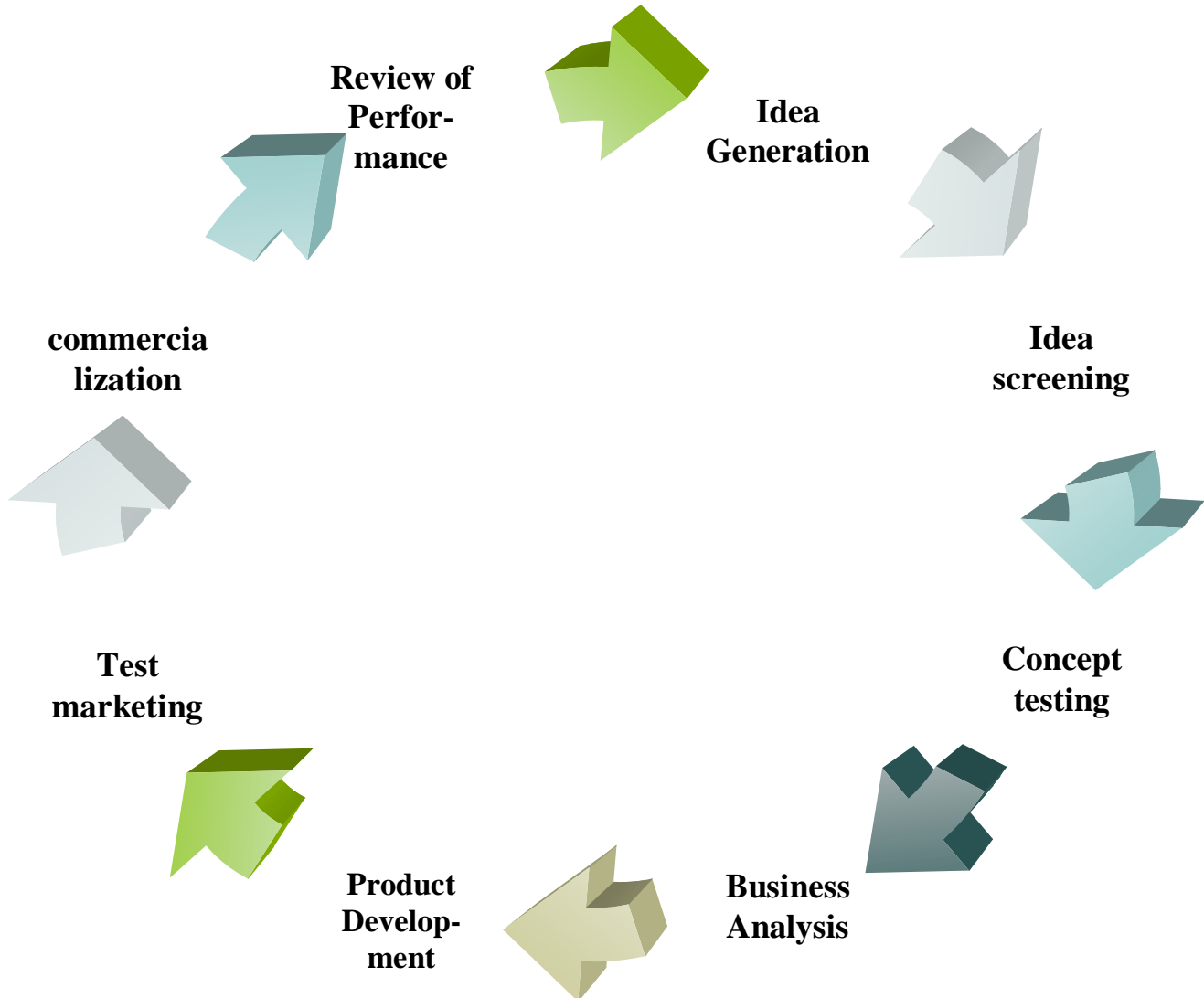
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STEPS/PROCESS/STAGES OF NEW PRODUCT DEVELOPMENT:





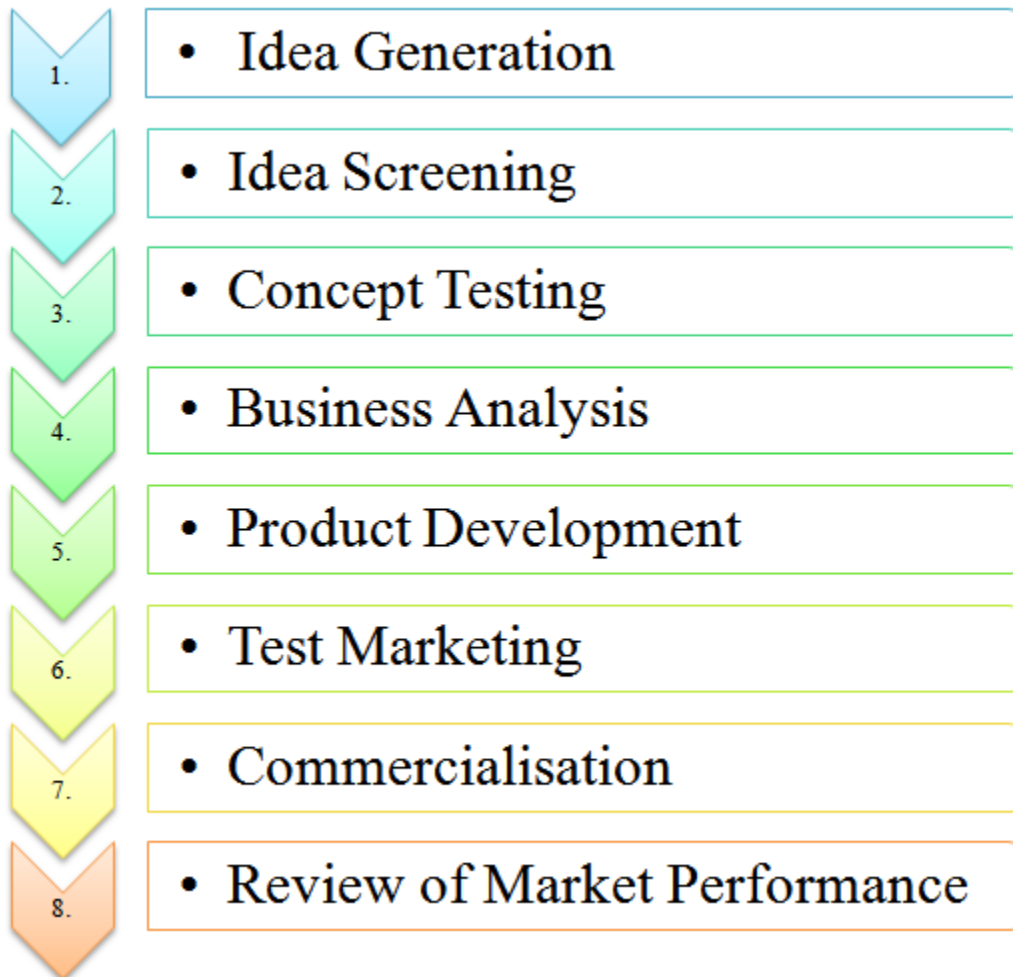
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NEW PRODUCT DEVELOPMENT PROCESS:



1. Idea generation: The first step in new-product development is idea generation.

New ideas can be generated by:

- ✓ Conducting marketing research to find out the consumers' needs and wants.
- ✓ Inviting suggestions from consumers.
- ✓ Inviting suggestions from employees.
- ✓ Brainstorming suggestions for new-product ideas.
- ✓ Searching in different markets viz., national and international markets for new-product ideas.
- ✓ Getting feedback from agents or dealers about services offered by competitors.
- ✓ Studying the new products of the competitors.



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2. Idea screening: Most companies have an "Idea Committee." This committee studies all the ideas very carefully. They select the good ideas and reject the bad ideas.

Before selecting or rejecting an idea, the following questions are considered or asked:

- ✓ Is it necessary to introduce a new product?
- ✓ Can the existing plant and machinery produce the new product?
- ✓ Can the existing marketing network sell the new product?
- ✓ When can the new product break even?

If the answers to these questions are positive, then the idea of a new-product development is selected else it is rejected. This step is necessary to avoid product failure.

3. Concept testing: Concept testing is done after idea screening. It is different from test marketing. In this stage of concept testing, the company finds out:

- ✓ Whether the consumers understand the product idea or not?
- ✓ Whether the consumers need the new product or not?
- ✓ Whether the consumers will accept the product or not?

Here, a small group of consumers is selected. They are given full information about the new product. Then they are asked what they feel about the new product. They are asked whether they like the new product or not. So, concept testing is done to find out the consumers' reactions towards the new product. If most of the consumers like the product, then business analysis is done.

4. Business analysis: Business analysis is a very important step in new-product development. Here, a detailed business analysis is done. The company finds out whether the new product is commercially profitable or not. Under business analysis, the company finds out...

- ✓ Whether the new product is commercially profitable or not?
- ✓ What will be the cost of the new product?
- ✓ Is there any demand for the new product?
- ✓ Whether this demand is regular or seasonal?
- ✓ Are there any competitors of the new product?
- ✓ How the total sales of the new product be?
- ✓ What will be the expenses on advertising, sales promotion, etc.?
- ✓ How much profit the new product will earn?

So, the company studies the new product from the business point of view. If the new product is profitable, it will be accepted else it will be rejected.



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5. Product development: At this stage, the company has decided to introduce the new product in the market. It will take all necessary steps to produce and distribute the new product. The production department will make plans to produce the product. The marketing department will make plans to distribute the product. The finance department will provide the finance for introducing the new product. The advertising department will plan the advertisements for the new product. However, all this is done as a small scale for Test Marketing.

6. Test marketing: Test marketing means to introduce the new product on a very small scale in a very small market. If the new product is successful in this market, then it is introduced on a large scale. However, if the product fails in the test market, then the company finds out the reasons for its failure. It makes necessary changes in the new product and introduces it again in a small market. If the new product fails again the company will reject it. Test marketing reduces the risk of large-scale marketing. It is a safety device. It is very time-consuming. It must be done especially for costly products.

7. Commercialization: If the test marketing is successful, then the company introduces the new product on a large scale, say all over the country. The company makes a large investment in the new product. It produces and distributes the new product on a huge scale. It advertises the new product on the mass media like TV, Radio, Newspapers and Magazines, etc.

8. Review of market performance: The Company must review the marketing performance of the new product. It must answer the following questions:

- ✓ Is the new product accepted by the consumers?
- ✓ Are the demand, sales and profits high?
- ✓ Are the consumers satisfied with the after-sales-service?
- ✓ Are the middlemen happy with their commission?
- ✓ Are the marketing staffs happy with their income from the new product?
- ✓ Is the Marketing manager changing the marketing mix according to the changes in the environment?
- ✓ Are the competitors introducing a similar new product in the market?

The company must continuously monitor the performance of the new product. They must make necessary changes in their marketing plans and strategies else the product will fail.

REASONS OF FAILURE OF NEW PRODUCT IN MARKET:

In spite of the efforts made by the marketer, some products fail. Product failure can be attributed to any one or more of the following causes:



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Poor product quality

Higher Price

Poor Timing

competition

Lack of promotional

Faculty Distribution policy

Poor after sale services

**REASONS OF FAILURE OF
NEW
PRODUCT IN MARKET**

1. **Poor product quality:** Obviously, a product, which is of poor quality, cannot be sold in the market.
2. **Higher price:** Another reason for the failure of certain products is the price factor. Higher production and distribution costs may lead to higher price. Such a product cannot be sold in a market consisting of middle- and lower-income buyers.
3. **Poor timing:** It is important that a product, to be successful, is introduced in the market at the correct time. If it is introduced at an unsuitable time it may turn out to be a failure. Example: Publishers of textbooks usually bring out books in the beginning of the academic year.
4. **Inherent defect:** There may be an inherent defect in the product, which may affect its market potentialities. Such a product may not be preferred by the buyers even if the defect is rectified later.
5. **Extent of competition:** A monopolist may not have any difficulty in marketing his product. In the case of a market where there are a large number of sellers for a particular product, the buyer will have many alternatives. Therefore, in such a condition unless the marketer brings out the product to the satisfaction of the buyers, he cannot be successful.



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6. **Lack of promotional measures:** Popularizing the brand, particularly, in the introduction stage of a product is essential. Such a step will ensure repeated buying and bring long-term benefits for the marketer. Failure to do so will 'prove to be disastrous for the product.

7. **Faulty distribution policy:** It is important that a product reaches the right market at the right time and at the right price. The faulty distribution policy of the marketer may lead to many problems, i.e., the goods may not be available when required, may lead to higher price and so on.

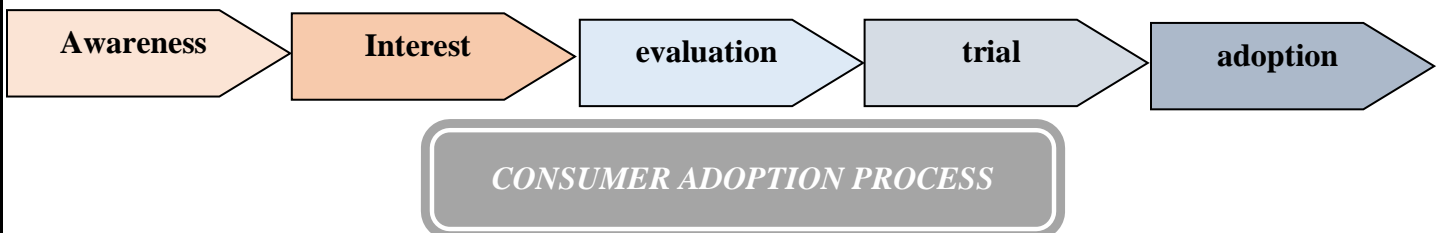
8. **Unavailability of spare parts:** In the case of durable goods like televisions sets, Air-conditioners, etc., and also in the case of two-wheeler and cars, easy availability of spare parts is an important requirement. Unavailability of spares may frustrate the buyers. Such buyers would not recommend the product to their friends and relatives.

9. **Poor after-sale service:** The quality of after sale service is yet another important cause. Most marketers, particularly those marketing durables, two-wheeler, etc., are courteous while making sale. When the customer requires service later and approaches the seller, the latter may show indifference.

CONCEPT AND STEPS IN CONSUMER ADOPTION PROCESS:

Adoption process is a series of stages by which a consumer might adopt a new product or service. Whether it be Services or Products, in today's competitive world, a consumer is faced with a lot of choices. How does he make a decision to adopt a new product is the Adoption process.

There are numerous stages of adoption which a consumer goes through. These stages may happen before or even after the actual adoption.



Stage 1 – Product Awareness: This first stage is about creating awareness that your product is in the market. It is important that your company develops a successful avenue for your consumers to become aware of your product. If consumers do not know your product exists,



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then it might as well not exist! Create marketing material. These can be one-sheets, video teasers, images, and landing pages. Make these marketing materials easily accessible. Utilizing creativity and wit is a great way to engage consumers in this awareness stage. I recommend creating a strong social presence for said product. In the era of social media, many tools are available in the market that provide companies with the techniques and methods to increase product awareness through social channels – enabling them to reach a large number of customers at a low cost!

Stage 2 – Product Interest: In this stage consumers are ready to learn more about your company's product and / or service. Your organization must guide the consumer through the interest stage by providing easily accessible information on your product. Among the methods used in the today's business landscape include a website describing the product, blog posts, tutorial or instructional videos, white papers, and other sources of info that the potential consumer can discover and review.

Stage 3 – Product Evaluation: Prior to purchasing, consumers examine, compare and evaluate the product. Such behavior increases in intensity and need once the item in question is more expensive, sophisticated and complex, or critical. Consumers are searching for information. We are now finding that consumers go online and utilize social media channels to ask other individuals about your product or service. In addition, they find online reviews and recommendations. In order to simplify a customer's search and evaluation of your product, I suggest creating information that outlines the difference between your product and other similar products, or differences within the different products and services you sell.

Stage 4 – Product Trial: This is the stage where the consumer “kicks the tires”. Nothing helps a consumer make a decision about your product more than actually trying your product out! There are many ways this is accomplished. For example, your company can provide your consumer with a free trial or a proof of concept campaign. In this stage it is very important to set the customer expectations correctly and deliver on said expectations.

