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INTRODUCTION TO MARKETING (BTTM 103)

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UNIT 01: MARKET AND MARKETING: MEANING, NATURE AND SCOPE

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1.1 INTRODUCTION

If we find it cool to hang out at Pizza Hut with our friends or sip an iced Coca-Cola it is because we were unknowingly influenced by marketers to choose that particular product or service. We normally

remember only the sale, when we buy a product or service. But how did we reach that point? Sale is the end of journey which started long ago when marketers put a product or service in our minds and convinced us that it met our needs perfectly. As a result we are motivated to go and purchase that same product or service when a need arises. It is important at this point to understand briefly the difference between a product and a service. A product is something tangible that can be touched and seen. A service is an experience which is intangible and therefore, evokes emotions.

Providing customer value is something all companies do to a greater or lesser extent. But, today customers are presented with a bewildering range of value, access and choice. They can shop for benefits and they change providers more quickly than ever. Marketing organisations in the past have tended toward functional management rather than enterprise marketing performance, demand chain management and value delivery. Delivering customer value has always and will continue to be an essential component of any business. But, great companies are now transforming marketing to effect enterprise wide change, new competitive advantage and new customer value.

1.2 OBJECTIVES

This unit aims at to understand and know market, marketing, its meaning, nature and scope. After going through this unit you will be able to:

- Understand marketing management and its importance
- Know the definition and concept of marketing
- Comprehend the various types of demands in the market
- Know and explain about the market
- Explain the nature and scope of marketing
- Summarize the need of marketing for different organisations

1.3 IMPORTANCE OF MARKETING

Marketing strategy is a means by which firms respond to competitive market conditions. Although marketing strategy consists of many aspects, the operationalization of global marketing strategy in much of the extant literature has been brought forth via the four elements of the marketing mix, i.e., product, pricing, place and promotion, either examined as four components or as a unified approach (Cavusgil&Zou, 1994; Katsikeas et al., 2006). In fact, the marketing mix strategy to performance linkage has been one of the most widely investigated topics of global marketing research (e.g., Cavusgil&Zou, 1994; Katsikeas et al., 2006; Lages et al., 2008).

The first importance of marketing and that is self-evident is that the consumers get an opportunity to know about various products that are available in the market. Due to marketing they may have to pay a higher price but in case, there was no marketing or advertising, how would the consumers know about the products? Marketing fosters healthy competition among brands and this increases the level of competence among firms. Consumers are able to enjoy better products and they are at affordable prices. Marketing helps in earnings and revenue generation of many companies, either directly or indirectly. For example, consider advertising, which can be considered to be a subset of marketing, influences television, newspapers and hoardings. With the internet writing a new chapter in the history of marketing, online marketing has evolved to be a multi-billion dollar industry. If we consider the competition in the market, we will understand closely why is marketing crucial for success of the firm. If there is no marketing, only the dominant companies will exist in the market and they can move on to dominate the prices and establish monopoly over the product.

Marketing is a very important aspect in business since it contributes greatly to the success of the organization. Production and distribution

depend largely on marketing. Many people think that sales and marketing are basically the same. These two concepts are different in many aspects. Marketing covers advertising, promotions, public relations, and sales. It is the process of introducing and promoting the product or service into the market and encourages sales from the buying public. Sales refer to the act of buying or the actual transaction of customers purchasing the product or service. Since the goal of marketing is to make the product or service widely known and recognized to the market, marketers must be creative in their marketing activities. In this competitive nature of many businesses, getting the product noticed is not that easy.

Strategically, the business must be centred on the customers more than the products. Although good and quality products are also essential, the buying public still has their personal preferences. If you target more of their needs, they will come back again and again and even bring along recruits. If you push more on the product and disregard their wants and the benefits they can get, you will lose your customers in no time. The sad thing is that getting them back is the hardest part.

Few Benefits from Marketing

1.3.1 MARKETING PROMOTES PRODUCT AWARENESS TO THE PUBLIC

It has already been mentioned in the previous paragraph that getting the product or service recognized by the market is the primary goal of marketing. No business possibly ever thought of just letting the people find out about the business themselves, unless you have already established a reputation in the industry. But if you are a start-out company, the only means to be made known is to advertise and promote. Your business may be spending on the advertising and promotional programs but the important thing is that product and company information is disseminated to the buying public.

Various types of marketing approaches can be utilized by an organization. All forms of marketing promote product awareness to the market at large. Offline and online marketing make it possible for the people to be educated with the various products and services that they can take advantage of.

1.3.2 MARKETING HELPS BOOST PRODUCT SALES

Apart from public awareness about a company's products and services, marketing helps boost sales and revenue growth. Whatever your business is selling, it will generate sales once the public learns about your product through TV advertisements, radio commercials, newspaper ads, online ads, and other forms of marketing. The more people hear and see more of your advertisements, the more they will be interested to buy.

If your company aims to increase the sales percentage and double the production, the marketing department must be able to come up with effective and strategic marketing plans.

1.3.3 MARKETING BUILDS COMPANY REPUTATION

In order to conquer the general market, marketers aim to create a brand name recognition or product recall. This is a technique for the consumers to easily associate the brand name with the images, logo, or caption that they hear and see in the advertisements.

For example, McDonalds is known for its arch design which attracts people and identifies the image as McDonalds. For some companies, building a reputation to the public may take time but there are those who easily attract the people. With an established name in the industry, a business continues to grow and expand because more and more customers will purchase the products or take advantage of the services from a reputable company. Marketing plays a very essential role in the success of a company. It educates people on the latest market trends, helps boost a company's sales and profit, and develops company

reputation. But marketers must be creative and wise enough to promote their products with the proper marketing tactics. Although marketing is important, if it is not conducted and researched well, the company might just be wasting on expenses and time on a failed marketing approach.

1.4 NEEDS, WANTS AND DEMANDS OF CUSTOMERS

The most basic concept underlying marketing is that of human needs. A human need is a state of felt deprivation. Humans have many complex needs. These include basic physical needs for food, clothing, warmth and safety; social needs for belonging and affection; and individual needs for knowledge and self-expression. These needs are not invented by marketers; they are a basic part of the human make-up. When a need is not satisfied, a person will do one of two things:

1. Look for an object that will satisfy it; or
2. Try to reduce the need.

People in industrial societies may try to find or develop objects that will satisfy their desires. People in less developed societies may try to reduce their desires and satisfy them with what is available. Human wants are the form taken by human needs as they are shaped by culture and individual personality. A hungry person in India may want a vegetable curry, coconut chutney and lassi. In other parts of the world, people may satisfy their hunger with world cuisine. Wants are described in terms of objects that will satisfy needs. As a society evolves, the wants of its members expand. As people are exposed to more objects that arouse their interest and desire, producers try to provide more want-satisfying products and services.

People have narrow, basic needs (e.g. for food or shelter), but almost unlimited wants. However, they also have limited resources. Thus they want to choose products that provide the most satisfaction for their money. When backed by an ability to pay - that is, buying power - wants

become demands. Consumers view products as bundles of benefits and choose products that give them the best bundle for their money. Best example to understand is, a Hyundai i10 means basic transportation, low price and fuel economy and a Mercedes means comfort, luxury and status. Given their wants and resources, people demand products with the benefits that add up to the most satisfaction. Outstanding marketing companies go to great lengths to learn about and understand their customers' needs, wants and demands. They conduct consumer research, focus groups and customer clinics. They analyse customer complaint, inquiry, warranty and service data. They train salespeople to be on the look-out for unfulfilled customer needs. They observe customers using their own and competing products, and interview them in depth about their likes and dislikes. Understanding customer needs, wants and demands in detail provides important input for designing marketing strategies.

1.5 PRODUCTS AND SERVICES

People satisfy their needs and wants with products. A product is anything that can be offered to a market to satisfy a need or want. Usually, the word product suggests a physical object, such as a car, a television set or a bar of soap. However, the concept of product is not limited to physical objects - anything capable of satisfying a need can be called a product. In addition to tangible goods, products include services, which are activities or benefits offered for sale that are essentially intangible and do not result in the ownership of anything. Examples are banking, airline, hotel and household appliance repair services. Broadly defined, products also include other entities such as persons, places, organizations, activities and ideas. Consumers decide which entertainers to watch on television, which political party to vote for, which places to visit on holiday, which organizations to support through contributions and which ideas to adopt. Thus the term product covers physical goods, services and a variety of

other vehicles that can satisfy consumers' needs and wants. If at times the term product does not seem to fit, we could substitute other terms such as satisfier, resource or offer. Many sellers make the mistake of paying more attention to the physical products they offer than to the benefits produced by these products. They see themselves as selling a product rather than providing a solution to a need. The importance of physical goods lies not so much in owning them as in the benefits they provide. We don't buy food to look at, but because it satisfies our hunger. We don't buy a microwave to admire, but because it cooks our food. A manufacturer of drill bits may think that the customer needs a drill bit, but what the customer really needs is a hole. These sellers may suffer from 'marketing myopia'. They are so taken with their products that they focus only on existing wants and lose sight of underlying customer needs. They forget that a physical product is only a tool to solve a consumer problem. These sellers have trouble if a new product comes along that serves the need better or less expensively. The customer with the same need will -want the new product.

1.6 UNDERSTANDING THE PRODUCTION CONCEPT, THE PRODUCT CONCEPT, THE SELLING CONCEPT

1.6.1 THE PRODUCTION CONCEPT

The production concept is one of the oldest concepts guiding sellers. The production concept holds that consumers will favour those products that are widely available and low in cost. Managers of Production-oriented organizations concentrate on achieving high production efficiency and wide distribution coverage. The assumption that consumers are primarily interested in product availability and low price holds in at least two types of situations. The first is where the demand for a product exceeds supply, as in many Third World countries. Here consumers are more interested in obtaining the product than in its fine points. The suppliers will

concentrate on finding ways to increase production. The second situation is where the product's cost is high and has to be brought down through over production.

1.6.2 THE PRODUCT CONCEPT

The product concept holds that consumers will favour those products that offer the most quality, performance, or innovative features. Managers in these product-oriented organizations focus their energy on making superior products and improving them over time. These managers assume that buyers admire well-made products and can appraise product quality and performance. These managers are caught up in a love affair with their product. Product-oriented companies often design their products with little or no customer input. The product concept leads to "Marketing myopia" a focus on the product rather than on the customer's need.

1.6.3 THE SELLING CONCEPT

The selling concept or sales concept is another common approach many firms take to the market. The selling concept holds that consumers, if left alone, will ordinarily not buy enough of the organizations products. The organization must therefore undertake an aggressive selling and promotional effort. The concept assumes that consumers typically show buying resistance or inertia and have to be coaxed into buying, and that the company should have a whole battery of effective selling and promotion tools to stimulate more buying. The selling concept is practiced most aggressively with "unsought goods," those goods that buyers normally do not think of buying things such as insurance, encyclopedias, and funeral plots. These industries have perfected various sales techniques to locate prospects and hard-sell them on the product benefits. Most firms practice the selling concept when they have overcapacity. Their aim is to sell what they make rather than what the

market wants. Therefore, people are surprised when they are told that the most important part of marketing is not selling. Selling is only the tip of the marketing iceberg.

1.7 MARKET

The concept of exchange leads to the concept of a market. A market consists of all the potential customers sharing a particular need or want who might be willing and able to engage in exchange to satisfy that need or want. Thus the size of the market depends upon the number of persons who exhibit the need, have resources that interest others, and are willing to offer these resources in exchange for what they want. Originally the term market stood for the place where buyers and sellers gathered to exchange their goods, Such as a village square. Economists use the term market to refer to a collection of buyers and sellers who transact over a particular product or product class; hence the housing market, the grain market, and so on. Marketers, however, see the sellers as constituting the industry and the buyers as constituting the market. The sellers send goods and services and communications to the market; in return they receive money and information.

Business people use the term markets colloquially to cover various groupings of customers. They talk about need markets (such as the diet-seeking market); product markets (such as the shoe market); demographic markets (such as the youth market); and geographic markets (such as the French market). Or they extend the concept to cover non customer groupings as well, such as voter markets, labour markets, and donor markets. The fact is that modern economies operate on the principle of division of labour where each person specializes in the production of something, receives payment, and buys needed things with this money. Essentially, manufacturers go to resource markets (Raw- material markets,

labour markets, money markets, and so on) buy resources, turn them into goods and services, sell them to middlemen, who sell them to consumers.

The consumers sell their labour, for which they receive money income to pay for the goods and services they buy. The government is another market that plays several roles. It buys goods from resource manufacturer, and middlemen markets; It pays them; it taxes these markets (including consumers markets); and it returns needed public services. Thus each nation's economy and the whole world economy consist of complex interacting sets of markets that are linked through exchange processes.

1.8 UNDERSTANDING MARKETING

Since the introduction of the marketing concept to the marketing research literature in the early 1960s, numerous authors have addressed questions concerning the utility and optimality of a business philosophy grounded in the concept. Some have examined the meaning of the term "marketing concept" (Barksdale and Darden, 1971; Houston, 1986; Webster, 1988), whereas others (Bennett and Cooper, 1978; Fullerton, 1988; Javidan and Rigby, 1990; Jaworski and Kohli, 1993; Narver and Slater, 1990; Shapiro, 1988; Slater and Narver, 1994) have focused on market orientation, which is considered to be the implementation of the marketing concept. Some authors have even gone so far as to suggest that it may be time to discard the marketing concept all together (Sachs and Benson, 1978).

The marketing concept, as currently defined in the marketing literature, holds that organizational success "depends on determining the needs and wants of target markets and delivering satisfactions to those markets more effectively and efficiently than competitors do" (Kotler and Armstrong, 1994, p. 13). At the core of this concept is the dependence of any enterprise on the goodwill and satisfaction of its customers. As a

result, the customer becomes the focal point for all organizational planning, strategy setting, research, product development, and, of course, marketing activities.

More recent work examining the marketing concept and its implementation has generated expanded definitions of the concept. Narver and Slater (1990) have suggested a definition of the marketing concept as a business philosophy that stresses the importance of the organization-wide generation of, dissemination of, and responsiveness to market intelligence. Kohli and Jaworski (1990) specifically state that market intelligence is a broader concept than customer focus, in that it encompasses a range of external market factors (e.g., competitors and regulators) as well as considers both current and future market conditions. However, this more comprehensive perspective has not been clearly incorporated into research designs and implementations (Jaworski and Kohli, 1993; Slater and Narver, 1994). While the definitions of marketing vary based on perspective, they generally refer to engaging a target market of consumers or other users to ultimately sell a product and hopefully to maintain a relationship beyond the purchase.

According to the American Marketing Association (AMA) Board of Directors, Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large. Dr. Philip Kotler defines marketing as “the science and art of exploring, creating, and delivering value to satisfy the needs of a target market at a profit. Marketing identifies unfulfilled needs and desires. It defines, measures and quantifies the size of the identified market and the profit potential. It pinpoints which segments the company is capable of serving best and it designs and promotes the appropriate products and services.”

Julie Barile defines marketing is the process by which a firm profitably translates customer needs into revenue. Marketing is traditionally

the means by which an organization communicates to, connects with, and engages its target audience to convey the value of and ultimately sell its products and services. However, since the emergence of digital media, in particular social media and technology innovations, it has increasingly become more about companies building deeper, more meaningful and lasting relationships with the people that they want to buy their products and services. The ever-increasingly fragmented world of media complicates marketers' ability connect and, at the same, time presents incredible opportunity to forge new territory.

Marketing is art of developing, advertising and distributing goods and services to consumer as well as business. However, marketing is not just limited to goods and services it is extended to everything from places to ideas and in between. This brings forth many challenges within which marketing people have to take strategy decisions. And answer to these challenges depends on the market the company is catering to, for consumer market decision are with respect to product, packaging and distribution channel. For business market, knowledge and awareness of product is very essential for marketing people as businesses are on the lookout to maintain or establish a credential in their respective market. For global market, marketing people have to consider not only culture diversity but also be careful with respect to international trade laws, trade agreement, and regulatory requirements of individual market. For non for profit organization with limited budgets, importance is related to pricing of products, so companies have to design and sell products accordingly.

Marketing philosophy employed by any given company has to be mix of organization interest, consumer interest and societal interest. In production philosophy, companies focus is on numbers, high production count, which reduces cost per unit and along with mass distribution. This kind of concept is usually making sense in a developing market where there is the need of product in large numbers. The product philosophy talks

about consumers who are willing to pay an extra premium for high quality and reliable performance, so companies focus on producing well made products. The selling concept believes in pushing consumers into buying of products, which under normal circumstance, they would be resistant. The marketing concept believes consumer satisfaction, thereby developing and selling products keeping focus solely on customer needs and wants. The customer philosophy believes in the creation of customized products, where in products is design looking at historical transaction of consumers.

The last philosophy is the societal concept which believes in developing products, which not only generate consumer satisfaction but also take into account wellbeing of society or environment.

Digital revolution and 21st century have made companies fine tune the way they conduct their business. One major trend observed is the need of stream lining processes and systems with the focus on cost reduction through outsourcing. Another trend observed in companies is, encouragement to entrepreneur style of work environment with glocal (global-local) approach. At the same time, marketers of companies are looking forward to building long term relationship with consumers. This relationship establishes platform understanding consumer needs and preference. Marketers are looking at distribution channels as partners in business and not as the customer. Companies and marketers are making decisions using various computers simulated models.

To summarize 21st century marketing is challenge, which is to keep up pace with changing time. Marketing is typically seen as the task of creating, promoting, and delivering goods and services to consumers and business. Marketers are skilled in stimulating demand for a company's products, but this becomes limited view of the tasks marketers perform. Just as production and logistics professionals are responsible for supply management, marketers are responsible for demand management. Marketing managers seek to influence the level, timing, and composition of

demand to meet the organization's objectives. There are eight different states of demand and the corresponding tasks faced by marketing managers. They are as follows:

- i) **Negative Demand:** when the markets dislike the products and avoid them, negative demand gets generated. The task of marketing managers is to analyze why the markets dislike the products and whether a marketing program consisting of product redesign, lower prices, and more positive promotion can change beliefs and attitudes.
- ii) **No Demand:** The target consumers may be unaware or uninterested in the product. The marketing task is to find ways to connect the benefits of the products with people's natural needs and interests.
- iii) **Latent Demand:** Consumers may share a strong need that cannot be satisfied by the existing Products. The marketing task is to measure the size of the potential market and develop goods and services to satisfy the market.
- iv) **Declining Demand:** The demand for certain goods and services over a period of time starts declining. The marketer should analyze the causes of the decline and should determine whether demand could be re stimulated.
- v) **Irregular Demand:** Demand may vary on a seasonal, daily, or even hourly basis. The marketing task called Synchronic marketing is to find ways to alter the pattern of demand through flexible pricing, promotion and other incentives.
- vi) **Full Demand:** Organizations face full demand when they are pleased with their volume of business. The marketing task is to maintain the current level of demand in the face of changing consumer's preferences and increasing competition.
- vii) **Overfull Demand:** Organizations may face a demand level that is higher than they can or want to handle. The marketing task called de

marketing requires finding ways to reduce demand temporarily or permanently.

viii) Unwholesome Demand: Unwholesome products will attract organized efforts to discourage their consumption. The marketing task is to get people who like something to give it up. Example: Campaign against drugs, large families etc.

Marketing people are involved in marketing a variety of entities like goods, services, experiences, events, persons, places, properties, organizations, information and ideas.

1.9 NATURE OF MARKETING

1.9.1 MARKETING IS CUSTOMER ORIENTED

Marketing begins and ends with the customer. The job of the marketing is not only to satisfy the consumer but even to delight him/her. All the activities of an organization must be directed and focussed towards the consumer. The organisations cannot ignore emerging technologies, materials, instruments and new ways of organizing the things but with the considerations of consumers. Therefore, marketers must allow their customers to dictate product specifications and standards regarding quality. This job can only be performed if consumers' needs are continuously monitored.

1.9.2 MARKETING IS THE DELIVERY OF VALUE

When a consumer derives satisfaction from a particular product on the basis of product's overall capacity and performance is known as value in consumer's perception. The consumers today make a trade-off between cost and benefit of the product and they consider the product's value and price before making a decision. At times they will have to give up a particular product to obtain the other one since first one involves a big cost. Thus, he will choose the product that gives him more value per rupee.

According to De Rose, “Value is the satisfaction of customer requirements at the lowest possible cost of acquisition, ownership, and use”. Thus, the organisations’ strategies must be aimed at delivering greater customer value than that of their competitors.

1.9.3 MARKETING IS A NET-WORK OF RELATIONSHIPS

The customer is at the centre-stage and focus of all marketing activities. From 1990s onwards the focus is not only to identify the needs and delivers it to customers but is shifting towards relationships marketing. According to Philip Kotler “Relationship marketing is the practice of building long-term satisfying relations with key parties like customers, suppliers and distributors in order to retain their long-term preference and business”. The marketers who are smart enough to maintain their relationships by delivering high quality products in time, better services and fair prices in comparison with their counterparts.

1.9.4 MARKETING AS A SEPARATE DISCIPLINE

There used to be the days when marketing was treated as a part of economics. But now it is recognised as a full-fledged separate discipline. It is not the time when we just talk of sales and purchase or the quality of the product or the monopoly. With the emergence of modern marketing concept, the issue of green marketing and environmental protection has come up and regarding that various laws have been framed. When we talk of knowing consumer behaviour, it leads us to entirely a new world of human behaviour and for that matter; a marketer must possess the knowledge of psychology. Why a particular product is preferred by a consumer and other declines it to use? The answer has in the study of culture.

Therefore, marketing has emerged as a separate discipline and got its strength from the related areas like law, psychology, anthropology, sociology and statistics etc.

1.9.5 MARKETING IS BUSINESS

When it is said that marketing is business, the contention is that the all activities starts from marketing i.e. through knowing consumer and end up on the consumers i.e. knowing consumer dissonance. It means the entire business revolves round the marketing.

Marketing is so basic that it cannot be considered as a separate function. It is the whole business seen from the point of view of its final result, that is, from the customer's point of view. Business success is not determined by the producer but by the customer. So, business seeks customers because they are the business providers and ultimately marketing is business.

1.10 SCOPE OF MARKETING

Marketing management has become the subject of growing interest for everybody in today's scenario. Therefore, it is of utmost importance to discuss the scope of marketing. It can be understood in terms of functions that a marketing manager performs. Let's discuss some of the issues that are undertaken by a marketing manager so as to elaborate the scope of marketing.

1.10.1 MARKETING RESEARCH

While sitting in a company's office, no one can identify the needs and wants of the consumers. For that purpose, research has to be carried out in analysing the consumer's needs, their tastes and preferences, brand image of the product and effectiveness of certain advertisements etc. These are the major areas of research where a marketing manager requires information to be successful in market because by knowing this information, he takes timely, accurate and better decision. The marketing research not only gathers information regarding certain problem but also suggests corrective and action oriented steps.

1.10.2 PRODUCT PLANNING AND DEVELOPMENT

A product is a bundle of utility offered to consumers to satisfy their needs. Through marketing research, a marketer is able to know the needs of the consumers but what kind of storage and transportation is required, it depends upon the nature of the product. Product must be according to the requirement and must also be according to the paying capacity of the consumers. There are number of decisions involved in this process like supplier of raw material, packaging, storage and distribution etc.

1.10.3 PRICING

One of the important functions of a marketing manager is to determine the price of a product. Price is always influenced by the cost, services attached to it, government policy, competitor's prices and marketer's requirement of profit margin. A good pricing policy is a significant factor to attract the consumers because price is the only 'p' of marketing mix which generates revenue for the organisations.

1.10.4 FINANCING

Financing of consumer purchasing has become an important part of modern marketing. The marketing manager plays an important role in the finance department in this regard and consequences thereto. In the era of global competition when there is fierce competition and so many alternatives are available to a customer, certain finance schemes have become an important device to increase the volume of sales. Since the interest rates have come down significantly, financing facilities have taken the shape of lubricants that facilitates the operation of the marketing machine. In the era when the world economy is passing through a great recession, these facilities help generating revenue for the respective organisations and consequently are helping the economy to revive back and for the consumers those who can afford to realise their dreams of having a colour TV or small car, can fulfill their dreams through these instruments of marketing.

1.10.5 INSURANCE

When goods and services are exchanged from one hand to another, from one place to another place, a large number of risk factors are involved.

Marketing has now spread its arms to cover these risks through insurance activities. National calamities like flood and earthquake or damage of goods and services due to fire, theft or accident, may cause big losses and can hamper the entire business. The various insurance companies provide the protection against these risks by getting a nominal amount of premium in return.

1.10.6 ADVERTISING

In this era of competitive world, advertising has become an important instrument in the hands of marketers. It makes the consumer aware about the product, makes him curious about the product and then forces him for action and thus promotes the sale. *According to American Marketing Association:*

“Advertising is a paid form of non-personal presentation by an identified sponsor”.

It is a non-personnel link between a marketer and the consumer. Through advertising marketers are able to position their products in the minds of the consumer through various media like newspapers, magazines, television, radio, hoardings, window display and internet etc.

Apart from the above areas there are many more business areas where marketing activities have this vast scope but besides business areas, marketing has its scope in the non-business or non-profit sector also. A student who tries to occupy the front seat is also engrossed in doing marketing. Churches, hospitals, colleges and universities are the other non-profit sector where marketing activities are seriously performed.

1.11 SUMMARY

The 21st century has seen the advent of the new economy, thanks to the technology innovation and development. To understand the new economy, it is important to understand in brief characteristics and features of the old economy. Industrial revolution was the start point of the old economy with focus on producing massive quantities of standardized products. This mass product was important for cost reduction and satisfying large consumer base, as production increased companies expanded into new markets across geographical areas. The old economy had the organizational hierarchy where in top management gave out instructions which were executed by the middle manager over the workers. In contrast, the new economy has seen the buying power at all time thanks to the digital revolution. Consumers have access to all types' information for product and services. Furthermore, standardization has been replaced by more customization with a dramatic increase in terms of product offering. Purchase experience has also changed as well with the introduction of online purchase, which can be done 24 × 7 with products getting delivered at office or home.

Companies have also taken advantage of information available and are designing more efficient marketing programs across consumers as well as the distribution channel. Digital revolution has increased speed of communication mobile, e-mail SMS, etc. This helps companies take faster decisions and implement strategies more swiftly.

All marketers need to be aware of the effect of globalization, technology, and deregulation. Rather than try to satisfy everyone, marketers start with market segmentation and develop a market offering that is positioned in the minds of the target market. To satisfy the target market's needs, wants, and demands, marketers create a product, one of the 10 types of entities (goods, services, experiences, events, persons, places, properties, organizations, information, and ideas). Marketers must

search hard for the core need they are trying to satisfy, remembering that their products will be successful only if they deliver value to customers.

Every marketing exchange requires at least two parties—both with something valued by the other party, both capable of communication and delivery, both free to accept or reject the offer, and both finding it appropriate or desirable to deal with the other. One agreement to exchange constitutes a transaction, part of the larger idea of relationship marketing. Through relationship marketing, organizations aim to build enduring, mutually satisfying bonds with customers and other key parties to earn and retain their long-term business. Reaching out to a target market entails communication channels, distribution channels, and selling channels. The supply chain, which stretches from raw materials to the final products for final buyers, represents a value delivery system. Marketers can capture more of the supply chain value by acquiring competitors or expanding upstream or downstream.

In the marketing environment, marketers face brand, industry, form, and generic competition. The marketing environment can be divided into the task environment (the immediate actors in producing, distributing, and promoting the product offering) and the broad environment (forces in the demographic, economic, natural, technological, political-legal, and social-cultural environment).

To succeed, marketers must pay close attention to the trends and developments in these environments and make timely adjustments to their marketing strategies. Within these environments, marketers apply the marketing mix—the set of marketing tools used to pursue marketing objectives in the target market. The marketing mix consists of the four Ps: product, price, place, and promotion.

Companies can adopt one of five orientations toward the marketplace. The production concept assumes that consumers want widely available, affordable products; the product concept assumes that

consumers want products with the most quality, performance, or innovative features; the selling concept assumes that customers will not buy enough products without an aggressive selling and promotion effort; the marketing concept assumes the firm must be better than competitors in creating, delivering, and communicating customer value to its chosen target markets; and the societal marketing concept assumes that the firm must satisfy customers more effectively and efficiently than competitors while still preserving the consumer's and the society's wellbeing. Keeping this concept in mind, smart companies will add "higher order" image attributes to supplement both rational and emotional benefits.

The combination of technology, globalization, and deregulation is influencing customers, brand manufacturers, and store-based retailers in a variety of ways. Responding to the changes and new demands brought on by these forces has caused many companies to make adjustments. In turn, savvy marketers must also alter their marketing activities, tools, and approaches to keep pace with the changes they will face today and tomorrow.

1.12 ANSWER TO CHECK YOUR PROGRESS

1. Can you elaborate the nature and scope of marketing?
2. What are the benefits of marketing to the consumers?
3. Do all companies need to practice the marketing concept? Could you cite example of any companies marketing strategy?

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1.14 TERMINAL QUESTIONS

1. What do you mean by marketing? Describe the feature of marketing.
2. Describe in detail the importance of marketing.
3. Define marketing management? Also discuss the nature of marketing.
4. To study marketing is important to everyone! Discuss.
5. What do understand by market? Highlight the scope of marketing.

UNIT 02: THE KEY 'PS' OF MARKETING

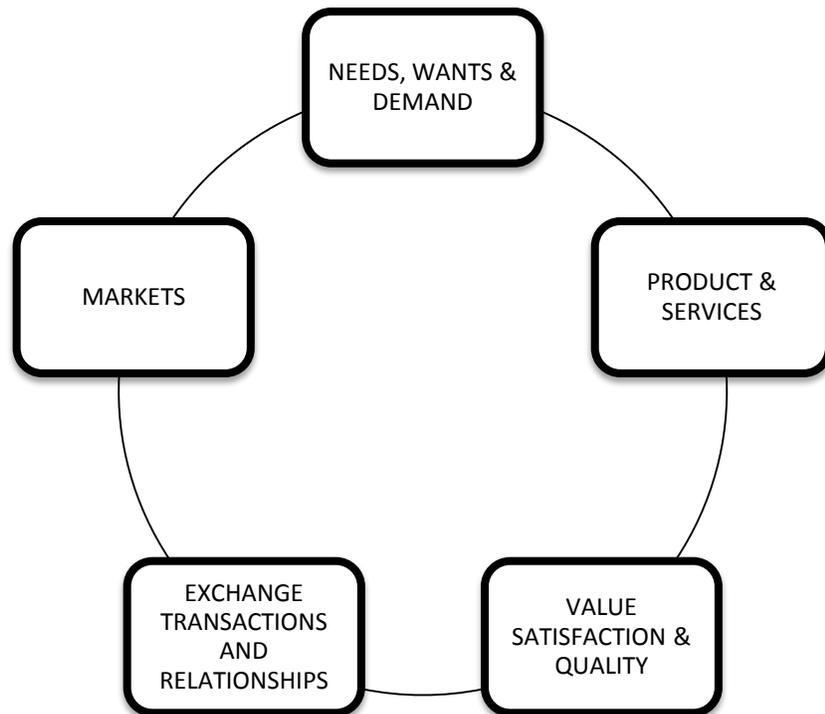
STRUCTURE:

- 2.1 INTRODUCTION
- 2.2 OBJECTIVES
- 2.3 MARKETING
- 2.4 MARKETING MIX
- 2.5 DEVELOPING THE MARKETING MIX
 - 2.5.1 PRODUCT
 - 2.5.1.1 PRODUCT MANAGEMENT
 - 2.5.2 PRICE
 - 2.5.2.1 WHAT IS PRICE?
 - 2.5.2.2 PRICING OBJECTIVES
 - 2.5.2.3 FACTORS TO BE CONSIDER BEFORE ADOPTING A PRICING STRATEGY
 - 2.5.2.4 FACTORS AFFECT PRICE
 - 2.5.3 PLACE
 - 2.5.4 PROMOTION
 - 2.5.4.1 PROMOTIONAL TOOLS
 - 2.5.4.2 PURPOSES OF PROMOTION
 - 2.5.4.3 FUNCTIONS OF PROMOTION
 - 2.5.4.4 PROMOTION TECHNIQUES
 - 2.5.5 PEOPLE
 - 2.5.6 PROCESS
 - 2.5.7 PHYSICAL EVIDENCE
- 2.6 PLANNING AN EFFECTIVE MARKETING STRATEGY
- 2.7 FUTURE TRENDS IN MARKETING
- 2.8 SUMMARY
- 2.9 GLOSSARY
- 2.10 ANSWER TO CHECK YOUR PROGRESS
- 2.11 REFERENCES/SUGGESTED READINGS
- 2.12 TERMINAL QUESTIONS

2.1 INTRODUCTION

Today marketing must be understood not in old sense of making a sale- “telling and selling” – but in new sense of satisfying customer needs. Selling occurs only after the product is produced but marketing starts long before a company has a product.

Marketing is defined as a social & managerial process whereby individuals and groups obtain what they need & want through creating and exchanging products and value with others. The model of marketing process is given below to elaborate modern marketing concept.



Marketing involves a number of activities. To begin with, an organisation may decide on its target group of customers to be served. Once the target group is decided, the product is to be placed in the market by providing the appropriate product, price, distribution and promotional efforts. According to Philip Kotler “Marketing Mix is the set of controllable variables that the firm can use to influence the buyer’s response”. The controllable variables in this context refer to the 4 ‘P’s [product, price, place (distribution) and promotion]. Each firm strives to build up such a composition of 4‘P’s, which can create highest level of consumer satisfaction and at the same time meet its organisational objectives. Thus, this mix is assembled keeping in mind the needs of target customers, and it varies from one organisation to another depending upon its available resources and marketing objectives.

Marketing mix is an integral part of business which needs to make sure that they are marketing:

The right product to;

The right person at;

The right price in;

The right place and at;

The right time.

2.2 OBJECTIVES

After studying this lesson, you will be able to:

- Understand marketing concept and its definitions;
- Explain the concept of marketing mix and its components;
- Understand the process of developing marketing mix;
- State the various p's of marketing;
- Elaborate the various steps in planning effective marketing strategy;
- Comprehend the future marketing trends;
- Identify what marketers do to create a comprehensive marketing strategy to get consumers to buy the products the company is selling.

2.3 MARKETING

To fulfill their role in the organization, marketers engage in the marketing process. Consumers are at the centre of the marketing process. The company divides the total market into smaller segments and selects the segments it can best serve. It then designs its marketing mix in order to differentiate its marketing offer and to position this offer in selected target segments. To find the best mix and put it into action, the company engages in marketing analysis, marketing planning, marketing implementation and marketing control. Each business must prepare marketing plans for its products, brands and markets. The main components of a marketing plan

are the executive summary, current marketing situation, threats and opportunities, objectives and issues, marketing strategies, action programmes, budgets and controls. To plan good strategies is often easier than to carry them out. To be successful, companies must implement the strategies effectively. Implementation is the process that turns marketing strategies into marketing actions. The process consists of five key elements:

The action programme identifies crucial tasks and decisions needed to implement the marketing plan, assigns them to specific people and establishes a timetable.

The organization structure defines tasks and assignments and coordinates the efforts of the company's people and units.

The company's decision-and-reward systems guide activities such as planning, information, budgeting, training, control and personnel evaluation and rewards. Well-designed action programmes, organization structures and decision-and-reward systems can encourage good implementation.

Successful implementation also requires careful human resources planning. The company must recruit, allocate, develop and maintain good people.

The firm's company culture can also make or break implementation. Company culture guides people in the company; good implementation relies on strong, clearly defined cultures that fit the chosen strategy.

In essence, the marketing function is the study of market forces and factors and the development of a company's position to optimize its benefit from them. It is all about getting the right product or service to the customer at the right price, in the right place, at the right time. Both business history and current practice remind us that without proper marketing, companies cannot get close to customers and satisfy their needs. And if they don't, a competitor surely will.

Every product we buy, every store we visit, every media message we receive, every choice we make in our consumer society has been shaped by the forces of marketing. The marketing process is central to the business performance of companies, large and small, because it addresses the most important aspects of the competitive marketplace.

Today, as competitive pressures increase, marketing skills have never been more highly valued by organisations in both the public and private sectors. What was once seen as a departmental activity within companies is now regarded as a frontline business attitude of mind for all employees. Marketing has played a key role in many recent business success stories — from pharmaceuticals to airlines, sports brands to food and drink, business to-business companies to small, niche players.

Marketing is sometimes wrongly defined within the narrow context of advertising or selling, but this is not the whole story. Marketing is a key management discipline that enables the producers of goods and services to interpret customer wants, needs and desires — and match, or exceed them, in delivery to their target consumers.

The marketing professionals who shape and implement marketing strategy contribute directly to the economic wealth of a nation. Their skills attract and retain customers, build sales and generate profits which can then be reinvested as part of a cycle of prosperity.