Stage 5 – Product Adoption: When the consumer enters the product adoption phase, he/she is ready to purchase your company's product. This is the critical stage that businesses need to get their consumers to. When the customer is here, you need to make the payment process simple, intuitive, and pain free. In addition, you need to ensure that the consumer can easily obtain the product. If you make it to and through this last phase successfully.



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FACTORS AFFECTING CONSUMER ADOPTION PROCESS

Some important factors influencing the consumer adoption process are as bellow:

- Readiness of the Consumer/Customer to try new products and switch to the new brands
- New product or Innovation
- Personal Choices and influences about the Purchase Decisions
- Varying Rates of Product Adoption
- Readiness of the organization to launch new products

1 WORD QUESTION ANSWER

<u>SR.NO</u>	<u>QUESTION</u>	<u>ANSWER</u>
1	How many steps are there in new product development process?	8
2	Which is first step in new product development process?	Idea generation
3	Which is last step in new product development process?	Review of market performance
4	_____is done after idea screening.	Concept testing
5	Give any three reasons for failure of new product in market.	Poor timing, poor quality, higher price
6	_____is a series of stages by which a consumer might adopt a new product or service.	Adoption process
7	Which is first step in consumer adoption process?	Product awareness
8	Which is fourth step in consumer adoption process?	Product trial
9	Which is last step in consumer adoption process?	Product Adoption

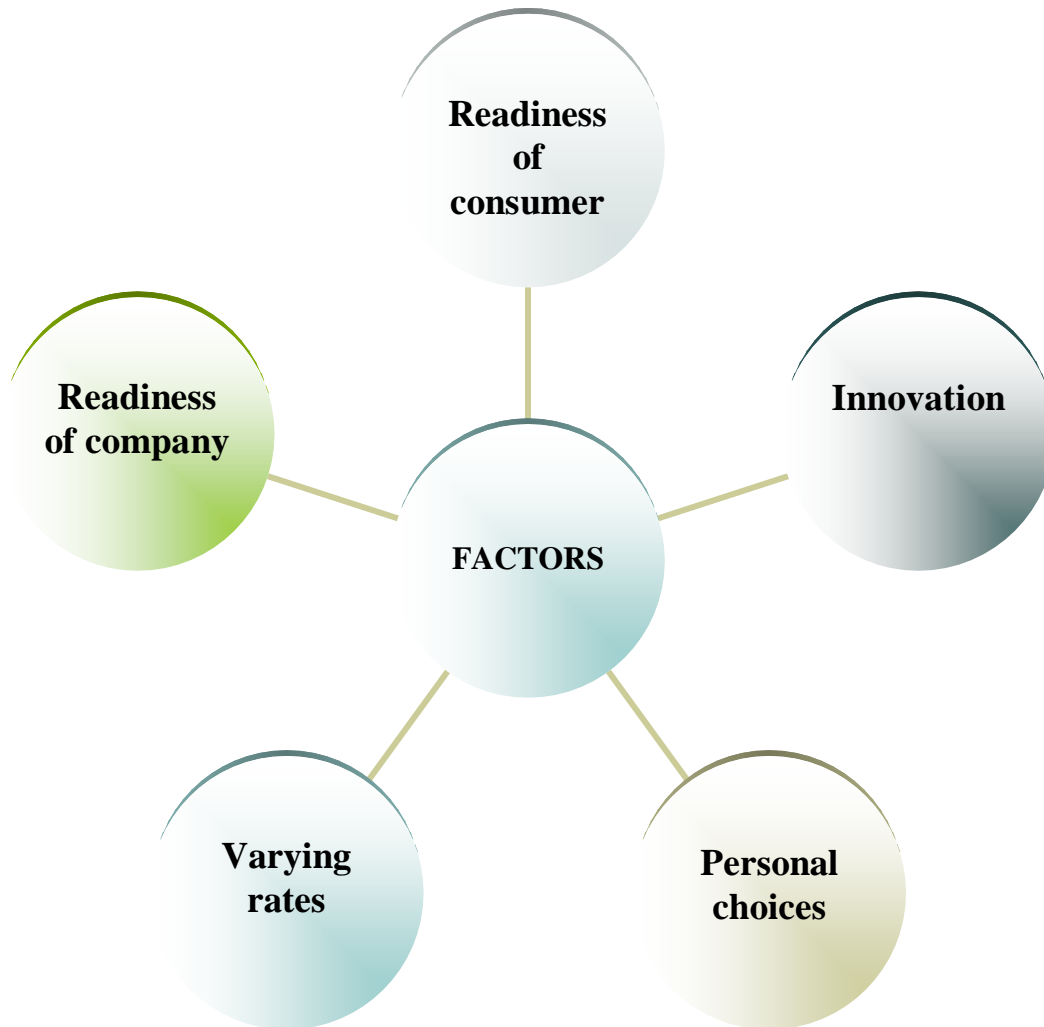


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Consumer adoption Process varies from customer to customer based upon the behavioral factors. Some Consumers prefer change and some are very resistant towards changing things and have a difficulty in accepting and adopting new things. Rate of adopting a product depends upon competitive advantage, complexity, compatibility and communicability.

Personal Influences is the effect of other people on the consumer attitude and purchase decision. Personal Influences can greatly impact the adoption process of the consumer and it can really affect the acceptance and rejection of the purchase decision of a customer.



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UNIT – 3 DISTRIBUTION CHANNEL:PHYSICAL DISTRIBUTION DECISION

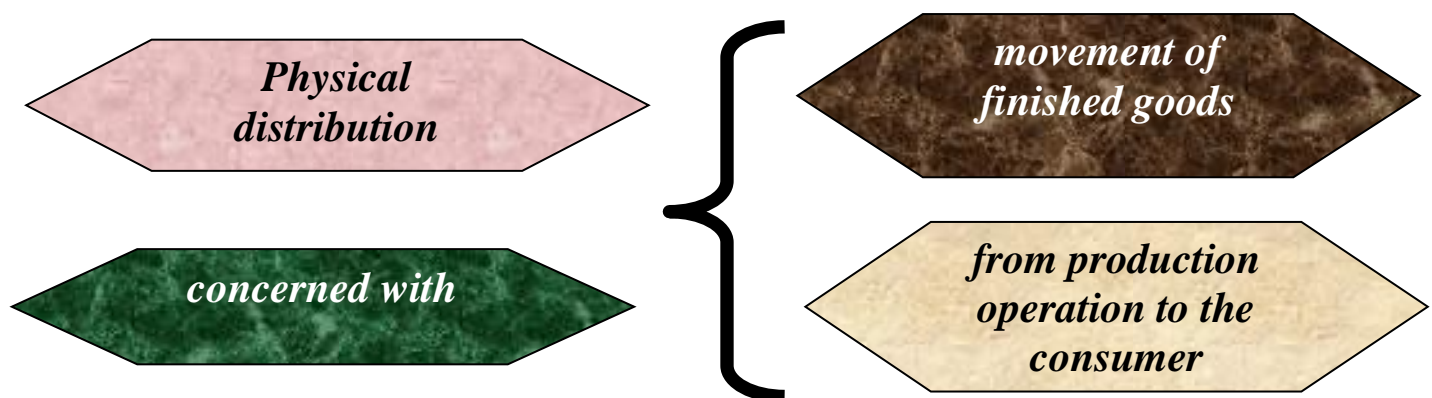
PHYSICAL DISTRIBUTION

Introduction of physical Distribution:

Physical distribution is the set of activities concerned with efficient movement of finished goods from the end of the production operation to the consumer. Physical distribution takes place within numerous wholesaling and retailing distribution channels, and includes such important decision areas as customer service, inventory control, materials handling, protective packaging, order procession, transportation, warehouse site selection, and warehousing. Physical distribution is part of a larger process called "distribution," which includes wholesale and retail marketing, as well the physical movement of products.

Physical distribution activities have recently received increasing attention from business managers, including small business owners. This is due in large part to the fact that these functions often represent almost half of the total marketing costs of a product.

Definition of physical Distribution: “physical distribution includes the actual movement and storage of goods after they are produced and before they are consumed.”



Components of physical distribution: Physical distribution is an important element of marketing mix; it involves physical handling and movement of goods from the place of production to the place of consumption.



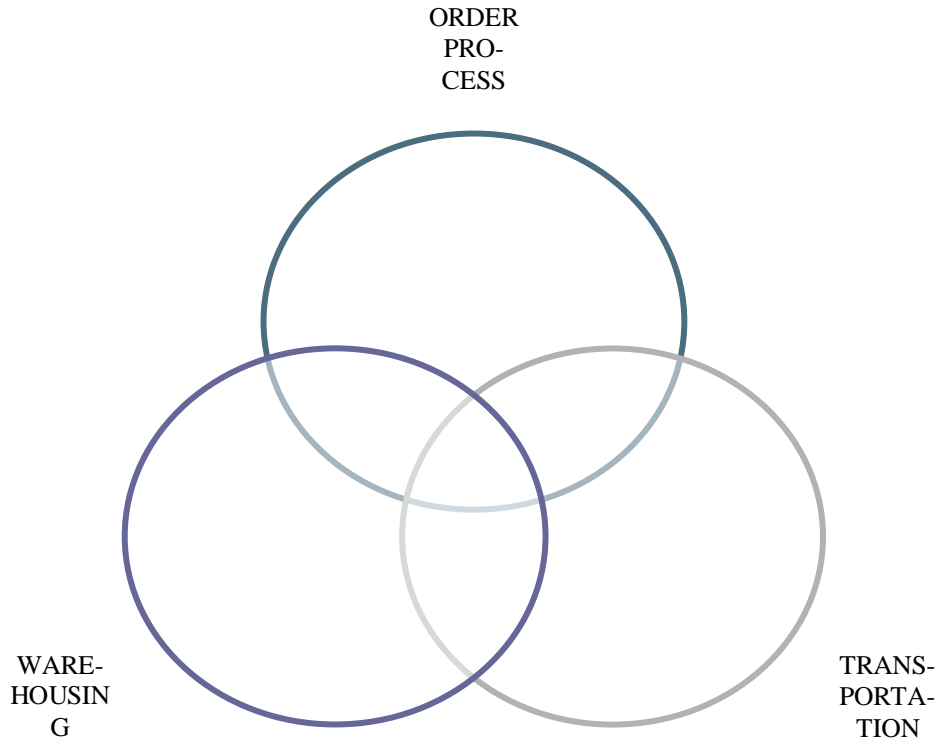
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It is concerned with the availability of the right quantity of goods to the customers at the right time and right place through the channels of distribution.



1.Order Processing: It refers to placing order by the customer to the manufacturer via channel members. Accurate and speedy processing of order is essential to ensure timely delivery of goods to the customer in correct quantity/specifications.

2. Transportation: It refers to the mode of carrying goods and raw material from the place where they are produced to the place where they are to be sold. It is the most important element of physical distribution of goods. It also adds value to the good by ensuring their availability at the right place and right time.



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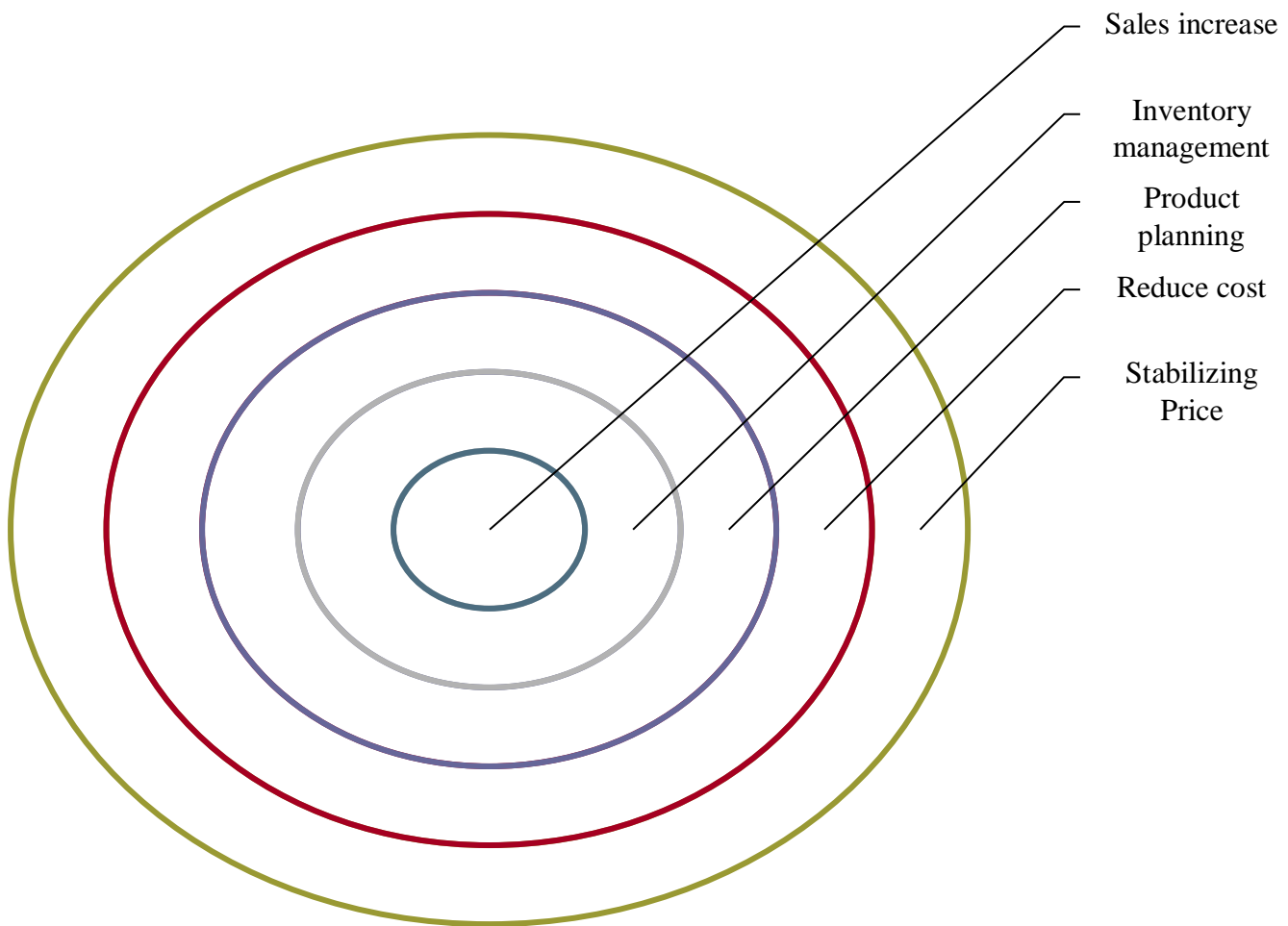
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3. Warehousing: There is a time gap between the production and the consumption of goods, thus it becomes essential to store them. For example, seasonal products like wheat, rice, coolers etc. It creates time utility in the products.

Importance of physical distribution:



1. Increasing sales: physical distribution increases sales volume by proper inventory management. Physical distribution assures continuous flow of goods. Producers are also concentrating on increasing sales.



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2. Inventory Management: if physical distribution is efficient, then for a manufacture, there is no need to maintain large amount of raw materials inventory because manufactures can purchase it as and when it is required.

3. Product Planning: for product designing, packing, price structure, size etc. physical distribution is quite important.

4. Reducing Distribution Cost: the ultimate objective for controlling distribution cost is to reduce selling price of the product. For this, there is a requirement of in-depth analysis of transportation and storage costs.

5. Stabilizing Price: physical distribution maintains supply in the market for controlling the piece. If demand of a product is certainly increasing, then to maintain price of the product, additional supply can be released from the storage.