2.4 MARKETING MIX

The concept of the marketing mix was coined by Neil Borden in his 1953 American Marketing Association presidential address and then formalised in his article 'The Concept of the Marketing Mix' (Borden, 1964). Borden considered how his associate James Culliton (1948) described the role of a marketing manager as a mixer of ingredients who sometimes follows recipes prepared by others, sometimes prepares their own recipe as they go along, sometimes adapts a recipe using immediately available

ingredients, and at other times invents ingredients that no-one else has tried. Jerome McCarthy (1960) then proposed a four Ps classification which has seen extensive use since. The elements of the marketing mix proposed by McCarthy were:

1. Product: Product is a tangible object or intangible service that is produced or manufactured and offered to consumers in the market. Product is the product (or service) that the customer obtains. The P of Product represents:

- Product variety,
- Product Quality,
- Product Design,
- Product Features,
- Product brand name,
- Packaging services, Warranties, returns etc.

2. Price: Price is the amount a consumer pays for the product or service, normally an economic cost. The P of Price represents:

- List price,
- Discounts,
- Allowances,
- Payment period,
- Credit terms etc.

3. Place: Place represents the location where a product or service can be purchased, and can often be referred to as the distribution channel. This can include physical stores as well as virtual outlets online. The P of Place represents:

- Channels,
- Coverage,
- Assortments,
- Locations,
- Inventory
- Transport etc.

4. Promotion: Promotion represents the communications that marketers use in the marketplace including advertising, public relations, personal selling and sales promotion. The P of Promotion represents:

- Sales promotion,
- Advertising,
- sales force,
- Public relations,
- Direct marketing etc.

Kotler and Armstrong (2010) states that marketing mix is the set of controllable tactical marketing tools “product, price, place, and promotion” that the firm blends to produce the response it wants in the target market. Alternative models of marketing were proposed around the same time. Frey suggested that marketing variables be split into two separate components, the first concerning the offering – product, packaging, brand, price and service, and the second referring to the methods and tools used – including advertising, sales promotion, publicity, personal selling and distribution channels (Frey, 1961). However, McCarthy’s four Ps model has dominated marketing thought (Grönroos, 1994), particularly in the social marketing context (Hastings, 2007).

It is known as a “mix” because each ingredient affects the other and the mix must overall be suitable to the target customer. For instance: High quality materials used in a product may mean that a higher selling price can be achieved. An advertising campaign carried in one area of the country requires distribution of the product to be in place in advance of the campaign to ensure there are no disappointed customers. Promotion is needed to emphasise the new features and benefits of a product.

What makes for an effective marketing mix?

An effective marketing mix is one which:

- Meets customer needs
- Achieves marketing objectives

- Is balanced and consistent
- Creates a competitive advantage for the business

The marketing mix for each business and industry will vary; it will also vary over time. Let us now have a brief idea about the four components of marketing mix. For most businesses, one or two elements of the mix will be seen as relatively more important than the others, as illustrated below:

Emphasis on	• Examples
Price	<ul style="list-style-type: none"> • Discount super markets • Low cost airlines
Promotion	<ul style="list-style-type: none"> • Soap powders • Furniture retailers
Product	<ul style="list-style-type: none"> • Luxury motors vehicles • Tailor-made holidays
Place	<ul style="list-style-type: none"> • Convenience stores • Cofee shop

The marketing mix is one of the most famous marketing terms. The marketing mix is the tactical or operational part of a marketing plan. The marketing mix is also called the 4Ps, the 7Ps and the 9Ps. These different Ps are with respect to different product, organization and market situations. The 4Ps are price, place, and product and promotion. The services marketing mix is also called the 7Ps and includes the addition of process, people and physical evidence.

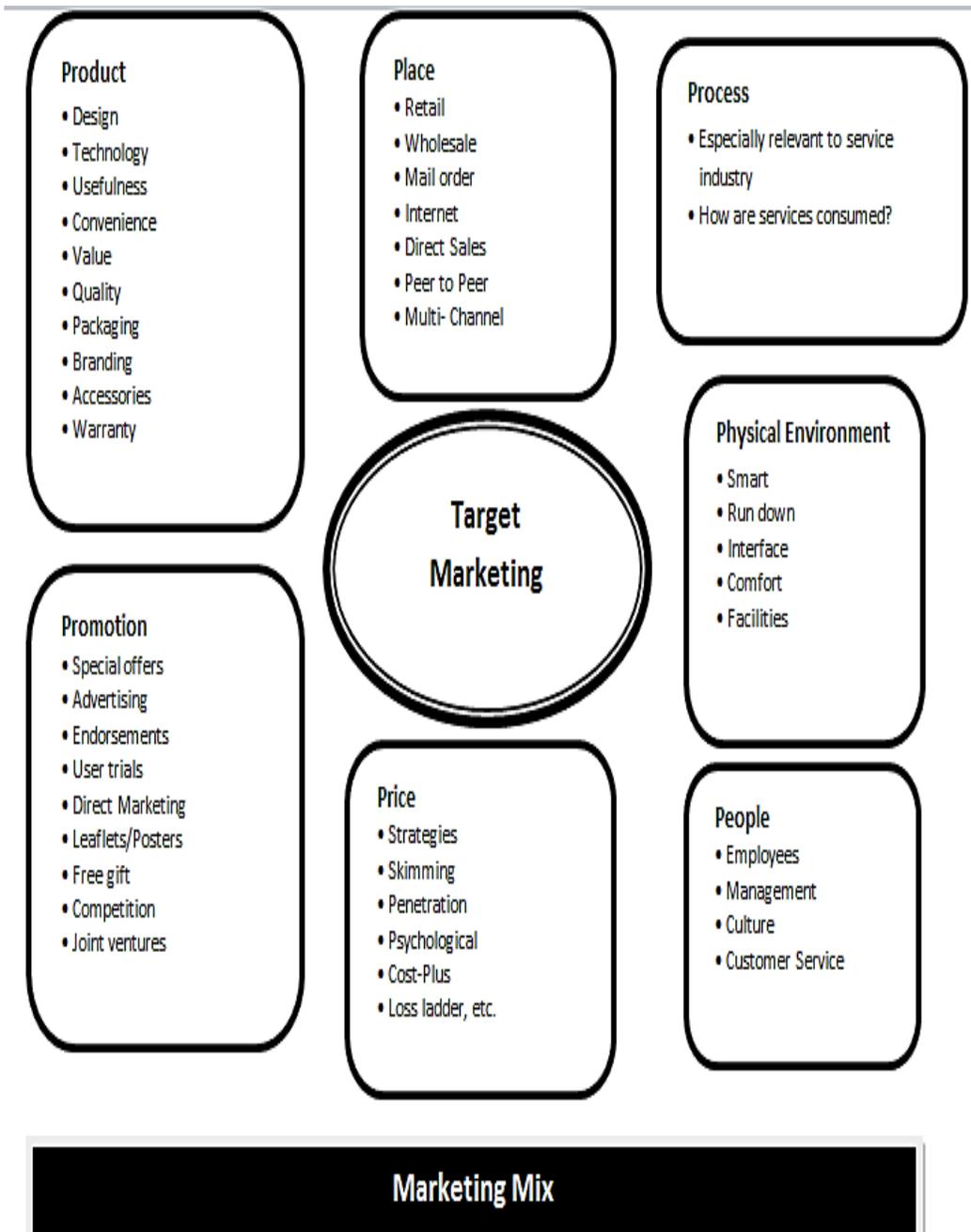
Successful marketing depends upon addressing a number of key issues. These include: what a company is going to produce; how much it is going to charge; how it is going to deliver its products or services to the customer; and how it is going to tell its customers about its products and services.

Traditionally, as discussed above these considerations were known as the 4Ps - Product, Price, Place and Promotion. As marketing became a

more sophisticated discipline, a fifth P was added - People. And recently, two further P's were added, mainly for service industries - Process and Physical environment/evidence.

These considerations are now known as the 7Ps of marketing, sometimes referred to as the marketing mix.

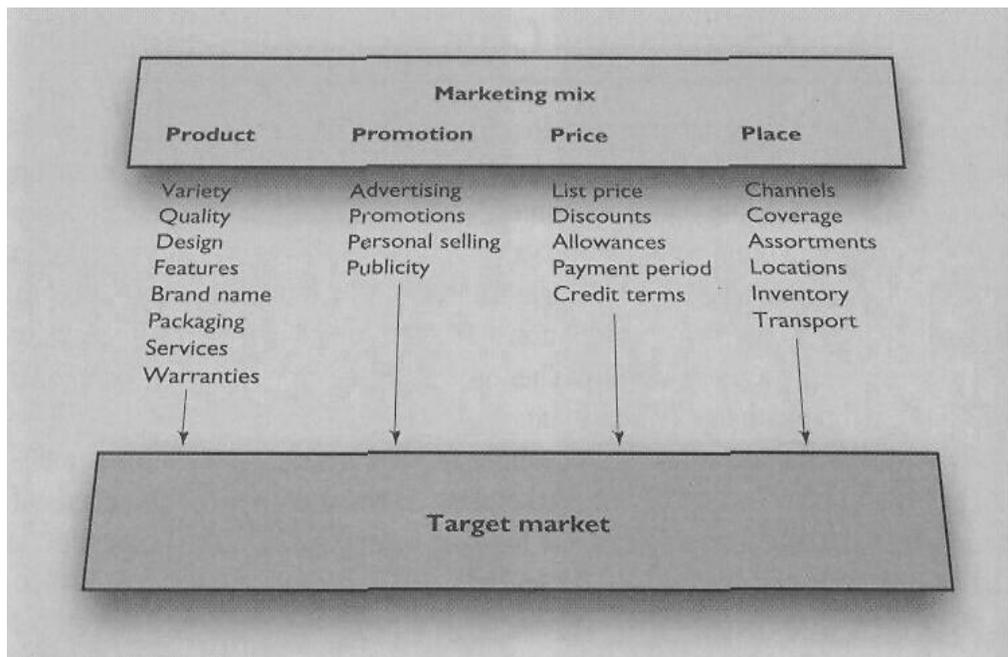
The different components of 7Ps of service marketing mix:



2.5 DEVELOPING THE MARKETING MIX

Once the company has chosen its overall competitive marketing strategy, it is ready to begin planning the details of the marketing mix. The marketing mix is one of the dominant ideas in modern marketing. We define marketing mix as the set of controllable tactical marketing tools that the firm blends to produce the response it wants in the target market. The marketing mix consists of everything the firm can do to influence the demand for its product. The many possibilities gather into four groups of variables known as the 'four Ps'; product, price, place and promotion.

An effective marketing programme blends the marketing mix elements into a co-ordinated programme designed to achieve the company's marketing objectives. The marketing mix constitutes the company's tactical tool kit for establishing strong positioning in target markets. However, note that the four Ps represent the sellers' view of the marketing tools available for influencing" buyers. From a consumer viewpoint, each marketing tool must deliver a customer benefit.



Source: P. Kotler et. al. (1999), *Marketing and Marketing Process*, Prentice Hall Inc.

Now we will try to understand the various components of marketing mix one by one:

2.5.1 PRODUCT

Product means the totality of 'goods and services' that the company offers the target market. The Honda Civic 'product' is nuts, bolts, spark plugs, pistons, headlights and many other parts. Honda offers several Civic styles and dozens of optional features. The car comes fully serviced, with a comprehensive warranty and financing that is as much a part of the product as the exhaust pipe. Increasingly, the most profitable part of the business for car companies is the loan that they offer to car buyers.

There is no point in developing a product or service that no one wants to buy, yet many businesses decide what to offer first, and then hope to find a market for it afterwards. In contrast, the successful company will find out what customers need or want and then develop the right product - with the right level of quality to meet those needs now and in the future.

The perfect product must provide value for the customer. This value is in the eye of the beholder - we must give our customers what they want, not what we think they want. A product does not have to be tangible - an insurance policy can be a product.

Ask yourself whether you have a system in place to regularly check what your customers think of your product, your supporting services, etc. what their needs are now and whether they see them changing.

Beware going too far with product quality. Don't try to sell a Rolls - Royce when the customer really wants a Nissan Micra, Maruti 800 or Maruti Cervo.

A product, according to marketing management by H.W. Boyd, et al. (McGraw-Hill Irwin, 2002), is anything that satisfies a want or need through use, consumption, or acquisition and can include objects, services, places, people, activities and ideas. Consumers seek product benefit (solutions to

customer problems or needs) that must be provided if “customer satisfaction” is to be achieved. Anything that can be offered to a market might satisfy a want or need is product. It includes physical objects, services, persons, places, organizations & ideas. Product developers need to think about the following things:

- Is there a market for your product?
- Growing or shrinking?
- New or established product
- Competition for product
- Is your product right for business at this time? What is your U.S.P?

2.5.1.1 Product Management

Product management is an organizational lifecycle function within a company dealing with the planning, forecasting, or marketing of a product or product all stages of the product lifecycle.

Product life cycle (PLC) Like human beings, products also have a life-cycle. From birth to death, human beings pass through various stages e.g. birth, growth, maturity, decline and death. A similar life-cycle is seen in the case of products. The product life cycle goes through multiple phases, involves many professional disciplines, and requires many skills, tools and processes. Product life cycle (PLC) has to do with the life of a product in the market with respect to business/commercial costs and sales measures. For example, a seed is planted (introduction); it begins to sprout (growth); it shoots out leave & put down roots as it becomes an adult (maturity); after a long period as an adult the plant begins to shrink & die out (decline).

To say that a product has a life cycle is to assert three things:

- Products have a limited life.
- Product sales pass through distinct stages, each posing different challenges, opportunities, and problems to the seller.
- Products require different marketing, financing, manufacturing, purchasing, and human resource strategies in each life cycle stage.

The Stages of the Product Life Cycle:

- Introduction / Launch
- Growth
- Maturity
- Saturation
- Decline

2.5.2 PRICE

A product is only worth what customers are prepared to pay for it. The price also needs to be competitive, but this does not necessarily mean the cheapest; the small business may be able to compete with larger rivals by adding extra services or details that will offer customers better value for money. Your pricing must also provide a profit. It is the only element of the marketing mix that generates revenue - everything else represents a cost. Price is the amount that a product is asking in the market. It is determined by a number of factors including market share, competition, material costs, product identity and the customer's perceived value of the product. A business may increase or decrease the price of product if the product is in demand or other stores have the same product. OR The amount of money charged for a product or sum of the values that customer exchange for purchasing goods and services.

Thinking of price as 'cost' to the customer helps to underscore why it is so important. Price positions you in the marketplace - the more you charge, the more value or quality your customers will expect for their money. Existing customers are generally less sensitive about price than new customers - a good reason for looking after them well. If you decide in favour of a higher priced added-value approach, remember that price 'positions' you in the marketplace. This means it gives an indication to potential and existing customers of where to place you in relation to your competitors. Expectations will generally be higher; customers will assume a higher quality product or service. Everything about your dealings with

customers must live up to the expectations of this positioning. Anything that can be seen by the customer must be consistent with these higher quality expectations - packaging, environment, promotional materials, letterheads, invoices, etc.

Honda suggests retail prices that its dealers might charge for each car, but dealers rarely charge the full asking price. Instead, they negotiate the price with each customer. They offer discounts, trade-in allowances and credit terms to adjust for the current competitive situation and to bring the price into line with the buyer's perception of the car's value.

2.5.2.1 What is Price?

- The money charged for a product or service.
- Everything that a customer has to give up in order to acquire a product or service.
- Competition pricing.
- Examine and re-examine the prices of the products you sell. Should fit to the realities of the current market.

2.5.2.2 Pricing Objectives

- To keep, increase or defend market share
- Compare prices with the competition
- Eliminate the competition
- Achieve target profits or maximize profits
- To use excess production capacity
- To project a high quality image
- To survive

2.5.2.3 Factors to Be Consider Before Adopting a Pricing Strategy

- The demand for a product / service in the market.
- Customer's perception.
- Margin adequate to sustain in the market.
- The image of the company in the market.
- Intensity of competition

2.5.2.4 Factors Affect Price

- Costs of production
- Competitors' prices
- Marketing mix
- The firm's objectives
- State of the economy
- Target market
- Customer demand
- State of competition in the market
- Price elasticity of demand

2.5.3 PLACE

Place represents the location where a product can be purchased or the channel where the product can go through to be placed for sale. Therefore, it is often referred to as the distribution channel.

Place may include any physical store as well as virtual stores on the Internet. However, Place may not be exactly a physical store where the product is for sale. Place is where the product is available or an image of the product is created in the mind of customers. The place where customers buy a product, and the means of distributing your product to that place, must be appropriate and convenient for the customer.

Place refers to the contact between the service provider and the one who gets the benefits of the service, i.e. the consumer. It is referred to as all the channels available between the firm and the target market that increase the probability of getting the customer to the product. The product must be available in the right place, at the right time and in the right quantity, while keeping storage, inventory and distribution costs to an acceptable level. Customer surveys have shown that delivery performance is one of the most important criteria when choosing a supplier. Place also means ways of displaying your product to customer groups. This could be in a shop window, but it could also be via the internet.

The mean by which the products and services go from the producer to the customer, to somewhere they can be accessed by the consumer is called "PLACE" in marketing. Place includes company activities that make the product available to target consumers. Honda maintains a body of independently owned dealerships that sell the company's cars. They select dealers carefully and support them strongly. The main dealers keep a stock of Hondas, demonstrate them to potential buyers, negotiate prices, close sales, arrange finance, and service the cars after the sale.

2.5.4 PROMOTION

When you are promoting your product on the Internet you need to question whether you are addressing the right target audience. Even if you are getting the target audience to your website, you need to be sure that you speaking the language they understand. This way you can communicate the benefits in a way that they will understand.

Promotion is the way a company communicates what it does and what it can offer customers. It includes activities such as branding, advertising, PR, corporate identity, sales management, special offers and exhibitions. Promotion must gain attention, be appealing, tell a consistent message and above all else give the customer a reason to choose your product rather than someone else's. Promotion involves disseminating information about a product, product line, brand, or company. It is one of the four key aspects of the marketing mix. OR A tool of communication used to inform the target market customers about the goods and services to facilitate the exchange process.

Good promotion is not one-way communication - it paves the way for a dialogue with customers. Promotion should communicate the benefits that a customer obtains from a product, and not just the features of that product.

Whether your promotional material is a single sheet or a complex brochure, folder or catalogue, it must grab the attention of your customers.

It should be easy to read and enable the customer to identify why they should buy your product

A brochure isn't necessarily the best way of promoting your business, the problem being that once a brochure has been printed, the information is fixed. You can't change or remove anything should the need arise. A more cost effective and flexible option might be a folder with a professionally designed sheet inside, over a series of your own information sheets produced in-house. These sheets can be customised by varying them to suit the target customers and/or changing them as required.

Promotion does not just mean communicating to your customers. It is just as important to ensure your internal stakeholders are aware of the value and attributes of your products. This means communicating effectively to your staff/fellow employees so that they can be knowledgeable and share expertise with their customers.

An effective promotional campaign will mean your advertisements and the campaign tries to reach out as many potential customers as possible. Karma Snack's team takes care of analysing the traffic to your website, the sources of the traffic, and the average stay. We then utilize advanced behavioural analytics and predictive analysis to get more profitable customers to your business. Promotion means activities that communicate the merits of the product and persuade target customers to buy it. Honda spends millions on advertising each year to tell consumers about the company and its products. Dealership salespeople assist potential buyers and persuade them that a Honda is the car for them. Honda and its dealers offer special promotions - sales, cash rebates, and low financing rates - as added purchase incentives.

2.5.4.1 Promotional Tools

- Advertising (mass media, newspaper, magazine, television etc.)
- Sales Promotion (temporary price reduction, door to door calling , telemarketing)

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- Public Relation (press release , company literature , websites)
 - Publicity (news release , press conference , feature articles)
 - Direct Marketing (mail order catalogues)
-

2.5.4.2 Purposes of Promotion

- Convince potential customers to buy.
 - Explain features/benefits of products.
 - Tell where products are sold.
 - Advertise sales on products.
 - Answer customers' questions.
 - Introduce new products.
 - Create a favourable image of the company or product.
-

2.5.4.3 FUNCTIONS OF PROMOTION

- Production Differentiation
 - Use of sales promotion techniques helps to differentiate your products from those of your competitors. This is especially beneficial are your products offered essentially the same features and benefits as others on the market.
 - Attract Customers
 - Sales promotions are used to attract customers during periods of slow sales.
 - Increasing Market Share
 - Sales promotions can lead to an increase in market share for the manufacturer. The promotion will likely increase your sales by taking away sales from your competitors.
 - New Product Introduction
 - Retailers can use sales promotions to introduce a new product. By offering the new item at a reduced price and placing a "new item" sign in front of it, they can persuade customers to give the new product a try.
 - Inventory Control
 - Sales promotion can help retailers limit out-of-stock situations by allowing them to purchase large quantities at a reduced price.
-

2.5.4.4 Promotion Techniques

Promoting your business can take many different forms. You can promote it online and offline. Promotion is a very important part of every business imaginable. If you don't promote it, how are customers supposed to know about it? Here are some very effective ways to promote your product or service

Business card: A card contains the information about an individual and the additional details such as address, contact number, email id and logo.

Press release: A press release is pseudo-news story, written in third person that seeks to demonstrate to an editor or reporter the newsworthiness of a particular person, event, service or product.

Newsletters: Newsletters can be divided into two distinct types: printed on paper and in digital formats, which are usually distributed via the Internet.

Websites: A set of interconnected webpage's, usually including a homepage, generally located on the same server, and prepared and maintained as a collection of information by a person, group, or organization.

2.5.5 PEOPLE

Anyone who comes into contact with your customers will make an impression, and that can have a profound effect - positive or negative - on customer satisfaction. The reputation of your brand rests in your people's hands. They must, therefore, be appropriately trained, well-motivated and have the right attitude.

It is essential to ensure that all employees who have contact with customers are not only properly trained, but also the right kind of people for the job.

Many customers cannot separate the product or service from the staff member who provides it. This shows the importance of your people. The level of after sales support and advice provided by a business is one way of adding value to what you offer, and can give you an important edge

over your competitors. This will probably become more important than price for many customers once they start to use you

Look regularly at the products that account for the highest percentage of your sales. Do these products have adequate after sales support, or are you being complacent with them? Could you enhance your support without too much additional cost?

Traditionally, adding the sixth and seventh Ps would be for service industries. However, they are worth considering for products too, especially in B2B.

2.5.6 PROCESS

The process of giving a service and the behaviour of those who deliver are crucial to customer satisfaction. Issues such as waiting times, the information given to customers and the helpfulness of staff are all vital to keep customers happy.

Customers are not interested in the detail of how your business runs. What matters to them is that the system works.

Do customers have to wait? Are they kept informed? Are your people helpful? Is your service efficiently carried out? Do your people interact in a manner appropriate to your service?

Process is one of the 'P's that is frequently overlooked. A customer trying to reach your company by phone is a vital source of income and returning value; but so often customers have to stay on hold for several minutes listening to a recorded message before they are able to get through. Many of these customers will give up, go elsewhere and tell their friends not to use your company - just because of the poor process that is in place. Even if they do get through, they will go away with a negative impression of the company.

The reason for this is that the systems are not usually designed by marketers - they are designed for the company's benefit, not the customer's.

This part of the process is the first experience of a company that many customers have. There's no value in making the rest of the company run perfectly if this part is faulty. As a consequence, this 'P' could be a great source of competitive advantage if used wisely.

2.5.7 PHYSICAL EVIDENCE

Physical Evidence is the element that allows the consumers to make judgments on that organisation. It includes some of the following:

- Premises
- Websites
- Paperwork (such as air tickets)
- Brochures
- Signage (such as those on aircraft and vehicles)
- Uniforms (employees)
- Business cards

A service can't be experienced before it is delivered. This means that choosing to use a service can be perceived as a risky business because you are buying something intangible. This uncertainty can be reduced by helping potential customers to 'see' what they are buying. Case studies and testimonials can provide evidence that an organisation keeps its promises. Facilities such as a clean, tidy and well-decorated reception area can also help to reassure. If your premises aren't up to scratch, why would the customer think your service is?

The physical evidence demonstrated by an organisation must confirm the assumptions of the customer - a financial services product will need to be delivered in a formal setting, while a children's birthday entertainment company should adopt a more relaxed approach.

Although the customer cannot experience the service before purchase, he or she can talk to other people with experiences of the service. Their testimony is credible, because their views do not come from the company. Some companies engage these customers and ask for their

feedback, so that they can develop reference materials. New customers can then see these testimonials and are more likely to purchase with confidence.

Each of the 'ingredients' of the marketing mix is a key to success. No one element can be considered in isolation - you cannot, for example, develop a product without considering a price, or how it will reach the customer. This process is called marketing planning or planning marketing mix.

2.6 PLANNING AN EFFECTIVE MARKETING STRATEGY

Marketing focuses on the most fundamental requirements of companies to identify customers, research their needs and preferences, analyse their attitudes to promotion and other factors that influence their purchasing decisions and persuade them to buy products and services from you rather than a competitor. All this requires a marketing strategy that is co-ordinated and considered - not a piecemeal approach to each part of the task - and realistic in terms of making the most effective use of the resources and budgets available.

Planning a marketing strategy starts with a detailed and on-going investigation of the market and its sub- markets or segments. Companies look at the social, political, economic, cultural and technological trends which are shaping the market, their own position within it and the resources they can marshal to change or influence it. This is sometimes known as the marketing audit. A marketing plan defining objectives, targets and performance measures is then developed with a financial budget. When specific goals have been defined, strategic alternatives to the current position can be discussed, and ways to achieve those alternatives can be chosen. The marketing strategy is then formalised within a specific plan of action, which is constantly revised and updated, and the marketing campaign progresses.

Planning an effective marketing strategy within the organisation is intimately bound up with the total business planning process because it is linked to overall corporate strategy and requires endorsement from the top. It also needs to be continually reviewed. Therefore collaboration between marketing and other corporate activities, such as finance, research, development and production, is important to ensure that the marketing strategy is implemented effectively.

Marketing is a team effort requiring the orchestration of a range of different skills, outlooks and personalities. Some aspects of marketing deal solely in facts and finance; others explore the ambiguities and uncertainties of changing consumer styles. A coherent marketing strategy is essential to managing change, as companies everywhere operate in technological, legislative, corporate and market environments of rapid transition and change.

2.7 FUTURE TRENDS IN MARKETING

We now live and work in a world of unprecedented social and technological upheaval, which has introduced new levels of competition for all kinds of organisations.

Business is becoming global, customers are more demanding, many mature markets now offer little room for growth, brand valuation is recognised on financial balance sheets, environmental pressures are growing and the pace of change is quickening all the time. Speed of market introduction and acceptance are important factors. Taken together, all these issues constitute a new challenge to the marketer. Just as the economic context is changing, so too are the disciplines of marketing. New social trends and corporate structures have opened up fresh avenues of opportunity for marketers to become even more central to business success. Relatively recent technologies, such as database marketing, direct-to-plate printing, video-conferencing, and internet and intranet

communications, have made many more things possible than was the case a generation ago. One of the strengths of marketing is the way it constantly adapts and responds to changing conditions. Today, as organisations introduce streamlined management hierarchies and more flexible working practices, so the marketing approach is proving itself a valuable interdisciplinary asset to the company which wants to break down functional boundaries and focus intensely on its core capabilities.

2.8 SUMMARY

Managing the marketing function would be hard enough if the marketer had to deal only with the controllable marketing-mix variables. Reality is harder. The company is in a complex marketing environment consisting of uncontrollable forces to which the company must adapt. The environment produces both threats and opportunities. The company must carefully analyse its environment so that it can avoid the threats and take advantage of the opportunities.

The company's marketing environment includes forces close to the company that affect its ability to serve its consumers, such as other company departments, channel members, suppliers, competitors and other publics. It also includes broader demographic and economic forces, political and legal forces, technological and ecological forces, and social and cultural forces. The company must consider all of these forces when developing and positioning its offer to the target market.

2.9 GLOSSARY

- **Brand:** A promise to people of what kind of product, price, and place to expect.
- **Marketing:** Everything sellers do to place their product or service in the hands of potential customers.

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- **Mass Market:** The largest potential number of consumers who could buy a product.
 - **Place:** The location of the product where people buy it. Often called “distribution strategy.”
 - **Position:** A buyer's beliefs and feelings about the product when comparing it to similar products.
 - **Price:** How much a customer pays for the product?
 - **Pricing:** Offering a line of products with incremental features and a correspondingly wide price range.
 - **Product:** Anything that can be offered to satisfy a market's want or need.
 - **Promotion:** All the ways a company communicates with a customer. Includes advertising, public relations, publicity, merchandising, sales promotion, and direct mail.

2.10 ANSWER TO CHECK YOUR PROGRESS

1. Product, Price, Place and Promotion are the components of management mix. Right or Wrong?
2. Define product.
3. Advertising, Sales Promotion, _____, _____ and _____ are the promotional tools.

2.11 REFERENCES/SUGGESTED READINGS

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2.12 TERMINAL QUESTIONS

1. What do you understand by marketing mix? Discuss the elements of marketing mix in detail.
2. Discuss the steps of planning an effective marketing strategy.
3. P's of marketing in marketing mix are accordingly chosen according to the necessity of business and organisation. Do you agree with the statement? Justify!

UNIT 03: PRODUCT MARKETING AND SERVICE MARKETING - COMMONALITIES AND DIFFERENTIATIONS

STRUCTURE:

- 3.1 INTRODUCTION
- 3.2 OBJECTIVES
- 3.3 THE SERVICE–PRODUCT DISTINCTION
- 3.4 PRODUCT MARKETING
 - 3.4.1 ROLE OF PRODUCT MARKETING
- 3.5 SERVICE MARKETING
 - 3.5.1 SCOPE OF SERVICES MARKETING MANAGEMENT
 - 3.5.2 ORIGINS AND BACKGROUND TO SERVICES MARKETING MANAGEMENT
 - 3.5.3 SERVICES MARKETING IS DIFFERENT
 - 3.5.4 CHARACTERISTICS OF SERVICES MARKETING
- 3.6 PRODUCT MARKETING VERSUS SERVICE MARKETING: WHAT YOU NEED TO KNOW
 - 3.6.1 MARKETING DIFFERENCES BETWEEN PRODUCTS & SERVICES
 - 3.6.2 MARKETING COMMONALITIES BETWEEN PRODUCTS & SERVICES
- 3.7 WRITING YOUR MARKETING PLAN FOR EACH PRODUCT/SERVICE
- 3.8 SUMMARY
- 3.9 GLOSSARY
- 3.10 ANSWER TO CHECK YOUR PROGRESS
- 3.11 REFERENCES/SUGGESTED READINGS
- 3.12 TERMINAL QUESTIONS

3.1 INTRODUCTION

Every business owner knows that having a good marketing plan is absolutely vital to the success of their business venture. If you don't have a good marketing plan, then you don't know how to get where you want to go. You will just be shooting in the dark and you won't be able to see how you can achieve your goals within the market that you are working within.

However, you need to have different approaches to marketing based on whether or not you are marketing products or if you are marketing services. If you are marketing both services and products, then you need to develop two different marketing plans that share some similarities-such as the type of business and the company image that you want to portray-but are also different. Different tactics work better for services versus products. You need to develop marketing plans for each and every one of them.

3.2 OBJECTIVES

Present unit aims at to Product and Service marketing. After going through this unit you will be able to:

- Distinguish between services and products;
- Understand the concept of product marketing;
- Understand the concept of service marketing;
- Comprehend the scope and characteristics of services;
- Differentiate between product and service marketing;
- Draw the point of similarity between product and service marketing;
- Write the sample marketing plan for any product or service.

3.3 THE SERVICE–PRODUCT DISTINCTION

The distinction between products and services has a long history in marketing and other disciplines, namely operations (Johnston, 1999) and general management. In marketing, the focus was firmly on products, with services often regarded as little more than a peripheral activity that added value to a product. Kotler (1980), for example, noted cryptically “A service is not a physical thing but rather energy expenditure”.

In industrial marketing as far back as the late 1970s (Grönroos, 1979; Gummesson, 1978), there were calls for services to be treated as

part of companies' marketing strategies. The focus of the service literature was often on the classification of services and the marketing implications stemming from their idiosyncratic qualities (Lovelock, 1983) or the development of service packages according to market segments, for example, remarked that the “four features – intangibility, inseparability, heterogeneity and perishability – provided the underpinning for the case that services marketing is different from products marketing.” To this day, textbooks (Kotler, 2003) and academic papers (Bowen & Ford, 2002) rely on these dimensions to convey the notion that services deserve special treatment. In keeping with some of these authors, we will refer to these features or characteristics as the Intangible, Heterogeneous, Inseparable, Perishable characteristics. The implication that can be extracted from these statements is that services are what products are not, and that product-based marketing need to be adapted to service environments. As Grönroos (1998), memorably put it: “The most important change from the product marketing situation is that the product is missing.” Only occasionally have service marketing authors acknowledged that “...important differences exist between service firms, not just between service firms and products firms” (Zeithaml, Parasuraman, & Berry, 1985, p. 43).

In addition, the literature has often stressed the outcome-versus process duality to define services. According to this view, whereas products appear as pre-produced at the consumption junction, the production of services is performed in a process in which customers interact with the production resources of the service firm (Grönroos, 1998). This view can be questioned. First, it is not unusual in business markets for users to either request customized products or to actively negotiate and iterate with suppliers the specifications they require. Secondly, it is common for firms in professional services such as law or advertising to produce customized solutions based on repeatable packages either through straightforward repetition of tried and tested processes or

recombination of pre-produced modules. Finally, there are many service examples when the customer's interaction with the resource structure of the producer can be fairly minimal or inconsequential, as when a utilities customer switches on the lights at night or connects a computer through a modem to an Internet service provider.

More recently, service marketing writers have begun to attack the foundational differences that have helped services marketing develop as a separate field. Vargo and Lusch (2004a) attempt to debunk the myths underpinning the Intangible, Heterogeneous, Inseparable, Perishable characteristics. When examined more closely, as we have begun to show already, these are found wanting, and numerous exceptions can be invoked to counter the supposedly watertight distinction between products and services. For example, tangible goods are often heterogeneous and many services can be mass produced without difficulty. The variability of services can be controlled through strict quality procedures, standardization of service modules, and automation of service functions.

In an argument Levitt's (1972) said that "everybody is in services", propose that services are more universal than goods. In their words, services are the "application of specialized competences (skills and knowledge) through deeds, processes and performances for the benefit of another entity or the entity itself (self-service)". The corollaries of the argument that "everything is a service" are that manufacturing and exchange should be seen as services and products merely as vehicles for service delivery. Furthermore, Vargo and Lusch (2004b) contend that marketing inherited from economics the notion that value is embedded in products and usage is directly related to product features. Instead, they propose that through product usage, customers are co-opted in the value creation and delivery process. Exactly how value through product usage is created, we are not told. Levitt (1981) pinpointed the limits of the traditional distinction between products and services and focused instead on the

marketing of tangibles and intangibles. The nub of Levitt's argument is the distinction between those products and services whose qualities can be experienced and tested in advance and those that cannot. If it is true that intangibles cannot be assessed and tested in advance, it is equally true that for many complex products the process of installation and appropriation into the user's value system involves a lot more than the product itself. As Levitt (1981), p. 97, puts it: "you won't know how it performs until it's put to work". The conclusion that Levitt extracts is that whereas tangible products must be "intangibilized" to stress benefits in use, intangible products must be "tangibilized — or to create metaphors or surrogates for tangibility". Relationships with customers in the case of intangibles need to be managed more carefully and continuously than in the case of tangibles although Levitt stresses that this is a vital for products too, notably in the case of new and complex products.

3.4 PRODUCT MARKETING

There is often a great deal of misunderstanding about marketing. People often consider marketing to be the same as advertising. It's not. Advertising is only one part of marketing. Very simply put, marketing is the wide range of activities involved in making sure that you're continuing to meet the needs of your customers and getting value in return.

Market analysis includes finding out what groups of customers (or markets) exist, what their needs are, what groups of customers you prefer to serve (target markets), what products or services you might develop to meet their needs, how the customers prefer to use the products and services, what your competitors are doing, what pricing you should use and how you should distribute products and services to customers. A result of this marketing analysis indicates the position, or market "niche", for the organization to work from -- and to be seen as having. Marketing also includes ongoing promotions, which can include advertising, public

relations, sales and customer service. Various methods of market research are used to find out information about markets, target markets and their needs, competitors, market trends, customer satisfaction with products and services, etc.

Product marketing deals with the first of the "7P"s of marketing, which are Product, Pricing, Place, and Promotion, Packaging, Positioning & People. Product marketing, as opposed to product management, deals with more outbound marketing tasks (in the older sense of the phrase). For example, product management deals with the nuts and bolts of product development within a firm, whereas product marketing deals with marketing the product to prospects, customers, and others. Product marketing, as a job function within a firm, also differs from other marketing jobs such as marketing communications ("marcom"), online marketing, advertising, marketing strategy, public relations, etc. A Product market is something that is referred to when pitching a new product to the general public. The people you are trying to make your product appeal to is your consumer market. For example: If you were pitching a new video game console game to the public, your consumer market would probably be the adult male Video Game market (depending on the type of game). Thus you would carry out market research to find out how best to release the game. Likewise, a massage chair would probably not appeal to younger children, so you would market your product to an older generation.

3.4.1 ROLE OF PRODUCT MARKETING

Product marketing in a business addresses five important strategic questions:

- What products will be offered (i.e., the breadth and depth of the product line)?
- Who will be the target customers (i.e., the boundaries of the market segments to be served)?

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- How will the products reach those (i.e., the distribution channel and are there viable possibilities that create a solid business model)?
 - At what price should the products be offered?
 - How will customers be introduced to the products (i.e., advertising)
 - We have discussed the main P's of product marketing in the previous unit ie. Product, Price, Place and Promotion in detail.

3.5 SERVICE MARKETING

Services are all around us – as consumers we use services every day. The growth in the service economy is widely recognized and increasingly contributes to the economic development of many regions. Although the service sector accounts for most of the new job growth in developed countries, the dominance of the service sector is not limited to highly developed nations.

Many services such as those in the tourism sector contribute very heavily to developing economies also. By their very nature, services are diverse and therefore have often been difficult to define. However there have been many attempts to describe services and there is an overall recognition of what they are and how they contribute to marketing offerings and the economy.

3.5.1 SCOPE OF SERVICES MARKETING MANAGEMENT

Most frequently, a service has been described as an act, a process and a performance. For example, activities such as accountancy, banking and hairdressing can be recognized as being predominantly service based. Also services can be more widely described as economic activities that create 'added value' and provide benefits for customers (consumers or organizations). Today most products include some element of service. The definition and scope of the service concept is wide and can mean any or all of the following:

Service as an organization, that is the entire business or not-for-profit structure that resides within the service sector. For example, a restaurant, an insurance company, a charity.

Service as core product, that is, the commercial outputs of a service organization such as a bank account, an insurance policy or a holiday.

Service as product augmentation, that is any peripheral activity designed to enhance the delivery of a core product. For example, provision of a courtesy car, complimentary coffee at the hairdressers.

Service as product support, that is, any product- or customer-oriented activity that takes place after the point of delivery. For example monitoring activities, a repair service, up-dating facilities.

Service as an act that is service as a mode of behaviour such as helping out, giving advice. Few service industries are Hospitality, Tourism, Financial services, Charities, Arts, Public utility services, Health services, Education services, Professional services etc.

3.5.2 ORIGINS AND BACKGROUND TO SERVICES MARKETING MANAGEMENT

Service marketing is founded upon the fundamental concepts of marketing. The development of service marketing concepts over the years has evolved in accordance with the philosophy of customer orientation. A marketing orientation puts the customer at the core of an organization's purpose and activity. In many organizations the philosophy is manifested in terms such as 'the customer is king' and 'everything the organization does is with the customer in mind'. For example, British Airways used the slogan 'putting people first' in the 1980s, United Airlines used 'you are the boss' and Burger King invited customers to 'have it your way'. However a more rational and business oriented approach to service marketing encompasses the philosophy of marketing orientation by concentrating on looking after customers and maximizing their satisfaction in the context of competitive offerings while remaining profitable as an organization.

The philosophy of reaching the customer more precisely has dictated marketing activity throughout its history. In the early part of the twentieth century, trading in 'commodity services' was one form of services marketing. Indeed, this notion is recognized by Regan (1963) as the origin of services marketing when debating the 'service revolution' at that time. In reinforcing that a revolution was taking place in the early 1960s, Regan and others (Judd, 1964; Rathmell, 1966, 1974) set about trying to define services in this new domain.

3.5.3 SERVICES MARKETING IS DIFFERENT

Central to the debate about marketing tools for services are the characteristics of services, how these characteristics can be refined for different contexts (for example retailing services or not-for-profit services), the tangible and intangible aspects of the service offering and whether there is a difference between services and products marketing. In 1963 Regan highlighted that a large and growing market for commodities existed in the development of service systems. In his early work he considered some definitions of services and their characteristics. He recognized that the potential development of the service revolution depended upon the recognition of markets for business expansion, the development of service technologies, consideration of limits and impersonalization of services, the 'massification' of taste and the proliferation of services. In this early work, Regan was forecasting how different market segments might, and indeed did, emerge for different types and levels of service. Others such as Judd (1968) considered the characteristics of services marketing in a specific context. He studied the similarities and differences in product and service retailing by examining the marketing required in terms of product and service development, sales effort and pricing. He concluded that although there were substantial similarities between product and service retailing, the extent of differences between them could not be dismissed as unimportant.

There was also some development and discussion of how concepts and strategies more relevant to services than products could be developed. Shostack's (1977) article on breaking free from product marketing illustrated the differences between products and service products by using a continuum to highlight the predominantly intangible nature of services. Shostack's continuum illustrated the range of tangibility in different types of products and services from a tangible product such as salt, through fast food outlets, with both tangible and intangible components, to predominantly intangible services such as teaching.

In addition, Shostack's work illustrated how some services could be standardized for efficient delivery by breaking down a service into separate tasks. Further development of this work led to the creation of a 'blueprint' to illustrate the different processes in delivering a simple service such as a shoeshine operation (Shostack, 1981). The blueprint is based on illustrating the different actions and the time involved for each action in delivering a shoeshine service. Each action in the service delivery has a model execution time allocated to it, with a certain amount of tolerance. For example, the whole shoe-shine operation should take two minutes, but may take up to three minutes longer if the service is not straightforward. There may be some variance in delivering the service in some cases where shoes may need to be scraped clean of soil before brushing or where the wrong colour of polish is used and has to be removed before applying polish again.

Inherent in all these earlier studies was the desire to reach a general agreement on the characteristics and component parts of a service. These characteristics are now widely agreed and cited in most service texts and will be discussed later in this chapter. However there was one final debate about the relevance of service characteristics for all service situations. This was articulated by Middleton in 1983 who rejected the idea of contrasting products and services marketing per se and contended that service

characteristics could be applied to both services and products depending upon their specific classifications. For his argument he outlined the similarities between products and services marketing in the context of convenience or mass-produced products.

He advocated that the mass production of products has many similarities with the mass production of services. That is, fast-moving consumer goods (FMCGs) marketing principles and fast-moving consumer services (FMCSs) marketing principles do not have to be very different. This argument is useful in recognizing that relatively 'simple' products (such as FMCGs) have many similarities and can be marketed in a similar way to relatively 'simple' services (such as FMCSs). Indeed many of the characteristics inherent in marketing FMCGs such as the emphasis on location, easy accessibility and availability for the mass marketing and the importance of standardizing the service process and delivery can be seen in the marketing of FMCSs such as McDonald's. However marketing management and activity need to be very different for more complex services.

3.5.4 CHARACTERISTICS OF SERVICES MARKETING

The services marketing mix is the set of tools and activities available to an organization to shape the nature of its offer to customers. Goods marketers are familiar with the product, price, promotion and place aspects of the marketing mix. An analysis and description of the marketing mix elements was carried out by Borden (1964) based on a study of manufacturing industry at a time when the importance of services to the economy was considered to be relatively insignificant. For services marketing, the distinguishing features or characteristics of services are important in the design of an appropriate marketing mix. The identification of these characteristics was the concern of much of the earlier research and conceptual development of services marketing. The core characteristics are defined below:

1. INTANGIBILITY

Even though many services include tangible aspects such as an airline seat, a classroom, a restaurant table and food the service performance leading to a customer's experience is intangible. The benefits of buying a product are based on its physical characteristics whereas the benefits of buying a service are from the nature of the performance. In comparison to physical goods, services cannot be stored or readily displayed. They are difficult to communicate, cannot be protected through patents and prices are difficult to set. The intangible nature of services often means that customers have difficulty in evaluating and comparing services. As a result they may use price as a basis for assessing quality and they may place greater emphasis on personal information sources. This all leads to consumer are having higher levels of perceived risk. The intangibility of services makes them very different from the traditional product mix that is frequently analyzed interims of tangible design properties. Similarly, physical distribution management may not be an important element of the 'place' mix decisions because there is no tangible product.

2. INSEPARABILITY

Because services are processes, deeds or acts, customers are involved in the production of a service. Also other consumers may be involved in the production environment and centralized mass production is difficult, particularly if the service is more complex or customized. For most services both the buyer and the seller need to be at the same place at the same time for the service to occur. Because centralized mass production is difficult, consumers often have to travel to the point of service production. For example, it is hard to imagine haircut without both customer and hairdresser or barber present. Also promotion by the service personnel may take place. For a bank clerk or hairdresser the manner in which the service is produced is an essential element of the total promotion of the service.

Often consumers are co-consumers of a service with a small or large number of others. Thus the behaviour and attitude of other consumers may impact upon the nature and experience of a service. For example, a loud or over-demanding customer can deflect service staff's attention and impact on the quality of service delivery to other consumers. In this circumstance it may be difficult for the service providers to control the quality and consistency of the service, unless staff have been trained to deal with such situations in a precise and effective manner.

3. PERISHABILITY

Given the intangible nature of services, they cannot be inventoried, stored, warehoused or re-used. A lawyer cannot store parts of his or her knowledge for others to use while the lawyer is in court or on holiday. The hairdresser cannot store haircuts so that when a rush occurs on a Saturday morning all customers can have their hair cut at once. Thus the availability of enough opportunities for service delivery at relevant times is important for service managers.

4. HETEROGENEITY

Again the intangible nature of services means that standardization and quality are difficult to control. Given that people are involved in providing the actual services in most sectors and that people are unlikely to operate as reliably and constantly as machines it is often difficult to measure and control quality. Therefore it may be difficult for customers to evaluate quality and for employers to measure and control quality. It can be done but is more difficult than measuring and controlling product quality. Also evaluations often depend largely on attitude, opinions and expectations of customers and potential customers.

5. LACK OF OWNERSHIP

You cannot own and store a service like you can a product. Services are used or hired for a period of time. For example when buying a ticket to

the USA the service lasts maybe 12 hours each way , but consumers want and expect excellent service for that time. Because you can measure the duration of the service consumers become more demanding of it.

6. STANDARDISATION

A concert performed by a group on two nights may differ in slight ways because it is very difficult to standardize every dance move. Generally systems and procedures are put into place to make sure the service provided is consistent all the time, training in service organizations is essential for this, however in saying this there will always be subtle differences.

Having discussed the characteristics of a service, let us now look at the marketing mix of a service. The service marketing mix comprises off the 7'p's. These include:

- Product
- Price
- Place
- Promotion
- People
- Process
- Physical evidence.

Let's now look at the remaining 3 P's:

1. PEOPLE

An essential ingredient to any service provision is the use of appropriate staff and people. Recruiting the right staff and training them appropriately in the delivery of their service is essential if the organisation wants to obtain a form of competitive advantage. Consumers make judgments and deliver perceptions of the service based on the employees they interact with. Staff should have the appropriate interpersonal skills, aptitude, and service knowledge to provide the service that consumers are

paying for. Many British organisations aim to apply for the Investors in People accreditation, which tells consumers that staffs is taken care off by the company and they are trained to certain standards.

2. PROCESS

Refers to the systems used to assist the organisation in delivering the service. Imagine you walk into Burger King and you order a Whopper Meal and you get it delivered within 2 minutes. What was the process that allowed you to obtain an efficient service delivery? Banks that send out Credit Cards automatically when their customer's old one has expired again require an efficient process to identify expiry dates and renewal. An efficient service that replaces old credit cards will foster consumer loyalty and confidence in the company.

3. PHYSICAL EVIDENCE

Where is the service being delivered? Physical Evidence is the element of the service mix which allows the consumer again to make judgments on the organisation. If you walk into a restaurant your expectations are of a clean, friendly environment. On an aircraft if you travel first class you expect enough room to be able to lay down!

Physical evidence is an essential ingredient of the service mix; consumers will make perceptions based on their sight of the service provision which will have an impact on the organizations perceptual plan of the service.

3.6 PRODUCT MARKETING VERSUS SERVICE MARKETING: WHAT YOU NEED TO KNOW

So what are the differences between product marketing and service marketing? Many businesses know how to market products, but it is trickier to market services. Here are some things that you need to know about the differences between products and services.

3.6.1 MARKETING DIFFERENCES BETWEEN PRODUCTS & SERVICES

Marketing services usually involves more relationship building.

Marketing products and services can have many similarities as well as differences. Products and services benefit from adding trust and name recognition into the marketing materials, but products can be impulse purchases whereas services need time for delivery. There are several differences between marketing products and services, most of which centre on relationship building.

1. TRUST

Entrepreneur magazine says in a service-based business, "you are the product." In other words, you have to sell confidence and trust in yourself, and your ability to perform the services as described. When marketing a service, you need to instil trust and confidence in your abilities because instead of receiving a tangible product in exchange for money, the customer receives a promised result.

2. TIME

Selling a service also means you're selling your time. When you sell a product, there is time invested to create or acquire the product and then it is sold again and again without further time invested. Services by their very nature are time-intensive activities because there is no way to continue providing a service without continuing to invest time performing the service. Time is an important part of marketing a service because if you promise results within a given time frame, you must be certain you're able to deliver while still managing and providing services for others. You must be able to effectively estimate and manage the time needed for providing services to clients.

3. DELIVERABILITY

When you're marketing products, you can give customers a delivery date estimate if they're ordering online or through the mail, and they can

walk out the door with the product in hand if they buy it in your brick and mortar store. Services must be created after they're ordered, and delivery times will vary. The challenge with marketing services is being able to convince customers that you can and will deliver quality results within a given period of time. Usually service marketing materials have testimonials and case studies from other satisfied clients that work to prove you're able to deliver on the promises in your marketing materials.

4. WANTS AND NEEDS

Many products can be marketed in ways that trigger impulse buying. If someone sees a pair of shoes, she can suddenly decide to buy them whether they're needed or not. She may justify the purchase by claiming they needed dress shoes for a special occasion, but in reality she gave in to a want instead. Services are rarely impulse buys, but the marketing materials can help buyers justify the want or need by explaining the benefits the customer will receive from buying the service. A lawn care service for example, can include convenience and free time as part of their marketing materials, to persuade buyers to sign up.

5. RELATIONSHIPS

When you are marketing a service, you are really marketing relationship and value. This relationship and value needs to be marketed differently than if you are marketing actual products. Marketing a service-based business relies more on building a relationship than marketing products does. Some relationship building is done with product marketing--particularly branding and name recognition--but it's not as important a part of the overall marketing process for service-based businesses. When services build up trust and reliability with clients, they gain relationships that can continue earning them money for years to come.

6. TANGIBILITY AND INTANGIBILITY

Another major difference between marketing services and marketing products is that when a buyer purchases a service, the buyer is purchasing something that is intangible, instead of a tangible product, like a computer or a sprinkler system or a web page.

7. REPUTATION

Consumers' concept of a service is often times based on just the reputation of only one single person. Instead of building a reputation based on the quality of a number of different products, a service is built on how well a particular person delivers on a service, such as how well a stock advisor does with your stock portfolio.

8. COMPARABILITY

It is pretty easy to compare the quality of different products. It's easy for you to see if one computer works more quickly than another computer, or if one TV has a better picture than another picture, or if your child can break a toy more easily than another toy. However, it is much more difficult to compare the quality of similar services that are provided. Products are returnable. However, services are not returnable.

3.6.2 MARKETING COMMONALITIES BETWEEN PRODUCTS & SERVICES

Products and services are marketed in surprisingly similar ways. Companies sell both products and services to meet the needs and desires of diverse consumer groups. Businesses market both products and services in strikingly similar ways. Marketers should be familiar with the distinction as well as the similarity between marketing products and services to maximize the effectiveness of their marketing strategies.

1. FEATURES

Although products and services are different in distinct ways, there are a number of similarities between the two. Products are generally

physical items, such as automobiles, tissue paper or personal computers. Services, on the other hand, are intangible bundles of value derived from action, such as tax preparation services, car washes or guided tours. Both products and services gain their existence from an unmet need in the marketplace, and both rely on demand from target customer groups. Both products and services attempt to provide value to individuals, families or businesses, and both rely on marketing to stimulate demand.

2. TYPES

Marketing comprises a range of specific activities, all of which can be employed to promote either products or services. Advertising is the most visible component of marketing, comprising one-way messages sent over mass market and other media. Promotion is the branch of marketing concerned with encouraging customers to try products or services or to make repeat purchases. Promotion includes things like coupons, in-store sales and loyalty programs. Public relations are the arm of marketing concerned with managing relationships with public entities, including the government and news organizations. Donating money to local charities and sending press releases to all local newspapers detailing the donation is an example of a public-relations activity.

3. ADVERTISING SIMILARITIES

Effective advertising begins with a specific purpose. While the details of a product's and service's value may differ, the purposes for sending advertising messages are virtually identical. For both products and services, advertisements can be created to inform customers of new offerings, to remind customers about established brands, to encourage repeat purchases or brand switching or to stimulate momentum for promotional activities.

4. PROMOTIONS

Promotion is where products and services diverge from a single marketing track, although product and service promotions are not vastly different from each other. The main purpose of product promotions is to get products into consumer's hands for the first time or to encourage brand-switching. The purpose of a service promotion, on the other hand, is usually to bring people in the door and give them a limited-service offering accompanied by a sales hook for a full, paid service.

5. CONSIDERATIONS

Products and services are not always mutually exclusive. Innovative companies learn to bundle products and services to diversify and strengthen their income statements. Examples of product and service bundles include software packages with technical support contracts or salons that sell their own cosmetic products. For these businesses, products and services can often be effectively marketed together.

3.7 WRITING YOUR MARKETING PLAN FOR EACH PRODUCT/SERVICE

The Plan should be focused on a particular product or service, because each has its own different description, features and benefits, customers, competitors and pricing.

1. DESCRIBE YOUR PRODUCT OR SERVICE

In the [Framework for Basic Marketing and Promotions Plan](#), write a description of the product/service. The description should be written as if your customers are the readers. In the description, include the specific groups of customers served by the product/service, nature of the method(s) in the product/service, outcomes for customers and any other benefits to them, and where they should go next if they are interested in using the product/service. Be careful to describe the product/service in

terms of benefits to customers, not to you. For example, address pricing, convenience, location, quality, service, atmosphere, etc.

2. LIST YOUR TARGET MARKET(S) FOR THE PRODUCT/SERVICE

Write a brief description of the major groups of customers who will benefit from your product/service and the major benefits to them. Remember that the overall strategic goals of the organization very much determine whom you want to serve. For example, strategic goals might be to expand the overall number of customers or markets you have now, get new customers, get more revenue from current customers, etc. You may want to develop new services in a current or new market, or expand current services in a current or new market.

Understanding each of your product/service target markets makes it much easier for you to ensure that your product/service remains highly useful to each of them -- each target market tends to be unique. Understanding your target markets helps you to focus on where to promote your product/service, including advertising, conducting public relations campaigns and selling your product/service. If you've done a good job so far of market research, then identifying the primary targets market should be fairly straightforward. However, it is very useful to determine several additional target markets. These additional markets are often where you should focus promotions and additional sources of assistance and revenue.

3. WRITE A PROFILE OF EACH TARGET MARKET

Write a description of each of your target markets. The more you know about your customers, the better you might be at serving them. Consider, for example, their major needs, how they prefer to have their needs met, where they are and where they prefer to have their needs met, and demographics information (their age ranges, family arrangement, education levels, income levels, typical occupations, major interested, etc.).

Also, consider what methods of communication they might prefer because that's how you are more likely to be successful to communicate to them, for example, when advertising your product/service.

4. ANALYSIS OF COMPETITORS

Write results from your analysis of your competitors. Consider the following questions: Who are your competitors for the product/service? What customer needs are you competing to meet? What are the similarities and differences between their product/service and yours? What are the strengths and weaknesses of their product/service? How do their prices compare to yours? How are they doing overall? How do you plan to compete, for example, offer better quality services, lower prices, more support, easier access to services etc.?

5. ANALYSIS OF COLLABORATORS

Write results from your analysis of potential collaborators. Who are potential collaborators with your organization and specific to the product/service? What customer needs might you collaborate to meet? What resources might they bring and what could you bring? What could you do next to cultivate collaboration with other organizations?

6. PRICING ANALYSIS

Write results from your pricing analysis. Several major factors influence the pricing for a product/service. Strategic goals greatly influence pricing. For example, if the organization really wants to get into a new market, then it might charge lower than usual prices in order to generate more customers who buy the service. The organization might consider changing pricing if the demand for its products/services is very high or low. Competitor pricing also has a great effect. If competitors are charging much less, then the organization might do well to lower prices. Similarly, if the competitor is charging much more, then the organization might consider increasing its own prices.

7. WRITE YOUR SALES PLAN

Regarding your sales planning, consider: What target markets will be approached? What should be your sales method for each target market, for example, who will make initial contacts to generate leads, do follow-ups to initial contacts, make presentations and close sales? How much do you expect to accomplish in sales (consider terms of outputs, such as dollars made, customers recruited, or other units of service).

8. WRITE YOUR ADVERTISING AND PROMOTIONS PLAN

The plan includes what target markets you want to reach, what features and benefits you want to convey to each of them, what methods and media you will use to convey it to them, who is responsible to implement the methods and how much money is budgeted for this effort. The plan includes plans for a promotional campaign, including an advertising calendar and media plan. The goals of the plans should depend very much on the overall goals and strategies of the organization, and the results of the marketing analysis, including the positioning statement.

When selecting methods, consider what communications methods and media will be most effective in reaching target markets (groups of customers) and when. What are their preferences for media and when do they use them? Consider, for example, radio, newsletters, classifieds, displays/signs, posters, word of mouth, press releases, direct mail, special events, brochures, neighbourhood newsletters, etc. What media is most practical for you to use in terms of access and affordability?

9. CONDUCT YOUR CUSTOMER SERVICE PLANNING

When considering how you will ensure strong services to customers, consider: Are customers very satisfied with your services? How do you know? If not, what can you do to improve customer service? How can you do that? What policies and procedures are needed to ensure strong customer service? Include training in your considerations, including

developing skills in interpersonal relations, such as questioning, listening, handling difficult people, handling interpersonal conflicts, negotiating.

10. CONDUCT YOUR PRODUCTION PLANNING

Note that the development and implementation of various production methods do not have to be addressed in detail in a marketing plan -- these topics are usually included in the operations or management planning for the products and services. However, production should be generally considered during the marketing analysis to ensure the eventual detailed production planning takes into consideration the needs of target markets and having their needs met on time. Consider: What resources do you need to build, reproduce and provide the product/service? How do you know? Will you have sufficient resources into the near future? How do you know?

11. CONDUCT YOUR DISTRIBUTION PLANNING

Matters of distribution of products/services can be critical for organizations, especially if they are providing critically needed products/services to specific groups of customers.

CAREFULLY CONSIDER: What distribution channels should you consider, for example, should customers come to your facility, you visit their offices, can you provide products/services over the telephone or Internet, etc? What resources are needed to bring together your products/services and your target markets? What major steps need to occur to accomplish these distribution channels? Note that detailed planning about developing and maintaining distribution channels is often included in the operations or management plans, rather than in the marketing plan. However, the marketing analysis should focus on selecting the methods of distribution that best meet the needs of target markets and the organization.

3.8 SUMMARY

In sum, neither the product–service distinction founded on the Intangible, Heterogeneous, Inseparable, Perishable characteristics nor one based on process-versus outcome consumption bears much scrutiny. However, the balance should be swung towards services have shied away from examining why, how and when particular product–service combinations should be deployed to address particular types of demand. Putting differently, why are so many services delivered through products rather than through other means?

3.9 GLOSSARY

- **4Ps:** Refers to the marketing mix, namely product, price, promotion (communication) and place (distribution).
- **7Ps:** An extension of the traditional marketing mix in services marketing, including the 4Ps (product, place, promotion and price) and other three extended strategies (3Ps): physical environment, process and people, in relation to the services marketing mix.
- **Advertising:** The promotion of goods, services or ideas through paid communications.
- **Market targeting:** Evaluating each market segment's attractiveness and selecting one or more segments to enter.
- **Marketing plan:** A written document that details the necessary actions to achieve the organizations marketing objectives.
- **Marketing strategy:** A related marketing mix that is aimed at a target market.
- **Product:** Anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or need; it includes physical objects, services, persons, places, organisations and ideas.

- **Service:** Any act or performance that one party can offer another that is essentially intangible and does not result in the ownership of anything.
- **Services marketing:** The marketing of services such as those that are associated with the tourism industry, as opposed to the marketing of the goods industry; services marketing has several characteristics such as intangibility, inseparability, variability and perishability, as well as emotional labour.

3.10 ANSWER TO CHECK YOUR PROGRESS

1. Perishability and intangibility are unique features of:
 - a) Product
 - b) Service

(Tick appropriate)
2. Write two points of difference between product and service marketing?
3. Write the name of five products and five services in general?

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3.12 TERMINAL QUESTIONS

1. How does the intangible nature of service impact upon the effectiveness of traditional marketing techniques?
2. What are the commonalities and differentiation between product and service marketing?
3. Discuss the various steps in writing marketing plan for any product/service.
4. Discuss the characteristics of service marketing in detail.

UNIT 4: MARKETING INFORMATION SYSTEM AND MARKET RESEARCH

STRUCTURE:

- 4.1 INTRODUCTION
- 4.2 OBJECTIVES
- 4.3 EVOLUTION OF MARKETING INFORMATION SYSTEM
- 4.4 WHAT IS MARKETING INFORMATION SYSTEM (MKIS)?
 - 4.4.1 THE ROLE OF THE INFORMATION TECHNOLOGY IN MKIS
 - 4.4.2 BENEFITS OF THE MARKETING INFORMATION SYSTEM
 - 4.4.3 COMPONENTS OF MARKETING INFORMATION SYSTEM
 - 4.4.4 RISKS INVOLVED WITH MKIS
- 4.5 MARKET RESEARCH
 - 4.5.1 WHAT IS MARKET RESEARCH?
 - 4.5.2 THE ROLE OF MARKET RESEARCH
 - 4.5.3 PURPOSE OF THE RESEARCH
 - 4.5.4 PLAN OF THE RESEARCH
 - 4.5.5 PERFORMANCE OF THE RESEARCH
 - 4.5.6 PROCESSING OF THE RESEARCH DATA
 - 4.5.7 PREPARATION OF THE RESEARCH REPORT
 - 4.5.8 LIMITATIONS OF THE RESEARCH PROCESS
- 4.6 SUMMARY
- 4.7 GLOSSARY
- 4.8 ANSWER TO CHECK YOUR PROGRESS
- 4.9 REFERENCES/SUGGESTED READINGS
- 4.10 TERMINAL QUESTIONS

4.1 INTRODUCTION

The concept of marketing information systems (MKIS) originated in the 1960s as a technique for applying new data processing technologies to marketing-specific decisions. In many ways, the history of MKIS has paralleled that of MKIS with new technologies and new conceptual approaches extending the support provided to decision makers. Unfortunately, though, specific techniques for constructing MKIS have not

delivered on the potential inherent in the MKIS idea (R.W. Stone, et. al, 1989, R.W. Stone, 2001). One indicator of this phenomenon has been a decline in the coverage of MKIS in the Marketing literature in the 1990s, though interest in the concept has become more pronounced in mainstream. An increasingly popular information system technology can fundamentally alter the cost and effectiveness of marketing decision making. With the rising need to manage vital organizational information, balance the risks and profits of a business, and achieve perfection, the definition of information management has rapidly evolved over the past few years. In today's world of cut throat competition accompanied with the tussle to trounce competitors, it is critical for an organization to scrutinize its business operations. There are multifaceted factors that contribute to the progress of a business, which can be acknowledged with the help of meticulous information management.

4.2 OBJECTIVES

After studying this unit you will be able to

- Understand the marketing information system.
- Understand the concept and importance of market research for business enterprises.
- Elaborate the benefits and components of marketing information system.
- Elaborate the process of market research.
- Elaborate the various components of market research for planning business.

4.3 EVOLUTION OF MARKETING INFORMATION SYSTEM

Earlier reports were generated manually and occasionally with some statistics, which failed to provide adequate and timely information to the

management. With the introduction of technology, old paper work was replaced by Marketing Information System (MKIS) that electronically tracked all data, thus occupying less office space. The obligation to maintained data electronically augmented with the advent of globalization. Operations of an organization were no longer restricted only to a city or nation. Organizations started sprawling across the globe with branches in different countries.

As a result, managing and transmitting information across the world become imperative. One could no longer depend on the traditional paper-work to maintain records as it was time consuming, costly, and difficult to maintain. This was also a labour intensive affair and had flaws, such as lack of co-ordination among people, human errors, maintaining consistency etc. With the advancement in technology and growth of organizations, which manage thousands of employees who work across the globe, implementing information management became quite daunting. Information management in today's world has become simpler due to the rapid development of technology, especially the introduction of computers and telecommunication. Computers and telecommunication networks play a vital role during data collection. Computer provides essential features, such as optimal storage capacity, speed, accuracy, automation, and security of data. Telecommunication networks, such as telephone, e-mails, voicemail, and Internet are used for secure transmission of information across the globe at utmost speed. Information management no longer includes simply computing the payroll and keeping track of accounts payable and receivable.

Today, information management includes in-depth tracking of sales, inventories, resource and people management, project management etc. This made way for Management Information Systems (MKIS) that helped organizations track data across all functions, analyse progress, and make important decisions.

4.4 WHAT IS MARKETING INFORMATION SYSTEM (MKIS)?

Marketing Information System (MKIS) is an organized, automated, and diverse information system that gathers, stores, processes, and distributes data associated with different departments of the organization. This data is processed in various forms, such as graphs, diagrams, charts, and reports to generate accurate, relevant and valuable information for the management. This information is further communicated to the various departments to be used for decision-making and business management.

MKIS system provides central storage of all the business information. There are various types of MKIS systems, such as decision support system, financial management systems, system and people management systems, project management system, accounting management systems, and marketing management systems, which are used to gain better understanding of the market and enterprise. Vital functions performed by an MKIS include:

- Generate reports that help in analysing records
- Answer questions, such as what, when, where, how at the managerial level
- Support decision-making
- Augment communication among employees
- Collect, store, process, and distribute information throughout the organization
- Reduce cost by employing less labour and automating processes
- Complement an organization in achieving its strategic goals

MKIS is used across all levels in an organization. For example, MKIS provides vital information at senior levels to help make strategic decisions. At other levels, MKIS observes an organization's activities and distributes information to everyone in the organization and customers. MKIS is different from information management systems and computer science. This is because these systems do not help in the decision-making

process. MKIS is more advanced because it not only collects and manages information, but also represents it in various formats useful for the management to make important organizational decisions.

The main challenge of an organization is to balance the risks and profits. MKIS is a critical component of the organization's overall risk management strategy. Risk is the possibility of a threat that can adversely affect the profits or normal working of an organization. Risks that are unexpected and not planned are difficult to manage and overcome. The success of an organization largely depends on how the management projects such risks and the measures it takes to reduce the risks. While managing the operations for a business, you may come across many constraints, such as time, funds, resources, risks, and competition. These factors can be evaluated based on previous reports of an organization prepared using MKIS. Records maintained across multiple months and years can be used for comparing and analyzing the collected data to predict the future.

P. Kotler defined a marketing information system as a structure consisting of people, equipment, and procedures to gather, sort, analyse, evaluate, and distribute needed, timely, and accurate information to marketing decision makers. We admire the comprehensiveness of this definition and find that some other definitions are either more restrictive in purpose or less comprehensive in scope, resulting in less flexibility in a system's goals and capabilities. Furthermore, Kotler's definition is independent of any specific computer technology. He also suggests that the potential components of an MKIS can be included or not, added, or enhanced to suit the decision maker's needs (P. Kotler, 1997).

MKIS is a system that is designed to provide an organized flow of information to enable and support the marketing activities of an organization. The MKIS serves collaborative, analytical and operational needs. In the collaborative mode, the MKIS enables managers to share

information and work together virtually. In addition, the MKIS can enable marketers to collaborate with customers on product designs and customer requirements. The analytical function is addressed by decision support applications that enable marketers to analyze market data on customers, competitors, technology and general market conditions. These insights are becoming the foundation for the development of marketing strategies and plans. The MKIS addresses operational needs through customer management systems that focus on the day-to-day processing of customer transactions from the initial sale through customer service. MKIS systems are designed to be comprehensive and flexible in nature and to integrate with each other functionally. They are formal, forward looking and essential to the organization's ability to create competitive advantage. The MKIS is the firm's "window on the world" and, increasingly, it is the primary customer interface. Figure 1.1 presents the basic architecture of the MKIS.

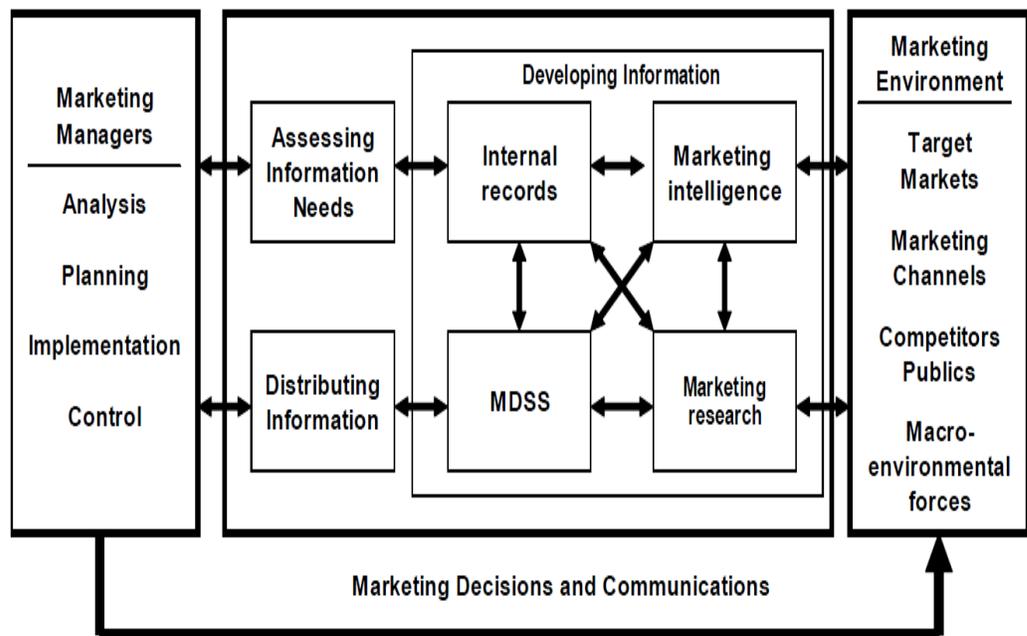


Figure 4.1: The marketing information system

From Marketing Management: Analysis, Planning, Implementation, and Control, 9th edition by Kotler, Philip © 1997. Reprinted by permission of Pearson Education, Inc, Upper Saddle River, NJ.

Historically, the role of the marketing function has been to support “make and sell” business strategies that emphasized increases in market share over the creation of long-term customer value. This view started to change after World War II with the recognition that satisfying the customer’s needs and wants should be the focus of a firm’s business activities. The emphasis on the customer elevated the importance of marketing as a core business function on a par with research and development and production.

The marketing function has become the firm’s window to the world in the sense that it must monitor the marketing environment for changes in buyer behaviour, competition, technology, economic conditions, and government policies. Marketing is a “strategic” function in that marketing activities enable organizations to identify and adapt to changes in the market environment.

The strategic function of marketing is further emphasized as Internet-based technologies have enabled radically new approaches to selling where information technology for the first time touches customers and provides new means for collecting marketing information. In a knowledge-intensive economy, the ability to collect, analyse and act upon marketing information more rapidly than the competition is the core competency from which competitive advantage flows.

Marketing information systems provide the information technology backbone for the marketing organization’s strategic operations. In a broader sense, the MKIS creates an organized and timely flow of information required by marketing decision makers.

It involves the equipment, software, databases, and also the procedures, methodologies and people necessary for the system to meet its organizational objectives. MKIS encompasses a broad spectrum of activities from simple transaction processing complex marketing strategy decision making.

4.4.1 THE ROLE OF THE INFORMATION TECHNOLOGY IN MKIS

Information technology has transformed how firms conduct business. For example, financial service providers such as banks, stockbrokers and insurance companies could not do business today without their client-server-based information technology. This technology has long supported marketing activities. However, it is the recent advent of the Internet, and especially the browser based World Wide Web, which has ignited a revolution in MKISs.

The term “cyber marketing” is often used to describe the Internet’s convergence of computers, information systems, telecommunications and the customer with the marketing process. Internet marketing is characterized by interactivity, graphical user interfaces, multimedia content, and one-to-one connectivity. Internet technologies are not only providing new ways to reach the customer, but also to enable the reengineering of the entire marketing process and, indeed, the entire enterprise. It is no longer acceptable to view marketing as a standalone activity with lengthy time lapses between product concept, marketing strategy and commercialization. Marketing has become interactive and real time. The rapidly growing field of marketing automation encompasses customer management functions to support e-commerce.

4.4.2 BENEFITS OF THE MARKETING INFORMATION SYSTEM

The MKIS increases the number of options available to decision-makers and supports every element of marketing strategy. MKIS affects marketing’s interfaces with customers, suppliers and other partners. The primary benefits of the MKIS impact in the areas of functional integration, market monitoring, strategy development, and strategy implementation.