1 WORD QUESTION ANSWER

<u>SR.NO</u>	<u>QUESTION</u>	<u>ANSWER</u>
1	It is the set of activities concerned with efficient movement of finished goods from the end of the production operation to the consumer.	Physical distribution
2	“_____ includes the actual movement and storage of goods after they are produced and before they are consumed.”	physical distribution
3	_____ takes place within numerous wholesaling and retailing distribution channels, and includes such important decision areas	physical distribution
4	Which are components of physical distribution??	Order processing, transportation, warehousing
5	Importance of physical distribution includes what??	<ul style="list-style-type: none"> • Increase in sales • Reduction in sales • Product



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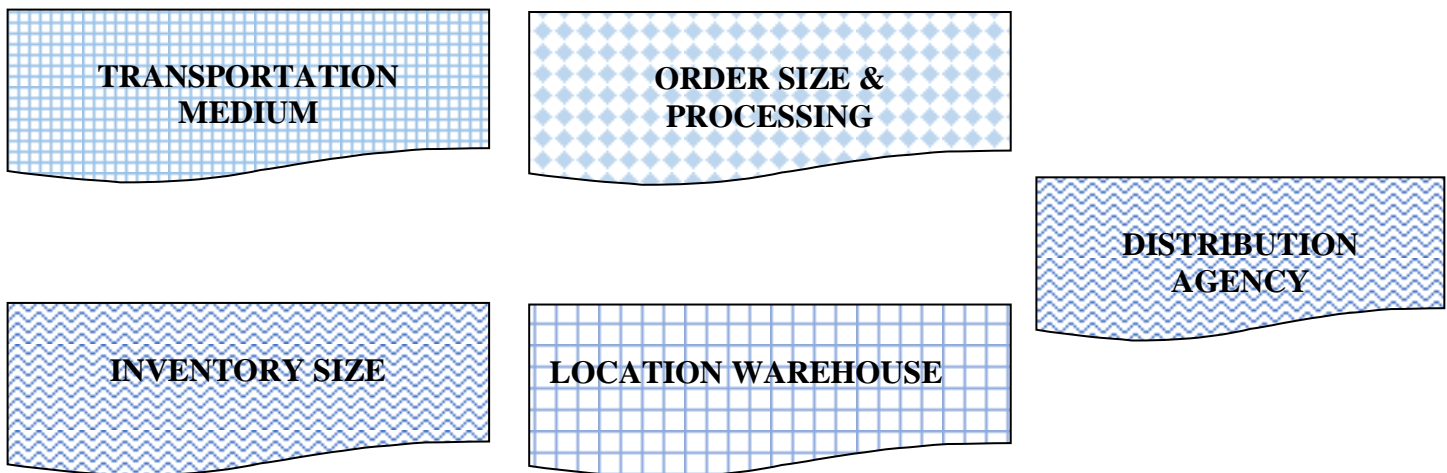
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- planning
- Stabilize price

Key Decision Areas in Physical Distribution Management: For an efficient management, various decisions are required to be taken by management. They are:



- 1. Decision Regarding Transportation Medium:** Transportation depends on order size, inventory and location of warehouses. If inventory level is high then transportation cost is low. if inventory level is low, then transportation cost is high.
- 2. Decision Regarding Order size and order processing:** management has to fix certain minimum level of order size because small size order increases cost of storage and handling. order processing takes concern with reordering time and consistency regarding delivery time.
- 3. Decision Regarding Inventory Size:** Bulk of the total distribution cost, which generally account for 10-25 % of the product cost is incurred on the physical distribution and cost of holding inventories. Since inventory holding cost are always on the rise due to all-round increase in prices as well as cost of capital, very careful attention has to be paid on how inventory should be maintained of what items and where.



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4. Location of Warehouses: One important consideration in this context is the nature of the product being sold. If the product is a household consumption item such as tea, soap or toothpaste, the retail outlet will be at bottom of the distribution channel. Success of the distribution system would depend upon the ability of the company who insure availability at that level.

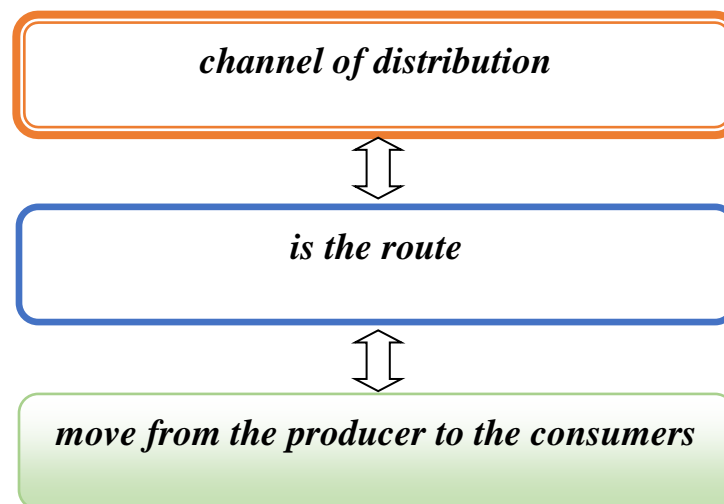
5. External distribution agency: A firm may decide that because of resource constraint or lack of in-house expertise, it would like to concentrate on production and leave the task of distribution to an outside agency.

Even the Gujrat Cooperative milk Federation- The producer of AMUL brand of dairy product handed over its distribution to Voltas ltd. There are several firms in India such as Voltas, Blue Star, Spencor & Co. which have created extensive distribution network, including servicing facilities & can therefore provide distribution network including servicing facilities.

CHANNELS OF DISTRIBUTION:

Introduction: channel of distribution is considered as a marketing channel for distribution of goods and services from manufactures to markets. Channel oath through which products and services of marketers moves from the place of manufacturing unit to the place of market or consumption. Goods and services are either reached to consumer directly or by middlemen indirectly.

Definition:” A channel of distribution for a product is the route taken by the title to the goods as they move from the producer to the ultimate consumers or industrial users.”





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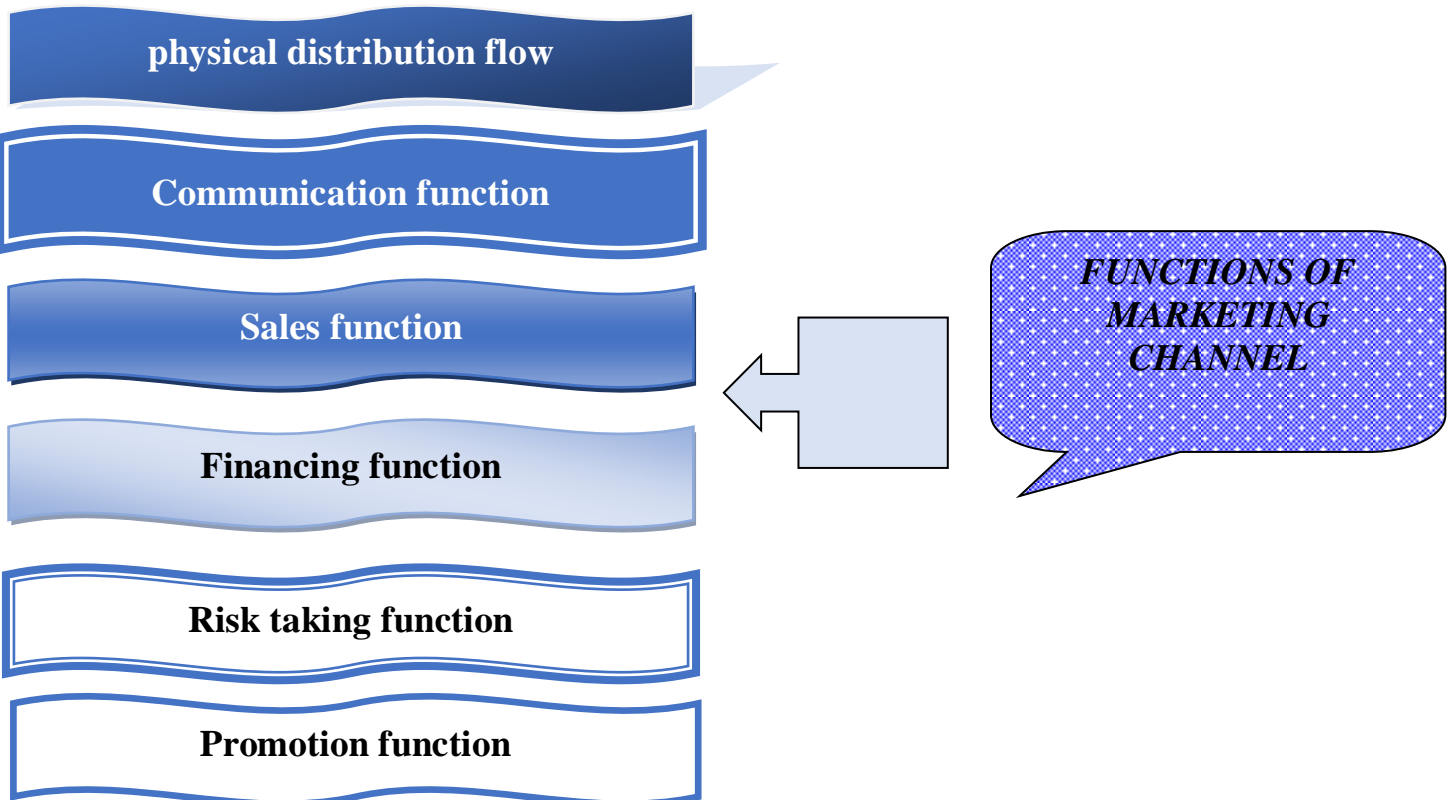
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Functions of Marketing Channels:

Channel members performs many key functions. They bridge the gap between manufactures and customers.



- 1. Management of physical distribution flow:** marketing channel manage the distribution flow of products and services from producers to consumers by taking risk of inventory, payment procedure, bargaining, information and promotion. They promote some of the basic promotional activities on behalf of the marketers.
- 2. Communication function:** channel members are in regular contact with customers. They know about customers taste, preferences, and needs, competitors. Etc. give information to the producers.
- 3. Sales function:** generally, consumer buy those products which is recommended and suggested by middlemen. So, middlemen have to give information about the product to their potential consumers. And increase the function of selling.



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4. **Financing function:** channel members purchase goods from marketers in bulk by this way marketer gets the fund. Channel members are also giving credit to their loyal customers which maintain sales flow in the market.
5. **Risk taking function:** channel members also taking some risk related to the products like failure of the product in the market, damage during transportation, losing quality before sale.
6. **Promotion function:** channel members like retailers, dealers, agents are performed various promotional activities like display, banners, mailing, live demo etc. for attracting customers.

1 WORD QUESTION ANSWER

<u>SR.NO</u>	<u>QUESTION</u>	<u>ANSWER</u>
1	Which decisions are taken while doing management of physical distribution???	Decision of location, warehousing, inventory size, lot, transportation medium etc....
2	_____for a product is the route taken by the title to the goods as they move from the producer to the ultimate consumers or industrial users.	channel of distribution
3	_____is considered as a marketing channel for distribution of goods and services from manufactures to markets.	channel of distribution
4	Which are functions of marketing channels? Write any four function.	<ul style="list-style-type: none"> • Physical distribution flow • Communication function • Sales function • Promotion function

TYPES OF DISTRIBUTION CHANNELS:



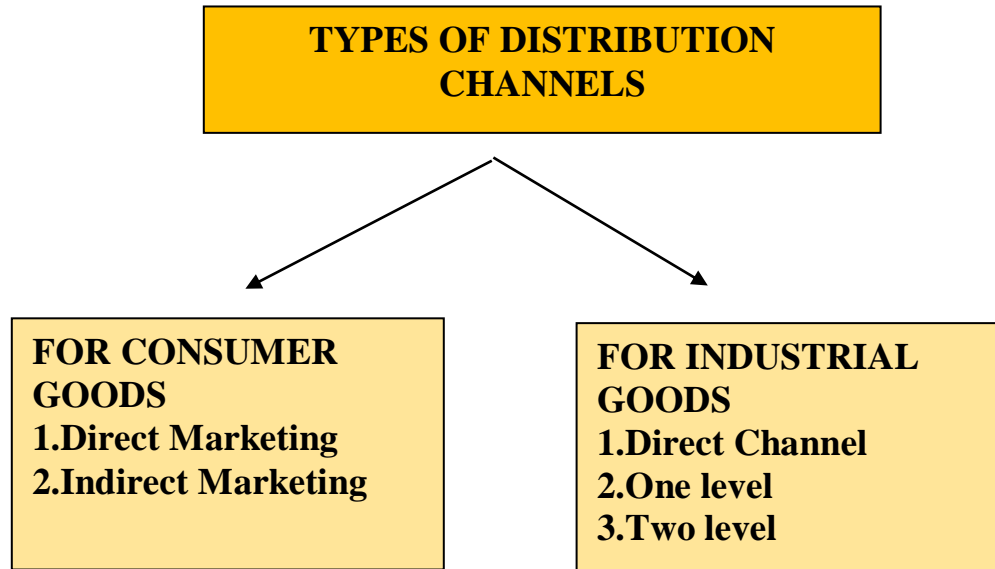
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The types of distribution channels for industrial goods and consumer goods are as follow:



FOR CONSUMER GOODS:

A. Direct Marketing or Zero Level Marketing: in this type, the producer directly selling products or services to ultimate customer. Some time they also prefer personal selling.

B. Indirect Selling: in this type, a third party included in the distribution of product or services.

1. One level channel: producer- retailer- consumers
2. Two level channel: producer-wholesaler/distributor-retailer-consumers
3. Three level channel: producer-distributor-wholesaler-retailer-consumers
4. Four level channel: producer- agent-distributor- wholesaler- retailer- consumer

FOR INDUSTRIAL PRODUCTS/GOODS:

1. Direct Marketing Channel: it is a most popular and convenient methods for distribution of industrial goods. It is quite convenient when goods are sold to few industries with large quantity. it also maintain good relationship with customers.

2. one level channel: manufacturer-industrial distributor- industrial user



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3.two level channel: manufacture-industrial agent-industrial distributor- industrial user

1 WORD QUESTION ANSWER

<u>SR.NO</u>	<u>QUESTION</u>	<u>ANSWER</u>
1	How many types of channel of distributions are there??	2
2	Named the two types of channel of distribution.	<ul style="list-style-type: none"> • For consumer goods • For Industrial goods
3	In this type, the producer directly selling products or services to ultimate customer.	Direct Marketing
4	In this type, a third party included in the distribution of product or services.	Indirect Selling
5	producer- retailer- consumers indicates which type of level of channel?	One level channel
6	producer-wholesaler/distributor-retailer-consumers which type of level of channel?	Two level channel
7	producer-distributor-wholesaler-retailer-consumers which type of level of channel?	Three level channel
8	producer- agent-distributor- wholesaler- retailer- consumer which type of level of channel?	Four level channel

FACTORS AFFECTING CHANNEL CHOICE:

Various factors affect the selection of distribution channel namely organizational, product factor, consumer factors, middlemen related factors. each discussed as below:

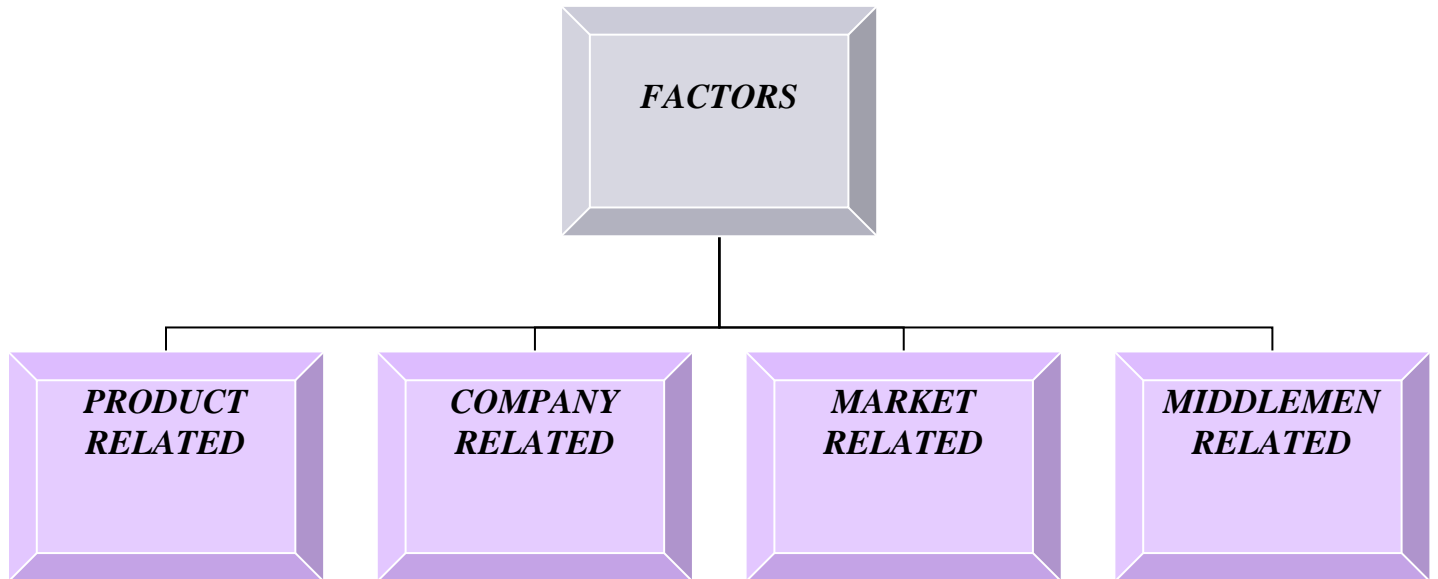


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1. Product Considerations: The nature and type of the product have an important bearing on the choice of distribution channels. The main characteristics of the product in this respect are given below:

(a) Unit Value: Products of low unit value and common use are generally sold through middlemen as they cannot bear the cost of direct selling. Low-priced and high turnover articles like cosmetics, hosiery goods, stationery and small accessory equipment usually flow through a long channel. On the other hand, expensive consumer goods and industrial products are sold directly by the producers.