Market Monitoring: Through the use of market research and marketing intelligence activities the MKIS can enable the identification of emerging market segments, and the monitoring of the market environment for changes in consumer behaviour, competitor activities, new technologies,

economic conditions and governmental policies. Market research is situational in nature and focuses on specific strategic or tactical marketing initiatives.

Marketing intelligence is continuous in nature and involves monitoring and analysing a broad range of market-based activities and information sources. There are three major sources of market information. The first is syndicated data published by market research companies and industry associations. Company-sponsored primary research is another option. It is much more focused since you ask specific questions of respondents within your markets. But, it is considerably more expensive and time consuming. Perhaps the best data available are your own customer's behaviour captured from web site viewing, point of sale (POS) transactions, and systematic feedback from the sales force.

Strategy Development: The MKIS provides the information necessary to develop marketing strategy. It supports strategy development for new products, product positioning, marketing communications (advertising, public relations, and sales promotion), pricing, personal selling, distribution, customer service and partnerships and alliances. The MKIS provides the foundation for the development information system-dependent e-commerce strategies.

Strategy Implementation: The MKIS provides support for product launches, enables the coordination of marketing strategies, and is an integral part of sales force automation (SFA), customer relationship management (CRM), and customer service systems implementations. The MKIS enables decision makers to more effectively manage the sales force as well as customer relationships. This has become increasingly important as many marketers are choosing to outsource important marketing functions and form strategic alliances to address new markets.

Functional integration: The MKIS enables the coordination of activities within the marketing department and between marketing and other

organizational functions such as engineering, production, product management, finance, manufacturing, logistics, and customer service.

4.4.3 COMPONENTS OF MARKETING INFORMATION SYSTEM

As shown in Figure 4.2, AMKIS consists of four major components:

- (1) User interfaces,
- (2) Applications software,
- (3) Databases, and
- (4) Systems support.

User Interfaces. The essential element of the MKIS is the managers who will use the system and the interfaces they need to effectively analyse and use marketing information. The design of the system will depend on what type of decisions managers need to make. The interface includes the type of hardware that will be used, the way information is analysed, formatted and displayed, and how reports are to be compiled and distributed. Issues to resolve are ease of use, security, cost, and access.

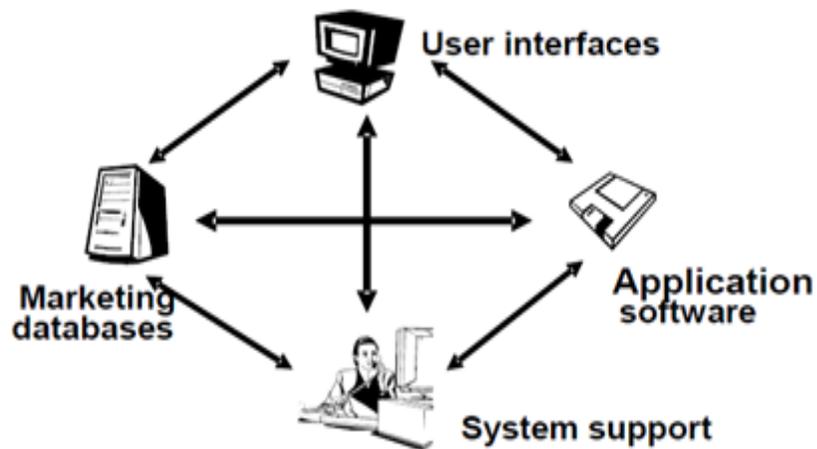


Fig 4.2: MKIS Functional Components

Applications Software: These are the programs that marketing decision makers use to collect, analyse, and manage data for the purpose of developing the information necessary for marketing decisions. Examples include the marketing decisions support software (MDSS) and customer management software for on-line sales and customer service.

Marketing Databases: A marketing database is a system in which marketing data files are organized and stored. Data may be collected from internal and external sources. Internal sources largely result from transactions. They provide data from e-commerce sites, sales results, shipping data, inventories, and product profitability. External sources include market research, competitor intelligence, credit bureaus, and financial institutions. Data can be organized in a flat file (Text file with one data record per line) or a relational database (Data is stored in tabular form where each row represents one entity and each column represents one characteristic of that entity). For instance, each row could represent a customer with the columns providing name, identification number, and purchase information.

System Support: This component consists of system managers who manage and maintain the systems assets including software and hardware network, monitor its activities and ensure compliance with organizational policies. This function may also include a help desk for system users.

4.4.4 RISKS INVOLVED WITH MKIS

MKIS is an important component to ensure the regular operations of a business and to predict and minimize any risks. Any flaws or MKIS management can cause serious problems in the organization as important decisions are made with the help of MKIS. Risks involved in implementing MKIS include:

- Incorrect information may increase risks, such as quality, pricing, credibility etc.
- Flaws in reports can affect the monitoring of resources in the organization and cause heavy losses.
- Any loopholes in the security of MKIS can lead to outflow of highly sensitive information.
- Manipulation in the data collected by MKIS can interrupt the routine work of an organization at all levels

4.5 MARKET RESEARCH

Marketing managers require current, reliable, useful information to make effective decisions. In today's highly competitive global economy, marketers need to exploit opportunities and avoid mistakes if they are to survive and be profitable. Not only is sound marketing research needed, but also a system that gets current, valid information to the marketing decision maker in a timely manner. This part is concerned with the market and marketing research process and information systems for decision making. It begins by discussing the marketing research process that is useful to develop useful information for decision making; marketing information system (MKIS) is discussed in the earlier part of this unit.

Market research is the process of designing, gathering, analysing, and reporting information that may be used to solve a specific marketing problem. Market research can help create a business plan, launch a new product or service, fine tune existing products and services, expand into new markets etc. It can be used to address the issues related to market place such as to determine which portion of the population will purchase the product/service, based on variables like age, gender, location and income level. It can be found out what market characteristics your target market has. With market research companies can learn more about current and potential customers.

The purpose of market research is to help companies make better business decisions about the development and marketing of new products. Market research represents the voice of the consumer in a company.

4.5.1 WHAT IS MARKET RESEARCH?

To define the size and characteristics of a market -- that is, to learn how many people might buy a product, and what those people are like -- a company can use many types of quantitative or qualitative research.

Qualitative research is usually conducted with small numbers of consumers. Common types include focus groups, one-on-one interviews,

and behavioural observation. The research results are not analysed with statistical techniques, but are usually interpreted by a professional market researcher.

Quantitative research, by contrast, is done with large samples of the population and uses statistical techniques to draw conclusions.

Understanding the consumer--and knowing how many of them will buy a product--is key to creating the right product and marketing it to capture the most potential sales.

Marketing teams often conduct qualitative and quantitative interviews throughout the life of a product. This helps them to remain in touch with who their consumers are and what they want. And the results of the research are used to help develop and refine the marketing mix.

Research is broadly divided into two categories: Market Research, a formal analysis of quantitative demand, access and recognition for classes of products or services; And Marketing Research, a formal analysis of the qualitative demand, access and recognition resulting from the activities of supply, distribution and promotion. Essentially, they represent two sides of the same coin.

- Marketing research is the function that links the consumer, customer, and public to the marketer through:
- Information Used to identify and define market opportunities and problems
- Generate, refine, and evaluative marketing actions
- Monitoring marketing information
- Improved understanding of marketing as a process

Market research is a continuous process for gathering data on product characteristics, suppliers' capabilities and the business practices that surround them—plus the analysis of that data to make acquisition decisions. This requires one to collect and analyse information about the market that subsequently can be used to determine whether the need can

be met by products or services available in the commercial market; whether commercial practices regarding customizing, modifying products or tailoring services are available to meet customer needs; what are the customary terms and conditions, including warranty, buyer financing, and discounts under which commercial sales are made; and whether the distribution and logistics support capabilities of potential suppliers are sufficient to meet the needs of the government.

Market research information can be used to shape the acquisition strategy, to determine the type and content of the product description or statement of work, to develop the support strategy, the terms and conditions included in the contract, and the evaluation factors used for source selection.

4.5.2 THE ROLE OF MARKET RESEARCH

Customers always have been the most important part of a business. Today, if you do not put the customer at the centre of your business, you will, over time, have no business. In other words, market research or market intelligence has always been with us. However, market research is a bit more than the informal assimilation and interpretation of intelligence that is a natural consequence of keeping eyes and ears open. Market research is structured and purposeful. It is the systematic and objective collection and interpretation of data to help reduce risk in marketing decisions.

Market researchers do not just poke around in a market to see what is going on. They have research designs and plans. They are therefore systematic in what they do. Furthermore, they seek to uncover the truth which may be hidden under a pile of assumptions or bias. It is the researcher's task to be objective. Market researcher's stock in trade is data. Good market research should not stop with data. Data are the collection of facts and opinions that are accumulated in the survey process. This needs converting to information so that it tells us something. More

than this it needs to become intelligence so it helps us make smart moves. Market researchers collect statistics and opinions; they then work out what these data mean, and draw conclusions which lead to improved business decisions.

The development of marketing as a key business element has also had an important impact on the development of both market and social research. The result is that market and social research now encompass a wide range of quick and reliable ways of gathering information to help improve decision making.

Market research is the process by which information about the environment is generated, analysed, and interpreted for use in marketing decision making. It cannot be overstated that market research is an aid to decision making and not a substitute for it. In other words, market research does not make decisions, but it can substantially increase the chances that good decisions are made. Unfortunately, too many marketing managers view research reports as the final answer to their problems; whatever the research indicates is taken as the appropriate course of action. Instead, marketing managers should recognize that (1) even the most carefully executed research can be fraught with errors; (2) marketing research does not forecast with certainty what will happen in the future; and (3) they should make decisions in light of their own knowledge and experience, since no marketing research study includes all of the factors that could influence the success of a strategy. Although marketing research does not make decisions, it can reduce the risks associated with managing marketing strategies.

For example, it can reduce the risk of introducing new products by evaluating consumer acceptance of them prior to full-scale introduction. Marketing research is also vital for investigating the effects of various marketing strategies after they have been implemented. For example, marketing research can examine the effects of a change in any element of

the marketing mix on customer perception and behaviour. At one time, marketing researchers were primarily engaged in the technical aspects of research, but were not heavily involved in the strategic use of research findings. Today, however, many marketing researchers work hand-in-hand with marketing managers throughout the research process and have responsibility for making strategic recommendations based on the research.

4.5.3PURPOSE OF THE RESEARCH

The first step in the research process is to determine explicitly why the research is needed and what it is to accomplish. This may be much more difficult than it sounds. Quite often situation or problem is recognized as needing research, yet the nature of the problem neither is not clear or well defined nor is the appropriate type of research evident. Thus, managers and researchers need to discuss and clarify the current situation and develop a clear understanding of the problem. At the end of this stage, managers and researchers should agree on (1) the current situation involving the problem to be researched, (2) the nature of the problem, and (3) the specific question or questions the research is designed to investigate. This step is crucial since it influences the type of research to be conducted and the research design.

4.5.4PLAN OF THE RESEARCH

Once the specific research question or questions have been agreed on, a research plan can be developed. A research plan spells out the nature of the research to be conducted and includes an explanation of such things as the sample design, measures, and analysis techniques to be used. Three critical issues that influence the research plan are (1) whether primary or secondary data are needed, (2) whether qualitative or quantitative research is needed, and (3) whether the company will do its own research or contract with a marketing research specialist.

PRIMARY VERSUS SECONDARY DATA

Given the information needed and budget constraints, a decision must be made as to whether primary data, secondary data, or some combination of the two is needed. Primary data are data collected specifically for the research problem under investigation; secondary data are those that have previously been collected for other purposes but can be used for the problem at hand.

For example, if a company wanted to know why users of a competitive brand didn't prefer its brand, it may have to collect primary data to find out. On the other hand, if a company wanted to know the population size of key global markets that it might enter, it could find this information from secondary sources. Secondary information has the advantage of usually being cheaper than primary data, although it is not always available for strategy-specific research questions. There are many sources of secondary data for use in marketing research. Research services such as ACNielsen, Arbitron Co., and Information Resources, Inc. sell a variety of useful data to companies.

Secondary Data Sources

All the business related publications, books, published researches and many more published and electronic data are the sources for secondary data source.

QUALITATIVE VERSUS QUANTITATIVE RESEARCH

Given a research question, a decision must be made whether qualitative or quantitative research would be a better approach. Qualitative research typically involves face-to-face interviews with respondents designed to develop a better understanding of what they think and feel concerning a research topic, such as a brand name, a product, a package, or an advertisement.

The two most common types of qualitative research in marketing are focus groups and long interviews.

4.5.5 PERFORMANCE OF THE RESEARCH

Performance of the research involves preparing for data collection and actually collecting them. The tasks at this stage obviously depend on the type of research that has been selected and the type of data needed. If secondary data are to be used, they must be located, prepared for analysis, and possibly paid for. If primary data are to be collected, then observational forms, questionnaires, or other types of measures must be designed, pretested, and validated. Samples must be drawn and interviews must be scheduled or preparations must be made for mailing or phoning selected individuals. In terms of actual data collection, a cardinal rule is to obtain and record the maximal amount of useful information, subject to the constraints of time, money, and respondent privacy. Failure to obtain and record data clearly can obviously lead to a poor research study, while failure to consider the rights of respondents raises both practical and ethical problems. Thus, both the objectives and constraints of data collection must be closely monitored.

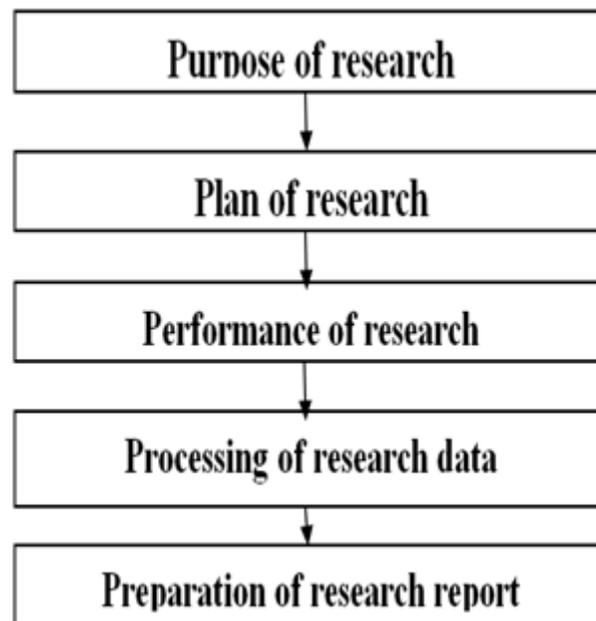


Fig 4.1: The Five P's of the Research Process

Sample Sections of a Research Plan:**I. Tentative projective title**

II. Statement of the problem: One or two sentences describing the general problem under consideration.

III. Define and delimit the problem: Here the writer states the purpose(s) and scope of the problem. Purpose refers to goals or objectives. Closely related to this is justification. Sometimes this is a separate step, depending on the urgency of the task. Scope refers to the limits of the research effort: in other words, what is and is not going to be investigated. Here is the point where the researcher spells out the various hypotheses to be investigated or the questions to be answered.

IV. Outline: Generally, this is a tentative framework for the entire project. It should be flexible enough to accommodate unforeseen difficulties, show statistical tables in outline form, and also show planned graphs.

V. Method and data sources: The types of data to be sought (primary, secondary) are briefly identified. A brief explanation of how the necessary information or data will be gathered (e.g., surveys, experiments, library sources) is given. Sources refer to the actual depositories for the information, whether from government publications, company records, actual people, and so forth. If measurements are involved, such as consumers' attitudes, the techniques for making such measurements are stated. The relevance of all techniques (qualitative and quantitative) should be discussed. The nature of the problem will probably indicate the types of techniques to be employed, such as factor analysis, depth interviews, or focus groups.

VI. Sample design: This provides a description of the population to be studied and how it will be defined. The researcher specifies the population, states the desired sample size, and discusses how no response and

missing data are to be handled. If a non-random sample is to be used, the justification and type of sampling strategy to be employed, such as convenience sample, are stated.

VII. Data collection forms: The forms to be employed in gathering the data are discussed here. For surveys, this involves either a questionnaire or an interview schedule. For other research, the forms could include inventory forms, psychological tests, and so forth. The plan should state how these instruments have been or will be validated, and the reader should be given any evidence of their reliability and validity.

VIII. Personnel requirements: This provides a complete list of all personnel who will be required, indicating exact jobs, time duration, and expected rate of pay. Assignments should be made indicating each person's responsibility and authority.

IX. Phases of the study with a time schedule: This is a detailed outline of the plan to complete the study. The study should be divided into workable pieces. Then, considering the persons involved in each phase, their qualifications and experience, and so forth, the time for the job is estimated. Some jobs may overlap. This plan will help in estimating the time required.

Illustration:

1. Preliminary investigation—two weeks.
2. Final test of questionnaire—one week.
3. Sample selection—one week.
4. Mail questionnaires, field follow-up, and so forth—two months.
5. Additional tasks.

X. Analysis plans: This is a discussion of editing and proofreading of questionnaires, coding instructions, and the type of data analysis. An

outline of some of the major tables that will appear in the report should be presented.

XI. Cost estimate for doing the study: Personnel requirements are combined with time on different phases to estimate total personnel costs. Estimates on travel, materials, supplies, drafting, computer charges, and printing and mailing costs must also be included. If an overhead charge is required, it should be calculated and added to the subtotal of the above items.

4.5.6 PROCESSING OF THE RESEARCH DATA

Processing research data includes the preparation of data for analysis and the actual analysis of them. Preparations include such things as editing and structuring data and coding them for analysis. Data sets should be clearly labeled to ensure they are not misinterpreted or misplaced.

4.5.7 PREPARATION OF THE RESEARCH REPORT

The research report is a complete statement of everything done in a research project and includes a write-up of each of the previous stages as well as the strategic recommendations from the research. The limitations of the research should be carefully noted. Research reports should be clear and unambiguous with respect to what was done and what recommendations are made. Often research reports must trade off the apparent precision of scientific jargon for everyday language that managers can understand. Researchers should work closely with managers to ensure that the study and its limitations are fully understood.

4.5.8 LIMITATIONS OF THE RESEARCH PROCESS

Although the foregoing discussion presented the research process as a set of simple stages, this does not mean that conducting quality marketing research is a simple task. There are many problems and difficulties that must be overcome if a research study is to provide valuable

information for decision making. For example, consider the difficulties in one type of marketing research, test marketing.

The major goal of most test marketing is to measure new product sales on a limited basis where competitive retaliation and other factors are allowed to operate freely. In this way, future sales potential can often be estimated reasonably well.

4.6 SUMMARY

The rapid adoption of Internet-based technologies and the attendant development of e-business and e-commerce applications are having a revolutionary impact on the marketing discipline. Marketing information systems, in particular, are being transformed as these new technologies are enabling the integration of marketing, sales and customer service activities. The primary drivers of this shift are the promises of delivering increased value to the customer more rapidly and at less cost. Future implementations of MKIS will increasingly involve the customer in the value creation process and work to more effectively align the enterprise and its supply chain on rapidly changing market opportunities.

The chapter discussed market research as a process involving several stages, which include determining the purpose of the research, designing the plan for the research, performing the research, processing the research data, and preparing the research report.

4.7 GLOSSARY

- **Attitude:** A learned predisposition to respond in a consistently favorable or unfavorable manner with respect to a given object.
- **Concept:** An idea aimed at satisfying consumer wants and needs.
- **Delphi method:** A method of forecasting based on asking a group of experts for their best estimate of a future event, then processing

and feeding back some of the information obtained, and then repeating the process; on the last set of responses, the median is usually chosen as the best estimate for the group.

- **Depth interview ("one-on-one"):** Sessions in which free association and hidden sources of feelings are discussed, generally through a very loose, unstructured question guide, administered by a highly skilled interviewer. It attempts to uncover underlying motivations, prejudice, attitudes toward sensitive issues, etc.
- **Internal secondary data:** Data available within the organisation - for example, accounting records, management decision support systems, and sales records.
- **Independent variable:** A variable over which the researcher is able to exert some control with a view to studying its effect upon a dependent variable. For instance, an experiment may be conducted where the price (independent variable) of a dozen boxed carnations is varied and the sales (dependent variable) are observed at each price set.
- **Judge mental sampling:** Studies in which respondents are selected because it is expected that they are representative of the population of interest and/or meet the specific needs of the research study.
- **Market segment:** Subgroups of consumers who respond to a given marketing-mix strategy in a similar manner.

4.8 ANSWER TO CHECK YOUR PROGRESS

1. Vital functions performed by an marketing information system include _____

2. User interfaces, application software, _____ and _____ are the components of marketing information system.
3. All the business related publications, books, published researches are _____ data sources.

4.9 REFERENCES/SUGGESTED READINGS

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- Kotler, P.(1997). Marketing Management: Analysis, Planning, Implementation, and Control, 9th Edition. Upper Saddle River, N.J.: Prentice Hall.

4.10 TERMINAL QUESTIONS

1. Discuss the historical development of marketing information system (MKIS)?
2. Write an essay on highlighting the concept, importance and risk involved in marketing information system.
3. What do you understand by market research? Discuss the research process in detail.

UNIT 5: CONCEPT OF MARKET SEGMENTATION AND MARKET TARGETING

STRUCTURE:

5.1 INTRODUCTION

5.2 OBJECTIVES

5.3 ORIGIN OF MARKET SEGMENTATION

5.4 WHAT IS MARKET SEGMENTATION?

5.5 SEGMENTATION DEFINED

5.6 SEGMENTATION IN PRACTICE

5.6.1 CONSUMER-BASED SEGMENTATION

5.6.1.1 GEOGRAPHIC SEGMENTATION

5.6.1.2 DEMOGRAPHIC SEGMENTATION

5.6.1.3 AGE AND LIFE-CYCLE SEGMENTATION

5.6.1.4 GENDER SEGMENTATION

5.6.1.5 INCOME SEGMENTATION

5.6.1.6 GENERATION SEGMENTATION

5.6.1.7 SOCIAL CLASS SEGMENTATION

5.6.2 PSYCHOGRAPHIC/LIFESTYLE SEGMENTATION

5.6.3 BEHAVIOURAL SEGMENTATION

5.6.3.1 PRODUCT-BASED SEGMENTATION

5.7 TARGETING

5.7.1 UNDIFFERENTIATED MARKETING

5.7.2 DIFFERENTIATED MARKETING

5.7.3 CONCENTRATED MARKETING

5.7.4 CUSTOMISED MARKETING

5.8 SUMMARY

5.9 GLOSSARY

5.10 ANSWER TO CHECK YOUR PROGRESS

5.11 REFERENCES/SUGGESTED READINGS

5.12 TERMINAL QUESTIONS

5.1 INTRODUCTION

Tourism marketers are faced with a complex environment resulting from unprecedented growth in the tourism industry over the last 60 years. As the phenomenon of tourism has grown, so have the interests of destinations in attracting their share of visitors. Destination choices available to consumers have proliferated. Today's tourism marketers must

influence consumer decision making in an increasingly complex and competitive global marketplace. Tourism is a complicated setting involving a diverse group of active stakeholders who each have different interests in the tourism market. For destination stakeholders such as destination marketing organisations (DMOs), accommodation providers, and activity operators to survive in an increasingly competitive environment, it is essential that a consistent approach is used by all tourism stakeholders operating within a single destination.

One of the main challenges for tourist managers is to understand the patterns of behaviour of tourists. If repetitive patterns of behaviour can be established, this can help to ensure future sources of income and can also create informal channels of relationships whereby potential tourists can be attracted to specific destinations. The recent tourism literature reflects this increasing interest in the behaviour of tourists. Indeed, tourism literature offers substantial conceptual and empirical work to describe tourists' destination choice process, although there are yet knowledge gaps to address.

The importance of segmentation in tourism is widely acknowledged. To date research has assisted us to understand which bases can be used by tourism destinations to effectively segment tourism markets. Little research attention has been directed towards understanding how the tourism stakeholders segment their markets. As a result we do not know how tourism stakeholders segment a market for managerial and marketing purposes. Measuring perceptions of customers can be a major problem for marketers of tourism and travel services. Much of the problem is to determine which attributes carry most weight in the purchasing decision. Older travellers weigh many travel features before making their travel decisions.

Marketing strategists of tourism destination organizations (TDOs) often encounter the problem of selecting the most appropriate technique or

methodology to segment the tourist market of a destination. Market segmentation has been extensively used to understand the distinct characteristics of tourists and for developing marketing strategies. Segmentation is a process of dividing a market into distinct groups of tourists who might require separate experiences or marketing service mixes. The basis of segmentation generally includes various tourist characteristics such as demographics, socio-economic factors, geographic location, and product related behavioural characteristics such as purchase behaviour, consumption behaviour and attitudes towards and preference for attractions, experiences and services.

5.2 OBJECTIVES

This unit aims at to understand and know market, marketing, its meaning, nature and scope. After going through this unit you will be able to;

- Understand the concept of market segmentation
- Know the reasons for market segmentation
- Elaborate the basis for market segmentation
- Understand about the various approached of market segmentation
- Know the concept and process of market targeting

Prerequisites to understand topic

Target marketing is a strategy that aims at grouping a major market into segments so as to target one or more of these segments or to develop products and marketing programmes tailored to each segment (Kotler, 2003).

Customer segmentation is one of the most important data mining methodologies used in marketing and customer relationship management. Behavioural clustering and segmentation help drive strategic marketing

initiatives, while sub-segments based on demographic, lifestyle or value characteristics could also be determined and used for tactical marketing. Market segmentation has not only evolved as a technique to segment markets and identify target markets, but could also be used at a higher level to further assist a marketing strategist to understand the relationship of a destination with its visitors. However, inadequate market segmentation and clustering problems could cause a destination to either miss a strategic marketing opportunity or not cash-in on the rewards of a tactical marketing campaign.

Segmentation and targeting of customers allows the marketer to deliver a product within the target audience needs and wants. It is a necessity to establish the needs and values of the target customers within each segment, in order for companies to promote their products, brands or services appropriately. Here we are aiming to understand the segmentation process and the concepts regarding the segmentation process. Furthermore by gaining knowledge of these concepts it should be possible to determine the right target customers.

Target audience: In business it is a matter of being able to communicate your message in a persuasive way. Companies therefore need to be able to adapt to their target audiences' needs, wants and values (Kotler and Keller, 2009: 253). In order for companies to do so, they may ask themselves questions like; how the customers are? What do they buy? And where can they be found? It is not possible for the companies to reach out to all customers in large, broad, or diverse markets and therefore by dividing the customers into groups or segment(s), the company can choose which group they wish to target (Kotler and Keller, 2009: 247). Kotler and Armstrong define market segmentation as "dividing a market into distinct groups of buyers who have distinct needs, characteristics, or behaviour and who might require separate products or marketing mixes" (Armstrong and Kotler, 2005: 54).

5.3 ORIGIN OF MARKET SEGMENTATION

The concept of market segmentation was originally given by Smith in 1956. He states that every tourist is different. Every tourist feels attracted by different tourist destinations, likes to engage in different activities while on vacation, makes use of different entertainment facilities and complains about different aspects of their vacation. While all tourists are different, some are more similar to each other than others: many people enjoy culture tourism, many tourists like to ski during their winter holiday and many tourists require entertainment facilities for children at the destination.

Acknowledging that every tourist is different and that the tourism industry cannot possibly cater for each individual separately forms the basis of market segmentation.

Smith (1956) introduces the concept of market segmentation strategy. He states that 'Market segmentation consists of viewing a heterogeneous market (one characterized by divergent demand) as a number of smaller homogeneous markets'. When segmenting a market, groups of individuals are developed which are similar with respect to some personal characteristic. The particular personal characteristic with respect to which similarity is explored is the segmentation criterion or segmentation base. Segmentation criteria/bases can be socio-demographics (for instance, old versus young sightseers) or psychographic variables (tourists motivated by rest and relaxation verses those motivated by action and challenges).

Market segmentation can be applied by any unit operating in the tourism industry: hotels, travel agencies, tourist attractions, restaurants and local charities. The benefit of market segmentation lies in a tourist destination being able to specialize on a need of a particular group and become the best in catering for this group. In doing so the destination gains a competitive advantage because:

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- (i) Competition can be reduced from the global market to tourism destinations specializing on the same segment (e.g. all eco tourism destinations);
 - (ii) Efforts can be focused on improving the product in a specific way rather than trying to provide all things to all people at high cost (e.g. a family destination is unlikely to need extensive nightlife options);
 - (iii) Marketing efforts can be focused by developing the most effective message for the segment targeted (e.g. a sun and fun message for young tourist travelling with friends) and by communicating the message through the most effective communication channel for the segment (e.g. in national geographic or other nature magazines for ecotourists);
 - (iv) Tourists experiencing a vacation at a destination that suits their special needs are likely to be more satisfied with their stay and, consequently, revisit and advertise the destination among like-minded friends. Or, as Smith stated in his seminal paper (1956, p.5): 'Market segmentation tends to produce depth of market position in the segments that are effectively defined and penetrated. The (organization that) employs market segmentation strived to secure one or more wedge-shaped pieces of the market cake.'

The examples above demonstrate that the expected outcome from market segmentation is competitive advantage. Consequently, the aim of the actual segmentation task is to group tourists in the way that is of most managerial value. In order for a segment to be managerially useful number of requirements should be fulfilled.

The segment should be distinct, meaning that members of one segment should be as similar as possible to each other and as different as possible from other segments. The segment should match the strengths of the tourism destination. The segment should be identifiable. While female travellers can be identified vary easily, identification of those visitors who

are motivated by rest and relaxation may not be as simple. The segment should be reachable in order to enable destination management to communicate effectively. For instance, surf tourists are likely to read surf magazines which could be used to advertise the destination.

A segment should be suitable in size. This does not necessarily imply that a bigger segment is better. A tourism destination may choose to target a small niche segment that represents a large enough market for the particular destination and has the advantage of having very distinct requirements.

The above criteria for the usefulness of segments have to be considered when one or more of many possible segments are chosen for active marketing.

When talking about market segmentation it is necessary to briefly mention the three areas of marketing which is to be taken into consideration when market a product.

The first area is mass marketing. It covers the area of mass producing, mass distributes and mass promotes on product to all buyers (Gunter and Furnham, 1992: 2). However, marketers have realized the great variety in each individual customer and therefore the market segmentation is a helpful tool for the marketers to customize their marketing programmes for each individual customer (Dibb and Simkin, 1996: 4).

The second area is product differentiated marketing. The marketer produces two or more products that display different features, styles, quality, sizes etc.

The third, and dominating, area is target marketing. The marketer distinguishes among a variety of market segments, chooses one or more of the segments and then develops products and marketing mixes customised to each segment (Gunter and Furnham, 1992: 2).

5.4 WHAT IS MARKET SEGMENTATION?

It is now generally accepted that it costs more to attract new customers than to keep existing ones (Kotler et al., 2005;). In the past, many managers believed in the concept of mass marketing and argued that it creates the largest market potential, which leads to lowest costs and largest revenues. Today, most companies are moving away from mass marketing to market segmentation and targeting. According to Kotler et al. (2005), segmentation is splitting a market into smaller groups of buyers with distinct needs, characteristics or behaviours that require individual products or marketing mixes. Nowadays companies realize that they cannot appeal and reach all consumers in the marketplace. Moreover they know that they cannot target all consumers with the same service, product, and strategy. In segmentation, rather than trying to compete with other companies in an entire market, each company identifies submarkets that it serves best and most profitably. Hence, using market segmentation, companies divide large heterogeneous markets into smaller homogenous segments that can be reached more successfully. There are several ways to segment a market:

- (i) Geographic segmentation based on dividing the market into different geographical areas such as nations, regions, cities, etc.,
- (ii) Demographic segmentation based on age, gender, family size, etc.,
- (iii) Psychographic segmentation based on the social class, lifestyle, and/or personality characteristics, and
- (iv) Behavioral segmentation based on occasion segmentation, benefit segmentation, loyalty status, and user status (Kotler et al., 2005).

The market segmentation is mentioned as being one of the key elements of modern marketing and is, as mentioned, the process of dividing the market into several groups and/or segment(s) based on factors such as demographic, geographic, psychological and behavioural factors. By doing so the marketers will have a better understanding of their target

audience and thereby make their marketing more effective. This is due to the fact that by using the analytical process that puts customers first, the marketer will get more satisfied customers and thereby gain a great advantage over competitors. Market segments can be characterized in different ways, one way is to characterize the preferences of the target customers; homogeneous preferences, referring to customers that roughly have the same preferences. Secondly there are diffused preferences which mean that the customers vary in their preferences and finally clustered preferences which mean that the natural market segments emerge from groups of consumers with shared preferences (Kotler and Keller, 2009: 249).

5.5 SEGMENTATION DEFINED

In the marketing literature there are many definitions for the concept of segmentation available. Brennan et al. (2003) define segmentation in somewhat general terms as “the process of identifying groups of customers who are relatively homogenous, in order to tailor them to meet their needs.”

Rao & Steckel (1998, p.23) add another aspect to the definition. They define segmentation as “identifying groups of consumers who behave differently in response to a given marketing strategy.” They stress that there is homogeneity within groups, but dissimilarities between groups, characterized by differences in the response to a marketing strategy.

Weinstein (2004, p.4) provided a more detailed definition: “segmentation is the process of partitioning markets into groups of potential customers with similar needs and/or characteristics who are likely to exhibit similar purchase behaviour.” Thus, he specifically addresses the homogeneity within groups with regard to their (purchase) behaviour.

What can be distilled from these definitions is that segmentation is a process of dividing one population into smaller sub-populations (i.e. segments or groups), which are characterized by different needs,

characteristics or behaviours, including their response to the way they are approached and affected. Fig 5.1 shows a graphical explanation of segmentation. The left circle represents the whole market, whereas the right circle illustrates a segmented market, with four distinguished segments.

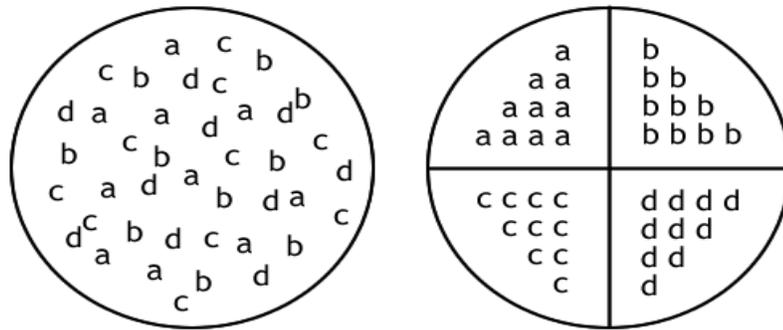


Fig 5.1: Segmenting a market (Marchack, 1995)

5.6 SEGMENTATION IN PRACTICE

“The methods used to identify market segments are an important aspect of obtaining a successful segmentation scheme” (Galguera, Luna & Méndez, 2006). Although many different typologies of segmentation practices exist, Myers (1996) managed to divide these into two distinct segmentation approaches, namely approaches based on consumer characteristics and approaches based on product or service-based variables. Consumer-based variables involve specific characteristics differentiating consumers or users in ways that are meaningful for strategic planning purposes, and consist of such variables as demographics, motives and needs. Product or service-based variables deal with specific features of the product or service to be delivered, such as physical features, the types of benefits consumers or users want and usage motives. In some sources, a third segmentation approach is distinguished. This approach is called market-based segmentation (Rao & Steckel, 1998), in which the focus is more on business-to-business communication.

5.6.1 CONSUMER-BASED SEGMENTATION

For the sake of consumer-based segmentation, consumers are identified according to a number of shared characteristics (Buttle, 2007). These characteristics can be categorized into three main groups of variables, namely demographic, geographic and psychographic/lifestyle variables. The three groups are introduced in this section.

5.6.1.1 GEOGRAPHIC SEGMENTATION

Geographic segmentation is based on the assumption that people, who live in the same place, share a number of characteristics with their closest neighbours, such as lifestyle characteristics, demographics and consumption behaviour patterns (Mitchell, 1995).

5.6.1.2 DEMOGRAPHIC SEGMENTATION

The demographic segmentation divides customers into segments based on demographic values such as age, gender, family size, family life cycle, income, occupation, education, religion, race, generation, social class and nationality.

5.6.1.3 AGE AND LIFE-CYCLE SEGMENTATION

The consumer's needs and wants change with age. Therefore some companies use age and life-cycle segmentation, where age and the life-cycle determine the marketing approach. Using telephones (landline and mobile) as an example the marketers must take into consideration that although some 70-years-old use a landline telephone, e.g. due to the lack of technological knowledge, others may only use a mobile telephone. Thus, marketers using the age and life-cycle segmentation must be careful to guard against stereotypes. (Armstrong and Kotler, 2005: 188)

5.6.1.4 GENDER SEGMENTATION

Gender segmentation is used to differentiate the needs and wants between men and women due to the fact that men and women have different attitudes toward a product.

5.6.1.5 INCOME SEGMENTATION

Income segmentation divides the market into different income groups. It is used in automobiles, clothing, cosmetics, financial services and travel.

5.6.1.6 GENERATION SEGMENTATION

Each generation is influenced by the times in which they grow up i.e. the music, the movies, politics and other significant events characteristic of that period. Marketers therefore market to a generation by using icons and images that is relatable according to the generation (Kotler and Keller, 2009: 259).

5.6.1.7 SOCIAL CLASS SEGMENTATION

Social class segmentation divides the customers according to their preferences in cars, clothing, home furnishings, leisure activities, reading habits and retailers.

However, although the tastes of social classes changes, many companies design products for specific social classes (Kotler and Keller, 2009: 260).

5.6.2 PSYCHOGRAPHIC / LIFESTYLE SEGMENTATION

The psychological variables derive from two principal types of customer; personality profiles and lifestyle profiles (psychographics). Psychographic segmentation therefore divides people according to their attitudes, values, lifestyles, interests and opinions.

5.6.3 BEHAVIOURAL SEGMENTATION

Behavioural segmentation is based on the customers' attitude toward, use of, or response to a product.

5.6.3.1 PRODUCT-BASED SEGMENTATION

Product-based segmentation is associated with both the customer and the product, service and/or specific circumstances in which the product or service is used (Frank et al., 1972). Three product-based segmentation categories are:

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- a) Purchase (choice)-based segmentation:** The basis of purchase-based segmentation depends on product-related variables. These variables include buying intentions and behaviours of customers toward a specific product (Wedel & Kamakura, 2000).
- b) Benefit (value)-based segmentation:** Benefit-based segmentation, like purchase-based segmentation, has a product-specific base (Wedel & Kamakura, 2000). It identifies the customers purchasing certain products and clusters them on the basis of similar purchasing behaviours.
- c) Usage segmentation:** Segmenting customer groups by their consumption patterns can be quite insightful for comprehending potential customer segments (Weinstein, 2002).

5.7 TARGETING

The term “targeting” occurs frequently in literature about segmentation. Targeting is “the set of practices and processes whereby populations are sub-divided and managed or governed differently.” Van Dijk et al. (2005, p.14) give a more practical description of targeting. They state that “targeting is the aiming at specific segments.” An example of effective targeting is the case of service rates by Orange. In 2003 the growth of the west-European mobile telephone market slipped. Consumers were more interested in the type of brand they were buying than the networks that they used. In the beginning of 2006 Orange UK launched different rates, each with a simple description, based on different segments. They symbolised the different rates by using pictures of animals. In the end of 2006, 90% of the consumers identified Orange with the animal advertisement, and Orange was leading the ‘post-paid’ market of mobile phones. (source:<http://www.marketing-online.nl/nieuws/ModuleItem52783.html>).

Henman (2005) takes a government perspective on targeting. He claims that targeting can improve the efficiency and effectiveness of government policies, because governments can focus on areas of greatest

need. Targeting is furthermore used to address the needs and characteristics of each individual. Henman (2005) states that targeting is a much used government practice.

In the segmentation process the second stage is market targeting. Once the marketer has identified the segments it must be decided how many and which customer groups/segments to target. With respect to the decision to which customer groups or segments to target the company may choose one or a combination of the following marketing strategies; mass marketing strategy (undifferentiated marketing), single segment strategy (differentiated marketing) or multi-segment strategy (concentrated marketing) and customised marketing (Dibb and Simkin, 1996: 15-16).

5.7.1 UNDIFFERENTIATED MARKETING

With undifferentiated marketing a company does not consider the differences between each segment and chooses to target the market with one offer. Thereby the company focuses on the similar needs of the customers rather than the differences. However, when using undifferentiated marketing, it is not possible to meet every customer's needs and thus it is not possible to satisfy all customers. Furthermore companies may meet hard competition from companies using e.g. concentrated marketing (see below).

5.7.2 DIFFERENTIATED MARKETING

Differentiated marketing is a marketing strategy where a company target many market segments with offers specially designed for each segment. Thereby the company may have a higher sale and thus stronger position within each market segment. However, differentiated marketing also means increased costs of doing business due to the separate marketing plans for each segment. Therefore companies must consider increased sales against increased costs when using differentiated marketing strategy.

5.7.3 CONCENTRATED MARKETING

Concentrated marketing, also referred to as niche marketing, involves going after a larger share of one or a few segments. By using niche marketing the company can market more effectively due to a strong position and great knowledge of the customers' needs within each segment. Although concentrated marketing can be highly profitable it also involves a high risk due to the fact that the company rely on one or a few segments for their whole business and will suffer greatly if the segment turns sour (Armstrong and Kotler, 2005: 200202).

5.7.4 CUSTOMISED MARKETING

Customised marketing is when a market is so diverse that the company attempts to satisfy each customer's unique set of needs with a separate marketing mix. The tourism marketer must make the important decision as to whether he or she wishes to use an undifferentiated, concentrated, or differentiated targeting strategy (Table 5.2).

Strategy	Description	Example
Undifferentiated	Sending the same promotional message to everyone	Promoting the city as a historic destination by placing ads in widely read newspapers
Concentrated	Designing a promotional message that communicates the benefits desired by a single specific segment	Promoting the city as historic by targeting elderly members of historical societies by placing ads in their newsletters
Differentiated	Designing more than one promotional message, with each communicating different benefits	Also targeting families by communicating a promotional message about the importance of children learning history

The question of which segment strategy the company shall choose is dependent on a number of market, product and competitive factors. Each of these factors must be considered before deciding on the segment or segments to be targeted. The factors are the following: existing market/share market homogeneity, product homogeneity, nature of competitive environment, market trends and the marketing environment, customer needs, segment size and company resources.

By considering these above mentioned factors the company can decide on viability of particular segments and ensure that resources are appropriately targeted (Dibb and Simkin, 1996: 16).

5.8 SUMMARY

The area of market segmentation has now been discussed in order to realise the purpose of this thesis i.e. to provide a framework for exemplifying how market segmentation can determine the right target audience. In discussing these areas it can be concluded that the market segmentation can determine the right target audience by following the market segmentation process and thus help a company to design an appropriate marketing strategy. The aim of this thesis was to understand the market segmentation and promotional policies and as a result being able to make an analysis based on a questionnaire conducted.

With regards to the market segmentation, the different concepts within market segmentation were established. In the approach to this area, the four most commonly used types of segmentation were accounted for i.e. the demographic segmentation, the geographic segmentation, the psychographic segmentation and the behavioural segmentation.

A number of conclusions can be drawn from the discussion above, especially with respect to creating or enhancing product lines. These are: Market Segmentation is crucial. No business can be everything to everyone and those that can differentiate their markets will be in a much

stronger position. Segmentation should not be based purely on similar product attributes; a 'market pull' approach should be adopted where planners/operators first understand the needs/desires of individual market segments and then design packages/products to meet those needs.

There is no right or wrong way to segment the products or market but segments, or niche markets, should be both focused and targetable.

Developing and implementing new product lines is only half the battle; other real work comes in trying to reach the target market - identifying accessible (and focused) markets first and then designing packages and products that will draw tourists in. The Product Club should not expend significant effort and money on undertaking primary research into market segmentation. Significant analysis of the market place already exists.

The Product Club should primarily focus on its strength: delivering a nature based tourism product. Within this, there should be a mix of different activities and experiences offered, from themes promoting intimacy and romance to learning vacations. The Product Club should not solely focus on one lifestyle segment, e.g. the needs of current baby-boomers, because these will be replaced by a much smaller ("bust" population) in the years ahead. A mix is required and planning for future changes is important.

The lines of segmentation are becoming more blurred as people mix activities. Special attention should be paid to emergent themes among segments. These include learning, intimacy and romance, heritage and historical trips, adventure and excitement, experiencing unspoiled nature, being pampered, health and spa retreats, bed and breakfasts related to activities, and lodges that can be driven to, among others.

5.9 GLOSSARY

- **Attitude:** A person's enduring favourable or unfavourable evaluation, emotions and action tendencies towards some object or idea.

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- **Behaviour:** Overt actions that can be directly observed and measured by others.
 - **Market Segments:** Portions of the tourist markets that is more or less distinct in their characteristics and behaviour.
 - **Market Share:** The proportion of the available market that is being serviced by an organization.
 - **Market Targeting:** Evaluating each market segment's attractiveness and selecting one or more segments to enter.
 - **Marketing:** The process of planning and executing the conception, promotion, pricing, and distribution ideas, goods and services to create exchanges that satisfy individual and organizational objectives. From a supply perspective, this is a process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organisational objectives (McDaniel and Gates, 2006: 4). From a demand perspective, this is the social and managerial process by which people and groups obtain what they need and want through increasing and exchanging products and values with others.
 - **Marketing Communications:** These are the means by which an organization attempts to inform, persuade and remind consumers directly or indirectly about products, brands and services they sell.
 - **Marketing Mix:** The marketing activities used to create, communicate and deliver value to the customer. The marketing variables include product, price, promotion, place, people, process and physical evidence. The controllable variables that the marketing organisation combines to satisfy a target Group.
 - **Motivation:** It is the driving force within individuals that can impel them to action with the two interdependent factors of motivation being goals and needs. Most forms of behaviour are goal-oriented and can be utilised to study consumer behaviour.

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- **Target market:** The part of the qualified available market an organization decides to pursue.

5.10 ANSWER TO CHECK YOUR PROGRESS

1. Distribute the tourists visiting your state into various segments on the basis of their demographic profile?
2. Identify the important target markets of India? What are the different marketing strategies used by the government for these markets?
3. Survey the nearest college in your city and find the preference of students to undertake higher education in tourism field. Identify the different student segments on the basis of these segments.

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5.12 TERMINAL QUESTIONS

1. What are the challenges for market segmentation of tourist markets in India?
2. Discuss the concept and importance of market segmentation.
3. What are the various approaches of market segmentation and elaborate the concept of targeting?

UNIT 6: ANALYSIS OF CONSUMER'S BUYING BEHAVIOUR

STRUCTURE:

- 6.1 INTRODUCTIONS
- 6.2 LEARNING OBJECTIVES
- 6.3 UNDERSTANDING CONSUMER BUYING BEHAVIOUR
- 6.4 FACTORS INFLUENCING THE BEHAVIOUR OF BUYERS
 - 6.4.1 CULTURAL FACTORS
 - 6.4.2 SOCIAL FACTORS
 - 6.4.3 PERSONAL FACTORS
 - 6.4.4 PSYCHOLOGICAL FACTORS
- 6.5 TYPES OF BUYING BEHAVIOUR
- 6.6 BUYER BEHAVIOUR - THE DECISION-MAKING PROCESS
- 6.7 SUMMARY
- 6.8 GLOSSARY
- 6.9 ANSWER TO CHECK YOUR PROGRESS
- 6.10 REFERENCES/SUGGESTED READINGS
- 6.11 TERMINAL QUESTIONS

6.1 INTRODUCTION

The process of the human consumption which has been presented from the beginning was initially an activity that must be fulfilled for the rest of life whereas today it has been the goal of life. Today, the consumption is no more a process due to the need of consumers but, in accordance with the wishes of consumers has become an evolving process. The concept of "customer focus", "customer loyalty" in modern marketing requires the audience and the audience recognition of the section. Therefore in terms of marketing, consumer behaviour in order to define their influence has become necessary to examine the factors that remain. Consumers are individuals, households or businesses who use the products. Consumer characteristics vary from country to country. Therefore it has become

challenging task for marketer to understand the need, buying behaviour of consumer before developing product and marketing program. In this unit we will discuss consumer buying behaviour and his/her decision making process. We will also look consumer motives and factors that influence consumer buying environment.

6.2 LEARNING OBJECTIVES

After studying this unit you will be able to:

- Understand Buyers, Customers and Consumers
- Define Consumer buying Behaviour
- Identify the characteristics those affect consumer behaviour
- Explain different types of buyer behaviour.
- Analyze the consumer decision making process

6.3 UNDERSTANDING CONSUMER BUYING BEHAVIOUR

The concept of consumer behaviour has also defined by various researchers as per the needs of the environment. Human psyche is a very complex process because it involves not only the economic factors but also the emotional and social factors (Clark and Goldsmith, 2006). Thus, it is really very difficult to provide an adequate definition of consumer behaviour. It has been observed by the various researchers that the success or failure of the product or service is directly related to the human psyche and their preference (Kauffman, 1996). Hence, an understanding of the human psychology helps marketers to come up with the innovative product mixes (Peter and Donnelly, 2002). Consumers are the base of the business process of the business organisations. All the consumers are not similar with each other according to their buying behaviour (Zhang and Neelankavil, 1997). In the words of Foxall (1998) Consumer buying behaviour is the study of intrinsic qualities of consumers, such as,

motivators, perceptions, and personality and learning patterns. According to various theorists, it is the branch of knowledge, which studies behaviour of an individual and its mental state (Hausman, 2000). According to this figure, there are many determinants that affect the buying behaviour of consumers.

According to Sheth and Parvatiyar (1995), evaluation of various factors related to the consumer behaviour allows the business firms to strengthen the relationship between business and consumers. There are many factors which influence the behaviour of a human beings and the buying process, which essentially begins from early childhood, remains through the teen years and adult life also (Lal et al, 1996). The evaluation of buying behaviour comprises many factors to understand the psychology of consumers. These factors belong to culture, values, family, society, feelings, thinking, attitude, personality, etc. These factors vary consumer to consumer and shape their buying behaviour. To simplify the explanation even further, you can think of consumer behaviour as the process that determines the why, what, who, when, and how of what a consumer purchases. Consumer behaviour answers the following questions:

✓ **Why do consumers buy?** Consumers make purchases for a variety of reasons. These reasons include the following:

- To reinforce self-concepts
- To maintain their lifestyles
- To become part of a group or gain acceptance in a group they already belong to
- To express their cultural identity

✓ **What internal and external factors influence their purchases?** Each consumer is influenced internally by his own attitudes, personality, perceptions, self-concepts, and emotions. He also must deal with external influences, such as household structure, group association, and cultural beliefs.

✓ **Who do they buy from?** Consumers purchase from businesses that fulfil their psychological needs by making them feel welcome, understood, important, and comfortable.

✓ **When do they buy?** Consumers buy based on their consumption patterns, which are determined by their family life cycles and household structures.

✓ **How do they purchase?** Consumers go through a decision-making process that guides them in their purchases. This process takes into account both internal and external influences of the consumer. Consumer behaviour provides a wealth of information about the individuals that purchase your products and services. When you understand a consumer, you can speak directly to him and his needs. This special communication not only increases the consumer's ability to understand the value in your product, but it also increases sales. Consumers buy what they understand and what they see value in. Consumer behaviour also provides you with insight on how to create an effective marketing strategy. After all, if you don't understand your consumers, how can you market to them?

Companies often fail to gain an understanding of what their consumers want and need before they actually create their marketing strategies. They lack knowledge of what influences their consumers. So remember that evaluation and understanding of consumer behaviour should always come before the development of a marketing strategy or plan.

Consumer behaviour is an attempt to understand & predict human actions in the buying role. It has assumed growing importance under market-oriented or customer oriented marketing planning & management. Consumer behaviour is defined as ***“all psychological, social & physical behaviour of potential customers as they become aware of, evaluate, purchase, consume, & tell others about product & services”***.

- Each element in this definition is important.

- Consumer behaviour involves both individual (psychological) processes & group (social processes).
- Consumer behaviour is reflected from awareness right through post-purchase evaluation indicating satisfaction or non-satisfaction, from purchases
- Consumer behaviour includes communication, purchasing & consumption behaviour
- Consumer behaviour is basically social in nature. Hence social environment plays an important role in shaping buyer behaviour.
- Consumer behaviour includes both consumer & business buyer behaviour

In consumer behaviour we consider not only why, how, & what people buy but other factors such as where, how often, and under what conditions the purchase is made. An understanding of the buyer behaviour is essential in marketing planning & programmes. In the final analysis buyer behaviour is one of the most important keys to successful marketing.

6.4 FACTORS INFLUENCING THE BEHAVIOUR OF BUYERS

Consumer behaviour is affected by many uncontrollable factors. Just think, what influences you before you buy a product or service? Your friends, your upbringing, your culture, the media, a role model or influences from certain groups?

There are sufficient evidences and empirical resources that explain about the various determinants and driving forces that to influence the buying behaviour of consumers and attract and retain customers. Many factors are available in the environment that influences the behaviour of consumers. Internal factors comprise consumer's lifestyle, personality, perception, attitude, knowledge, affordability, etc. These factors integrate culture, values and norms, family and friend circle, social status, family,

references groups, etc. (Sjöberg and Elisabeth, 2005). Environment is the external conditions, which affect the consumer behaviour. Environment consists of both physical and social factors. Physical factors, also known as macro factors, include demographic, economic, changes in technology, political elements and globalization (Mourali et al, 2005). Consumer behaviour refers to the selection, purchase and consumption of goods and services for the satisfaction of their wants. There are different processes involved in the consumer behaviour. Initially the consumer tries to find what commodities he would like to consume, then he selects only those commodities that promise greater utility. After selecting the commodities, the consumer makes an estimate of the available money which he can spend. Lastly, the consumer analyzes the prevailing prices of commodities and takes the decision about the commodities he should consume. Meanwhile, there are various other factors influencing the purchases of consumer such as social, cultural, personal and psychological.

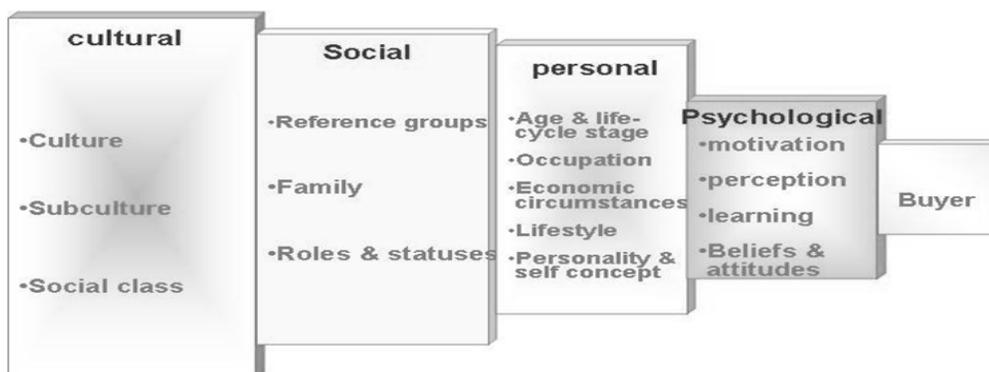
The influential factors that affect the consumer behaviour are divided into four different factors as:

3.4.1 Cultural Factors

3.4.2 Social Factors

3.4.3 Personal Factors

3.4.4 Psychological Factors



Source: <http://www.mbaknol.com/marketing-management/consumer-behaviour-and-factors-influencing-buyer-behavior/>

The brief description of these factors to give more understanding is here under:

6.4.1 CULTURAL FACTORS THAT AFFECT CONSUMER BEHAVIOUR

Culture is one factor that influences behaviour. Simply culture is defined as our attitudes and beliefs. But how are these attitudes and beliefs developed? As an individual growing up, a child is influenced by their parents, brothers, sister and other family member who may teach them what is wrong or right. They learn about their religion and culture, which helps them develop these opinions, attitudes and beliefs. These factors will influence their purchase behaviour however other factors like groups of friends, or people they look up to may influence their choices of purchasing a particular product or service. Culture is the complex of beliefs of human societies, their roles, their behaviour, their values, traditions, customs and traditions.

Culture is an extremely important concept to understand consumer behaviour and that needs to be examined. Culture is the sum of a shared purpose among members of society, customs, norms and traditions. The basic reason of person's desire or determination is culture.

Components of culture are patterns of living, norms of behaviour, life style, communication tool, eating habit, political, economical, technological outlook and values (Zhang and Neelankavil, 1997). In the words of Hanse (2005), it is very necessary to interpret the customer's tastes, preferences and habits so as to manufacture the products according to their demands and desires as per their culture. Language and values play a very important role in marketing a product (Kaynak and Kara, 2001).

• Effect of Culture to Consumer Behaviour

Cultural factors exert the broadest and deepest influence on consumer behaviour. The roles played by the buyers sub culture and social class are particularly important.

Culture- Culture is the most fundamental determinant of a person's wants and behaviour. The growing child acquires a set of values, perceptions, preferences, and behaviour through his or her family or other key institutions.

Sub-culture- Sub-culture includes nationalities, religions, racial groups, and geographical regions. Many sub-cultures make up important market segments, and marketers often design marketing programs tailored to their needs.

Social class- Social classes are relatively homogenous and enduring divisions in a society, which are hierarchically ordered and whose members share similar values, interests, and behaviour. Social classes do not reflect income alone but also other indicators such as occupation, education, and area of residence.

International marketers believe that consumers would increasingly resemble each other and that they will eat the same food, wear same clothes, and watch the same television programs to an increasing proportion. But the reality is very different. Therefore, to trade in international markets, man must overcome the large cultural and economic boundaries. Not only improve the worldwide competition in the market also different traditional beliefs, preferences, habits, customs are needed to be understood. Culture involves society's thoughts, words, their traditions, language, materials, attitudes and feelings. One of the elements that make culture is beliefs. Beliefs of the people in a community can show similarities.

6.4.2 SOCIAL FACTORS THAT AFFECT CONSUMER BEHAVIOUR

In a society, the interaction of persons with the family, groups, and social classes is highly responsible for the influence on their buyer behaviour (Tanja and Piri-Rajh, 2003). The term attitude, values and buying process are generally influenced by social class. Social class can be defined as a group of people in which all members have the similar

social status, which is generally overlooked by the people. The classification of target market falls into four groups, i.e. upper class, upper middle class, middle class and lower class (Mourali, et al, 2005). There are different reference groups for different type of matters. All the buying decisions are made by these groups on the basis of buyer acceptance. The importance of reference groups is highly depended upon the type of product and the ability of buyer (Clark and Goldsmith, 2006). Here are the some sub social factors influencing consumer behaviour.

Reference groups- A Person's reference groups consist of all the groups that have a direct or indirect influence on the person's attitudes or behaviour. Groups having direct influence on a person are called membership groups.

Family- The family is the most important consumer buying organization in society, and has been researched extensively. Family members constitute the most influential primary reference group.

Role and statuses- A person's position in each group that he participates throughout his life –family, clubs, and organizations can be defined in terms of role and status. A role consist of activities that a person is expected to perform. Each role carries a status. Marketers are aware of the status symbol potential of products and brands.

6.4.3 PERSONAL FACTORS THAT AFFECT CONSUMER BEHAVIOUR

A buyer's decisions are also influenced by personal characteristics. These include the buyer's age & stage in the life cycle, occupation, economic circumstances, lifestyle, personality & self concept.

Age & stage in the life cycle- People buy different goods & services over their lifetime. They eat baby food in the early years, most foods in the growing & mature years & special diets in the later years. People's taste in clothes, furniture & recreation is also age related.

Occupation- A person's occupation also influences his or her consumption pattern. Marketers try to identify the occupational groups

that have above – average interest in their products and services. A company can even specialize its products for certain occupational groups.

Economic circumstances- High income level, which ultimately influences the consumer to purchase expensive and luxury items (Clark and Goldsmith, 2006). Due to the continuous changes in the technology, the world has become a global village, which provides a large variety of products and services to the consumers. Often the environments are not in the hands of the manufacturers, so they have to modify the marketing strategy in order to influence macro factors, which in turn, will affect the consumer behaviour (Kotler, 2002). Thus, this factor and environment has a great impact on customer's choice and is largely responsible in shaping the customer's liking and preference for the product. Product choices are greatly affected by one's economic circumstances. Economic stability consists of their spendable income (its level, stability and time pattern), saving and assets (including the percentage that is liquid), debts, borrowing power, attitude toward spending versus saving.

Lifestyle- People coming from the same subculture, social class & occupation may lead quite different lifestyles. A person's lifestyle is the person's pattern of living in the world as expressed in the person's activities, interests & opinions.

Personality and self-concept- Each person has a distinct personality that influences his or her buying behaviour. By personality, we mean a person's distinguishing psychological characteristics that lead to relatively consistent and enduring responses to his or her environment. Personality can be a useful variable in analyzing consumer behaviour, provided that personality type can be classified accurately and that strong correlations exist between certain personality types and product or brand choices.

6.4.4 PSYCHOLOGICAL FACTORS THAT AFFECT CONSUMER BEHAVIOUR

A person's buying choices are influenced by four major psychological factors-motivations, perception, learning, beliefs and attitudes.

Motivation- A person has many needs at any given time. A need becomes motive when it is aroused to a sufficient level of intensity. Motivational researchers hold that each product is capable of arousing a unique set of motive in consumers.

Learning- When people act they learn. Learning involves changes in an individual's behaviour arising from experience. Learning theory teaches marketers that they can build up demand for a product by associating it with strong drives, using motivating cues and providing positive reinforcement.

Perception- Perception is the process by which an individual selects, organizes, & interprets information inputs to create a meaningful picture of the world. A motivated person is ready to act. How the motivated person actually acts is influenced by his or her perception of the situation.

Beliefs & attitudes- A belief is a descriptive thought that a person holds about something. Through doing & learning, people acquire beliefs & attitudes. These in turn influence their buying behaviour. Particularly important to global marketers is the fact that buyers often hold distinct disbeliefs about brands or products based on their country of origin.

An attitude is person's enduring favorable or unfavorable evaluations, emotional feelings, and action tendencies towards some object or idea. People have attitude toward almost everything: religion, politics, clothes, music, food, and so on. Attitude put them into a frame of mind of liking or disliking an object , moving toward or away from it.

6.5 TYPES OF BUYING BEHAVIOUR

There are four typical types of buying behaviour based on the type of products that intends to be purchased.

1. **Complex buying behaviour** is where the individual purchases a high value brand and seeks a lot of information before the purchase is made.
2. **Habitual buying behaviour** is where the individual buys a product out of habit e.g. a daily newspaper, sugar or salt.
3. **Variety seeking buying behaviour** is where the individual likes to shop around and experiment with different products. So an individual may shop around for different breakfast cereals because he/she wants variety in the mornings!
4. **Dissonance reducing buying behaviour** is when buyers are highly involved with the purchase of the product, because the purchase is expensive or infrequent. There is little difference between existing brands an example would be buying a diamond ring, there is perceived little difference between existing diamond brand manufacturers.

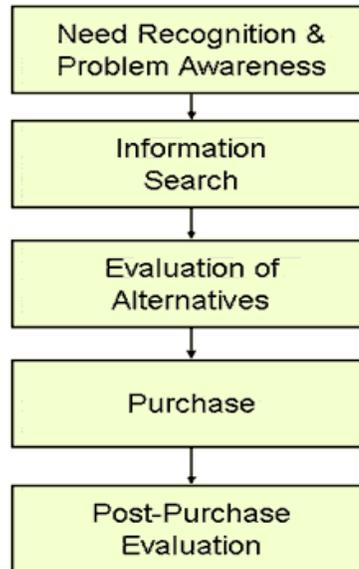
6.6 BUYER BEHAVIOUR - THE DECISION - MAKING PROCESS

Research and various academicians suggest that customers go through a five-stage decision-making process in any purchase. There are five stages of consumer purchase behaviour given as under:

1. Problem/Need Recognition
2. Information search.
3. Evaluation of purchases.
4. Purchase decision.
5. Post purchase behaviour.

This model is important for anyone making marketing decisions. It forces the marketer to consider the whole buying process rather than just the purchase decision (when it may be too late for a business to influence

the choice!) The model implies that customers pass through all stages in every purchase. However, in more routine purchases, customers often skip or reverse some of the stages.



For example, a student buying a favourite hamburger would recognise the need (hunger) and go right to the purchase decision, skipping information search and evaluation. However, the model is very useful when it comes to understanding any purchase that requires some thought and deliberation.

THE BUYING PROCESS STARTS WITH NEED RECOGNITION

At this stage, the buyer recognises a problem or need (e.g. I am hungry, we need a new sofa, I have a headache) or responds to a marketing stimulus (e.g. you pass Starbucks and are attracted by the aroma of coffee and chocolate muffins).

AN “AROUSSED” CUSTOMER THEN NEEDS TO DECIDE HOW MUCH INFORMATION (IF ANY) IS REQUIRED

If the need is strong and there is a product or service that meets the need close to hand, then a purchase decision is likely to be made there and then. If not, then the process of information search begins.

A CUSTOMER CAN OBTAIN INFORMATION FROM SEVERAL SOURCES:

- Personal sources: family, friends, neighbours etc
- Commercial sources: advertising; salespeople; retailers; dealers; packaging; point-of-sale displays
- Public sources: newspapers, radio, television, consumer organisations; specialist magazines
- Experiential sources: handling, examining, using the product

The usefulness and influence of these sources of information will vary by product and by customer. Research suggests that customer's value and respect personal sources more than commercial sources (the influence of "word of mouth"). The challenge for the marketing team is to identify which information sources are most influential in their target markets. In the evaluation stage, the customer must choose between the alternative brands, products and services.

How does the customer use the information obtained?

An important determinant of the extent of evaluation is whether the customer feels "involved" in the product. By involvement, we mean the degree of perceived relevance and personal importance that accompanies the choice.

PURCHASES

Where a purchase is "highly involving", the customer is likely to carry out extensive evaluation.

- **High-involvement purchases** include those involving high expenditure or personal risk – for example buying a house, a car or making investments.
- **Low involvement purchases** (e.g. buying a soft drink, choosing some breakfast cereals in the supermarket) have very simple evaluation processes.

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- **Why should a marketer need to understand the customer evaluation process?** The answer lies in the kind of information that the marketing team needs to provide customers in different buying situations.

In high-involvement decisions, the marketer needs to provide a good deal of information about the positive consequences of buying. The sales force may need to stress the important attributes of the product, the advantages compared with the competition; and maybe even encourage “trial” or “sampling” of the product in the hope of securing the sale.

POST-PURCHASE EVALUATION - COGNITIVE DISSONANCE

The final stage is the post-purchase evaluation of the decision. It is common for customers to experience concerns after making a purchase decision. This arises from a concept that is known as “cognitive dissonance”. The customer, having bought a product, may feel that an alternative would have been preferable. In these circumstances that customer will not repurchase immediately, but is likely to switch brands next time. To manage the post-purchase stage, it is the job of the marketing team to persuade the potential customer that the product will satisfy his or her needs. Then after having made a purchase, the customer should be encouraged that he or she has made the right decision.

6.7 SUMMARY

This Unit tried to introduce you to the concept of consumer behaviour and other topics which are required to be studied as part of this. Consumer behaviour comprises the entire spectrum of activities and processes which individuals engage in when buying, using, acquiring or disposing of goods and services. The purchase is only one part of this range of activities. During this decision process, the consumer is

influenced, by a variety of factors. In the space of competitive and globalized world the importance of consumer who is recognized as the focal point of modern marketing, is increasing day to day. Consumer behaviour is an integral part of our daily lives. The psychological and social processes involved in buying and consuming goods and services form the subject matter of this text. The objective positivist approach to studying cause and effect in consumer behaviour (as in any other kind of behaviour), will be combined with the interpretive emphasis on trying to understand the emotional, non-rational aspects of the process.

The environment which the consumer operates in, including the nature of the market place for goods and services, also needs to be considered. Finally, the change from a production orientation to a marketing concept has been instrumental in fostering the study of consumer behaviour over recent decades.

6.8 GLOSSARY

- **Behaviour:** Overt actions that can be directly observed and measured by others.
- **Belief:** A descriptive thought that a person holds about something.
- **Brand:** A name, term, sign, symbol, design or combination of them, which is intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors.
- **Culture:** A blend of the values, norms, material and spiritual traditions of ethnically diverse people.
- **Customer satisfaction:** The extent to which a product's perceived performance matches a buyer's expectations.
- **Group buyer:** An organisational buyer, which includes corporation, association and governmental agents, as well as family; in this research they buy a leisure tourism offering.

- **Loyalty:** A commitment to re-purchase or re-patronise a preferred product or service.
- **Motivation:** It is the driving force within individuals that can impel them to action with the two interdependent factors of motivation being goals and needs. Most forms of behaviour are goal-oriented and can be utilised to study consumer behaviour.
- **Push factors:** Economic, social, demographic, technological and political forces, which stimulate a demand for tourism activity by “pushing” consumers for purchasing particular type of product or service.

6.9 ANSWER TO CHECK YOUR PROGRESS

1. Pen down the influencing factors of your family and friends for purchasing of winter garments and also interview them for their purchase preferences.
2. Write the various steps you follow in the process of your decision regarding buying any product or service.

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6.11 TERMINAL QUESTIONS

1. Explain the characteristics that affect consumer behaviour.
2. Explain the consumer decision making process.
3. What are the various factors that affect the buying behaviour of consumers?

UNIT 7: MARKET RESEARCH AND FORECASTING MARKET DEMAND

STRUCTURE:

- 7.1 INTRODUCTION
- 7.2 OBJECTIVES
- 7.3 WHAT IS MARKET RESEARCH?
- 7.4 THE ROLE OF MARKET RESEARCH
- 7.5 HOW MARKET INTELLIGENCE HELPS IN BUSINESS DECISION MAKING?
- 7.6 MARKETING RESEARCH VS. MARKET RESEARCH
- 7.7 MARKET RESEARCH FOR BUSINESS PLANNING
 - 7.7.1 MARKET INFORMATION
 - 7.7.2 MARKET SEGMENTATION
 - 7.7.3 MARKET TRENDS
 - 7.7.4 MARKET SIZE
 - 7.7.5 MARKET ANALYSIS
 - 7.7.6 MARKET RESEARCH METHODOLOGY
- 7.8 FORECASTING
- 7.9 THE IMPORTANCE OF DEMAND FORECASTING
 - 7.9.1 MANAGERIAL USES OF DEMAND FORECASTING
- 7.10 SOME QUALITATIVE FORECASTING METHODS
 - 7.10.1 EXECUTIVE COMMITTEE METHODS
 - 7.10.2 DELPHI METHOD
 - 7.10.3 SURVEY OF SALES FORCE
 - 7.10.4 SURVEY OF CUSTOMERS
 - 7.10.5 HISTORICAL ANALOGY
 - 7.10.6 MARKET RESEARCH
- 7.11 SUMMARY
- 7.12 GLOSSARY
- 7.13 ANSWER TO CHECK YOUR PROGRESS
- 7.14 REFERENCES/SUGGESTED READINGS
- 7.15 TERMINAL QUESTIONS

7.1 INTRODUCTION

Market research is the process of systematic gathering, recording and analyzing of data about customers, competitors and the market. Market research can help create a business plan, launch a new product or service, fine tune existing products and services, expand into new markets etc. It can be used to determine which portion of the population will purchase the product/service, based on variables like age, gender, location and income level. It can be found out what market characteristics your target market has. With market research companies can learn more about current and potential customers. The purpose of market research is to help companies make better business decisions about the development and marketing of new products. Market research represents the voice of the consumer in a company.

In our real life we:

- Review the marketplace by looking at ads, magazines, newspapers, yellow pages, television, compare goods at various stores;
- Talk to co-workers or friends about their knowledge and experience with restaurants, doctors, repairmen; and
- Do Internet searches for vacations, know where the best deals are for game software, and know which fast food restaurants have the best specials this week.

We must use these same skills to enhance our business judgment. We must change our business practices by increasing our market research efforts, and use our abilities for the betterment of business to maximum possible extent practicable. A list of questions that can be answered through market research:

- What is happening in the market?
- What are the trends?
- Who are the competitors?
- How do consumers talk about the products in the market?

- Which needs are important?
- Are the needs being met by current products?

With market research you can get some kind of confirmation that there is a market for your idea, and that a successful launch and growth are possible.

7.2 OBJECTIVES

After studying this unit you will be able to

- Understand the concept and importance of market research for business enterprises.
- Elaborate the role of market research in helping business decisions.
- Differentiate between marketing research and market research
- Elaborate the various components of market research for planning business
- Explain the concept of forecasting and use of forecasting in managing business
- Comprehend the various qualitative methods of forecasting

7.3 WHAT IS MARKET RESEARCH?

Market research is a continuous process for gathering data on product characteristics, suppliers' capabilities and the business practices that surround them—plus the analysis of that data to make acquisition decisions. This requires one to collect and analyze information about the market that subsequently can be used to determine whether the need can be met by products or services available in the commercial market; whether commercial practices regarding customizing, modifying products or tailoring services are available to meet customer needs; what are the customary terms and conditions, including warranty, buyer financing, and discounts under which commercial sales are made; and whether the

distribution and logistics support capabilities of potential suppliers are sufficient to meet the needs of the government.

Market research information can be used to shape the acquisition strategy, to determine the type and content of the product description or statement of work, to develop the support strategy, the terms and conditions included in the contract, and the evaluation factors used for source selection.

The American Marketing Association (AMA) has defined marketing research as follows: *Marketing Research is the function which links the consumer, customer, and public to the marketer through information—information used to identify and define marketing opportunities and problems; generate, refine, and evaluate marketing actions; monitor marketing performance; and improve understanding of marketing as a process. Marketing research specifies the information required to address these issues; designs the method for collecting information; manages and implements the data collection process; analyses the results; and communicates the findings and their implications.*

7.4 THE ROLE OF MARKET RESEARCH

Goodness knows when market research was “invented”. It would be reasonable to suppose that forever; sensible people in business have researched their markets. They will have asked their customers what they want and asked them if they are satisfied with the products and services they supply. They will have done some crude assessment of the potential for their products. They will have judged the best price to charge by carefully watching the competition.