(b) Perish ability: Perishable products like vegetables, fruits, milk and eggs have relatively short channels as they cannot withstand repeated handling. Same is true about articles of seasonal nature.

Goods which are subject to frequent changes in fashion and style are generally distributed through short channels as the producer has to maintain close and continuous touch with the market. Durable and non-fashion articles are sold through agents and merchants.

(c) Bulk and weight: Heavy and bulky products are distributed through shorter channels to minimize handling costs. Coal, bricks, stones, etc., are some examples.



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(d) Standardization: Custom-made and non-standardized products usually pass through short channels due to the need for direct contact between the producer and the consumers. Standardized and mass-made goods can be distributed through middlemen.

(e) Technical nature: Products requiring demonstration, installation and after sale services are often sold directly the producer appoints sales engineers to sell and service industrial equipment and other products of technical nature.

(f) Product line: A firm producing a wide range of products may find it economical to set up its own retail outlets. On the other hand, firms with one or two products find it profitable to distribute through wholesalers and retailers.

(g) Age of the product: A new product needs greater promotional effort and few middlemen may like to handle it. As the product gains acceptance in the market, more middlemen may be employed for its distribution. Channels used for competitive products may also influence the choice of distribution channels.

2. Market considerations: The nature and type of customers is an important consideration in the choice of a channel of distribution. Following factors relating to the market are particularly significant.

(a) Consumer or industrial market: The purpose of buying has an important influence on channel. Goods purchased for industrial or commercial use are usually sold directly or through agents. This is because industrial users buy in a large quantity and the producer can easily establish a direct contact with them. To ultimate consumers, goods are sold normally through middlemen.

(b) Number and location of buyers: the number of potential customers is small or the market is geographically located in a limited area, direct selling is easy and economical. In case of large number of customers and widely scattered markets, use of wholesalers and retailers becomes necessary.

(c) Size and frequency of order: Direct selling is convenient and economical in case of large and infrequent orders. When articles are purchased very frequently and each purchase order is small, middlemen may have to be used.



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A manufacturer may use different channels for different types of buyers. He may sell directly to departmental and chain stores and may depend upon wholesalers to sell to small retail stores.

(d) Customer's buying habits: The amount of time and effort which customers are willing to spend in shopping is an important consideration. Customer expectations like desire for one-stop shopping, need for personal attention, preference for self-service and desire for credit also influence the choice of trade channel.

3. Company considerations: The nature, size and objectives of the firm play an important role in channel decisions.

(a) Market standing: Well-established companies with good reputation in the market are in a better position to eliminate middlemen than new and less known firms.

(b) Financial resources: A large firm with sufficient funds can establish its own retail shops to sell directly to consumers. But a small or weak enterprise which cannot invest money in distribution has to depend on middlemen for the marketing of its products.

(c) Management: The competence and experience of management exercises influence on channel decision. If the management of a firm has enough knowledge and experience of distribution it may prefer direct selling. Firms whose managements lack marketing know-how have to depend on middlemen.

(d) Volume of production: A big firm with large, output may find it profitable to set up its own retail outlets throughout the country. But a manufacturer producing a small quantity can distribute his output more economically through middlemen.

(e) Desire for control of channel: Firms that want to have close control over the distribution of their products use a short channel. Such firms can have more aggressive promotion and a thorough understanding of customers' requirements. A firm not desirous of control over channel can freely employ middlemen.

(f) Services provided by manufacturers: A company that sells directly has itself to provide installation, credit, home delivery, after sale services and other facilities to customers. Firms which do not or cannot provide such services have to depend upon middlemen.



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4. Middlemen considerations: The cost and efficiency of distribution depend largely upon the nature and type of middlemen as reflected in the following factors:

(a) Availability: When desired type of middlemen is not available, a manufacturer may have to establish his own distribution network. Non-availability of middlemen may arise when they are handling competitive products as they do not like to handle more brands.

(b) Attitudes: Middlemen who do not like a firm's marketing policies may refuse to handle its products. For instance, some wholesalers and retailers demand sole selling rights or a guarantee against fall in prices.

(c) Services: Use of middlemen is profitable who provide financing, storage, promotion and after sale services.

(d) Sales potential: A manufacturer generally prefers a dealer who offers the greatest potential volume of sales.

(e) Costs: Choice of a channel should be made after comparing the costs of distribution through alternative channels.

(f) Customs and competition: The channels traditionally used for a product are likely to influence the choice. For instance, locks are sold usually through hardware stores and their distribution through general stores may not be preferred. Channels used by competitors are also important.

(g) Legal constraints: Government regulations regarding certain products may influence channel decision. For instance, liquor and drugs can be distributed only through licensed shops.



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INTRODUCTION OF MIDDLEMEN/INTERMIDIARIES/CHANNEL MEMBERS:

a middleman in business can be defined as any person or entity that makes the goods that are produced by a producer reach the public or the final consumer. A middleman comes between the producer and the consumer and makes sure that the final consumer gets access to the goods produced by the producer. It is for this reason that people or entities that engage in this type of business are called middlemen – they are basically intermediaries between producers and consumers.

Middlemen therefore include a vast number of people and entities such as wholesalers, retailers, agents, brokers, shop owners, street vendors, hawkers, etc.

TYPES OF MIDDLEMEN/ CHANNEL MEMBERS:

-  *Wholesalers*
-  *Retailers*
-  *Agents*
-  *Broker*
-  *Dealer*
-  *Distributor*
-  *Jobber*
-  *Branches*
-  *Consumer co-operatives*

1. **Wholesalers:** They are the people who buy in bulk from the producers and sell in small quantities to the retailers.

2. **Retailers:** They are the people who buy in small quantities from the wholesalers and sell to the ultimate consumers.



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3. **Brokers:** Like agents, brokers also represent either the buyer or the seller. They do not usually have physical control over the goods in which they deal. Example: share brokers. They get 'brokerage' for their work.

4. **Agents:** They are the middlemen who do not take any title to goods. They render all services required in marketing. They represent either the seller or the buyer. They receive commission for their work.

5. **Dealers:** They are the business houses that resell goods. Example: Viveks, Vasanth & Co. and so on.

6. **Distributors:** They are the same as wholesalers.

7. **Jobbers:** They are associated with stock exchanges. A jobber deals in certain securities. He transacts only with a broker and does not deal directly with the public.

8. **Branches:** These are establishments maintained by manufacturers at different places to promote sales. Example: Bata Shoe Company.

9. **Consumer Co-operatives:** These are owned and managed by the ultimate consumers. Such cooperatives buy and distribute goods mainly to the members.

1 WORD QUESTION ANSWER

<u>SR.NO</u>	<u>QUESTION</u>	<u>ANSWER</u>
1	How many factors are affecting channel choice??	4
2	Which factors affecting channel choice??	<ul style="list-style-type: none"> ✓ Product related ✓ Market related ✓ Company related ✓ Middlemen related
3	A _____ comes between the producer and the consumer	middleman



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	and makes sure that the final consumer gets access to the goods produced by the producer.	
4	They are the people who buy in bulk from the producers and sell in small quantities to the retailers.	Wholesalers
5	They are the people who buy in small quantities from the wholesalers and sell to the ultimate consumers.	Retailers
6	Like agents, also represent either the buyer or the seller. They do not usually have physical control over the goods in which they deal.	Brokers
7	They are the same as wholesalers.	Distributors
8	These are establishments maintained by manufacturers at different places to promote sales.	Branches

SERVICES PROVIDED BY MIDDLEMAN/ CHANNEL MEMBERS: from the types of middlemen we can say that they perform various marketing functions and provide number of services to the manufactures and consumers.

- Services to the consumers:** middlemen provide various services to deliver the goods to the end use that is customer. It includes following services:
 - Purchasing facilities
 - Transport facilities/home delivery
 - Credit facility
 - Low inventory
 - Risk taking
 - Information about new products
- Services to the manufactures:** middlemen provide following services to the manufactures:
 - Market development



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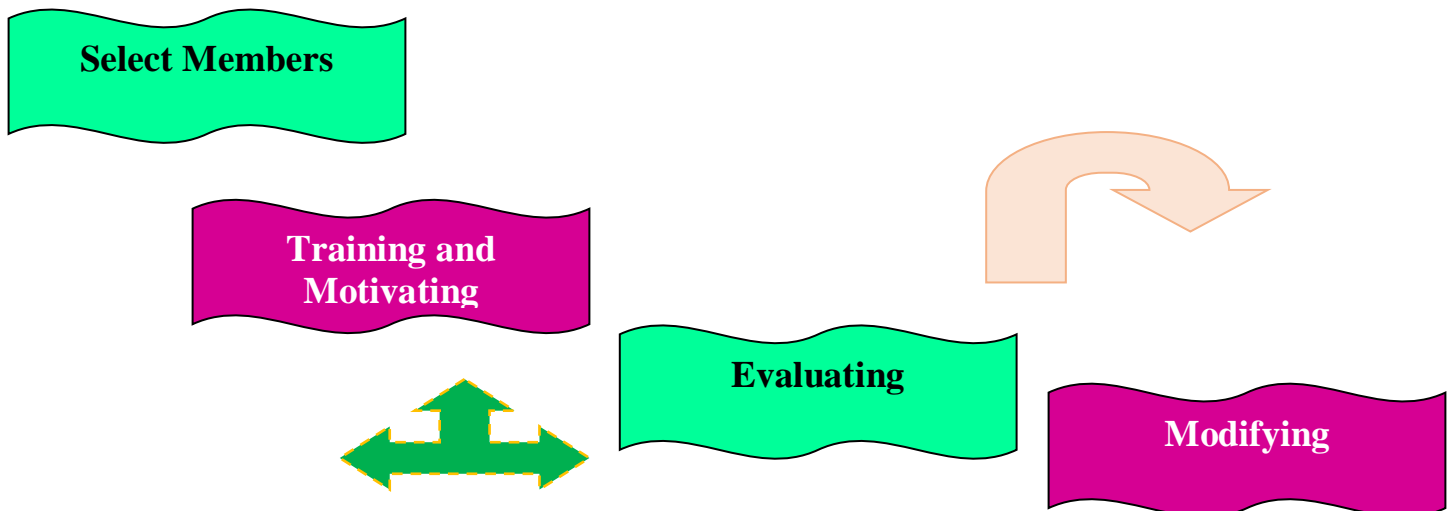
- Sales department
- Price fixation
- Sales forecasting
- Storage facility
- Advertising and promotion
- Distribution system
- Production scale improvement

CHANNEL MANAGEMENT DECISION:

Channel management helps to serve the customers within a specific channel by developing sales-oriented program. The main objective of channel management is to maintain smooth flow of communication between the producer and the customer. To do this, marketer has to first make channel segmentations as per the needs and preferences and develop goals, policies and other marketing programs.

DEFINITION: “A process by where the company develops various marketing techniques as well as sales strategies to reach the widest possible customer base.”

Channel management includes.....



1.selecting channel members: for customer, channel members are asset of the company. Any negative impression directly effects on company’s image. Company can take care while



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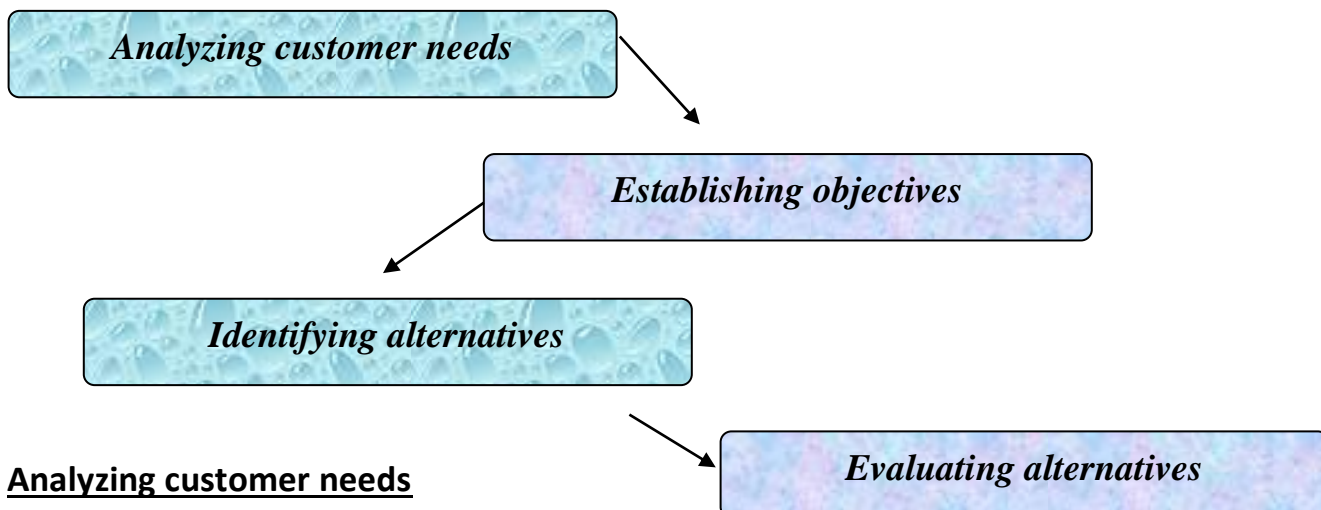
selection of its channel members by their past record, market reputation, customer coverage, distribution facility etc.

2.training and motivating channel members: for marketers, channel members should be like an end user. Marketer should also evaluate the need of channel members and deliver superior values to them. Marketer has also arranged programs, research and development programs for their channel members to improve their performance and result. The marketer has to give rewards and extra benefits to their members to encourage them. For increased their morale also.

3. evaluating channel members: marketer should regularly evaluate the performance of middlemen by well establishes standards like sales performance, customer satisfaction, co-operation etc. those who are doing best job, they have motivated by various means of appreciated.

4. modifying channel design and arrangements: marketer should regularly evaluate and modify channel and related arrangements when where is change in consumer behavior, competition, market expansion etc. or when it is not working properly. it needs changes as per the stages of product life cycle.

CHANNEL DESIGN DECISIONS: The channel design requires following decisions:



Analyzing customer needs

- Lot size
- Waiting and delivery time
- Spatial convenience
- Product variety



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- Service backup

Establishing channel objectives: Channel objectives should be stated in terms of targeted service output levels. Channel design must take into account the strengths and weaknesses of different types of intermediaries.

Identifying major channel alternatives: A channel alternative is described by three elements: (a) the types of available business intermediaries, (b) the number of intermediaries needed, (c) and the terms and responsibilities of each channel member.

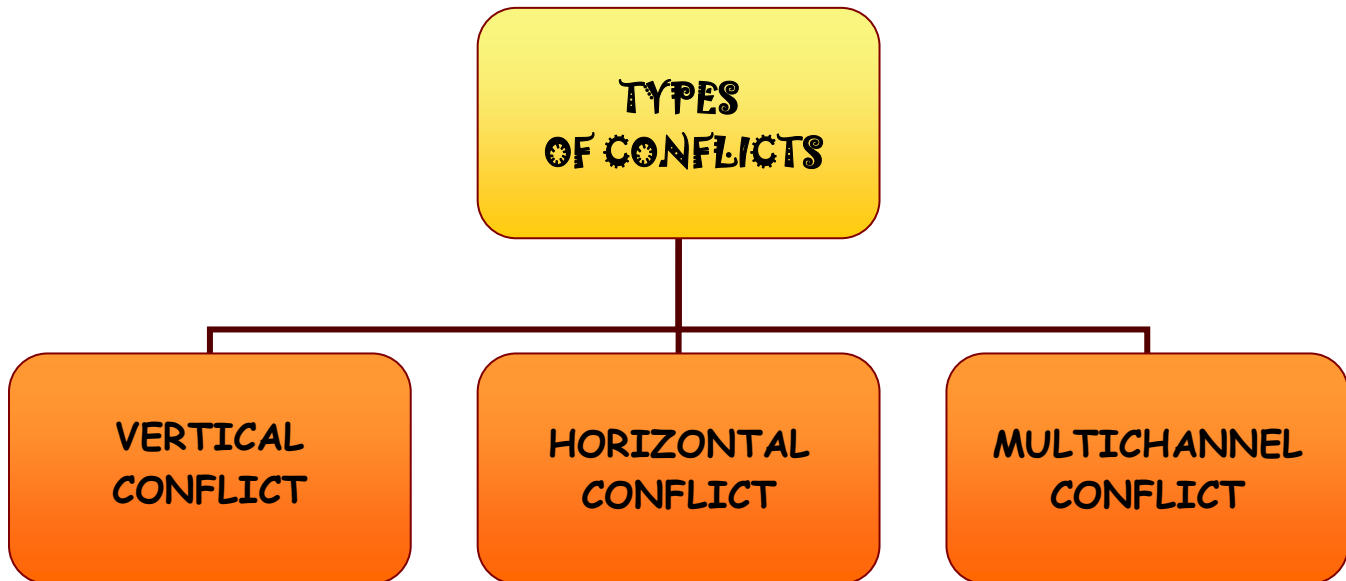
Evaluating the major alternatives: Each channel alternative needs to be evaluated by following criteria like total sales, cost, demand level, analyze the alternative with company's sales force as they are highly trained and aggressive for company's success, cost of selling in each channel.

There must be commitment from channel members for handling continuously changing product market.

HANDLING CHANNEL CONFLICTS:

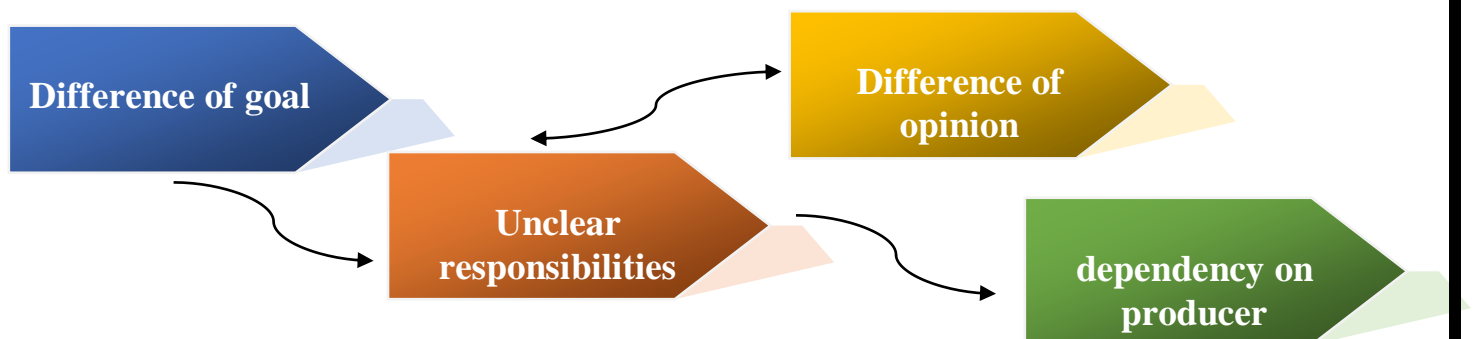
While designing channel management there will be some conflict. Generally, channel conflict will arise when one member's interest becomes the problem for another channel to achieve its goal.

TYPES OF CONFLICTS:



- 1. vertical channel conflict:** a conflict between different channel levels within same channel.
- 2. horizontal channel conflict:** a conflict between members at the same level within the channel.
- 3. Multichannel level:** a conflict arises when producer set up two or more number of channels that have same market for sale.

CAUSES OF CHANNEL CONFLICTS:



- 1. Difference of interest and goal:** there may be difference between of interest/goal between producer and distributors.
- 2. Unclear responsibilities:** sometimes distributors are not clear about their roles, responsibilities.



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3. Difference of opinion: in this, the conflict may arise between producer and the distributors. E.g., producer spends heavy amount on advertising to increase their sales but at the same time distributor remain passive and wants to analyze future market trend.

4.distributor’s dependency on producer: in some product category like car, scooter electric etc. priority dealer, authorized dealer are majority affected by the producer’s policy. So, it may create conflict.

MANAGING CHANNEL CONFLICTS:

Companies are setting up channels to increase sales and market coverage. At the same time, they also face conflicts from channel members. Sometimes conflicts give positive suggestions for managing dynamic environments but too much conflicts lead to mismanagement and efficiency. One cannot eliminate channel conflict, it is to be managed and managed by following way:

- Adoption of super ordinate goals
- Employee exchange program
- Membership in associations
- By co-operation
- By diplomacy, mediation and arbitration

SOME FACTORS/ISSUES IN MANAGING CHANNEL CONFLICTS:

1. **Dilution and cannibalization:** marketer must consider their brand value while deciding the channel especially for luxury or expensive products that need exclusive and personalized support.
2. **Legal and ethical issues:** companies are legally free too frame their channel management decisions. The law restricts the companies from using exclusionary strategies like exclusive territories, rights etc...

1 WORD QUESTION ANSWER

<u>SR.NO</u>	<u>QUESTION</u>	<u>ANSWER</u>
1	Channel members are providing services to whom?	To consumers & To Manufactures



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2	Which kinds of services provided by middlemen to consumers?	<ul style="list-style-type: none"> • Purchasing facilities • Transport facilities/home delivery • Credit facility
3	Which kinds of services provided by middlemen to manufactures?	<p>Market development</p> <p>Sales department</p> <p>Price fixation</p> <p>Sales forecasting</p> <p>Storage facility</p>
4	“A process by where the company develops various marketing techniques as well as sales strategies to reach the widest possible customer base.”	Channel management decision
5	How many types of conflicts are there??	Three
6	Which is first step in channel management decision process?	Selecting channel members
7	Which is last step in channel management decision process?	Evaluating the major alternatives

ONLINE PORTAL:

Any online /web/ public portal refers to a web site or service that offers a broad array of resources and services, such as e-mail, search engine and online shopping malls. Initially, the term portal refers to well-known internet search and navigation sites provide a starting point for web consumers to explore and access information on the www.



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FEATURES:

- highly **safe** and secure
- consumer can access **varieties of data**
- **online transaction** facility
- **searching** and transaction facility
- availability of maintaining personal and publish content
- **multichannel** consistency

FUNCTIONS:

- It provides **searching facility**
- It provides **various information**
- Task management and **work flow**
- Provides **regular notification**
- Provide **regular updating** for new products, services, offers etc.

TYPES:

1. **Horizontal portal:** it targets the entire internet community. It is referred to as “mega portal”.
2. **Vertical portal:** it offers information and services customized to specific audience about a particular area of interests also called as portals and provides a gateway information related to a particular sector. For example- economics, sports.

PROCESS/STEPS/WORKING OF ONLINE PORTAL: the steps are.....

1. registration
2. Defining request
3. Fill out, upload forms
4. Ask queries by e-mail
5. Receive approval

FLIPCART:

Flip cart is an **e-commerce company**. Its **head quarter** is at **Bangalore**, India. Currently the **CEO** of this company is **Kalyan Krishnamurthy**. Approximate **30000 employees** are working in flip cart. This company already introduced their own **product range of tables, laptops bags, USB,**



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and many more. They are running with complex business structure with nine firms. Some are registered in Singapore also.

BUSINESS MODEL OF FLIPCART: FLIPCART IS AN E-COMMERCE b2c (business to customer) shopping portal for Indian consumers. The mode is.....

1. Online portal
2. List of sellers who are involved in selling the desired product range
3. Customer browsing as per product choice
4. Create appealing discount offers
5. Shopping by customers for their required products
6. Shipment by flip cart to customers
7. Product deliver to the customers or may be return back
8. Sellers receive their price of the product by eliminate the commission of Flipcart for the contribution in selling

SNAPDEAL:

Snapdeal, **Delhi based company** was **started by Kunal bahl/Rohit Bansal**- pass out from IIT Delhi in **2010**. They are at present trading more than **30 million products** and **covers 6000 towns and cities approx**. In March 2015 company appointed Aamir khan as a brand ambassador. It was **owned by jasper infotech private limits**.

BUSINESS MODEL OF SNAPDEAL:

1. List of sellers (More than 100000)
2. Listing of products to encourage sellers
3. Agreement with sellers regarding terms and conditions for selling on a commission basis
4. Customer places an order
5. Snapdeal passes that order to the seller
6. Seller makes the arrangement for pick-up and delivery to the customer
7. At the end of stipulated time period, Snapdeal makes total sales of the seller, deduct the commission plus service tax and remit the balance money to the seller



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Snapdeal operates through a market place business model of e-commerce, their channels are-

- Website (snapdeal.com)
- Mobile/tablets web app on mobile
- Mobile app (android/ios)
- Direct tele sales
- Social networking

AMAZON:

Amazon.com, an American e-commerce and cloud computing company was founded by Jeff Bezos in 1994 in Washington, U.S.A. This company is world's largest E-tailor in terms of market cap and sales. It was started with bookstore and then addition of CDs/DVDs, MP3, software, games, furniture, toys, jewelry, clothes etc. made. It is world's largest producer. By countries wise amazon makes separation of their retail market. The slogan of Amazon is "work hard, have fun, make history".

BUSINESS MODEL OF AMAZON:

1. Sellers send their products to different amazon warehouses, directed by amazon.
2. Product identification with FNSKU code
3. Warehouse team scans the barcodes and store similar products at a particular location
4. When a customer places any order on amazon, warehouse team knows from where to get the product from FNSKU and start dispatch process
5. Shipping the product to customers with amazon packaging

PAYMENT GATEWAY

A payment gateway is a merchant service provider that allows credit card/debit card/ direct payment processing for online business by an e-commerce application service e.g. Banks.it facilitates transaction between a payment portal and the front-end processor or bank.

FUNCTIONING OF ONLINE PAYMENT GATEWAYS:

1. Order placement by customer and select the option for payment
2. Customer click on submit order and enters their card/account details by using automatic phone answering service



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3. The gateway collects the payment information and send it securely encrypted to the processing bank for authorization
4. Through visa or master card's payment network, processing bank sends the request to the card issuer for authorization
5. The visa or master card issuer approves or rejects the transaction and send response to the processing bank
6. The processing banks sends the response through the gateway to the particular merchant for completing the transaction
7. For approved transactions the merchant deposits the receipt with its processing bank for requesting payment
8. The processor credits the accounts of the merchant and submit the transaction to visa or master card for a settlement
9. Visa or master card pays the processing bank and at the same time, debit the amount form the card issuer's account
10. The card issuer then posts the transaction to the cardholders account

ROLE OF PAYMENT GATEWAY IN E- COMMERCE:

- A payment gateway is an e- commerce based service provider that facilitates payment mode via cards or by direct clicks.
- It's a process between bank and customer.
- For online business, it is must.
- Much faster and easier than cheques.
- When a customer places an order, the card details sent to payment gateway checks the validity with the issuing bank and also detect fraud if any.
- Much secure than manual credit card processing.
- It saves time of merchant.
- An online store with payment gateway eliminates the cost of storage space and staff requirements.



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DRAWBACKS/LIMITATIONS OF PAYMENT GATEWAYS:

- The server down issue, loss of connection etc. may lead the customers to not go through their online transaction.
- There are chances of fraud.
- Customer’s information may be leak with banks.
- Limitation regarding maximum amount in account, the number of transactions per day.

1 WORD QUESTION ANSWER

<u>SR.NO</u>	<u>QUESTION</u>	<u>ANSWER</u>
1	Write the functions of online portal.	Searching facility Daily Updated information Daily notification
2	It targets the entire internet community. It is referred to as “mega portal”.	Horizontal portal
3	It offers information and services customized to specific audience about a particular area of interests also called as portals and provides a gateway information related to a particular sector.	Vertical portal
4	How many steps are there for online portal process?	5
5	Head quarter of flip cart is at _____	Bangalore, India
6	Currently the CEO of flip cart company is _____	Kalyan Krishnamurthy
7	Snapdeal, Delhi based company was started by _____	Kunal bahl/Rohit Bansal
8	Snapdeal owned by whom?	jasper infotech private limits.
9	AMAZON founded by _____ in _____ in Washington, U.S.A.	Jeff Bezos, 1994
10	The slogan of Amazon is _____	“work hard, have fun, make history”.
11	A _____ is a merchant service provider that allows	payment gateway



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credit card/debit card/ direct payment processing for
online business by an e-commerce application service.



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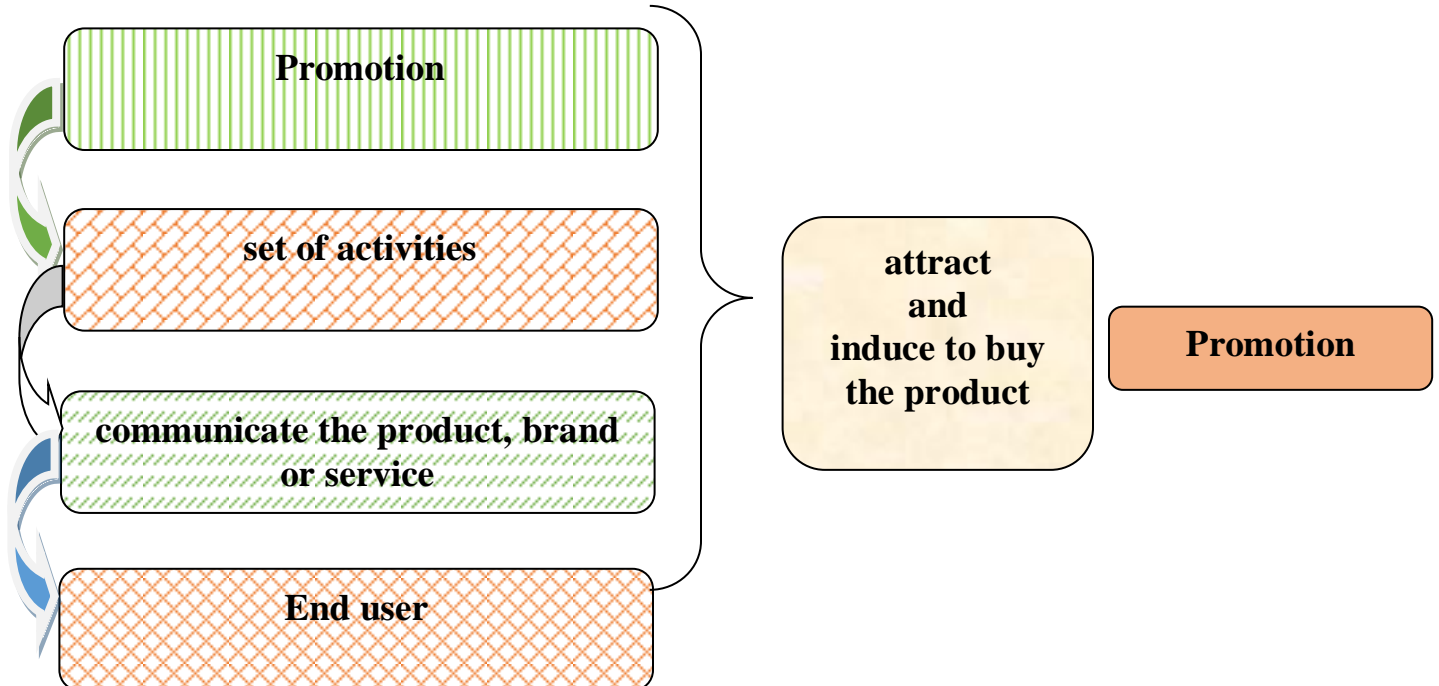
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UNIT – 4 PROMOTION DECISIONS

INTRODUCTION OF MARKET PROMOTION: Promotion is the component of a company's marketing system that involves delivery of messages to target customers that emphasizes the benefits of your brand, products and services. A few common communication tools are used in a promotional plan. Promotion is also one of the elements in the promotional mix or promotional plan. These are personal selling, advertising, sales promotion, direct marketing publicity and may also include event marketing, exhibitions and trade shows. A promotional plan specifies how much attention to pay to each of the elements in the promotional mix, and what proportion of the budget should be allocated to each element.

DEFINITION: “Promotions refer to the entire set of activities, which communicate the product, brand or service to the user. The idea is to make people aware, attract and induce to buy the product, in preference over others.”