Customers always have been the most important part of a business. Today, if you do not put the customer at the centre of your business, you will, over time, have no business. In other words, market research or market intelligence has always been with us. However, market research is

a bit more than the informal assimilation and interpretation of intelligence that is a natural consequence of keeping eyes and ears open. Market research is structured and purposeful. *It is the systematic and objective collection and interpretation of data to help reduce risk in marketing decisions.*

As with all definitions, this one is loaded with meaning. Market researchers do not just poke around in a market to see what is going on. They have research designs and plans. They are therefore systematic in what they do. Furthermore, they seek to uncover the truth which may be hidden under a pile of assumptions or bias. It is the researcher's task to be objective. Market researcher's stock in trade is data. Good market research should not stop with data. Data are the collection of facts and opinions that are accumulated in the survey process. This needs converting to information so that it tells us something. More than this it needs to become intelligence so it helps us make smart moves. Market researchers collect statistics and opinions; they then work out what these data mean, and draw conclusions which lead to improved business decisions (Crimp, M. and Wright, L. T. 1995).

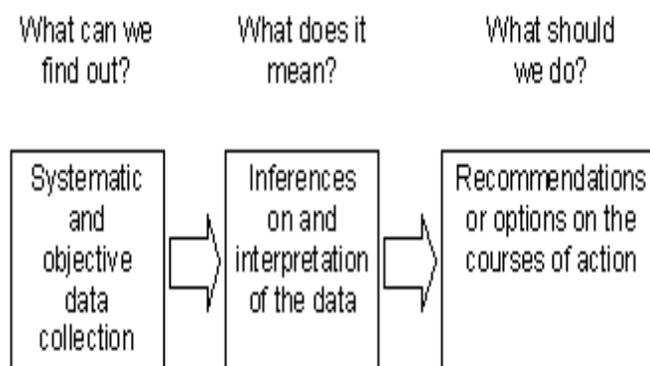


Figure 7.1: The role of market research

This widely accepted definition of market research makes the subject a relatively new tool in business planning. References to market research as we know it begin to be made around the turn of the last

century (Imms, M. and Ereaut, G. 2002). The first nationwide market research survey into grain production was carried out in the USA in 1879 by advertisers N W Ayer & Son. Since that time, the market research industry has benefited from advances in psychology, sociology and technology. The development of marketing as a key business element has also had an important impact on the development of both market and social research. The result is that market and social research now encompass a wide range of quick and reliable ways of gathering information to help improve decision making. In the 1930s the audit firms of Nielsen and Attwood developed techniques for measuring sales of consumer goods through retailers. Subscribers to these audits were able to track the market size for their products and calculate their market shares. Thus market research industry was born (Kumar et al, 2002).

7.5 HOW MARKET INTELLIGENCE HELPS IN BUSINESS DECISION MAKING?

All businesses need information to guide decision making. Managers desperately trying to understand increasingly complex and global markets need more useable information than everbefore. Because of this, the research sector plays a valuable role in the commercial, social and political world today. This information can be likened to that which we need when we are driving. The dials on the dashboard are the equivalent of the financial barometers that tell us what sales and profits we have achieved while the map on the front seat is the market research report that shows us the best way forward. In a world where there are very few technological secrets, it is not surprising that cans, computers and cars all look the same. Commercial success is dependent more than ever, not on technological superiority, but on a better understanding of customers' needs and using this information to guide decision making. Sometimes research needs are obvious. You are launching a new product and you

need to know customers' reactions. Will they like it? Will they buy it? How much will they pay? How much will they buy? What will trigger their purchase? Launching a product without this information and basing it on internal hunches and opinion (usually optimistic) could be a disaster. It is sometimes easier to look from the outside into a company and recognise their need for research than to arrive at this realization when on the inside. Managers of companies build a picture of their markets in their head. They feel that they know what is going on better than any outsider can tell them. There can be significant prejudice and resistance to research from people who have vested interests in an operation.

Market research is the map by which businesses can navigate. In the same way that maps can be large or small scale, market research can be high level or detailed. Of course, the map doesn't guarantee that you will arrive safely at your destination because you have to successfully avoid collisions and ensure no wrong turnings. In some cases the map may lack the detail that is required or even be out of date. Obviously market research is concerned with decisions in the marketing function rather than in production or financial management. Because marketing is so central to any business, the consequences of marketing decisions spill over and affect other functions. Also, the techniques that are used in market research can be used in some other areas of the business.

For example, human resources departments frequently use market research to measure the satisfaction of employees in the company. Market research can provide useable information needed to support management decisions. It also provides a way for management to keep up a dialogue with customers and shareholders. You can use market research to find gaps in markets, assess new opportunities, develop new products and services, assess market potential and diagnose strengths and weaknesses or pros and cons. Market research is also important to not-for-profit businesses (Proctor, T. 2003).

7.6 MARKETING RESEARCH VS. MARKET RESEARCH

Research is broadly divided into two categories: Market Research, a formal analysis of quantitative demand, access and recognition for classes of products or services; And Marketing Research, a formal analysis of the qualitative demand, access and recognition resulting from the activities of supply, distribution and promotion. Essentially, they represent two sides of the same coin.

Because of the direct relationship between both categories of research, both are equally important to the corporate decision maker. Market research provides you with an external perspective of your business and industry and marketing research provides an internal or focused perspective. In applying scientific principals, market research forms your control data and marketing research is used to conduct observation and field tests. Without market data as a control, marketing data becomes meaningless. Fortunately, much of the market data required is readily available from many sources.

SELECTING THE MOST APPROPRIATE RESEARCH

Based upon the difference between market research and marketing research, it should be relatively easy to decide whether companies require market research or marketing research simply by defining the nature of the decision or problem they face. If they require qualified data on products, services, actual customers, use marketing research. If the issue they face relates to changes outside your company or the need to influence those who are not presently customers, use market research. Because market research serves as a control, it is usually conducted periodically and not as an on-going process of business. While many major marketers conduct benchmark studies quarterly or annually, most market research needs can be adequately addressed by conducting benchmark research only once or twice per business cycle, or every 4 to 7 years unless there is an indication of a major change in the market.

Marketing research should be an on-going function of your sales and marketing department. It is the most effective way to track the progress of organisation and, with the exception of specific methodologies such as focus groups, is the easiest to bring in-house so that to most economically stay on top of your customer base.

7.7 MARKET RESEARCH FOR BUSINESS PLANNING

Market research is discovering what people want, need, or believe. It can also involve discovering how they act. Once that research is complete it can be used to determine how to market your specific product. Whenever possible, try to reduce risks at the earliest possible stage. For example you could carry out market research early on and not wait until you are almost ready to enter the market. If early market research reveals that your business idea has real potential, you can use this information in planning the build-up of your business.

For starting up a business there are a few things should be found out through market research in order to know if your business is feasible.

7.7.1 MARKET INFORMATION

Market information is making known the prices of the different commodities in the market, the supply and the demand. Information about the markets can be obtained in several different varieties and formats. The most basic form of market information is the best quotation and last sale data, including the number of shares, with respect to a particular security at a given time.

Examples of market information questions are:

- Who are the customers?
- Where are they located and how can they be contacted?
- What quantity and quality do they want?
- What is the best time to sell?

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- What is the long-term or historical price data over a number of years?
 - What is the expected production in the country?
 - Is there more demand for one product or another?
-

7.7.2 MARKET SEGMENTATION

Market segmentation is the division of the market or population into subgroups with similar motivations. Widely used bases for segmenting include geographic differences, personality differences, demographic differences, use of product differences, and psychographic differences.

7.7.3 MARKET TRENDS

The upward or downward movements of a market, during a period of time.

7.7.4 MARKET SIZE

The market size is more difficult to estimate if you are starting with something completely new. In this case, you will have to derive the figures from the number of potential customers or customer segments.

7.7.5 MARKET ANALYSIS

But besides information about the target market you also need information about your competitor, your customers, products etc. A few techniques are:

- Customer analysis
- Competitor analysis
- Risk analysis
- Product research
- Advertising research
- E-mail survey

Using an e-mail survey can be an effective, low-cost method for staying in touch with your customers. It helps reduce churn and can easily generate more business from customers you've already spent a great deal

of effort to win. Since there are no mailing and printing costs involved, it's also very gentle to your bottom-line. Another benefit is the almost instantaneous delivery that e-mail affords. You don't have to worry whether the Post Office will get the survey to your customers in time for them to take advantage of a special offer.

It's simple to create and send e-mail surveys. Customers will appreciate the regular communication and you could be rewarded with more business from your existing customer base.

7.7.6 MARKET RESEARCH METHODOLOGY

In the following the different market research steps are described.

a) Defining the research problem: The step defining the research problem exists of 2 main steps:

- (1) Formulating the problem and
- (2) Establishing research objectives.

Defining the problem is the single most important step in the market research process. A clear statement of the problem is a key to a good research.

A firm may spend hundreds or thousands of dollars doing market research, but if it has not correctly identified the problem, those dollars are wasted. In our case it is obvious that the problem here is setting up a business. But even if this is clear, you still need to know what exactly you need to know to make the new business a success and what specific related to the product is difficult to find out. Problems that may be encountered are: it is unknown what potential markets there are, what customer groups are interested in your products, who the competitors are? After formulating your problem, you need to formulate your research questions. What questions need to be answered and which possible sub-questions do you have.

With the problem or opportunity defined, the next step is to set objectives for your market research operations. Research objectives,

related to and determined by the problem formulation, are set so that when achieved they provide the necessary information to solve the problem. A good way of setting research objectives is to ask, "What information is needed in order to solve the problem?"

Your objective might be to explore the nature of a problem so you may further define it, or perhaps it is to determine how many people will buy your product packaged in a certain way and offered at a certain price. Your objective might even be to test possible cause and effect relationships. For example, if you lower your price, how much will it increase your sales volume? And what impact will it have on your profit?

After describing and formulating the problem and the objectives, the next step is to prepare a detailed and realistic time frame to complete all steps of the market research process.

If your business operates in cycles, establish target dates that will allow the best accessibility to your market. For example, a holiday greeting card business may want to conduct research before or around the holiday season buying period, when their customers are most likely to be thinking about their purchases.

b) Selecting and establishing research design: The step selecting and establishing research design consists of 3 main steps:

- (1) Select the research design,
- (2) Identify information types and sources and
- (3) Determine and design research instrument.

As stated earlier, every research project and every business is different. Still, there are enough commonalities among research projects to categorize them by research methods and procedures used to collect and analyze data. There are three types of research design:

- Exploratory research design
- Descriptive research
- Causal research

Exploratory research is defined as collecting information in an unstructured and informal way. For example if the owners of a new restaurant often eat out at competitor's restaurants in order to gather information about menu selections, prices and service quality.

Descriptive research refers to a set of methods and procedures that describe marketing variables. Descriptive studies portray these variables by answering who, what, why and how questions. These types of research studies may describe such things as consumers' attitudes, intentions, and behaviours, or the number of competitors and their strategies.

Causal research design is conducted by controlling various factors to determine which factor is causing the problem. It allows you to isolate causes and effects. By changing one factor, say price you can monitor its effects on a key consequence such as sales. Although causal research can give you a high level of understanding of the variable you are studying, the designs often require experiments that are complex and expensive.

c) Identify information types and sources: There are two types of information available to a market researcher:

1. Primary data.

2. Secondary data.

Primary data is original information gathered for a specific purpose. Secondary data refers to information that already exists somewhere and has been collected for some other purpose. Both types of research have a number of activities and methods of conducting associated with them. Secondary research is usually faster and less expensive to obtain than primary research. Gathering secondary research may be as simple as making a trip to a local library or business information centre or browsing the Internet. There is already a lot of statistics about different businesses that can be used for this research.

After determining which type(s) of information are needed, the methods of accessing data must be determined. There are several different

methods of collecting data. These methods include telephone surveys, mail surveys, personal interviews or group surveys.

The actual design of the research instrument, the data collection form that is used to ask and record the information is critical to the success of the project. There are two basic methods to collect information: by asking questions or by observing. The most common research instrument is the questionnaire. There are two types of forms: structured and unstructured. Structured questionnaires list close-end questions. These include multiple choice questions which offer respondents the ability to answer “yes” or “no” or choose from a list of several answer choices. Close-end questions also include scales refer to questions that ask respondents to rank their answers at a particular point on a scale. Unstructured questionnaires have open-ended questions. Respondents can answer in their own words.

d) Collecting and analysing data: Data collection is usually done by trained interviewers who are employed by field data collection companies to collect primary data. A choice has to be made between collecting the data yourself or hiring an external office who are specialized in interviews.

Data analysis is needed to give the raw data any meaning. The first step in analyzing the data is cleaning the data. This is the process of checking the raw data to verify that the data has been correctly entered into the files from the data collection form. After that the data have to be coded. This is the process of assigning all response categories a numerical value. For example males = 1, females = 2. After that the data can be tabulated, which refers to the actual counting of the number of observations that fall in to each possible response category.

e) Formulate findings: After analyzing the data you can make your findings based on this data. Once the findings about the target market, competition and environment are finished, present it in an organized manner to the decision makers of the business. In this case report the

findings in the market analysis section of your business plan. In summary, the resulting data was created to help guide your business decisions, so it needs to be readily accessible to the decision makers.

7.8 FORECASTING

Demand forecasting is an important task given its impact on decisions at many different levels within firms. Companies in general pay relevant attention on how to obtain a prompt and accurate forecast of future demand. Literature in the last decades has thus provided several contributions on how to improve forecasting accuracy. Forecasting techniques have always been a major concern (Wright et al., 1986; Armstrong, 2001), but also inter-functional integration (Mentzer and Bienstock, 1998; Helms et al., 2000), information management (Mentzer and Kahn, 1997; Mentzer and Bienstock, 1998; Moon and Mentzer, 1998) and a clear definition of a forecasting process (Mentzer and Bienstock, 1998; Mentzer et al., 1999; Chaman 1999, 2001) have been considered critical to achieve greater forecasting accuracy. As far as forecasting literature is concerned specific attention has been paid by several authors on companies' behavior in terms of the actual forecasting process companies adopt. This has led to the development of a research area related to the study of forecasting practices, i.e., the investigation of what companies are actually practicing. The literature provides several survey based studies on forecasting practices (e.g., Cerullo and Avila, 1975; Dalrymple, 1987; Reyna et al., 1991). The literature in several disciplines has always devoted attention to identifying and disseminating best practices. Laugen et al. (2005) summarize as follows: "The basic principle of the best practice thinking is that operations philosophies, concepts and techniques should be driven by competitive benchmarks and business excellence models to improve an organization's competitiveness through the development of people, processes and technology." (p. 132).

Forecasting can be analyzed by looking directly at the overall picture, i.e., referring to specific combinations of variables (Armstrong, 1987; Fildes and Hastings, 1994). It has been often suggested that using forecasting techniques allows companies to increase performance because the techniques reduce judgmental bias and the effects of irrelevant information (Makridakis et al., 1998) that are often associated with opinion-based forecasts. Several researchers have noted that information on the market collected internally and externally from the customers can help companies better comprehend future market dynamics (Helms et al., 2000). By knowing their customers' sales plans in advance, manufacturers can have more confidence about what will happen in the future, which allows companies to better plan their production cycles (Stalk and Hault, 1990). Similarly, incorporating information on market research and current economic conditions into the forecasting process allows companies to analyze the latest market trends and the impact of new product launches and promotions, which further reduces demand uncertainty and increases comprehension of market dynamics (Helms et al., 2000). Perceived demand uncertainty can be further reduced, and comprehension of market dynamics can be further increased if information about the market comes from multiple sources and data is interpreted with the help of forecasting techniques. The cumulative effect of forecasting techniques is better planning of production, which in turn leads to reduced manufacturing and production costs. In addition, the forecasting process can have an impact on companies' cost performances. More specifically, when decision-making processes are not based on a single forecast, islands of analysis will appear within a company. As a result, organizational units will not align their plans and actions, which may create misinformation, inefficiency and excess inventory (Stevens, 1989; Triantis, 2002).

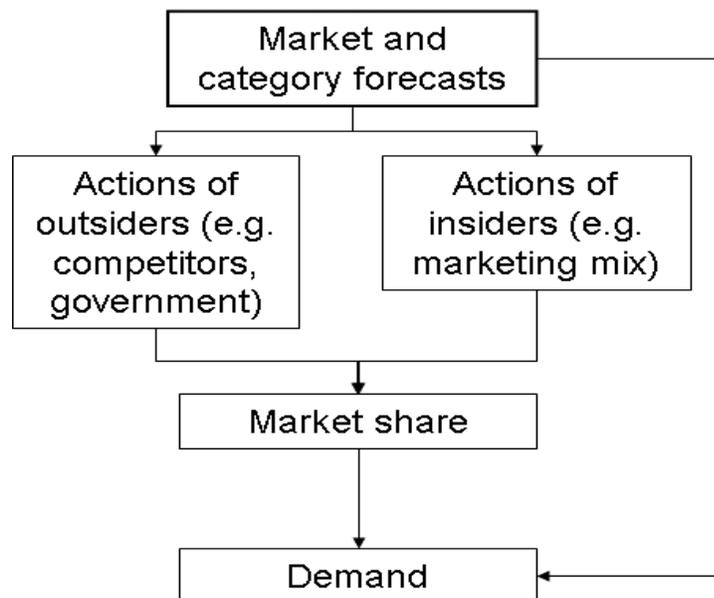
Forecasting is the art of estimating future demand by anticipating what buyers are likely to do under a given set of Conditions, Very few

products or services lend themselves to easy forecasting. Those that do generally involve a product with steady sales, or sales growth in a stable competitive situation. But most markets do not have stable total and company demand, so good forecasting becomes a key factor in company success. Poor forecasting can lead to excessively large inventories, costly price mark-downs, or lost sales due to being out of stock. The more unstable the demands, the more the company needs accurate forecasts and elaborate forecasting procedures. Companies commonly use a three-stage procedure to arrive at a sales forecast. First they make an environmental forecast, followed by an industry forecast, followed by a company sales forecast. The environmental forecast calls for projecting inflation, unemployment, interest rates, consumer spending and saving, business investment, government expenditures, net exports and other environmental events important to the company. The result is a forecast of gross national product, which is used along with other indicators to forecast industry sales. Then the company prepares its sales forecast assuming a certain share of industry sales. Companies use several specific techniques to forecast their sales. All forecasts build on one of three information bases: what people say, what people do, or what people have done.

The first basis - what people say - involves surveying the opinions of buyers or those close to them, such as salespeople or outside experts. It includes three methods: surveys of buyer intentions, composites of sales force opinions and expert opinion. Building a forecast on what people do involves another method that of putting the product into a test market to assess buyer response. The final basis —what people have done — involves analyzing records of past buying behaviour or using time-series analysis or statistical demand analysis.

Marketing practitioners regard forecasting as an important part of their jobs. For example, Dalrymple (1987), in his survey of 134 US companies, found that 99% prepared formal forecasts when they

developed written marketing plans. In Dalrymple (1975), 93% of the companies sampled indicated that sales forecasting was 'one of the most critical' aspects, or a 'very important' aspect of their company's success. Jobber, Hooley and Sanderson (1985), in a survey of 353 marketing directors from British textile firms, found that sales forecasting was the most common of nine activities on which they reported. People often use the terms 'demand' and 'sales' interchangeably. It is reasonable to do so because the two equate when sales are not limited by supply. Sometimes it is appropriate to forecast demand directly. For example, a baker might extrapolate historical data on bread sales to predict demand in the week ahead. When direct prediction is not feasible, or where uncertainty and changes are expected to be substantial, marketing managers may need to forecast the size of a market or product category. Also, they would need to forecast the actions and reactions of key decision makers such as competitors, suppliers, distributors, collaborators, governments, and themselves – especially when strategic issues are involved. These actions can help to forecast market share. The resulting forecasts allow one to calculate a demand forecast. These forecasting needs and their relationships are illustrated in Figure 7.2.



Important features of demand forecasting

- It is basically a guess work – but it is an educated and well thought out guesswork.
- It is in terms of specific quantities
- It is undertaken in an uncertain atmosphere.
- A forecast is made for a specific period of time which would be sufficient to take a decision and put it into action.
- It is based on historical information and the past data.
- It tells us only the approximate demand for a product in the future.
- It is based on certain assumptions.
- It cannot be 100% precise as it deals with future expected demand

Demand forecasting is needed to know whether the demand is subject to cyclical fluctuations or not, so that the production and inventory policies, etc, can be suitably formulated

7.9 THE IMPORTANCE OF DEMAND FORECASTING

Forecasting product demand is crucial to any supplier, manufacturer, or retailer. Forecasts of future demand will determine the quantities that should be purchased, produced, and shipped. Demand forecasts are necessary since the basic operations process, moving from the suppliers' raw materials to finished goods in the customers' hands, takes time. Most firms cannot simply wait for demand to emerge and then react to it. Instead, they must anticipate and plan for future demand so that they can react immediately to customer orders as they occur. In other words, most manufacturers "make to stock" rather than "make to order" – they plan ahead and then deploy inventories of finished goods into field locations. Thus, once a customer order materializes, it can be fulfilled immediately – since most customers are not willing to wait the time it would take to actually process their order throughout the supply chain and make

the product based on their order. An order cycle could take weeks or months to go back through part suppliers and sub-assemblers, through manufacture of the product, and through to the eventual shipment of the order to the customer.

Firms that offer rapid delivery to their customers will tend to force all competitors in the market to keep finished goods inventories in order to provide fast order cycle times. As a result, virtually every organization involved needs to manufacture or at least order parts based on a forecast of future demand. The ability to accurately forecast demand also affords the firm opportunities to control costs through leveling its production quantities, rationalizing its transportation, and generally planning for efficient logistics operations.

In general practice, accurate demand forecasts lead to efficient operations and high levels of customer service, while inaccurate forecasts will inevitably lead to inefficient, high cost operations and/or poor levels of customer service. In many supply chains, the most important action we can take to improve the efficiency and effectiveness of the logistics process is to improve the quality of the demand forecasts.

7.9.1 MANAGERIAL USES OF DEMAND FORECASTING

A) In the short run: Demand forecasts for short periods are made on the assumption that the company has a given production capacity and the period is too short to change the existing production capacity. Generally it would be one year period.

a) Production planning: It helps in determining the level of output at various periods and avoiding under or over production.

b) Helps to formulate right purchase policy: It helps in better material management, of buying inputs and control its inventory level which cuts down cost of operation.

c) Helps to frame realistic pricing policy: A rational pricing policy can be formulated to suit short run and seasonal variations in demand.

d) Sales forecasting: It helps the company to set realistic sales targets for each individual salesman and for the company as a whole.

e) Helps in estimating short run financial requirements: It helps the company to plan the finances required for achieving the production and sales targets. The company will be able to raise the required finance well in advance at reasonable rates of interest.

f) Reduce the dependence on chances: The firm would be able to plan its production properly and face the challenges of competition efficiently.

g) Helps to evolve a suitable labour policy: A proper sales and production policies help to determine the exact number of labourers to be employed in the short run.

B) In the long run: Long run forecasting of probable demand for a product of a company is generally for a period of to 5 or 10 years.

a) Business planning: It helps to plan expansion of the existing unit or a new production unit. Capital budgeting of a firm is based on long run demand forecasting.

b) Financial planning: It helps to plan long run financial requirements and investment programs by floating shares and debentures in the open market.

c) Manpower planning: It helps in preparing long term planning for imparting training to the existing staff and recruit skilled and efficient labour force for its long run growth.

d) Business control: Effective control over total costs and revenues of a company helps to determine the value and volume of business. This in its turn helps to estimate the total profits of the firm. Thus it is possible to regulate business effectively to meet the challenges of the market.

e) Determination of the growth rate of the firm: A steady and well-conceived demand forecasting determine the speed at which the company can grow.

- f) Establishment of stability in the working of the firm:** Fluctuations in production cause ups and downs in business which retards smooth functioning of the firm. Demand forecasting reduces production uncertainties and help in stabilizing the activities of the firm.
- g) Indicates interdependence of different industries:** Demand forecasts of particular products become the basis for demand forecasts of other related industries, e.g., demand forecast for cotton textile industry supply information to the most likely demand for textile machinery, colour, dyestuff industry etc.,
- h) More useful in case of developed nations:** It is of great use in industrially advanced countries where demand conditions fluctuate much more than supply conditions. The above analysis clearly indicates the significance of demand forecasting in the modern business set up.

710 SOME QUALITATIVE FORECASTING METHODS

7.10.1 EXECUTIVE COMMITTEE METHODS

Knowledgeable executives from various departments within the organisation form a committee charged with the responsibility of developing a sales forecast. The committee may use many inputs from all parts of the organisation and may have staff analysts provide analyses as needed. Such forecasts tend to be compromise forecasts, not reflecting the extremes that could be present had they prepared by individuals. This method is the most common forecasting method.

7.10.2 DELPHI METHOD

This method is used to achieve consensus within a committee. In this method executives anonymously answered a series of questions on successive rounds. Each response is fed back to all participants on each round, and the process is then repeated. As many as six rounds may be required before consensus is reached on the forecast. This method can

result in forecasts that most participants have ultimately agreed to in spite of their initial disagreement.

7.10.3 SURVEY OF SALES FORCE

Estimates of future regional sales are obtained from individual members of the sales force. These estimates are combined to form an estimate of sales for all regions. Managers must then transform this estimate into a sales forecast to ensure realistic estimates. This is a popular forecasting method for companies that have a good communication system in place and that have salespersons who sell directly to customers.

7.10.4 SURVEY OF CUSTOMERS

Estimates of future sales are obtained directly from customers. Individual customers are surveyed to determine what quantities of the firm's products they intend to purchase in each future time period. A sales forecast is determined by combining individual customer's responses. This method may be preferred by companies that have relatively few customers.

7.10.5 HISTORICAL ANALOGY

This method ties the estimate of future sales of a product to knowledge of a similar product's sales. Knowledge of one product's sales during various stages of its product life cycle is applied to the estimate of sales for a similar product. This method may be particularly useful in forecasting sales of new products.

7.10.6 MARKET RESEARCH

In market surveys, mail questionnaires, telephone interviews, or field interviews form the basis for testing hypothesis about real markets. In market tests, products marketed in target regions or outlets are statistically extrapolated to total markets. These methods are ordinarily preferred for new products or for existing products to be introduced into new market segments.

7.11 SUMMARY

Marketing research is a growing and widely used business activity because sellers need to know more about their final consumers but typically are widely separated from those consumers. According to empirical studies, the vast majority of companies engage in advertising research, product research, forecasting research, and research to measure the size and characteristics of their markets. Marketing research is used throughout all phases of the administrative process: selecting strategies, developing marketing plans, putting the plans into action, and evaluating their effectiveness. Some companies are now beginning to coordinate and integrate their marketing research activities into marketing information systems designed to provide managers the information they need for recurring problems and decisions.

Marketing researchers attempt to achieve the research objectives by using a series of steps referred to collectively as the marketing research process. The steps represent eight interrelated activities that frequently overlap one another. They are (1) formulating research problem (2) choice of research design (3) determining source of data, (4) designing the data-collection project; (5) selecting a sample type and sample size; (6) organizing the fieldwork; and (7) analyzing the collected data and (8) reporting the findings.

Demand analysis from the management point of view is concerned with forecasting demand either for existing or new products. Demand forecasting refers to the estimation of future demand under given conditions. Such forecasts have immense managerial uses in the short run like production planning, formulating right purchase policy, pricing policy, sales forecasting, estimating short run financial requirements, reducing the dependence on chances, evolving suitable labour policy, control on stocks etc. In the long run they help in efficient business planning, financial planning, regulating business efficiently, determination of growth rate of

firm, stabilizing the activities of the firm and help in the growth of industries dependent on each other providing required information particularly in the developed nations. Demand forecasts are done at micro level, industry level and macro level.

7.12 GLOSSARY

- **Client:** Anyone who purchases the services of another. In marketing research, the client typically funds and uses the research data, and may be a full-service research company, an advertising agency, a manufacturer, a newspaper or another data collection company.
- **Confidentiality:** Confidentiality refers to the act of not divulging two types of information in a research study. First, confidentiality is maintained when study information such as client name, brand name, purpose of the research, concepts and/or products (except as directed by the study instructions) is only provided to those who have a need to know. Confidentiality also refers to maintaining the privacy of any information collected from or about any individual respondent.
- **Data:** The term frequently used to describe the contents of surveys or polls. A group of facts or statistics.
- **Data Collection:** The gathering of information (figures, words or responses) that describe some situation from which conclusions can be drawn. The gathering of information from administered questionnaires.
- **Data Collection Instrument:** Any device used to gather information from a respondent, for example, questionnaires, computers, tape recorders, or video tape machines.
- **Data Processing:** The counting and tabulating of raw information (i.e., Data) into table form suitable for future use. This term is usually associated with computer tabulations.

- **Industrial Survey:** A marketing research study which focuses upon products and services utilized by businesses and manufacturing firms, conducted among respondents employed in such businesses (as opposed to a consumer survey).
- **Market Research:** A process used to define the size, location, and/or makeup of the market for a product or service.
- **Market:** The geographic area or areas in which a research project takes place. A market may be a region of the country, a state, a county, a city or some portion of a city.
- **Preference:** The state of being preferred; i.e., chosen over another or others.

7.13 ANSWER TO CHECK YOUR PROGRESS

1. Suppose you are managing an organization then what decisions are made in your organization that could benefit from market research? What are the drivers that result in market research being used in your organization, and what are the barriers that stop it being used?
2. Cite procedure to be followed for the forecasting of sales in festival season of any car manufacturing company.
3. Executive committee method and Delphi methods are quantitative methods of forecasting! Right or Wrong?

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7.15 TERMINAL QUESTIONS

1. What do you understand by market research and what is role of market research in business?
2. What are the various components of market research for business planning?
3. What is Demand Forecasting? Explain in brief various method of forecasting demand.
4. What are the managerial uses of demand forecasting also discuss some qualitative demand forecasting methods?

UNIT 8: COMPETITIVE DIFFERENTIATION AND PRODUCT POSITIONING

STRUCTURE

- 8.1 INTRODUCTION
- 8.2 OBJECTIVES
- 8.3 COMPETITIVE DIFFERENTIATION
- 8.4 PRODUCT DIFFERENTIATION
- 8.5 STAGES OF DIFFERENTIATION
- 8.6 DECIDING THE DIFFERENTIATORS
- 8.7 POSITIONING
- 8.8 COMPONENTS OF BRAND POSITIONING
- 8.9 POSITIONING PROCESS
- 8.10 POSITIONING ERRORS
- 8.11 POSITIONING OF UTTARAKHAND
- 8.12 STRATEGIES
- 8.13 IMPLEMENTING THE POSITIONING STRATEGY
- 8.14 COMMUNICATING THE POSITIONING DECISION
- 8.15 DELIVERING THE POSITIONING
- 8.16 CHECK YOUR PROGRESS
- 8.17 SUMMAY
- 8.18 GLOSSARY
- 8.19 REFERENCE BOOKS
- 8.20 SUGGESTED READINGS
- 8.21 TERMINAL END MODEL QUESTIONS

8.1 INTRODUSTION

Differentiation and Positioning are two very important aspects of marketing. While differentiation tells the features to focus on, positioning tells us how the offer is to be placed in the consumer's mind. All business units want an answer of achieving the goals. Michael Porter (1980) argues that companies can do so by through overall cost leadership, differentiation and focus. Here in this unit we will discuss about competitive differentiation, positioning and frequently happening positioning errors.

8.2 OBJECTIVES

This Unit10 aims at explaining the concepts in Competitive Differentiation and Product Positioning as a pre requisite for explaining the Designing of Marketing Strategies.

- To understand the concepts of “Competitive Differentiation” and “Product Positioning”.
- To understand the concept of product differentiation.
- To understand how competitive product differentiation can be done.
- To understand the stages of differentiation.
- To understand how differentiators are chosen.
- To understand the concept of positioning.
- To understand the components of product positioning.
- To understand common positioning through value prepositions and some common positioning errors.
- To understand the strategies used for positioning, communicating and delivering the positioning.

8.3 COMPETITIVE DIFFERENTIATION

This involves differentiating the product from competitor’s product or services as well as doing the same from one’s own products and services too. In this the company focuses in achieving better market performance by concentrating on an important customer benefit area valued by a large part of the market. A hospitality and tourism company must always differentiate their offerings from those of other providers in the market. The marketers must differentiate only on those benefits which are valued by the customers.

The term “**Unique Selling Proposition**” means the communication of the product’s differentiation. Each company tries to achieve monopolistic competition which is only possible through successful differentiation. So

the ultimate motive of differentiation is to achieve a unique position in the mind of the customer.

Many marketers argue that differentiation is used to charge higher money from the buyer. However, the fact is that since customers value the offer by the company, so they do not give high value to the price feature of the product.

8.4 PRODUCT DIFFERENTIATION

It can be done by following ways

- Differentiation through physical attributes
- Differentiation through service delivery
- Differentiation through better accessibility (location)
- Differentiation through image makeover

8.4.1 DIFFERENTIATION THROUGH PHYSICAL ATTRIBUTES

Under water submarine restaurants, Raffles in Singapore, Ice and snow hotels, House boats in India and elsewhere, etc. are some of the example of the products which have created their bench mark in the market through differentiation in their physical attribute. Differentiation that excites the customer and offers something new can lead to excellent public relations opportunities, customer loyalty, and greater profits.

Unfortunately many companies lack in physical attribute differentiation. When the chances of repeated clientele is not very high and depends a lot on the availability of the product then companies need to pay much attention towards making a special physical attribute.

Companies prefer to do this when they know that their customers would not mind paying extra and taking extra pain to buy their product only and their decision will not be subject to the convenience in terms of availability.

8.4.2 DIFFERENTIATION THROUGH SERVICE DELIVERY

This is most commonly used differentiation technique in tourism and hospitality industry. In check –in service, reducing the waiting time, similarly in restaurants by making a slot booked through a phone call made from home, free home delivery, etc. are some of the examples though which most of the tourism and hospitality companies try to create a niche market for themselves. Ease of use, comfort, efficiency, and practical feature are some of the features which buyers want in the products they buy.

Marketers keep on incorporating these features in their products so that they can stop their products from becoming obsolete and unwanted in the market. When the company keeps on providing unwanted and low quality services to the customers then this creates an undesirable differentiation for their product. Friendly staff, recognition of guests by their first names, assistance in making product decision, opportunities to socialize, and no pressure to leave are some of the services which are appreciated by the customers.

Since most of the companies do not understand and hence are not able to inculcate these service qualities in their employees, therefore those which are able to do so, make a lasting impression and niche for themselves in the market.

8.4.3 DIFFERENTIATION THROUGH COMPETENT AND SKILLED PERSONNEL

If Singapore Airlines has a good reputation in the market, it is largely because of its employees. Therefore we can conclude that hiring and retaining quality candidates is very important to gain competitive advantage. It is only possible if company selects and trains the front line staff very carefully. This staff must be competent and possess the required quality in terms of knowledge as well as skills.

As per Kotler (2011), “they (employee) need to be courteous, friendly, and respectful. They must serve customers with consistency and accuracy, and they must make an effort to understand their customers, communicate clearly with them, and respond quickly to customer requests and problems”.

8.4.4 DIFFERENTIATION THROUGH BETTER ACCESSIBILITY (LOCATION)

Location plays a very important role in deciding the success or failure of a company. The benefit created by the location, is subject to chance. Factors such as a new highway bypass or criminal activity in a neighborhood can quickly turn an advantage into a problem. E.g. hotels close to Indira Gandhi International Airport in New Delhi or Centaur Hotel in Mumbai have a strong competitive advantage over any hotel in suburban area. Before expanding and increasing the number of locations, tourist companies must do an analysis of the factors in terms of location which have been conducive for the development of the company.

8.4.5 DIFFERENTIATION THROUGH IMAGE MAKEOVER

The tourism companies try to differentiate from their competitor by making an image in the market which is different from their competitors. When the offers are same the customers perceive the difference by checking on image in the market. The marketer must keep in mind that the image is communicating the same message in the market which product’s major benefits and positioning also communicate.

Destinations work hard to develop an image for themselves. Brazil has an image which communicates Powdery white-sand beaches, lined with palm trees and fronting a deep blue Atlantic, music-filled metropolises and enchanting colonial towns. Similarly Thailand has an image of having irresistible combination of breathtaking natural beauty, inspiring temples, outstanding hospitality and superb cuisine.

8.5 STAGES OF DIFFERENTIATION

This three step process is done as under:

8.5.1 ENLISTING THE FACTORS VALUED

On the basis of market research done the company first enlist all the factors valued by the customers so that a customer –value model can be prepared.

8.5.2 DECIDING VALUE HIERARCHY

A hierarchy model should be prepared in which the factors have to be classified under categories like the basic, expected, desired and unanticipated.

8.5.3 PREPARING A CUSTOMER VALUE PACKAGE

After preparing the list of hierarchy the company chooses the combination of factors which will outperform the competitors' offer and will achieve customer loyalty through customer delight.