COMPONENTS/ELEMENTS OF PROMOTION MIX/PROMOTION AS COMMUNICATION: There are several types of promotions. Above the line promotions include advertising, press releases, consumer promotions (schemes, discounts, contests), while below the line include trade



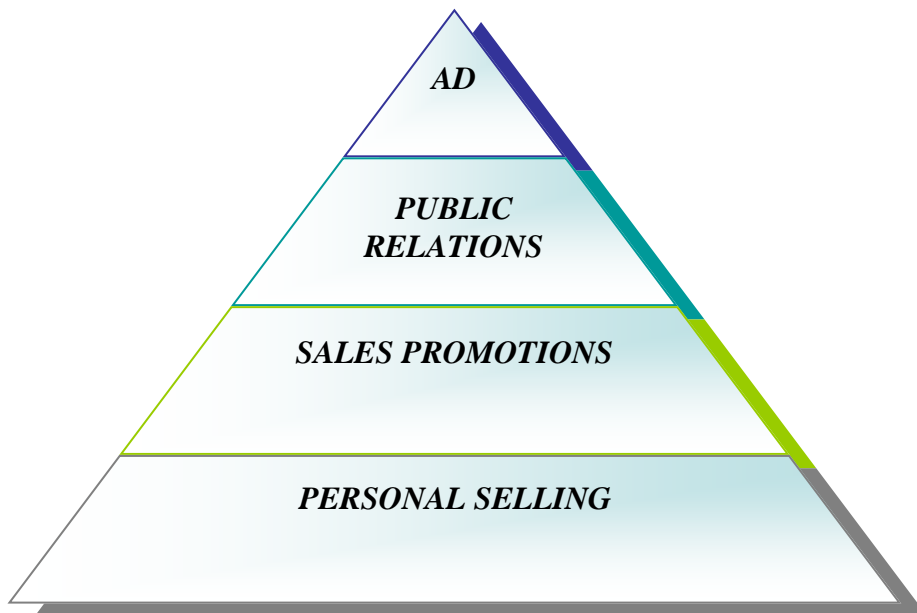
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discounts, freebies, incentive trips, awards and so on. Sales promotion is a part of the overall promotion effort.



Personal selling: one of the most effective ways of customer relationship. Such selling works best when a good working relationship has been built up over a period of time. This can also be expensive and time consuming but is best for high value or premium products.

Sales promotions: this includes freebies, contests, discounts, free services, passes, tickets and so on, as distinct from advertising, publicity and public relations.

Public relations: PR is the deliberate, planned and sustained effort to establish and maintain mutual understanding between the company and the public.

Advertising: most effective medium to attract the customer.

MARKET PROMOTIONAL COMMUNICATION PROCESS:

Communication is the process of transmitting data, ideas, information from a source (transmitter) to a receiver using a communication channel. All these elements form a communication system.



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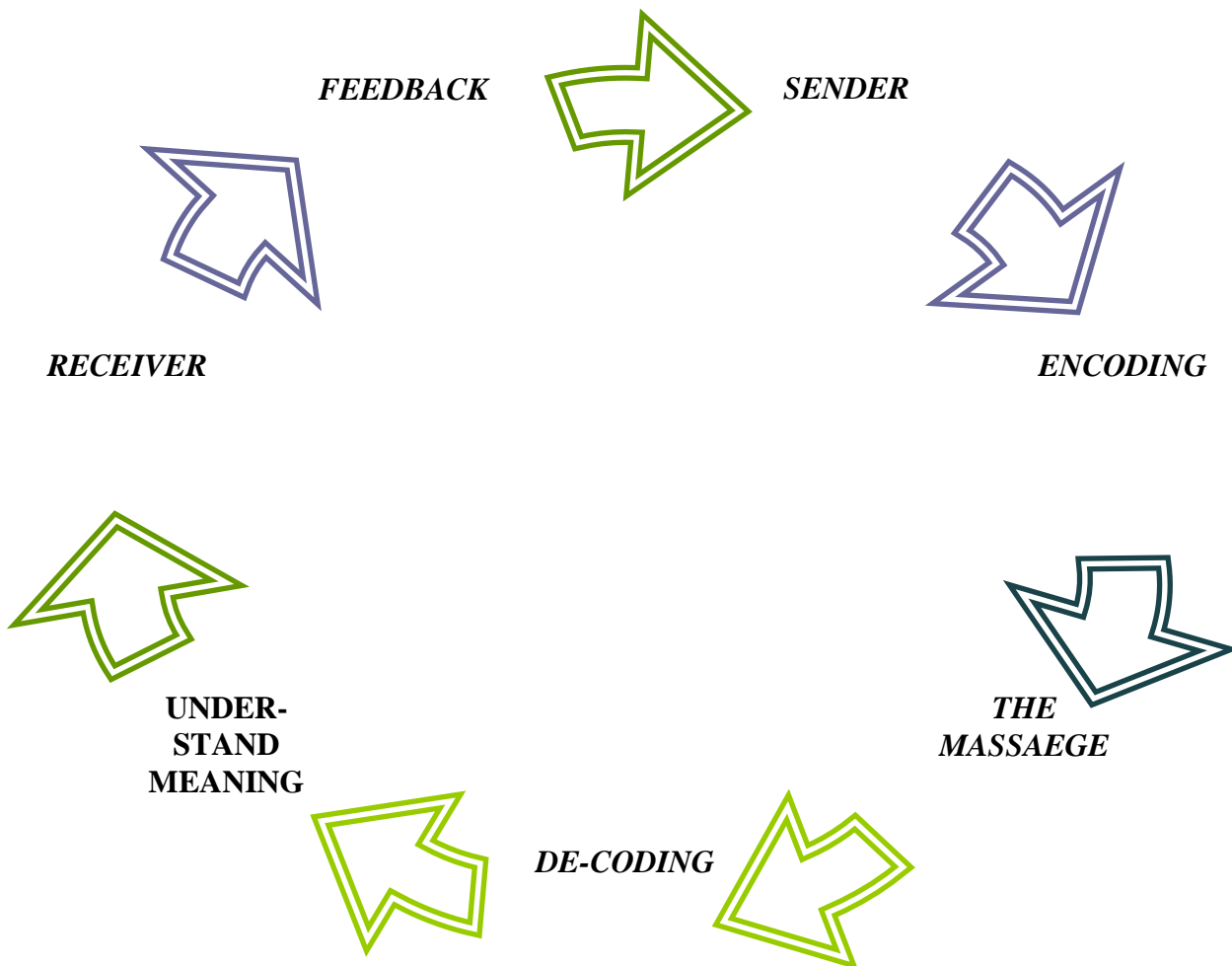
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Marketing communication is the process where two sides try to influence each other, using symbols, in order to achieve their final objectives:

- **Producer's objective:** to sell the products
- **Customer's objective:** satisfying the need.

The process of communication is depicted in the following scheme:



The transmitter(sender) – is the company that want to send a message to the target market so that it receives a favorable answer from them:



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- **Purchase of a product**
- **Positive attitude**
- **Image improvement**

To assure a high credibility, the company employs public personalities or opinion leaders to effectively deliver the message. They are the message source and are widely used in advertising.

Message encoding – The intended meaning of the message, the idea the transmitter wants to deliver in encoded in symbols, text, images, sounds so that it's easily received by the customer. In the encoding process, the transmitter must take into account the public target characteristics, so that it doesn't understand the message inaccurately.

The message – is transmitted through a communication channel to the receiver and has a certain transmitted meaning. On this act various perturbing factors existing at the communication channel level and are independent of the transmitter or receiver. These perturbing factors are called *interferences* or *channel noise* and are usually a consequence of the message intersecting other promotional messages.

Message decoding – the message is received having a certain received meaning, that can be different from the original emitted meaning due to the channel noise.

The understood meaning – results from decoding the received message according to the interpretation the receiver gives to the symbols the transmitter used to encode the message.

Receiver – is that part of the target market where the message is focused. It can be a person, a group or an organization.

Feedback – is the answering reaction of the receiver that can be a positive, negative or indifferent. The purpose of promotional communication is that the public response to be favorable, with a clear finality: purchasing the products and recovery, by this mean, of the expenses involved in the promotional activities.



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In the communication process, the transmitter must make sure that the *understood meaning* is as close as possible to the *intended meaning*. Otherwise, the message can be distorted and might not generate the desired effects, representing a total waste of resources.

1 WORD QUESTION ANSWER

<u>SR.NO</u>	<u>QUESTION</u>	<u>ANSWER</u>
1	“_____ refer to the entire set of activities, which communicate the product, brand or service to the user. The idea is to make people aware, attract and induce to buy the product, in preference over others.”	Promotion
2	_____ is also one of the elements in the promotional mix or promotional plan.	Promotion
3	Which are components of promotion mix.	Advertising, personal selling, public relation, sales promotion
4	Which is first step in promotion communication process.	sender
5	Which is last step in promotion communication process.	feedback
6	In this step of communication process, the intended meaning of the message, the idea the transmitter wants to deliver in encoded in symbols, text, images, sounds so that it's easily received by the customer.	Message encoding
8	This is that part of the target market where the message is focused in communication process.	Receiver

PROMOTION MESSAGE:

A promotion message should be as per needs and wants of consumers. It should specify the features of the product. The medium of promotion should be effective so as to create a desire in the mind of the customer to purchase particular product. It may be in spoken, written. Pictures, video, audio will effectively convey the message to the targeted public. A promotion



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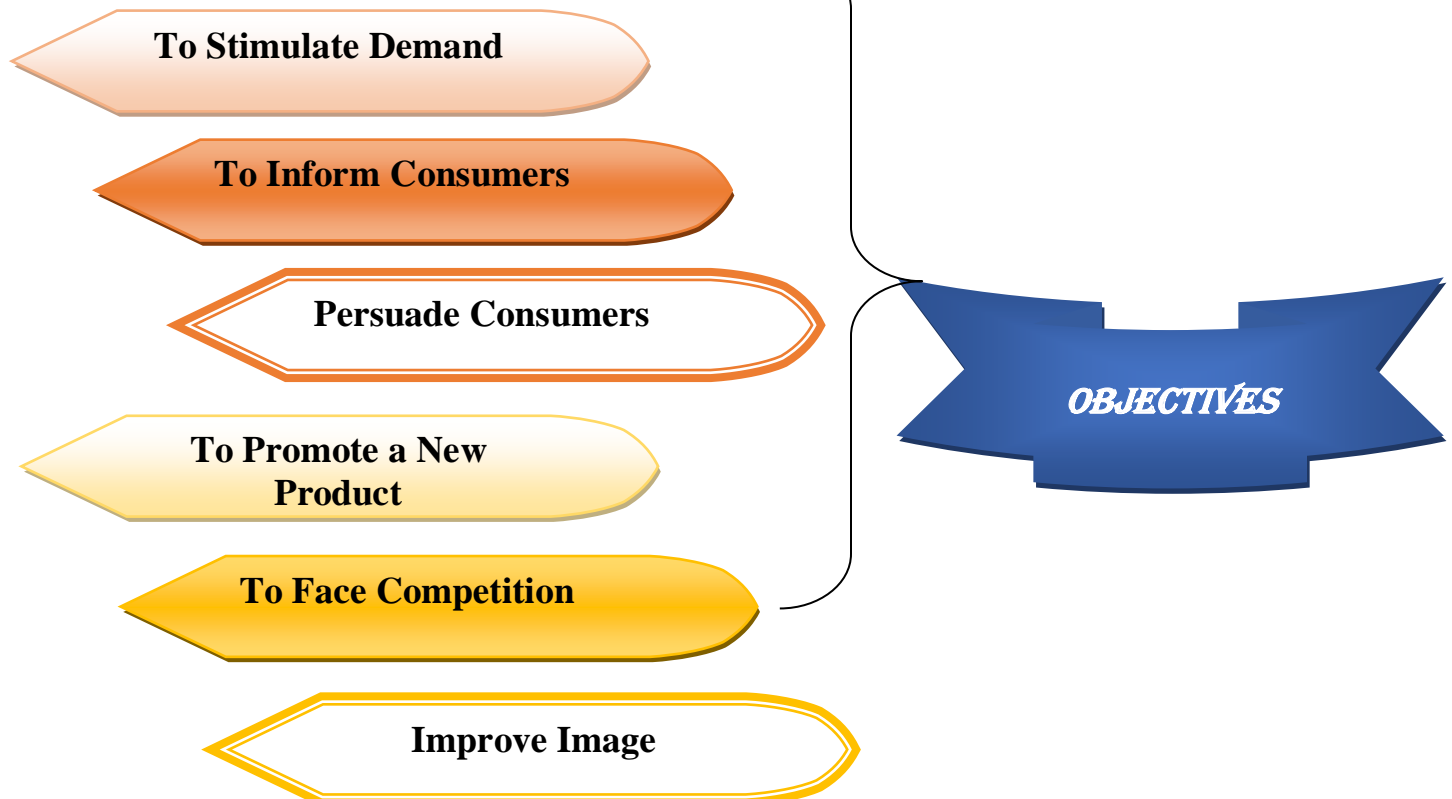
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message should create a positive image in the mind of customer. It should not be misleading. Promotion message is that on which the public can take the decision about the product.

OBJECTIVES/IMPORTANCE OF MARKET PROMOTION:



1. To Stimulate Demand: It is the primary objective of market promotion. Through the use of appropriate means of market promotion, such as advertising, sales promotion, personal selling, and so forth, the company can stimulate demand for the product. Market promotion efforts convert potential buyers into actual buyers. Company, by highlighting product benefits, tries to match the product with needs, wants, and expectations of buyers. As per need, various means of market promotion are used to establish the information link with the target customers.

2. To Inform Consumers: Promotion is aimed at informing consumers about features, qualities, performance, price, and availability of firm's products. Market promotion is also a valuable means to inform consumers the changes made in the existing products and introduction of new products. In the same way, market promotion, by various tools of market



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communication, is used for communicating the special offers, price concession, utility of products, and incentives offered by the company.

3. To Persuade Consumers: Market promotion is an effective way to persuade consumers the superiority of product over competitors. A firm can communicate competitive advantages the product offers to distinguish it from competitors' products. Obviously, market promotion can assist the firm to convince buyers that the firm's product is the best solution to their unmet needs and wants. Advertising is one of the most effective tools to distinguish the product from competitors' products.

4. To Promote a New Product: In a large and decentralized market, market promotion is an inevitable medium to promote a new product. By suitable promotional strategies, a company can successfully introduce a new product in the market as against existing products. Company can inform about availability, distinct features, and price of newly launched product. In every stage of consumer adoption of a new product, market promotion has critical role to play.

5. To Face Competition: Market promotion enables the firm to face competition effectively. In today's market situation, it is difficult to stand without the suitable promotional efforts. In short, it can be said that marketer can fight with competitors effectively, can prevent their entry, or can throw the competitor away from the market by formulating and implementing effective market promotion strategies.

6. To Create or Improve Image: Advertising, personal selling, and publicity and public relations – all promotional tools – are capable to create or improve image and reputation of the firm. Many companies have become popular in the market due to effective market promotion. Company can reach the customers at every corner of the world through market promotion.