8.6 DECIDING THE DIFFERENTIATORS

Only those differentiators must be chosen which satisfies the following criterion

8.6.1 IMPORTANT –the difference delivers a highly valued benefit to target buyers.

8.6.2 Distinctive –the difference which is either not available with the competitor or may not be in such a distinctive way in which the company can offer it.

8.6.3 Superior –the difference is superior to the benefit which customer might obtain from other benefits.

8.6.4 Communicable –the difference is communicable and visible to the buyer.

8.6.5 Preemptive –competitors cannot easily copy the difference.

8.6.6 Affordable –buyers can afford to pay for the difference.

8.6.7 Profitable –the company can introduce the difference in the market profitably.

Principles: Not every difference worth focus and every difference cost some resources as well as create profit for the company. Therefore the differentiators must carefully be selected. The image of the hotel is a meaningful differentiator but the numbers of storey in the building of the hotel may not be so, in fact it may turn off some of the customers. Similarly for destinations the security of the tourists is one the most important differentiator.

8.7 POSITIONING

“A product’s position is how potential buyers see the product or service and is expressed relative to the position of competitors”.

“Without a position, it is almost impossible to achieve a meaningful and sustainable point of differentiation. (<http://www.createwanderlust.com/marketing-tourism-defining-a-brand-positioning>)”. E.g. Malaysia is positioned as a heritage tourist destination, Dubai is positioned as a shopper’s paradise and Kerala is positioned as a health tourism destination etc.

To establish and communicate the package / programme’s distinctive features to the target market. Positioning is a communication strategy that is the natural follow through of market segmentation and target market (Dasgupta, 2011). Re-positioning involves changing the identity of a product or a service, relative to the identity of competing products or services, in the collective minds of the target market.

As per Dasgupta (2011) De -positioning involves attempting to change the identity of competing products or services, relative to the identity of your own product or service, in the collective minds of the target markets. The consumers of today are overloaded with unwanted and untimely information so they have developed a tendency to discard all the information received. Jack Trout in his book *Positioning: The Battle for Your Mind*, defined positioning as an organized system for finding a window in the mind. It is based on the concept that communication can

only take place at the right time and under the right circumstances. Sometimes products are positioned against other product class too. E.g. cruise liner place themselves against all inclusive package tour operators and destination resorts, Conference centers compete with hotels with conference services, etc.

If the competition for a particular product increases then the companies must try to further differentiation. E.g. business hotel in the heart of the city and business hotel close to airport, etc. This sub – positioning is also called niche market. E.g. Hi –seas cruise liners have developed a niche for themselves in the cruises market. As per Chaudhary (2011), product positioning has following features

- It is relative.
- It is focused and clear.
- It is perceptual that may or may not be similar to the projected image of the marketer.
- Position is influenced by multiple forces such as background of the buyers and the competitor's and marketer's position efforts.
- Communication helps in building position. It may be projected at par, below, or above the real image depending upon the nature of its target market.
- It is a continuous process. Position may change with new entrants in the market or with the efforts of old competitors or the firm may decide to reposition its products.

8.8 COMPONENTS OF PRODUCT POSITIONING

Positioning concept has four basic concepts. These are

1. Product market or the structure of the market
2. Consumer segmentation
3. Consumer perception of our brand with respect to that of the competitors

4. The attributes or the benefits offered by the brand

All these four components of the positioning are very closely connected to each other therefore, must be considered together while deciding the brand positioning.

8.8.1 PRODUCT MARKET OR PRODUCT CLASS

It is a set of products and brands which are perceived as substitutes to satisfy some specific consumer needs. Product class is also known as product category. The categorization done by consumers on the basis of consumer judgments of similarity and substitution are a more reliable than the one done by industry itself. E.g. in India, low –cost tours would undoubtedly be grouped with higher –priced out bound tours in the category of OBT (Out Bound Tours). There is little doubt, however, that these low –cost tours have also been positioned by consumers against the high –end USA, Australia and New Zealand tours and have been perceived by them as substitutes for such tours.

8.8.2 CONSUMER SEGMENTATION

Positioning a product or brand is always done in relation to particular target segment. Here we need to understand that positioning a brand and its target segment must be an integrated part of a strategy. The closure our product is to another product in terms of its usage, the lesser is the possibility of clear market segmentation, hence the positioning of both the products will more be similar and lesser distinguishable from each other. A very practical example of this we find is tours to Mauritius.

8.8.3 PERCEPTUAL MAPPING A METHOD OF THE MEASUREMENT OF BRAND POSITIONING

Perceptual mapping is a tool which is used to measure brand positioning. Usually two –by –two perceptual mapping is done as it provides an easy to read picture, but then to obtain a good feel of the market one is required to study multiple maps. One needs to understand

this, that in this type of map the positions are essentially neutral; that is, one spot on the map does not inherently have to be better or worse than another (Dev *et al*, 1995).



Fig. 8.1 Two-dimensional configurations of six chocolate brands
(Figure courtesy: Google Images)

We have studied in this unit earlier that consumer’s perceptual space forms the theoretical basis of positioning. Although perceptual mapping has its own theoretical basis for brand positioning but it cannot be substituted for consumer judgments. The information of consumer judgments can only be collected through field research.

Various techniques are available for perceptual mapping. Profile charts is one such technique which very common in India. Some of the other used techniques are hierarchical cluster analysis, multiple discriminant analysis and conjoint analysis, etc.

MARG is one of the few market research organizations in India which has acquired the software and has used MDS techniques to analyse market structures and study positioning opportunities.

8.8.4 BENEFITS OFFERED BY THE PRODUCT

Attributes are the manufacturer's views of the brand. Here we need to understand that these attributes have to be translated into consumers' benefits in order to make a mark on the mind of the consumer. Brands that are similar in their attributes are considered to be in the same competitive set.

8.9 POSITIONING THROUGH VALUE PROPOSITIONS

Before selecting the competitive differences on which the company can lay the foundation of product differentiation the company must consider those on which it can build its positioning strategy. The company needs to answer the following questions first:

How many differences should focus on... i.e. identifying the attributes. Not all differences are worthwhile so which differences to concentrate on... i.e. evaluating and selecting the attributes. Selecting the overall positioning strategy depends on the value proposition chosen. The full positioning of a brand is called the brand's value proposition –the full mix of benefits upon which the brand is positioned. It gives an answer to the customer on question "why should I buy it"?

		Price		
		More	The same	Less
Benefits	More	1. More for More	2. More for the same	3. More for less
	The same			4. The same for less
	Less			5. Less for much less

Fig. 8.2 Possible Value Propositions

Figure 8.2 shows some of the possible value propositions used by the companies. Block 1 to 5 shows the winning combination. These are more for more, more for the same, the same for less, less for much less, and more for less (Kotler, 1999).

8.9.1 MORE FOR MORE

It means charging the higher price for an upscale product. Ritz – Carlton Hotels, United Airlines, FIT packages, etc. are some of the examples of it. It symbolizes status and high-end life style. Most of the time, the price difference is more than the actual increment in the quality, so it is used for niche marketing and increases profit percentage. Therefore, more for more brands attract more imitators. Besides this during economic turn down these high end products and services are the first one to get worse affected.

8.9.2 MORE FOR THE SAME

Companies attack competitors' more for more strategy by offering more for less strategy. The companies which have a larger market share can afford to imply more for the same strategy. Non-branded tour operators, those vendors who keep less profit margin, dot com companies have lesser fixed costs, etc are some of the examples who use more for same strategy.

8.9.3 THE SAME FOR LESS

It is a power packed model. They don't claim to offer different or better products. Sometimes they offer many of the same brands as department stores and specialty stores. Tour operators who can sell tours in grey market are some of the examples who use more for same strategy.

8.9.4 LESS FOR MUCH LESS

There is always a market for products that offer less and hence cost also less. There are very few customers who can afford the very best at a higher rate. Customers usually prefer a no frill offer or even let some

services go by if they can in such a deal. Motel 6 and Southwest Airlines are using this positioning strategy. Motel 6 does not offer pool, cable television, attached restaurant, etc and charges less accordingly. Southwest offers an hour flights, without amenities, no first class section, only three across seating in all its planes. No reserved seats, all seats on first come first serve basis. Southwest refuses to take itself seriously. Its employees amuse and entertain passengers.

8.9.5 MORE FOR LESS

Theoretically this looks one of the best winning propositions. Although it is the “Winning Mantra” but only for the short run. Continuing and sustaining the growth in the long run and still maintaining best of both positioning is very difficult.

The fall of Indian retail stores Subhiksha and Vishal is the very relevant examples of it. Marketers should focus to promote only one benefit at a time. Developing USP (Unique Selling Proposition) and sticking to it will help the marketers in the long run. Thus SOTC promotes itself as “Expect more...” means delivering more than the promised, Kingfisher promotes itself as India’s leading carrier, etc.

What are those propositions on which a company can rely? These can be best quality, best service, lowest price, best value, and best location. Some authors argue that in today’s over communicative and competitive world the company cannot rely on only one value that’s why the hotels advertise themselves as “Delivering best value at the best location”, a restaurant may claim that “it delivers tasty food with the best of services”, etc. Motel 6 consistently promotes itself as the lowest –priced American chain.

Through this companies try to broaden their positioning strategies to appeal to more segments. However, if companies do so at a large extent they may lose the focus that may result in mis –positioning.

8.10 POSITIONING ERRORS

Usually companies do three types of positioning errors

- Under positioning
- Over positioning
- Confused positioning
- Doubtful positioning

8.10.1 UNDER –POSITIONING

Many tour operators, DMOs (Destination Management Companies), and Airlines plan to capture international markets through strategic alliances.

They perceive that these alliances have international exposure as well as resources to approach therefore only by being a part of that alliance they can trap international market. But they forget that international buyers have very little or no idea about them. This is a typical example of under positioning.

8.10.2 OVER POSITIONING

In this companies give too narrow an image about the product in the market. As a result of which, the potential buyers remain too less and the market does not remain viable.

8.10.3 CONFUSED POSITIONING

Buyers might have a confused image of the brand resulting from the company's making too many claims or changing the brand's positioning too frequently.

8.10.4 DOUBTFUL POSITIONING

Buyers may find it hard to believe claims in view of products feature, price or manufacture. Good positioning helps to convert a customer to a brand loyal customer therefore helps in brand loyalty.

8.11 POSITIONING OF UTTARAKHAND

With Jim Corbett National Park, Valley of Flowers, Nainital, Mussoorie, Almora, Kausani, Bhimtal and Ranikhet being there Uttarakhand can certainly be positioned as a nature based destination. Certain surveys suggest that tourist visit Uttarakhand for 4-7 days. So it is evident that Uttarakhand can certainly be positioned as a weekly destination by offering various activities. It requires a differentiation strategy to be used by offering religious tourism, trekking, mountaineering, bungee jumping, rafting and other various adventure sports.

8.12 STRATEGIES

Marketers usually position their product on specific product attributes. This is a perilous stage in tourism and hospitality because these products are highly associated with service delivery and there are several moments of truth. Products can also be placed against other product class. It has already been discussed in this unit earlier too that how cruise liners place themselves and Conference centers compete with hotels with conference services, etc. Both Hong Kong and Singapore serve more or less same kind of tourism destination –image and that too in the close geographical regions. Once they were competitors, therefore, slowly and gradually they started developing their niche markets by differentiating themselves. While Singapore is paying a lot of attention towards developing itself as a medical tourism destination, Hong Kong still maintains the same status of a luxury filled, urban destination which is an amalgamation of western and Chinese culture.

8.13 IMPLEMENTING THE POSITIONING STRATEGY

The company must always compare its offerings and prices to that of its competitors and continuously look for possible improvements. It must

keep on doing this to the extent that it becomes better than its competitors; this is where the company gets competitive advantage.

Tourist destinations are using local festivals to position themselves. Brazil and Colombia have done so by marketing the carnival,, Goa is also following the same league.

Positioning is not just about including the services and making a product. Some time companies become reactive too and unbundle the components of their products to suit to the market needs. E.g. until early 1970s, many destinations use to offer all meals inclusive package (American Plan or AP), but gradually they realize that the lunch is not in the wish list of the customers so they omitted it. Then the preferences further changed and owners started offering accommodation with only breakfast included (European Plan). This same positioning strategy may not work for all inclusive cruises while high end cruises with good options of dining may offer MAP (Modified American Plan).

8.14 COMMUNICATING THE POSITIONING DECISION

After choosing characteristics on which company wants to lay down its foundation of product positioning the company must divert all its marketing mix efforts to support its positioning strategy. E.g. if the company decides to focus on the attributes of the product then it must do a thorough survey of the needs and perception of the target market before launching the product or doing any major change in the product.

This is usually done when tour operators offer low cost group tours to a highly competitive price conscious market. The same may not be the case if the company plans to get competitive advantage through better services, then the company must hire service oriented employees, keep on providing rigorous trainings on regular basis, reward employees for providing good services, and develop sales and advertising messages to broadcast its service superiority. Positioning strategy must be consistent.

Frequent changes in positioning strategy confuse the target market and results in mis –position. Building and maintaining a consistent positioning strategy are not easy tasks. Usually companies face following problems in developing a good positioning strategy.

- Advertising or other professional agencies hired by the company to facilitate positioning may not like the selected position and may work against it.
- New management may want to change the positioning strategy.
- Budgetary restraints for required trainings and sales or other type of promotion.

A consistently successful positioning requires long run program, continuous support by the management, employees and vendors. E.g. KFC repositioned itself three times in 2004. “It’s 7 Up,it’s Uncola (1975)”, “we’re only No. 2 so we try harder” are the positioning statements used by 7up and Avis Auto Rental respectively. These two positioning statements clearly state the products as well as the differentiation.

While deciding a positioning strategy the company must review its competitive strengths and weaknesses as a company’s positioning statement decides who its competitors will be.

8.15 DELIVERING THE POSITIONING

Crowne Plaza has introduced “switch off calls” for its business travelers. All checking in guests are asked if they ask switch off calls and at what time. Guests are also offered a fresh mint or ginger tea to follow their switch off call. These teams have been selected for their calming properties. This experiment is taking place in UK and if successful it will be implemented around the world. Above is one of the examples of how Crowne Plaza tries to deliver the position of being a business hotel with differentiated services. Positioning is enhanced and supported by creating memorable customer experiences.

The MGM Hotel and Casino in Las Vegas awakens its guest with the voices of celebrities who have performed there. A similar kind of experience can be taken at a very grass root level if one travels from Delhi to Rajasthan on luxury buses. They also awaken their passengers in the morning by playing some authentic Rajasthani song in the morning. Most of the services provided by tourism and hospitality companies become a routine for them, therefore are indistinguishable from the competitors. The key to creating memorable and differentiating customer experiences is not simply to improve them but to layer an enjoyable / memorable experience on top (Gilmore and Pine, 2002).

8.16 CHECK YOUR PROGRESS

- 1) What is competitive differentiation?
- 2) What are the criteria for deciding the differentiators?
- 3) What is positioning? Describe its salient features?
- 4) How can a successful positioning be achieved through value propositions?
- 5) What are common positioning errors? Explain with the help of examples?
- 6) Critically analyze the positioning of Uttarakhand.

8.17 Summary

After this unit we have understand the concept of competitive differentiation and the role which it plays in successful positioning of the product. We have understood how differentiation can be achieved. We have understood that effective positioning is very important as it influences the consumers and reinforces the marketing mix strategy in the mind of the consumer. We have also studied that implementing and communicating the positioning the customers are also equally important.

In the next units we will study about the how a new product can be developed and every product has a life cycle and more or less same life stages. It is like a human life where we take birth, grow, become older and then die. As we need medicines during illness to improve the health similarly our products also a change in the marketing mix and marketing strategy to keep maintaining its good commercial health.

8.18 GLOSSARY

- **COMPETITIVE DIFFERENTIATION** – In this the company focuses in achieving better market performance by concentrating on an important customer benefit area valued by a large part of the market.
- **POSITIONING** –A product's position is how potential buyers see the product or service and is expressed relative to the position of competitors.
- **PRODUCT MARKET OR PRODUCT CLASS** – It is a set of products and brands which are perceived as substitutes to satisfy some specific consumer needs. Product class is also known as product category
- **PERCEPTUAL MAPPING** – Perceptual mapping is a tool which is used to measure brand positioning. Usually two – by – two perceptual mapping is done as it provides an easy to read picture.
- **BENEFITS** – Attributes offered by a product have to be translated to the values they offer to the customers. Till the marketer do not make the customer understand the values or benefits offered the real sale will not be done.
- **UNDER POSITIONING** – When the product is positioned without checking the resources and accessibility of the firm it is called under positioning.
- **OVER POSITIONING** – In this companies give too narrow an image about the product in the market, which results in a very limited market size hence capsizing the profit.
- **CONFUSED POSITIONING** – Buyers might have a confused image of the brand resulting from the company's making too many claims or changing the brand's positioning too frequently.

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- **DOUBTFUL POSITIONING** – Buyers may find it hard to believe claims in view of products feature, price or manufacture.

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8.21 TERMINAL END MODEL QUESTIONS

- 1) How competitive differentiation can be achieved?
- 2) What is Perceptual Mapping? Why is it done?
- 3) How positioning strategy can be communicated? Explain with the help of an example.

UNIT 9: NEW PRODUCT DEVELOPMENT STRATEGY

STRUCTURE:

- 9.1 INTRODUCTION
- 9.2 OBJECTIVES
- 9.3 NEW PRODUCT – WHAT IS IT!!!
- 9.4 APPROACHES TO NEW PRODUCT DEVELOPMENT
- 9.5 HOW NEW PRODUCTS ARE DEVELOPED
- 9.6 TOURISM PRODUCTS –A PACKAGED PRODUCT
- 9.7 ESSENTIAL REQUIREMENTS IN PRODUCT DEVELOPMENT
- 9.8 SYSTEMATIC APPROACH OF A NEW PRODUCT DEVELOPMENT
- 9.9 EXPERIENCES VS. ACTIVITIES
- 9.10 DESTINATION AS A PRODUCT
- 9.11 PRODUCT / DESTINATION DEVELOPMENT BASED ON
SUSTAINABLE TOURISM
- 9.12 WHY DO PRODUCTS FAIL
- 9.13 SELF ASSESSMENT QUESTIONS
- 9.14 LET US SUM UP
- 9.15 GLOSSARY
- 9.16 REFERENCES
- 9.17 SUGGESTED READINGS
- 9.18 TERMINAL END MODEL QUESTIONS

9.1 INTRODUCTION

You have already learnt about product in Unit 9 that product can be anything that can be offered to a market for attention, acquisition, consumption and satisfies a want or need. It can be an organization (FHRAI or IATA), or can be even an idea too. E.g. Travel Consultant, insurance agents, tour manager, tour guide, etc. Products are not developed abruptly. The firms carefully diagnose the gaps in the market and then launch a product for filling that gap after a lot of planning and testing.

9.2 OBJECTIVES

This unit aims at explaining the concept and development of new products. After reading this unit the learner will be able

1. To understand what a new product is.
2. To understand different approaches used by corporate for developing and acquiring new products.
3. To understand the needs and conveniences provided by package tours to marketers and consumers.
4. To understand the reasons for the development of new products.
5. To understand the process for new product development.
6. To differentiate between activities and differences.
7. To understand the development of a destination.
8. To understand the reasons for the failure of a product.

9.3 NEW PRODUCT – WHAT IS IT!!!

A new product can be any offer incorporating new elements into it, new services included or some services unbundled from it, it can be a new innovation, it can be a new product for the company (means the company was not offering it earlier) or it may be altogether a new product in the market itself. A new product can be any product improvement or product modification. The company can make some minor / major changes in an already existing product and then can re –launch it as a new product or it can introduce an altogether a non existing new product in the market after a lot of research work done.

9.4 APPROACHES TO NEW PRODUCT DEVELOPMENT

As per Chaudhary (2011), following are the few approaches through which a new product can be developed.

9.4.1 MAJOR INNOVATIONS

These are entirely new products and services that are launched in the market. These result from new inventions or from market expansion i.e. the products were available in some other market and are now introduced to new markets. E.g. space hotel, space tourism, manmade coral reefs in India, Palm Island in Dubai, etc.

9.4.2 MINOR INNOVATIONS

New products and services are offered for a market that is already served by existing products that meet the same generic needs. E.g. service launched by airlines to book tickets on SMS or issuance of boarding pass on a phone call, etc.

9.4.3 NEW SERVICES FOR THE CURRENTLY SERVED MARKET

It means that the company offers a service to the existing customers that were previously not offered by the company but were offered by other companies. E.g. when Kingfisher entered into aviation the aviation facility was available with other companies but for Kingfisher it was a new service.

9.4.4 PRODUCT – SERVICE LINE EXTENSIONS

This can be done by augmenting the existing service line. E.g. launch of budget hotels by Indian Hotels Company Ltd., the owners of Taj Hotels Resorts and Palaces.

9.4.5 PRODUCT SERVICE IMPROVEMENTS

E.g. Addition of new theme restaurant, upgrading a hotel from 3 stars to 5 stars.

9.4.6 STYLE CHANGES

These are highly visible but these do not have high significance to the customers. E.g. a different uniform, a new office layout, new LCD screen monitor to reservation and sales staff, etc.

9.5 HOW NEW PRODUCTS ARE DEVELOPED

Every product passes through definitive life cycle phases. It is introduced, passes developmental and maturity phases and eventually dies as newer products are launched to serve to the new changed needs of the customers. The firm replaces its dying or aging products by the new once. Therefore, the firm needs to understand how the products age and then manipulate the marketing strategy to prolong the age of the product as much as possible. Developing a new product through research and development is an expensive process so sometimes companies try to obtain the product through acquisition rather than creating a new one. E.g. Accor acquired Motel 6, Choice acquired Rodeway, Econo Lodge, and Friendship Inns, and Carnival acquired Holland America, Windsor, Costa, and Seabourn. So products can be developed through:

9.5.1 ACQUISITION

If the company cannot afford or gets an opportunity buy a whole company, a patent or a license to produce on some other company's behalf etc then it does so. These are some of the ways in which a product can be produced without a new product development process and still the company can acquire a new product.

9.5.2 NEW PRODUCT DEVELOPMENT THROUGH RESEARCH

We will study in detail how to develop a new product through development process in the subtopic "Systematic Approach of a New Product Development" in this unit itself.

9.6 TOURISM PRODUCT – A PACKAGED PRODUCT

Tourism products are a combination of different elements (four "As" of tourism i.e. attraction, accessibility, accommodation, and arrangements) compiled along with customized services offered by agents. Each of these elements can be bought and consumed separately, from different

suppliers. But it will be time taking and un-convenient process for consumers. So these elements are bundled or packaged together by intermediaries of the industry. These four elements of tourism further have sub –elements which are as under

9.6.1 ATTRACTION

It is the very reason for a tourist to choose a destination. Wild –life, flora, natural beauty, resorts, sports events, water parks, museums, etc.

9.6.2 ACCESSIBILITY

This means of transportation. E.g. air, road, rail and water transport. It may also be a combination of all or some of these.

9.6.3 ACCOMMODATION

Hotels of different categories and supplementary accommodation like Country clubs, holiday inns, holiday villages, traveler’s lodge and inns, etc.

9.6.4 ARRANGEMENTS

Visa facilitation, tour escort / manager, travel insurance facilitation, foreign exchange availability, passport facilitation, contingency back –up, ticketing, pick and drop. *This method of offering the product gives following conveniences to the tourists.*

9.6.5 VALUE FOR MONEY

Packages provide one stop shop so they offer time saving, convenience, lesser prices and functional facilitation (Visa, insurance, passport, etc facilitation) to the customers. Had customer tried arranging all these through different vendors he would have ended up spending more money as well as a lot of his time would have gone wasted?

9.6.6 ECONOMY IN PURCHASING

Due to economy of scale while purchasing elements from the suppliers the marketer gets them at a very economical rate. As a result of which the cost of making production of the product goes very low as

compare to the prices of these elements if purchased separately. So customers avail the same services along with convenience at an economical cost.

9.6.7 RELIABLE WORD OF MOUTH

Packages are usually operated in groups, so potential customer can get feed –back from consumers, who have already used it, very easily. In this way the customer gets a general idea about the experience as a whole as well as the quality of each service separately too.

9.6.8 EFFICIENT

A number of activities like gala dinner or a customized night –out on demand are only possible with package tours. *It offers a lot of benefits to the marketer too like.*

9.6.9 MORE ACCESSIBILITY TO THE MARKET

Low prices and one stop shopping make packages an attractive offer to avail. Therefore the marketer gets good market accessibility as his product is preferred by the customers.

9.6.10 GOOD ROI (RETURN ON INVESTMENT)

Because of economy of scale in purchasing the elements and sales it provides good return on investment to the marketers too. Although, it seems like tour packages have all good only but actually they have draw backs too. These are

- Not all the packages are all inclusive packages there are hidden costs too.
- Usually packages are highly packed means they cover more than the number of the destinations which can be covered comfortably. Hence they are hectic and tiresome. So aged customers and those who want relaxed holidays do not appreciate them.
- Usually market is competitive so packages run on low margins.

- Customized tours are tailor made so give more satisfaction and privacy.
- Customized packages leave higher profit for the marketers too as the profit margin per unit of the product is high.

9.7 ESSENTIAL REQUIREMENTS IN PRODUCT DEVELOPMENT

These can be compiled together as under (Dasgupta, 2011):

9.7.1 GAP ANALYSIS

Each region has its own peculiar socio –cultural feature, as well as flora and fauna. These can be combined together and adding on a few inputs can be developed into a destination. Besides, the likes and preferences of out –going tourist give lead about the taste of the domestic tourist. If this can be made available in the country itself then we can cater to the domestic market in a better way. Need Gap analysis is an ongoing process as the needs and the wants of the customers keep on changing, so the company must keep on updating its product on the basis of the findings of the Need Gap Analysis to prolong the age of its product.

9.7.2 CHANGING BEHAVIOR ANALYSIS

Tourist generally wants to explore different local cuisines and understand local language. Indian tourists are an exception here as Indian tourists want to eat Indian food (in most of the meals) irrespective of the destination they are in. So anticipation of demand through behavioural variable is very crucial for developing appropriate tourism product. This reveals the current behavior and expectations of tourist and helps in augmenting the potential components of the products.

9.7.3 PROFILING THE TARGETED SEGMENTS

No destination or tour operator can cater to all the markets. So finding out trends followed by tourist (in inbound, outbound and domestic)

is crucial. On the basis of this the profiling is done. It is also used for forecasting, outlining customers' characters and motivations. Knowing the characters of the destination the tour operators and travel agents can make products as per the leads of the tourist hence reducing the risks of taking the wrong decisions. Tourist profiling is done on four factors demographic, psychographic, behavioural, and geographic.

- **Demographic factors** – these are age, gender, occupation, family status, education and income. Every destination has something special to offer. Some offer scenic beauty, some education, some spiritual satisfaction, etc. in India the population genre for visit is religious tourism among domestic tourist and cultural tourism among inbound tourist.
- **Psychographic characters** – these are associated with personality traits like value, lifestyle and interest. Tourists who have the same set of demographic factors may differ in psychographic characters and hence may show different preferences.
- **Geographic factors** – these give information about the origin and destination of the tourists. People living in metro may prefer going to natural places while people living in mountains may want to visit coastal areas during winter, etc.

Since the market for tourism is massive it is more dynamic and cost effective to identify several minor groups of people with singular attribute. The chosen segment becomes the target markets segment (Dasgupta, 2011).

9.7.4 SUPPLY ANALYSIS

The tourist destinations must assess and ascertain the supply of their key product attributes. Characteristics (advantages) and benefits of the product should meet the expectations of the tourists. A successful tourist product considers demand characteristics and incorporates them into products features, advantageous and benefits offer. That is how the destinations will augment their product.

9.8 SYSTEMATIC PROCESS OF A NEW PRODUCT DEVELOPMENT

A new product can change the future of a company or it may let the money and precious time of the company go in vain. Therefore, a new product must always be developed through a systematic approach.

9.8.1 IDEA GENERATION

A system is developed in all progressive organizations where many ideas can flow in. These ideas should be systematic and compatible to its type of business. The idea should start with what products and markets to focus on. It should also be clear about the expectations of the company from the product which can be profit, market share, snatching the competitor's market or it may be even entering with a new innovation and developing a market for it, even if it is not profitable.

SOURCES OF NEW IDEAS

To obtain new ideas the companies usually use following sources:

- **External Environment:** Recession, inflation, changing demographic profile of the customers, economic status and purchasing power of the customers affect the ideas e.g. during recession tour operators usually come out with economical, short duration tours. Security of the destination and hotels etc. are some of the factors which affect the ideas.
- **Internal Sources:** Most of the ideas come from the company within. Brain storming sessions, sales person, guest contact employees, management can ask the employees to share their observations.
- **Customers:** Watching and listening to the customers provide good ideas. Needs and wants are better explained through customer surveys. Sales person can collect suggestions from the customer. Sometimes, customers make their own products. The company has to only think innovative methods of collecting these ideas. Marketers must try to do a casual chat with frequent travelers.

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- **Competitors:** Companies observe competitors, products, advertisements, communication to collect clues about the new products but the marketer must take care that they are not using any unethical means to collect the information. Often these copied products are superior or inferior in quality with respect to the original ones. In both the cases, the original marketer has to cope up. In case of the copiers has inferior quality then company has to overcome the bad image perceived about the product, if the copiers have good quality then the original marketer has to compete with an already established product. The annual reports of publicly trading companies are an excellent source of information.
 - **Distributors and Suppliers:** They are good source of information about consumer problems, new products possibilities, new concepts, techniques, trends, competitive strategies and to meet important contacts.
 - **Other sources:** Trade shows / magazines, government agencies, seminars, marketing research firms, new product consultants, inventors, etc. are good source of information.

9.8.2 IDEA SCREENING

This is the reverse of idea generation. In idea generation, we try to collect as many ideas as we can, while in screening, we try to drop as many (bad) ideas as we can, so that we can spot the good ones. In the later stages of the product development the cost of production increases so the company wants to proceed only with

- Profitable ideas.
- Product idea compatible with company's objective and product lines.

Kotler argues that compatibility is checked on following parameters as to how the product assists us to (Kotler, 2011)

- Fulfill the mission?
- Meet corporate objectives?

-
- Protect and promote core business?
 - Protect and please core customers?
 - Better use existing resources?
 - Support and enhance existing product line?

Common mistakes done at this stage are

- Dropping good ideas.
- Continue working on bad ideas.

9.8.3 CONCEPTUALIZATION

The blue prints of the past ideas are prepared and the unique features of the proposed ideas are listed. A development plan for each idea is prepared separately. Ideas with more problems are dropped again after screening and are not processed further while profit sounding ideas are sent for testing the concept.

9.8.4 TESTING THE CONCEPT

Consumers are also sometimes invited for product screening. But this technique also sometimes fails because people do not always carry out their stated intentions. Some companies do professional concept testing. Incorrect new product decisions do little damage in case of a tactical product decision such as a hotel room amenities or providing dinner in a different restaurant every night for the same destination.

But when product decisions involves heavy expenditures e.g. adding a new destination in the itinerary of an existing cruise which needs to either a lot of sailing to reach there or is too close a destination to be added, a new incorrect destination resort.

9.8.5 PROTOTYPE DEVELOPMENT

If the product concept passes the business test, it moves into product development and into a prototype. A small model of the given concept is prepared. E.g. models of development of the destinations, virtual tours, computer simulation of a property, etc.

As per Kotler, a good prototype meets the following criteria (Kotler, 2011)

- Consumers perceive it as having the key features described in the product statement.
- It performs safely under normal use.
- It can be produced in the budgeted costs.

9.8.6 MARKETING STRATEGY

A marketing strategy is prepared for launching the product in the market. It states the target market, expected share and initial profit goals. It also states the planned price, distribution and marketing budget for initial years. After giving details for the initial years, it states the sales, profits and marketing-mix in the long-run.

9.8.7 BUSINESS VIABILITY TESTING / MARKET TESTING / TEST MARKETING

The future market size and profitability is tested. The sales volume is estimated. Market size is estimated on the basis of costs occurred and prices offered. Even if the product is technically sound and appreciated but if it cannot produce the required market size, its idea will have to be dropped. E.g. commercial tours to outer space, long duration air tours.

It is done to evaluate the product and marketing program in real life market situation to predict the problems in advance. The results of the test marketing are used for better sales and profit forecast. These are also used to modify the planned marketing strategy, if required.

Test marketing gives required to do changes before the product is launched at the larger level. So the damage is predicted and rectified, but it has a drawback too. The competitor can get access to the details of the product and the marketing strategy. Another drawback is the costs of market test are high (but are often small as compare to the cost of making a major mistake).

9.8.8 LAUNCH OR COMMERCIALIZATION

During this stage four decisions are taken –when, where, to whom, how. Tourism being a seasoned industry, the companies wait for the right time, to launch the product. Most of the companies choose peak season for launching their products. Very few companies have the capital and the confidence to launch the product into full national distribution. Most of the companies do so at regional or local level. Now the company targets the potential clients on the basis of profile preplanned during the testing stage. The company usually develops an action plan for the launch of the product.

9.9 EXPERIENCES VS. ACTIVITIES

Here the learners need to understand that a tourism product can be an experience or an activity. Activities are more focused on physical actions. They are minimal connected to the place where they are offered. The cultural significance or the historical back ground of the place does not affect much on activity. E.g. site seeing, bush walking, swimming, etc. an experience provide a higher level of engagement with sense of place and local people and access to a greater depth of involvement with an understanding of the both.

Experiences apply at all levels of tourism / from products, businesses and destinations to the role of local government and regional tourism bodies. Therefore, companies have now shift their marketing from destinations to experiences developed across destinations.

9.10 DESTINATION AS A PRODUCT

As we have already discussed that each element of a tourism product can separately be sold and consumed as a product. A destination is the first “A” of a tourism product. It is tangible as well as intangible. It gives following experiences to the consumer

9.10.1 AS A TANGIBLE EXPERIENCE

Some parts of a destination like physiography, historical past etc. are experienced by the tourist as a tangible product. E.g. Chamarel in Mauritius, Champs Elysees in Paris.

9.10.2 AS A CULTURAL EXPERIENCE

Some cultural elements of society also attract tourist like carnival of Rio de Janeiro, Goa, Durga Pooja of West Bengal, Dussehra of North India, Holi of Vrindavan, etc are some of the examples where cultural experience of a very specific kind is sold.

9.10.3 IT PORTRAYS AN IMAGE IN THE MIND

All the destinations work hard to make and maintain an image in the mind of its travelers. Mauritius portrays a beach destination, Las Vegas is casino, gambling and night life, Malaysia is a destination of cultural tourism but it is different from Thailand although both are famous for cultural tourism, Europe more for country side beauty, etc are the images which come in the mind when we think about a particular destination.

9.11 PRODUCT / DESTINATION DEVELOPMENT BASED ON SUSTAINABLE TOURISM

During tourism season the tourists and local community compete with each other for the utilization of resources. So we can conclude that tourism has the potential to affect the socio – economic and ecological foundations of destinations.

Destinations should, therefore, keep the principles of environmental sustainability in mind while developing tourism products. Environmental sustainability principles include protecting life –support system (air, water and land), enhancing and protecting biodiversity, and using natural resources carefully and efficiently. Following these principles will help ensure that the historic monuments and places are preserved for their own

sake, and they will be enjoyed by future generations of tourists as well (Dasgupta, 2011).

9.12 WHY DO PRODUCTS FAIL

Although there is a well developed product development process but still a lot of products fail. Following are some of the major reasons for the same-

- Sometimes a high level executive pushes his idea without enough of feasibility testing.
- Market is over estimated during the research and the actual size of the market is not so big.
- Improper designing or ill developed designing of the product.
- Incorrect positioning.
- Prices higher than customer's expectations.
- In-effective advertising.
- Suppliers of the raw material for the product are not able to give ample supply.
- Competitors are giving a good fight as a result of which the advertising cost increases and to make the product competitive the prices have to be slashed.

Therefore, we can conclude that the planning of the product has to be very systematically done.

9.13 CHECK YOUR PROGRESS

- 1) What is the meaning of a new product?
- 2) What are the approaches to develop a new product?
- 3) What are the ways in which company can acquire a new product?
- 4) Why do customers prefer packaged tourism product instead of an unpackaged one?

- 5) Under what circumstances which require a company to go for a new product?
- 6) What are the needs of profiling the target segments?
- 7) Explain different factors of profiling target segments? Explain each in detail.
- 8) Explain the process of a new product development in detail.
- 9) What are the different reasons for the failure of a product?

9.14 SUMMARY

In this unit we have learnt that new products are when we add or remove services from an existing product, it can be a new innovation, it can be new to the company even if a similar product was available earlier in the market, etc. products can be developed through research or acquisition. Testing the need of a new product through gap analysis is crucial. We have also learnt that ideas for a new product can be collected from external as well as internal environment of the organization.

A destination gives tangible and cultural experiences to a tourist. The destination work hard to leave a particular image of the destination in his mind. New product development is a multiple step process which starts from collecting the ideas, then screening them, passes through conceptualization and testing phases, then under goes market testing and finally is launched in the market.