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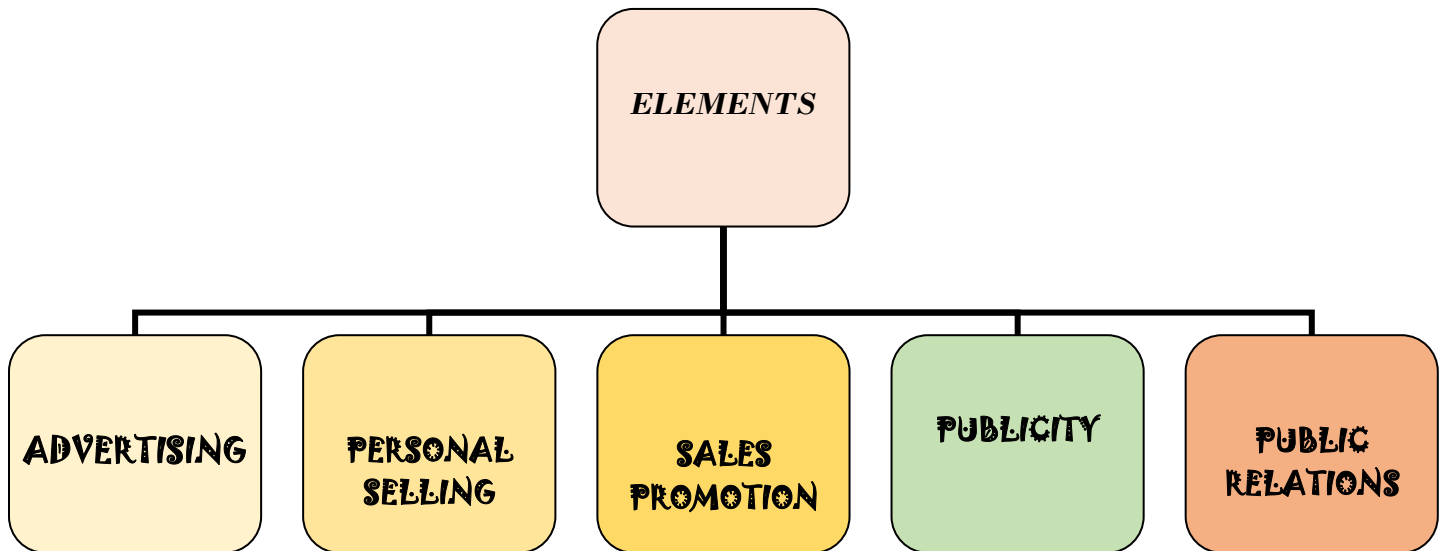
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ELEMENTS OF MARKET PROMOTION MIX:

The popular promotional elements are:



1. ADVERTISING: Advertising is defined as any paid form of non-personal presentation and promotion of ideas, goods, and services by an identified sponsor. It is a way of mass communication. It is the most popular and widely practiced tool of market promotion. Major part of promotional budget is consumed for advertising alone. Various advertising media – television, radio, newspapers, magazines, outdoor means and so forth – are used for advertising the product.

Characteristics of advertising are as follow:

- Advertising is non-personal or mass communication. Personal contact is not possible.
- It is a paid form of communication.
- It is a one-way communication.
- Identifiable entity/sponsor-company or person gives advertising.
- It is costly option to promote the sales.
- It can be reproduced frequently as per need.
- Per contact cost is the lowest.
- Various audio-visual, print, and outdoor media can be used for advertising purpose.
- It is a widely used and highly popular tool of market promotion.



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Objectives of advertising:

1) Introduce a product

The most common reason Advertising is used is to introduce a new product in the market. This can be done by existing brands as well as new brands. Have a look at the latest iPhone in the market or a Samsung smartphone and you will find a lot of advertisement for these new products. The objective of advertising here is to tell customers – “Here is the new product we have launched”

2) Introduce a brand

There are many startups in the market today and many of them are services. Services are generally marketed as a brand rather than marketing their individual service product. Thus, Uber will market its own brand and introduce that Uber has started servicing customers in a new market. Same goes for Oracle or Accenture – Companies which market their brand and their presence in the market rather than marketing an individual product.

3) Awareness creation

According to the AIDA model, the most important job of advertising is to get attention which is nothing but Awareness creation. Advertising needs to capture the attention of people and make them aware of the products or their features in the market.

Example – Most of the Bank ads that you see are awareness campaigns. The ads that advertise the benefits of savings / mutual funds or benefits on credit and debit cards are all awareness creation ads.

4) Acquiring customers or Brand switching

One of the major objectives of advertising and the first objective of many advertising campaigns is to acquire more customers. This is also known as making the customers switch brands. This can happen by passing on a strong message so that the potential customer leaves the brand which he is tied up with and comes to your brand.



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Example – Most telecom companies launch plans and strategies just to acquire customers and then advertise these strategies in the market so that the customer switches brands. There is hardly any differentiation in the telecom market – thus advertising is a major way to acquire customers. The Vodafone Zoozoo campaign was just that – Influence the customers and create passion in such a way that they do brand switching,

5) Differentiation and value creation

A most important aspect of Advertising is to differentiate the product or the service from those of the competitor. A customer can only differentiate between services based on the value the firms provides over that of competitors.

If a competitor is just advertising the features, whereas your firm advertises the promises and commitments that it will keep, naturally more customers will “trust” your brand over others. This is the reason that advertising is used commonly to create value and to differentiate one brand from another.

Coca cola, Toyota, Amazon are some of the most trusted brands in the market. It is no doubt that these brands are also amongst the top advertisers in their respective segments. These brands target value creation as well as differentiation via their advertising campaigns.

6) Brand building

When a brand regularly advertises and delivers quality products and fulfills the promises it makes, automatically the value of the brand is built. However, there are many other aspects of brand building. One of the first ones is to advertise via ATL and BTL campaigns etc.

Brands have different objectives of Advertising. Brands like P&G and HUL regularly invest funds in building a good brand value for the parent brand. By doing so, even if one brand is affected, the parent brand is untouchable.

Recently we observed the problems of Maggi in India where Maggi was banned completely due to high lead content. However, this did not affect the parent brand Nestle much and neither affected its other brands like Nescafe which had done their own brand building and



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were independent of the parent brand. This brand was built by good products and constant advertising towards building brand equity and making a connect with the audience.

7) Positioning the product – Product and brand recall

One of the key factors in the actual purchase of a product is the products recall and the brand recall at the time of purchase. Amongst the objectives of advertising, one objective is to correctly position the brand in the minds of the customer.

Examples include premium brands like Ralph Lauren, Gucci, Hermes or others which are clearly positioned premium. This position is achieved by first having a very premium product line which is high priced but it is also achieved by buying premium advertising and placing the ads in media vehicles which are very premium.

Besides premium marketing, we can also look at niche marketing. Kent is a company which has focused all its advertising on its purification capability. They claim they are the masters of water purifiers. Their repeated advertising creates a high product and brand recall in the minds of the customers thereby positioning them as the top purchased brand in the water purifier segment.

8) Increase sales

Naturally, with so many steps being taken to advertise the product, it is no doubt that one of the objectives of advertising is to increase sales. Many a times this objective is achieved via advertising. However, if the campaign is improper or the audience is not targeted properly, then advertising can fail in its objective.

Nonetheless, there are many seasonal products wherein an immediate increase in sale is observed due to advertising. The best example is Ice cream brands which advertise heavily during the summer months because they know that advertising will immediately influence the sales figures. They do not waste money in advertising during the winter season at all.

Similarly, you will see many ads of raincoats during rainy season and ads of winter wear during winter seasons. All these ads are placed to increase the sale of the product immediately.



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9) Increase profits

With the value being communicated and the brand being differentiated as well as sales being increased, there is no doubt that advertising can contribute a lot to increasing profits. Advertising should never be looked at as an expense or a liability. In fact, it is an investment for a firm just like a brand is an investment.

10) Create Desire

Again, referring to the AIDA model, one of the key factors in advertising is to create a desire for the product so that the customer wants the product. Brands which are known to do this are BMW, Audi, Harley Davidson, Adidas and others. These brands are master of advertising where they create so much desire for the product that the customer absolutely wants a product even if he doesn't need it.

Different types(media) of advertising:

Nine types of advertising media available to an advertiser are: (1) direct mail (2) newspapers and magazines (3) radio advertising (4) television advertising (5) film advertising (6) outdoor advertising (7) window display (8) fairs and exhibition and (9) specially advertising!

(1) Direct Mail:

This is one of the oldest types of advertising media. Under this method message is sent to the prospective buyers by post. A mailing list is prepared for this purpose. Circular letters, folders, calendars, booklets and catalogues are sent under this type of advertising. In the sales letter an appeal is made to the buyers separately.

It contains detailed information with regard to the product. The main aim of these letters is to create the reader's interest in the product. The letter should be attractive, interesting and



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convincing. Booklets and catalogues contain information regarding detailed description and prices of different varieties of products.

(2) Newspapers and Magazines:

These are the important forms of press advertising, newspapers are the most effective and powerful medium of advertising. Newspapers contain valuable information with regard to different current events. It may be referred to as ‘a store house of information’. There are daily, bi-weekly and weekly newspapers. Newspapers have widest circulation and read by many people. The newspapers may be local, provincial or national.

The newspapers offer widest circulation and have universal appeal. The cost of advertising is lesser as compared to other media. The newspapers have more repetitive value and are very helpful in introducing a new product. These are suitable for all types of goods having wider markets.

Magazines:

Magazines or periodicals are other important media of communication. Magazines may be released weekly, monthly, quarterly, bi-annual or annual. These are read with more interest by the readers as compared to newspapers. Advertisements given in magazines are more descriptive and attractive. They are usually in coloured form which depicts the product nicely and gives lasting impression to the reader.

(3) Radio Advertising:

Radio advertising is very popular these days. The advertisements are broadcasted from different stations of All India Radio. Radio advertising can be explained as “word of mouth advertising on a wholesale scale”. The advertising messages can be in different regional languages.



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(4) Television Advertising:

This is the latest and the fast developing medium of advertising and is getting increased popularity these days. It is more effective as compared to radio as it has the advantages of sound and sight. On account of pictorial presentation, it is more effective and impressive and leaves ever lasting impression on the mind of the viewer.

(5) Film Advertising:

This is also known as cinema advertising. This also provides sight and hearing facilities like television. Short advertisement films are not prepared by big business houses which are sent to different cinema houses to be shown to the audience before the regular shows or during the intermission. It has more repetitive value but not to the same viewers. Its coverage is limited which benefits the local population only.

(6) Outdoor Advertising:

This type of advertising include different media like posters, placards, electric displays or neon signs, sandwichmen, sky writing, bus, train and tram advertising. This is also known as 'Mural advertising'. The main aim of outdoor advertising is to catch the attention of passerby within twinkling of an eye.

(7) Window Display:

It is a common method which is usually undertaken by retailers who display their products in the shop windows in order to attract the customers. This is also known as exterior display.

It is the most effective and direct method of influencing the people. Window display has direct appeal to the onlookers. It is instrumental in arousing the desire to purchase in the prospective customers. It acts as a silent salesman.



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(8) Fairs and Exhibition:

A trade exhibition or a fair is organised on extensive scale which is attended by different manufacturers and traders along with their products to be sold to the large number of people who visit the exhibition. The exhibition may be either organised on local, provincial or international basis.

(9) Specially Advertising:

Most of the business houses in order to increase their sales, advertise their products, give free gifts like diaries, purses, paper weights and calendars to the customers. The name of the firm or the dealer is inscribed on the articles presented.

Factors affecting the choice of advertising media:

- (i) Coverage – What is the coverage of the media? To how many people it reaches? If the target audience is clear then the media covering will be easily selected.
- (ii) Flexibility – The flexibility in a media will allow the advertiser a freedom to adjust as per his requirements. The coverage may gradually be increased on the response of the audience.
- (iii) Frequency – The media should allow the adjustment of frequency of advertisement. If there is a good response from the audience then the frequency may be increased. If the media does not provide any readjustment in frequency, then it may pose some problems later.
- (iv) Selectivity – The media may be tilted towards a particular segment of audience. Some magazines may be more preferred by women readers while some others may be liked more by professionals. The type of audience or viewership of the media should be considered before taking a decision.
- (v) Creative Scope – Does the media allow a creative scope for the message or visual. It may allow the depiction of various colours in an advertisement. It should be the message which be developed as fully as possible.
- (vi) Cost – The cost of undertaking various forms of advertising should be assessed properly. The cost cannot be ascertained by calculating the amount spent upon it but by the response it



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has received. If a TV advertisement is telecasted at such a time that it goes unnoticed by many people then the cost will be high even though the money spent is less.

On the other hand if the amount paid for a shot is more but it is viewed by all members of family then the cost will be low. So, cost should be decided in relation to the response of the advertisement.

Merits:

- Can reach many consumers simultaneously
- Relatively low cost per exposure.
- Excellent for creating brand images.
- High degree of flexibility and variety of media to choose from;
- Can accomplish many different types of promotion objectives.

Demerits:

- Many consumers reached are not potential buyers (waste of promotion money)
- High visibility makes advertising a major target of marketing critics.
- Advertising exposure time is usually brief
- Advertisements are often quickly and easily screened out by consumers.

2. PERSONAL SELLING: Personal selling is face to face contact between a seller representative and those people with whom the seller wants to communicate. Non-profit organization, political candidates, firms and individuals use personal selling to communicate with the public.

Characteristics of personal have been listed below:

- Personal selling is an oral, face-to-face, and personal presentation with consumers.
- Basic purpose is to promote products or increase sales.
- It involves two-way communication.
- Immediate feedback can be measured.
- It is an ability of salesmen to persuade or influence buyers.
- It is more flexible way of market communication.
- Per contact cost is higher than advertising.
- It involves teaching, educating, and assisting people to buy.



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Objectives of personal selling:

- ✓ To do the entire job.
- ✓ To serve the existing customers.
- ✓ To search out and obtain new customers.
- ✓ To secure and maintain customers' co-operation in stocking and promoting the product line.
- ✓ To keep customers informed of changes in the product line.
- ✓ To assist customers in selling the product line.
- ✓ To provide technical advice and assistance to customers.
- ✓ To handle the sales personnel of middlemen.
- ✓ To provide advice and assistance to middlemen whenever needed.
- ✓ To collect and report market information on interested matters to company management.

Short term (quantitative) objectives:

- ✓ To obtain a specified sales volume.
- ✓ To obtain sales volume in ways that contribute to profit objectives, by selling proper mix of products.
- ✓ To keep the personal selling expenses within specified limits.
- ✓ To secure and retain a specified share of the market.

Process of Personal Selling:

1. **Pre- sale preparation:** Every salesman has to obtain the information about company's product, price, customers, competitors, product, market etc. this pre- sale preparation made by the salesman to become aware and ready for the approach of the customers.
2. **Looking for prospective customers:** The salesman has to identify his prospective customer and make a list of them. He can collect the data from company's previous data. The information about the prospective customer can be obtained from the existing customers or regular customers also.
3. **Pre- approach to individual customers:** the salesman should get the information about the buying motives of the customers. He should know the buyer's behavior, need and intention of the customers.



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4. Presentation: the salesman need skill for the presentation of the product. This presentation is explain by A-I-D-A-S theory.

A - ATTENTION:It is the starting point in the sales process. The attention of the prospect must be drawn to the product, the want that the product is able to satisfy and the buying motive to which the product appeals.

I - INTEREST: The salesman must create an interest in the mind of the prospect with the help of effective sales talk and product information, catalogues, visual aids a salesman can create buyer's interest in product.

D - DESIRE: In this step, salesman must ignite the desire of the prospect. Here salesman must use all his power of persuasion and conviction to create an urge to buy. Salesman must handle problems, doubts and objections with patience.

A - ACTION:It is a positive action of prospect in terms of placing order." Here the prospect becomes actual buyer. The want converted into demand.

S - SATISFACTION: It is a follow-up or post-sale step to satisfy buyers. It is necessary to ensure customer satisfaction and to remove any post-sale problems that may arise. Satisfaction leads to repeat orders.

5. Post sale services: In this stage it is necessary to ensure customer satisfaction and to solve any doubts of the customer regarding products. And ultimately satisfaction leads to repeat purchases by customers which create and build good image in the mind of customer.

Merits:

- Can be the most persuasive promotion tool; sales people can directly influence purchase behaviours.
- Allows two-way communication.
- Often necessary for technically complex products.
- Allows direct one-on-one targeting of promotional effort.



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Demerits:

- High cost per contact.
- Sales training and motivation can be expensive and difficult.
- Personal selling often has a poor image making sales force recruitment difficult.
- Poorly done sales presentations can hurt sales' as well as company, product and brand images.

<u>Advertising</u>	<u>Salesmanship(Personal selling)</u>
1. Advertising is an <u>impersonal attempt</u> to persuade people to buy goods or services.	Salesmanship is a <u>personal attempt</u> to persuade people to buy goods or services.
2. Advertising is concerned with the establishment of <u>contact with the people through message.</u>	Salesmanship is concerned with the establishment of <u>contact with the people through persons,</u> i.e., salesmen/saleswomen.
4. Through advertising, a <u>large number of people</u> can be <u>contacted.</u>	The number of people <u>contacted</u> through salesmanship is <u>limited.</u>
5. Advertising <u>saves</u> much <u>time.</u>	Salesmanship is a <u>time-consuming</u> process.
7. The <u>success of advertising depends</u> largely upon the advertising message and the <u>media chosen for advertisement.</u>	The <u>success</u> of salesmanship <u>depends</u> upon the <u>qualities of the salesmen.</u>
8. <u>Advertisement cannot clarify the doubts</u> or answer objections of the consumers.	Salesmanship can <u>clarify the doubts</u> and answer the objections of the customers effectively.
13. Advertising is a <u>one-way</u> means of communication.	Salesmanship is a <u>two-way</u> means of communication.



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14. In the case of advertising, the <u>response</u> from the prospects (i.e., prospective customers) <u>cannot be known immediately.</u>	In the case of salesmanship, the <u>response</u> from the prospects can be <u>known immediately.</u>
15. In the case of advertising, <u>demonstration</u> of the product is <u>not possible.</u>	In the case of salesmanship, <u>demonstration</u> of the product by salesmen is <u>possible.</u>
16. Advertising is <u>concerned with all persons in general,</u> regardless of their interest in the product advertised.	Salesmanship is generally <u>concerned with only those persons</u> who are supposed <u>to be interested in the product.</u>
17. Advertising <u>promotes the art of craftsmanship,</u> i.e., printing, writing, photography, editing, music, acting, etc.	Salesmanship promotes the <u>art of speaking.</u>
18. The <u>task</u> of advertising is <u>very easy.</u>	Salesmanship is a <u>difficult task,</u> as it involves tackling a number of issues.
20. Advertising is relatively <u>cheap.</u>	Salesmanship is <u>costly.</u>

3. **SALES PROMOTION:** Sales promotion includes activities that seek to directly induce or indirectly serve as incentives to motivate, a desired response on the part of the target customers company sales people and middle men and their sales force. These activities add value to the product. In sales promotion the activities like discounts, gifts, contests, premiums, displays and coupons are included.

Objectives of sales promotion:

- To increase sales by publicity through the media which are complementary to press and poster advertising.
- To disseminate information through salesmen, dealers etc., so as to ensure the product getting into satisfactory use by the ultimate consumers.
- To stimulate customers to make purchases at the point of purchase.



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- To prompt existing customers to buy more.
- To introduce new products.
- To attract new customers.
- To meet competition from others effectively.
- To check seasonal decline in the volume of sales.

Types/Methods/techniques/tools of Sales Promotion:

1. Coupons:

Coupons are issued by producers of packaged goods or by retailers that enables customers to buy the product next time at a reduced price. These coupons are either advertised by producers/retailers in newspapers or distributed in weekly flyers via mail across households. For examples, Big Bazaar issues coupons for selected items in their weekly flyers that are distributed via mail or along with newspapers.

2. Free Samples:

Free samples are small and packaged portion of the (main) merchandise distributed for free. Free samples are developed for introducing new products. These samples may be distributed door-to-door (through personal selling) or retail stores. For examples, Sensodyne Toothpaste meant for relieving tooth sensitivity is unique product introduced in India. The manufacturer of Sensodyne has been reaching out to local dentists of Mumbai who have been distributing free sample of these toothpastes to create awareness among their patients.

3. Price-Off Offer:

This involves offering products to consumers at discounted or reduced prices by a certain percentage from the regular price of the product. This activity aims at attracting consumers to other or newer brands, seasonal and unseasonal goods. For example- a 15 to 60 percent off on clothes before some festive season in retail shops are examples of sales or sales promotion.

4. Fairs and Exhibitions:

Fairs and exhibitions may be organised at local, regional, national or international level to introduce new products, demonstrate the products and to explain special features and usefulness of the products. For example- 'International Trade Fair' held in New Delhi in November every year.

5. Free Gifts:



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Producers may distribute a free gift along with their product as a incentive to the consumers for purchasing the product. For example- milkshake along with Nescafe, toothbrush along with a toothpaste.

6. Competitions or Contests:

Producers can organise competitions or contests among salespersons to encourage them to generate more sales from new customers. Companies can offer a car or consumer durables for generating a certain percentage sales in a particular month or quarter.

7. Free Service:

Producers/retailers may promise free service to consumers for a specified period of time after sales. For example- few car retailers offer free servicing for the first 6 months if certain car components are damaged or are under performing.

8. Special Rebate:

Rebate is a partial refund to someone who has paid more or extra on purchase of a specified quantity or value of goods within a specified period. Unlike, price cut off or discounts, rebates are provided after the full payment of full invoice amount.

9. Full Finance @ 0%:

Under this method, the product is sold and money is received on installment basis at 0% or without interest rate. The seller determines the number of installments in which the price of the product will be recovered from the customers.

10. Scratch and Win Offer:

Under this scheme, a customer scratches a specific marked area on the package of the product and gets the benefit according to the message written therein.

11. Money-Back Offer:

Under this scheme customers are given assurance that full value of the product will be returned to them if they are not satisfied after using the product. This creates confidence among the customers with regard to the quality of the product.

12. Exchange Schemes:

It refers to exchange of old product for a new product at a price less than the original price of the product. This is useful for drawing attention to product improvement. Example— "Exchange your black and white television with a colour television."



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Merits:

- Excellent approach for short term price reductions for stimulating demand.
- A large variety of sales promotion tools to choose from.
- Can be effective for changing a variety of consumer behaviors.
- Can be easily tied in with other promotional tools.

Demerits:

- May influence primarily brand-loyal customers to stock up at lower price but attract few new customers.
- May have only short-term impact.
- Over use of price related sales promotion tools may hurt brand image and profits.
- Effective sales promotions are easily copied by competitors.

4. PUBLICITY: Publicity is news carried in the mass media about a firm and its products, policies, personnel or actions. The unique feature about the publicity is that it is a non-paid form of promotion, organizations frequently provide the material for publicity in the form of news, releases, photographs and press conferences.

Main characteristic of publicity includes:

- Publicity involves obtaining favorable presentation about company or company's offers upon radio, television, or stage that is not paid for by the sponsor.
- It is a non-paid form of market promotion. However, several indirect costs are involved in publicity.
- It may include promotion of new product, pollution control efforts, special achievements of employees, publicizing new policies, etc., for increasing sales. It is primarily concerning with publishing or highlighting company's activities and products. It is targeted to build company's image.
- Mostly, publicity can be carried via newspapers, magazines, radio or television.
- Company has no control over publicity in terms of message, time, frequency, information, and medium.
- It has a high degree of credibility. Publicity message is more likely to be read and reacted by audience.



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- Publicity can be done at a much lower cost than advertising. Company needs to spend a little amount to get the event or activity publicized.
- Frequency or repetition of publicity in mass media depends upon its social significance or the values for news. Mostly, it appears only once.

Objectives of Publicity:

1. Building Corporate Image:

Through publicity, a company can build or improve its corporate image. People trust more on what press reporters, columnists, or newsreaders say via mass media independently than what the company says. Publicity highlights the company's name and operations. It popularizes the name of the company.

2. Economy:

It is a cost saving medium. Here, a company is not required to pay for message preparation, buying space and time, etc. The cost involved is much lower than other means of market promotion. Financially poor companies may opt for publicity.

3. Assisting Middlemen and Salesmen:

Publicity can help middlemen and salesmen in performing the sales-related activities successfully. Information conveyed through publicity speaks a lot of things on behalf of sellers. Publicity makes selling tasks much easier.

4. Information with High Creditability:

Sometimes, publicity is targeted to disseminate information more reliably. Customers do not express doubts on what publicity appeals. Customers assign more value to information supplied by mass media via publicity than by the advertisement.

5. Removing Misunderstanding or Bad Image:

Company can defend the product that has encountered public problems. In many cases, publicity is aimed at removing misunderstanding or bad impression. Whatever a publicity conveys is more likely to be believed.



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6. Building Interest on Product Categories:

Publicity attracts attention of buyers. Due to more trusted news, people build interest in various products and activities.

7. Newsworthiness Information:

Publicity publicizes the fact in an interesting ways. Publicity is eye-catching in nature. People do not skip the news presented by publicity that more likely happens in case of advertising. For example, when a new product is launched by the distinguished personalities like film star, eminent artist, or cricketer in a grand function, the product becomes popular within no time.

Merits:

- As “free advertising”, publicity can be positive and stimulate demand at no cost.
- May be perceived by consumers as more credible, because it not paid for by the seller.
- Consumers may pay more attention to these messages, because they are not quickly screened out as are many advertisements.

Demerits:

- Publicity is not always possible because it is not in the hand of the seller.
- Limited repetition of publicity messages: seldom along.
- Term promotion tool for brands.
- Publicity can be negative and hurt sales as well as company product, and brand images.
- Company cannot completely control the content of publicity messages.

5. **PUBLIC RELATIONS:** The public relations are comprehensive term that includes maintaining constructive relations not only with customers, suppliers, and middlemen, but also with a large set of interested publics. Note that public relations include publicity, i.e., publicity is the part of public relations.

Features of Public Relation:



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- Public relations are a paid form of market promotion. Company has to incur expenses.
- Public relations activities are designed to build and maintain a favorable image for an organization and a favorable relationship with the organization's various publics.
- It is an integral part of managerial function. Many companies operate a special department for the purpose, known as the public relations department.
- It involves a number of interactions, such as contacting, inviting, informing, clarifying, responding, interpreting, dealing, transacting, and so forth.
- Public relations cover a number of publics – formal and informal groups. These publics may be customers, stockholders, employees, unions, environmentalists, the government, people of local community, or some other groups in society.
- Public relations activities are undertaken continuously. It is a part of routine activities.
- All the officials, from top level to supervisory level, perform public relations activities.
- In relation to modern management practices, the public relations are treated as the profession.

Thus, there are five major elements or promotion mix. Each tool/element has its advantages, limitations, and applicability. Depending upon company's internal and external situations, one or more tools are used. Mostly, company's promotional program involves more elements, each element supplements others.

Parties/methods of public relation or communication functions public relations:

- **Public Relation with Employees:**

Success and failure of any business unit is largely determined by its employees. Most of business problems can be ended only by the enthusiastic, capable, and loyal employees. In order to maximize contribution of employees, the company needs to develop the sound public relations with them.

- **Public relations with customers:**



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Customers are base for any business. A firm is exists for customers.so a firm should main healthy relations with customers what they actually deserve from company. Customers include existing and potential both.

- **Public Relations with Government(s):**

The government plays a vital role in each of business activities. Its policies, rules, and administrative procedures affect the business in several ways. In order to avoid unnecessary restrictions or interference and to take maximum advantages of the government schemes/facilities, a businessman has to develop constructive public relations with the government. The government includes the central government, the state government, other government offices, and the local bodies including Panchayat, Municipality, Municipal Corporation.

- **Public Relations with Suppliers and Middlemen:**

Suppliers and middlemen have the dominant role in company's success. Suppliers provide inputs required for carrying out business operations effectively while the middlemen assist in distributing the products to ultimate consumers. A company should develop positive public relations with both suppliers and middlemen.

- **Public Relations with Mass Media:**

Mass media including radio, television, newspapers, etc., have prominent role to reach other parties. They are capable to carry company's message to several millions people successfully. They can change attitudes the people hold about the company.



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- **Public Relations with Servicing Agencies:**

Such servicing agencies include banks and other financial institutions, warehousing, transportation, insurance, communication agencies like post, telephone, and courier services, and the local authority (Municipality or Municipal Corporation).

- **Public Relations with Shareholders/Investors:**

Shareholders are the real owners of the firm. So, it is the duty of the business unit to maintain public relations with them. A company can build public relations with shareholders in a number of ways.



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Difference between Public relation and advertising:

BASIS FOR COMPARISON	ADVERTISING	PUBLIC RELATIONS
Meaning	A technique of drawing public attention to products or services, mainly through paid announcements, is called Advertising.	Public Relations is a practice of strategic communication that aims at building mutually beneficial relationship between the company and the public.
Media	Purchased	Earned
Communication	One way	Two way
Focuses on	Promotion of product or services, with an aim to induce the intended audience to buy.	Maintaining a positive image of the company in the media.
Control	The company has full control over the ad.	The company can pitch the story, but has no control over, how media uses or does not uses at all.
Placement	Guaranteed	No guarantee
Published	As long as you are willing to pay for.	Only once
Credibility	Less	High



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DIFFERENCE BETWEEN ADVERTISING AND PERSONAL SELLING:

Basis for Comparison	Advertising	Personal Selling
Meaning	Advertising is a means of communication, which calls customer's attention towards the product or service, through mass media.	Personal selling refers to a form of promotion, wherein the sales representative sells the product to customers, by directly visiting them.
Communication	One-way communication	Two-way communication
Form	Impersonal form of communication	Personal form of communication
Strategy	Pull strategy	Push strategy
Message	Standardized	Customized
Channel	Mass media	Sales personnel
Time	Conveys message to end number of individuals in less time.	Conveys message to a few customers only in relatively high time.
Feedback	Lacks direct feedback	Facilitates direct and instant feedback

FACTORS AFFECTING MARKET PROMOTION MIX/DETERMINANTS OF OPTIMUM MARKET PROMOTION MIX

1. Type of Product: Type of product plays an important role in deciding on promotion mix. Product can be categorized in terms of branded products, non-branded products, necessity products, luxury products, new products, etc. All these types of products need different promotional tools. For example, advertising is suitable for the branded and popular products. Personal selling may be fit for non-branded products. Advertising, personal selling, sales promotion and publicity – all four tools – are used for a newly launched product to get a rapid consumer acceptance.

2. Use of Product: Product may be industrial product, consumable and necessity product, or may be luxurious product that affects selection of promotion tools and media. For example, advertising and sales promotion techniques are widely used for consumer goods while personal selling is used for industrial goods.



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3. Complexity of Product: Product complexity affects selection of promotional tools. Personal selling is more effective for complex, technical, risky, and newly developed products as they need personal explanation and observation. On the other end, advertising is more suitable for simple and easy-handled products.

4. Purchase Quantity and Frequency: Company should also consider purchase frequency and purchase quantity while deciding on promotion mix. Generally, for frequently purchase product, advertising is used, and for infrequently purchase product, personal selling and sales promotion are preferred. Personal selling and advertising are used for heavy users and light users respectively.

5. Fund Available for Market Promotion: Financial capacity of company is a vital factor affecting promotion mix. Advertising through television, radio, newspapers and magazines is too costly to bear by financially poor companies while personal selling and sales promotion are comparatively cheaper tools. Even, the company may opt for publicity by highlighting certain commercially significant events.

6. Type of Market: Type of market or consumer characteristics determine the form of promotion mix. Education, location, income, personality characteristics, knowledge, bargaining capacity, profession, age, sex, etc., are the important factors that affect company's promotion strategy.

7. Size of Market: Naturally, in case of a limited market, personal selling is more effective. When market is wide with a large number of buyers, advertising is preferable. Place is also an important issue. Type of message, language of message, type of sales promotion tools, etc., depend on geographical areas.

1 WORD QUESTION ANSWER

<u>SR.NO</u>	<u>QUESTION</u>	<u>ANSWER</u>
1	Which are objectives of market promotion?	To inform customers To increase in demand To face competition To improve in image



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2	Which factors affecting market promotion?	Type of Product Use of product Complexity of product Size of market
3	Which are elements of promotion mix??	Advertise Personal selling Sales promotion Publicity Public relation
4	It is a one-way communication.	advertising
5	It is a two-way communication.	Personal selling
6	publicity can be positive and stimulate demand at no cost as it is _____	“free advertising”

Write a note on: after sale services

After sales service refers to the treatment of customers in the aftermath of a sale. For example, after being sold a bike, after sales service may involve free bike maintenance for a number of weeks.

After sales service is an important part of non-price competition often found in oligopoly. After sales service can be a way to encourage people to buy the product in the first place; it can be used to justify a higher price for the good. It also influences the long-term reputation of the firm and can influence future sales. However, it also imposes costs on firms.

Examples of after sales service

- Warranty. A common example of after sales service is the provision of a warranty for the good. A warranty allows the good to be repaired or replaced if it breaks down within a certain period of time after purchase.
- Free service after six months (e.g. car/bike)
- Advice on how to use the product (Apple care)



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- Firms following up with a phone call to the customer asking how the product is working out.

Importance of after-sales service

- Good after sales service helps improve firms long-term brand image and brand loyalty.
- Offering after sales service can help to convince consumers to trust the firm and buy the service in the first place.
- Sales affected by word of mouth recommendation. Good after sales service can make difference. In an era of social media – poor after sales service can be damaging to reviews and reputation of firms.
- After sales service imposes extra cost on firms. For firms, they need to strike a balance between keeping the customer happy and not being burdened with expensive maintenance. For example, a firm may offer one free service, but then have a clearly defined price for future service.
- The provision of after sales service varies in importance depending on the type of good. For example, after sales service and extended warranties are important for goods like electrical goods and new cars.
- After sales service can also become an opportunity to sell related products.