We have also learnt that if any of the developmental phases is not taken seriously or if the marketing mix does not communicate the image which the company wants to portray in the mind of its tourists. Once the products are launched in the market they pass through certain life stages. This is called Product Life Cycle (PLC). In the next unit we will study about Product Life Cycle and different strategies used by the marketers to keep up the performance of their products.

9.15 GLOSSARY

- **New product** –it is a product that has new or improved features for its markets or sellers.
- **Major innovations** –These are entirely new products and services that are launched in the market.
- **Minor innovations** –New products and services are offered for a market that is already served by existing products that meet the same generic needs.
- **New services for the currently served market** –It means that the company offers a service to the existing customers that were previously not offered by the company but were offered by other companies.
- **Product –service line extensions** –This can be done by augmenting the existing service line.
- **Package** –when components of a product are taken from different suppliers adding certain services to be offered by the company itself and then offering this entire bundle to the market as a single unit product is called a package.
- **Gap analysis** –Need Gap analysis is an ongoing process as the needs and the wants of the customers keep on changing, so the company must keep on updating its product on the basis of the findings of the Need Gap Analysis to prolong the age of its product.
- **Supply analysis** –The assessment and ascertaining of the supply of the key products' attributes from the side of the package marketer is called supply analysis
- **Idea generation** –A system is developed in all progressive organizations where many ideas can flow in. These ideas should be systematic and compatible to its type of business.
- **Idea screening** –is the dropping of as many bad ideas. As a result we get the good ones only.

- **Prototype** –A small model / miniature of the given concept is called prototype.
- **Business viability testing / Market Testing / Test Marketing** –in this the future market size and profitability is tested. The sales volume is estimated. Market size is estimated on the basis of costs occurred and prices offered. Even if the product is technically sound and appreciated but if it cannot produce the required market size, it has no commercial value for the company.

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9.18 TERMINAL END MODEL QUESTIONS

- 1) What are the different sources of getting ideas for a new product? Why the company needs to use more than one source for collecting ideas?
- 2) What is the significance of test marketing in product development?
- 3) Choose a place your choice in Uttarakhand. Make a plan of developing it into a new destination.
- 4) Choose a destination your choice which has developed itself into a new destination through image makeover when it was on the verge of fading out from the market.

UNIT 10: MARKETING STRATEGIES AT DIFFERENT STAGES OF PRODUCT LIFE CYCLE

STRUCTURE:

- 10.1 INTRIDUCTION
- 10.2 OBJECTIVE
- 10.3 CONCEPT OF PRODUCT LIFE CYCLE (PLC)
- 10.4 CONCEPT OF TOURISM AREA LIFE CYCLE (TALC)
- 10.5 FEATURES OF PRODUCT LIFE CYCLE
- 10.6 DIFFERENT TYPES OF LIFE CYCLES
- 10.7 BUTLER'S MODEL OF PRODUCT LIFE CYCLE
- 10.8 MARKETING STRATEGIES DURING DIFFERENT STAGES OF PRODUCT LIFE CYCLE
- 10.9 IMPLICATIONS OF TALC THEORY
- 10.10 TOURIST LIFE CYCLE
- 10.11 REASONS FOR THE DECLINE OF TOURISM REGIONS
- 10.12 SELF ASSESSMENT QUESTIONS (SAQS)
- 10.13 LET US SUM UP
- 10.14 GLOSSARY
- 10.15 REFERENCES
- 10.16 SUGGESTED READINGS
- 10.17 TERMINAL END MODEL QUESTIONS

10.1 INTRODUCTION

We have studied in the previous unit how tiresome and rigorous is the process of product development? It needs a lot of resources in terms of time, money and human resource of different departments (Planning, Product development, Human Resource, Finance, Research and Development, etc.) therefore, the wants to gain as much profit from each product as possible, so that the resources that have been applied can be compensated. But here we need to understand that every product also has a life span. As we have different life span for each human similarly different products also have different life spans.

Humans take birth, grow, become mature and then become sick and aged. We need medicines at this time of our life to regain our health and survive further. If we do not get medicines we may die too out of sickness.

Similar is the case with products too. Products are also introduced (launched), then they grow, become mature, reach the stagnation stage and slowly and gradually decline. As humans fall sick and revive with medication, products also become sick (bad performance in the market), the company is required to change the marketing strategy (medicine) to rejuvenate them further.

10.1 OBJECTIVE

After completing this unit the learner will be able to

- Understand the concept of product life cycle.
- Understand and apply the concept of PLC on destination thus knowing the concept of Tourism Area Life Cycle (TALC).
- Know the features of PLC and TALC.
- Understand the concept of Butler's Model of PLC and its different stages.
- Understand marketing strategies used during different stages of life cycle.
- Understand the implications of TALC theory.
- Understand Tourist Life Cycle.
- Understand the reasons for the decline of tourists regions.

10.3 CONCEPT OF PRODUCT LIFE CYCLE (PLC)

After the launch of the product the management wants the life of the product enough to earn profit to compensate for the efforts and risks. As the external environment changes the marketing strategy of the product is also modified to maximize the profit. Tourism products are called dying

products. Life cycle begins as soon as the products development ends. As per Chaudhary (2011), "Product life cycle is the status of a product on time scale from introduction to end in terms of its sales and profits".

The product life cycle (PLC) is useful for describing how products and market work. But using the PLC concept for forecasting the product performance or for marketing strategies presents some practical problems. E.g. managers usually find it difficult to find out the current life cycle stage and ensuring the factors which will affect them in different life stages. Although PLC concept is there in most of the marketing books still there are few managers who claim that they use this concept in practical life. The reasons for this are that although they do not mention the stage of the life cycle of the product but based on the features shown by them, during a particular time managers take decisions and implement them. Secondly drawing the correct PLC curve for a particular product is very difficult. The PLC is not a predictive tool to determine the length of a product's useful life. It is instead, a means of conceptualizing the effect of the market, the environment, and competition and understanding how that product may react to various stimuli. Once the marketer understands the concept that the products have similar life stages it becomes easier for him to lengthen the stages of the life thus making more profit from each stage.

McDonald's has been able to extend by modifying the product concept. The McDonald's of today is a different concept than the McDonald's of the 1960's. The menu and the store design are different. McDonald's has evolved from stands with no seating into fast –food restaurants with attractive indoor seating areas and playgrounds for children. The company has also changed its location strategy. In addition to its traditional suburban locations, McDonald's developed international, urban, and institutional locations such as hospitals and colleges. The McDonald's restaurant in the Zurich McDonald's Hotels has a bar serving beer, wine, and mixed drinks. One cannot expect this similar menu in India.

In India we have Mc Veggie, Chicken Maharaja Mac, and Chocolate and Strawberry Milk shakes in beverages (instead of wine like Switzerland). One may find Big Spice Paneer wrap to satisfy more of Indian palette.

10.4 CONCEPT OF TOURISM AREA LIFE CYCLE (TALC)

As per Chaudhary (2011), "Destination is defined as a place that has some form of actual or perceived boundary, such as the physical boundary of an island, political boundaries, or even market created boundaries".

Like most products, destinations have a lifecycle. A destination begins as a relatively unknown and visitors initially come in small numbers restricted by lack of access, facilities, and local knowledge, which is labeled as *Exploration*.

As more people discover the destination, the word spreads about its attractions and the amenities are increased and improved (*Development*). Tourist arrivals then begin to grow rapidly toward some theoretical carrying capacity (*Stagnation*), which involves social and environmental limits. The rise from *Exploration* to *Stagnation* often happens very rapidly.

When Product Life Cycle (PLC) is applied on a tourism destination it is called Tourism Area Life Cycle (TALC). Several tourism destinations lost their growth due to lack of expert analysis and advice. The tourists stop going to that destination as a result of which the unemployment increases in the region and further creates social problems.

Butler (1980) introduced TALC concept by applying PLC model to tourism. He determined six states under his model these are exploration, involvement, development, consolidation, stagnation and the sixth stage is either decline or rejuvenation.

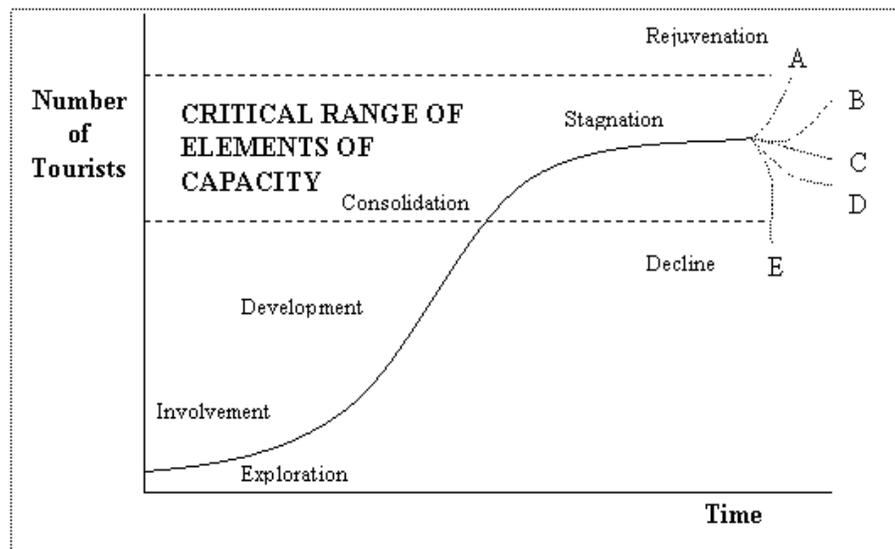


Fig 10.1 PRODUCT LIFE CYCLE (PLC)

Source: <http://surfeconomics.blogspot.in/2008/05/life-cycle-of-santosha.html>

The duration of these stages depend on competition, marketing strategies, external environmental factors, etc.

10.5 FEATURES OF PRODUCT LIFE CYCLE

Where new product development ends a product life cycle begins. A standard life cycle is bell shaped curve as shown in figure 10.2. A typical product life cycle shows following features -

- Most of the product follow “Bell Shape” (or as some authors say “S Shape”) Product Life Cycle. It is also called growth, slum and maturity pattern. As growth picks up then slums or goes down a bit and then again picks up.
- Some products are short lived (Fashions, fads, trendy night clubs) and do not follow the standard bell or S shaped pattern.
- The shape of the PLC curve is independent of the life span of the product which maybe from a couple of days, weeks, to as long as 100 years or maybe more.
- The steep curve represents a short life cycle.

- Some products may stay in matured stage for a very long period of time. E.g. McDonald's Burgers, Nirula's thalis, multi-destinations European package tours, etc. These are those products which give good value for money to the tourist.
- Through proper marketing strategy the life of the product can be prolonged.
- A life cycle can be for a generic product, a specific product or a brand.

Evolution of destination life cycle,
according to traveller type
Plog's Model

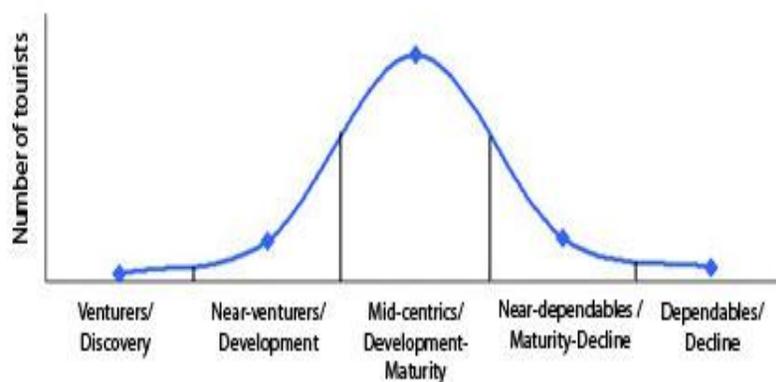


Fig 10.2: Plog's Model of destination Life cycle

10.6 DIFFERENT TYPES OF LIFE CYCLES

10.6.1 CYCLE –RECYCLE PATTERN

E.g. destination like Goa and Kerala

10.6.2 SCALLOPED PLC

E.g. Delhi

10.6.3 STABLE MATURITY PLC

E.g. Europe

10.6.4 GROWTH MATURITY PLC

E.g. USA

10.6.5 CYCLE – HALF RECYCLE

E.g. Bali in Indonesia

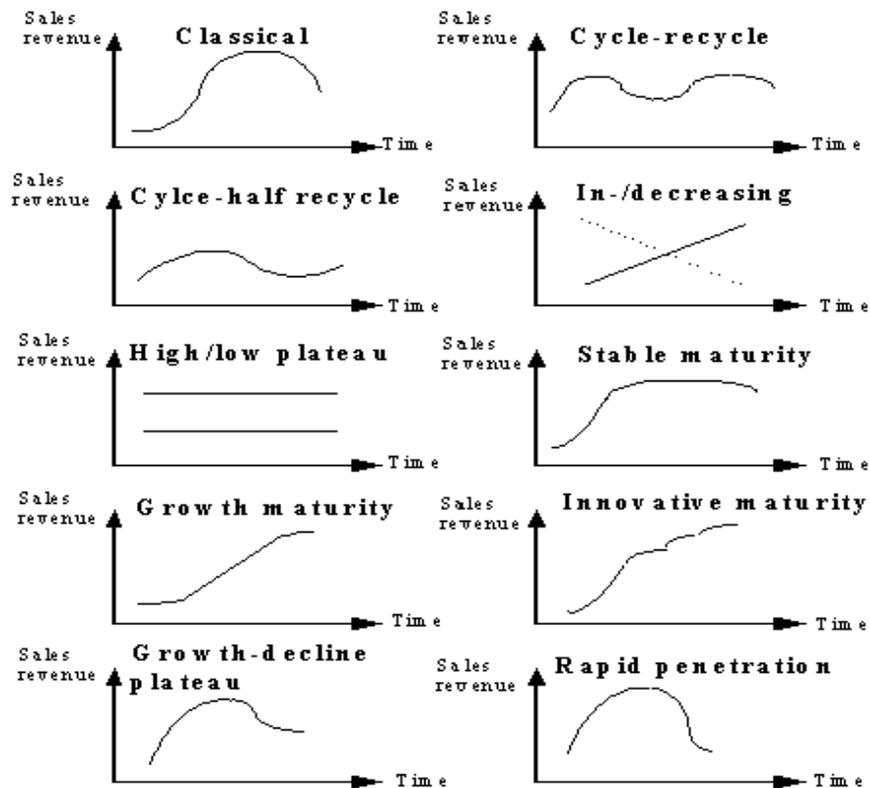


Fig 10.3: Different Types Of Lifecycle Curves

(Image Courtesy Google images)

10.7 BUTLER'S MODEL OF PRODUCT LIFE CYCLE

The concept of PLC or TALC (for destinations) is very important for explaining the process of growth in product sale and profit levels. The marketing strategy followed during introductory period determines the success of the product and the marketing strategies followed during the subsequent period. Different companies having varying leverage ratios tend to behave differently in terms of marketing strategies for their product. E.g. companies having high debt to equity ratio are found to follow more aggressive marketing strategies during each life cycle stage of the product (Dasgupta,2011). Each stage of PLC shows certain specific features based on that the firm can identify its own stage and can modify the marketing strategy and plan for the future accordingly.

10.7.1 STAGE 1 – EXPLORATION

Features

- During this stage, a very small number of visitors, especially those who are exploratory by nature and are ready to take risks, reach the destination accidentally.
- These visitors seek unspoiled and unexplored destinations.
- Tourism facilities at this stage hardly exist, so the tourist use the facilities provided by the locals.
- As a result of which the contact with the locals is very high and the information sharing is of good quality about the history, culture and topography of the region.
- But the economic return from the tourism is insignificant as the economy of scale cannot be achieved through the scale of operation.

10.7.2 STAGE 2 – INVOLVEMENT OR INTRODUCTION

Features

- As the destination is liked by the tourists, so the number of incoming tourists keeps on increasing.
- This increases the interest of local community in tourism related activities and increases the number of professionally maintained facilities.
- But most of the businesses still remain family owned.
- The quality and frequency of visitor –local interactions still remain the same as it was in the previous stage.
- At this stage some tour operators enter into the market and start marketing the product (destination) for free individual travelers.
- Companies focus on selling to buyers who are ready to buy which are usually from higher income group.

10.7.3 STAGE 3 –DEVELOPMENT OR GROWTH

Features

- At this stage the product awareness and acceptance increased.
- More tourists flow in.
- Local attractions are marketed specifically.

- The local community is now not able to cope up with the demands of the tourists due to lack of exposure and training required to handle.
- Due to lack of exposure and skills the local ownership and control is taken over by domestic and overseas companies.
- As new firms enter the local market, money flows in and new infrastructural and building development takes place, resulting in the change of landscape and venues.

10.7.4 STAGE 4 –CONSOLIDATION OR MATURITY

Features

- Rate of increase in the number of tourist decline, but the market still keeps on growing.
- The facilities and infrastructure start showing the signs of becoming old.
- This stage normally lasts longer than the previous stages.
- Real sales growth is about the same as population growth.

10.7.5 STAGE 5 –STAGNATION OR SATURATION

Features

- This stage comes when the number of visitors for many variables crosses the peak capacity level, resulting in environmental, social and economic problems.
- The region is known and established among its market but it is no longer that explorers would like to visit there.
- So in order to maintain the visitors numbers a lot of firms shifts from leisure tourism to business, conferences and conventions.

10.7.6 STAGE 6 (A) DECLINE OR PRODUCT DELETION

Features

- As the quality of product goes down (due to saturation), the market loses interest in the products.
- Entry of new unexplored destinations, technology and changing taste are some of the factors due to which the market loses its interest into the destination.

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- Those visitors who are interested in economical –day trips will continue going to the destination.
 - Some of the commercial players want to take their money out from the market and slowly and gradually the destination fades out from the tourism map.

10.7.6 STAGE 6 (B) REJUVENATION

Features

- If the management understands the loss of interest of tourists and the reasons for it, then the management takes the actions needful to diversify the destination. E.g. if the destination is nature based and loosing attraction then the management will develop man made attractions such as casinos or tries to take advantage of previously untapped natural resources.
- This attracts other interest (special –interest) groups to the destination and business again starts pouring in. E.g. when Department of Tourism, Government of Kerala realized that Kerala is losing its attraction of beaches and the beaches no more are able to attract the tourists, then they changed the very nature of their product from beach destination to health, healing and beaches destination. That's how the Karala was able to revive its market.

10.8 MARKETING STRATEGIES DURING DIFFERENT STAGES OF PRODUCT LIFE CYCLE

Once the product is launched, the management wants to take as much profit from it as possible. The management tries to do this by prolonging the age of the product. Managers know that they cannot expect the product to sell for ever so they want to earn a profit enough to compensate for the efforts done on the product during its development phase. To do this, the strategy is changed several number of times as per the requirements of the market and external environmental condition s as the product moves through the different phases of product life cycle.

Following are the strategies used by marketer during PLC to outsmart the competitors:

	Segment	Needs/ Risks
1.	No frills	Likely to be segment specific
2.	Low price	Risk of price war and low margins; need to be cost leader
3.	Hybrid	Low cost base and reinvestment in low price differentiation
4.	Differentiation a) Without price premium	Perceived added value by user, yielding market share benefits
	b) With price premium	Perceived added value sufficient to bear price premium
5.	Focused differentiation	Perceived added value to a particular segment, warranting price premium
6.	Increased price/standard value	Higher margins if competitors do not follow; risk of losing market share
7.	Increased price/low value	Only feasible if monopoly position
8.	Low value/standard price	Loss of market share

10.8.1 during EXPLORATION STAGE

- Practically only a few adventurous tourists, known as early adopters, have visited the destination and there are least tourist facilities, so there are no commercial products available at this stage.
- At this stage, the commercial activities are operated by local communities for the use by local communities only and these facilities are only shared by tourists too.
- Marketing is at a local level as the business is largely handled by local community who do not have resources to advertise products at regional, national or international level.

10.8.2 during INVOLVEMENT OR INTRODUCTION STAGE

Since the product is first offered at commercial level, therefore, it is a very new offering and not much similar matching offers are available in the market. At this stage –

- It is a slow phase. Some products may stay in this phase for years before maturing. E.g. all suite hotels. The companies who do not take risk at this stage and wait for the market to mature may see other becoming the

pioneer and taking a larger pie. Proactive players always secure their market share in a better way as compare to late comers.

- The sales growth is slow as the product is not known to the buyers.
- The pioneer gets an excellent market share of the total market available.
- Being a new product, the production cost is usually high.
- Economies of scale cannot be achieved due to limited scale of operation.
- There is hardly any competition in the market.
- Advertising costs are very high as lot of advertising is required to promote the product.
- Sales volume and profits are low.
- Communication is to educate and inform the consumers about the product.
- Initial product may require some changes as and when these are consumed certain components may not fit in as per the nature of the product or may not be liked by the targeted customers.
- If the initial investment is heavy then it acts as a deterrent and the pioneer can enjoy monopoly for longer than expected.
- Setting a pricing strategy at this stage is very difficult. The firm may go for premium prices to recover the cost earlier or may go in for low introductory prices which acts as deterrent for new entrants. But usually prices tend to be on a higher side.
- Usually distribution channels are selected keeping in mind the convenience of the customers.
- Only basic version of the product is launched as the market is not ready for a refined product.
- Heavy sales promotional to try build product trials. This can be done by giving free bees, discounts as a motivation for using product. With type of incentives the product trials are introduced and the product is also well introduced.

10.8.3 during DEVELOPMENT OR GROWTH STAGE

- Sales start climbing quickly. More competitors enter into the market.
- If there a positive word of mouth then more and more buyers keep on purchasing the product.

-
- Few competitors start entering the market.
 - As competitors also start advertising their products, so the awareness about the destination increases.
 - Promotion costs are still high but the strategy shifts from “only spreading awareness” to “fighting with the competition” too.
 - Sales as well as profits go high.
 - Value addition in the product is done and new feature are added to gain an upper hand in the market.
 - Prices have to be made competitive so either will fall only slightly, keeping in mind the image which the company wants to portray of the product. If the competition also enters with a higher or the same price then there may not be any fall in the prices.
 - Few channels may be dropped and more may be added, keeping in mind the easy access to the market.
 - Processes are standardized to make it convenience to the customers.
 - More physical evidences, especially those of real consumers, are added to tangify the product.
 - Profit increases as economies companies start achieving economy of scale and sales more efficient systems are developed so miscellaneous costs go down.
 - New market segments are entered.
 - Advertising starts focusing on product conviction and purchase from product awareness.
 - At this stage company is required to choose between a higher market share and higher current profit. Company usually sacrifices profit so that it can reach to the next level.
 - To capture a dominant position in the market company invests a lot on product improvement and product promotion.
 - Average cost per customers goes down as expenses although go up but it is distributed in large number of customers.
 - The objective is to maximize the market share.
 - Sales promotion is reduced and advertising is increased.

-
- Product extensions are offered to the market to give more choice to the consumers.
 - Company goes for intense distribution instead of selective distribution which was followed during the introduction stage.
 - Marketers start taking interest in mass market.
 - Advertising budget is now directly associated with sales profit. As sales increases the budget for advertising also increases.

10.8.4 during CONSOLIDATION OR MATURITY STAGE

- Sales and profits are maximum at this stage.
- Intense competition can be seen during this stage.
- Marketers try to extend this maturity stage as much as possible.
- Marketers diversify their product by giving more add on packages and optional tours.
- More distribution channels are added to reach those customers too who are not in reach so far.
- Sales promotion focuses on brand switching.
- Modification and value addition becomes the need of the hour as the competition intensifies with every passing moment.
- Market awareness is done so the focus of communication shifts from fighting with the competition by communicating Unique Selling Propositions (USPs).
- Prices are reduced further as economy of scale is achieved.
- Prices are reduced to make the product competitive too.
- To increase the reach to the market and to out play the competition more channels are added.
- Promotion costs are still very high as company wants to increase the visibility to beat the competition.
- The focus of promotion shifts from awareness to total experience.

10.8.5 during STAGNATION STAGE

- Market is saturated with players.
- Due to cut throat competition, profit margin per unit is less.

- Due to saturation and low profit margin new competitors don't enter the market at this stage.
- Sale is usually stable and the growth in sales is same as that of the population.
- Only laggards (10 to 12% of all the customers) are left to be trapped.

10.8.6 during DECLINE OR PRODUCT DELETION STAGE

- The market loses interest in the product.
- Better options suiting the changing taste enter the market.
- Companies cut down on their profit margin further to attract more customers and increase sale, therefore, gross profit decrease further.
- In spite of price cutting, sales decline further.
- Some marketers start planning to exit from the market.
- Companies having big market share still stay in the marketing hoping that the exit of competitors may increase their sales. These companies sometimes see an increase in the profit.
- Usually Research and development is stopped at this stage to cut the expenditure. Companies accept whatever revenue is generated.
- Like other previous stages promotion costs are high at this stage too. This is so that the market share can be maintained.
- If the decline stage comes earlier then the marketers do not get the return for the efforts and resources he has put in the development and launch of the product that is why companies try to delay this stage as much as they can.
- Expenditure per customer is reduced to reduce the costs.
- Sales promotion is reduced further as most of the customers have already used the product.

10.8.7 during REJUVENATION STAGE

- Some marketers enter into new markets to sell their product. This strategy increases the market share and gross profits.
- Some marketers start finding new uses of the product to increase the sale. E.g. Goa Tourism has started promoting its churches too (Culture Tourism) beside beaches (Nature Based Tourism).

- A product may be at different stages of its life cycle in different markets.
- If the product finds its new use then a new life cycle begins and passes through all the phases of life cycle once again. This is called a second life cycle. It is usually not so good as the first one.

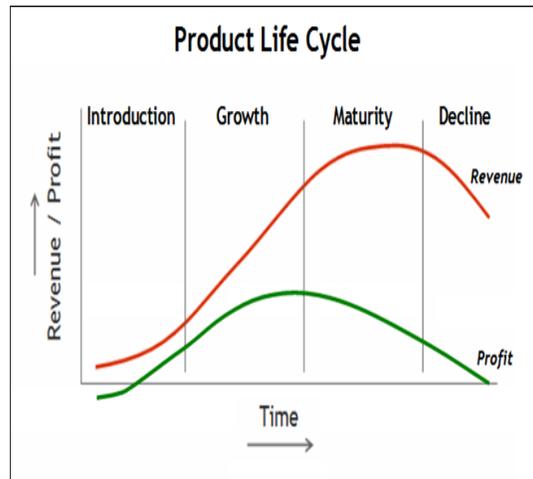


Fig. 10.4 Revenue and profit generated during different stages of life cycle
 (Image courtesy Google Images)

These strategies can be summarized as under:

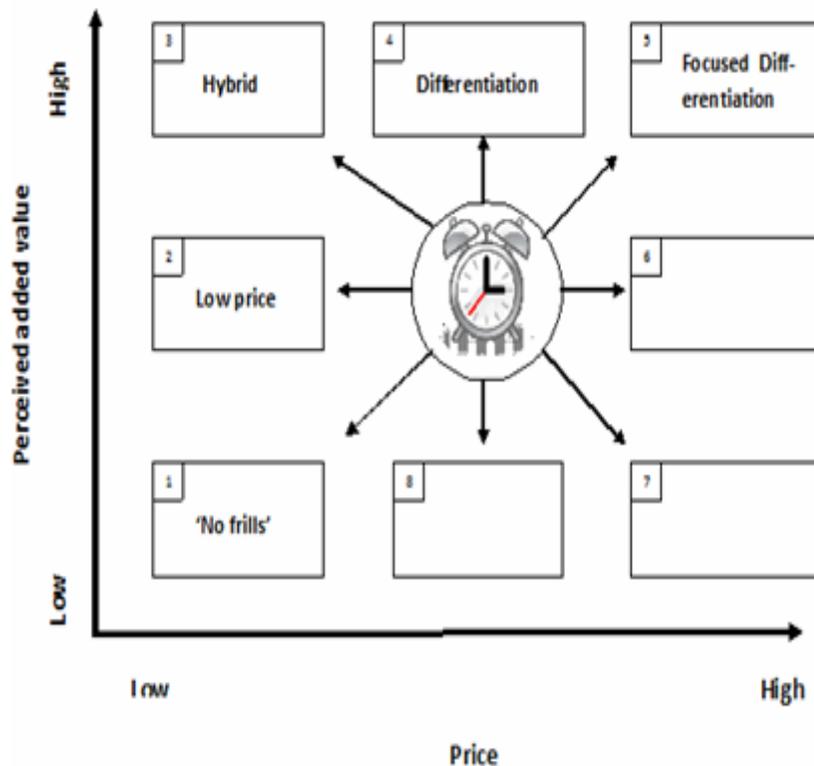


Fig 10.5: Relationship between Price and the Service Offered

10.9 IMPLICATIONS OF TALC THEORY

Most of the small entrepreneurs live under the impression that the tourism destination growth potential is unlimited as the population is increasing and the economy is also under progression. This notion is however grossly misplaced as every resort area has a limited life span. This is because as the resort area starts progression there come a need for skill human resource resulting in structural unemployment. As more and more people (local as well as tourists) start sharing resources (transportation, banking, hospitals, etc.) there comes a need for spatial adjustments. The local community becomes more tolerant towards alien cultures thus resulting in social adjustments too. So we can conclude that touristic activities start local communities depriving them of their freedom and somewhere the local community start feeling restricted. This is bound to happen as the local financial investment eventually dries up leading to a decrease in construction developments.

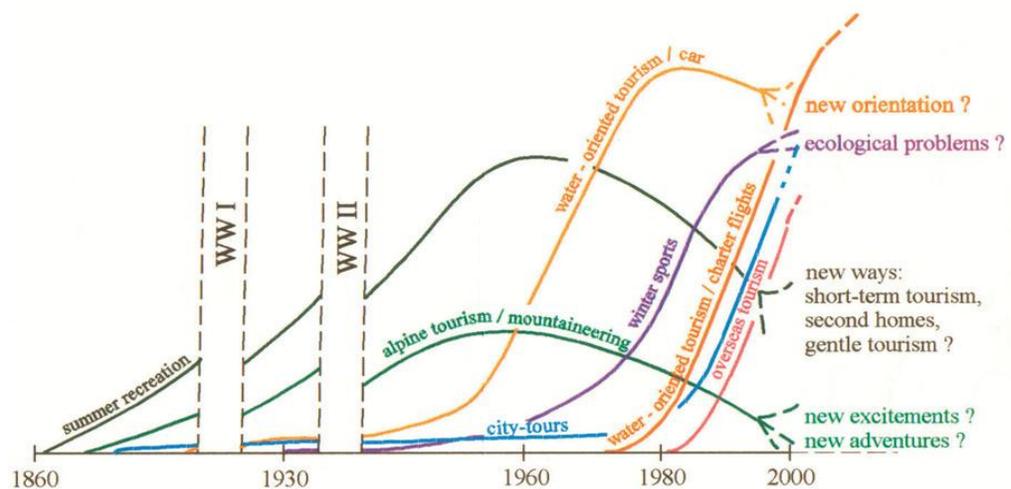


Fig 10.6: European Tourism Products – A Product Life Cycle Approach

(Zimmermann 1997)

(Image courtesy: *Tourism Area Life Cycle*, R.W. Butler, Emeritus Professor Strathclyde Business School, University of Strathclyde)

If local communities and investors start understanding the implications of Product Life Cycle on destination, then they can take the

needful actions for a more sustainable tourism. We can summarize the sales and profit relationship on the time line in the following curve.

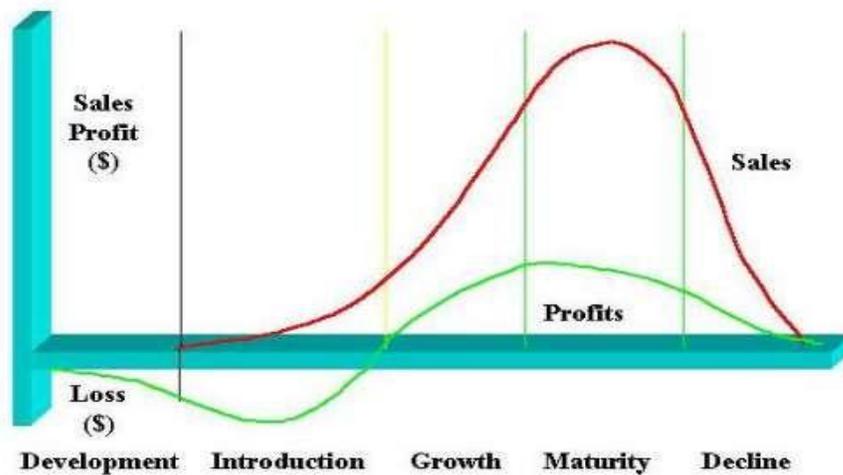


Fig 10.7: Sales and Profit on different stages of life cycle
(Image Courtesy Google images)

10.10 TOURIST LIFE CYCLE

Cohen (1972) classified tourists into four categories namely Drifter, Explorer, Individual mass tourist, Organized mass tourist.

10.10.1 DRIFTER

They usually avoid services provided by the industry suppliers. They are usually independent and get mixed up with host community very well. They prefer to use or share services provided and used by host community for their food and lodging. They adapt the host community culture very easily. If they need money they take up work and earn it. They do not follow any preplanned schedule for travelling / touring. E.g. the Hippy travelers of 1960s and 70s are good examples of it. They like to explore new destinations and usually invent new destinations. They live and travel places for long duration as compare to other tourists. Usually they use very basic standard of services and live in close association with local community. They contact local community during their visit which is planned tentatively.

10.10.2 EXPLORER

They are much like drifters in their travel arrangements. They like to get off beaten tracks as much as possible. But as compare to drifters explorers like to stay in more comfortable accommodations and use a better quality of transport. They also want to know more about local culture and language although may not adapt them as much as drifters do.

10.10.3 INDIVIDUAL MASS TOURIST

They use the services provided by travel agents to make their arrangements. They prefer to travel in their familiar territory and travel outside it occasionally only. Their itinerary is planned but not rigid. They do not travel in groups.

10.10.4 ORGANIZED MASS TOURIST

They are the least adventurous of all types of tourists. They always travel with people of their own culture and prefer to travel in groups. They remain in their cocoon and do not interact much with the host community and stay at a psychological distance from the host community. They are more interested in sight seeing only and travel locally in air conditioned coaches. They prefer accommodation also in air conditioned hotels with an environment of their origin country. They need an interpreter and do not communicate much with the host community. They like to shop also from the shops where the culture is same as that of their own community.

10.11 REASONS FOR THE DECLINE OF TOURISM REGIONS

As per Cooper following reasons can be the cause of failure

- Growth in low –status.
- Competition from holidays abroad.
- Over dependence on long –holiday market.
- Limited appeal to overseas visitors.
- Highly seasonal destinations.
- Outdated, poorly maintained accommodation and amenities.

- Local opposition to tourism as resorts' residential roles increase.
- Lack of professional, experienced staff.
- Local government reorganization creating amalgams of resorts and diluting political power of resorts in larger authorities.
- Demands for increased operational efficiency and entrepreneurial activity in local government.
- Shortage of research data.

10.12 SELF ASSESSMENT QUESTIONS (SAQs)

1) "Product life cycle is the status of a product on time scale from introduction to end in terms of its sales and profits". Explain this.

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.....

2) Sales promotion is more during introduction and growth stages as compare to maturity stage. Why?

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3) What changes in the marketing strategies are required to take the product from stagnation to rejuvenation stage instead of decline stage.

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10.13 SUMMARY

In this unit we have studied about life stages of a product and applied the same to a destination. We have also seen that as per the stage of the destination the marketing strategy of the product is designed.

We have also learnt that although the PLC concept is very crucial to identify the life stage of a product but practically most of the manager are not able to apply it theoretically instead they identify the stage of the product life through the features it shows and based on which the managers manipulate their marketing plans. So the concept is not applied by its name but is applied as its features.

We have also learnt that drawing a life cycle curve for a particular product is difficult. We have also studied that the destinations which do not mould their marketing strategies as per the life stage of their destination, fade out from the tourism map. So it is essential to understand the concept of product life cycle and tourism area life cycle and apply them in real life too. In the next block we will study how marketing programs are planned and controlled.

10.14 GLOSSARY

- **Product life cycle** - Product life cycle is the status of a product on time scale from introduction to end in terms of its sales and profits.
- **Tourism area life cycle** - Life cycle as a graphical tool, representing a succession of phases in a normally long period of time, can be a very relevant tool for monitoring several areas of knowledge.
- **Drifter** –these are the most individualistic and least institutionalized tourists. They are the one who usually discover the destination.
- **Explorer** - They like to get off beaten tracks as much as possible. They are early adaptors.

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- **Individual mass tourist** –They use the services provided by travel agents to make their arrangements. They prefer to travel in their familiar territory and travel outside it occasionally only.
 - **Organized mass tourist** –They always travel with people of their own culture and prefer to travel in groups. They are more interested in sight seeing only and travel locally in air conditioned coaches. They prefer accommodation also in air conditioned hotels with an environment of their origin country. They need an interpreter and do not communicate much with the host community. They like to shop also from the shops where the culture is same as that of their own community.

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10.17 TERMINAL END MODEL QUESTIONS

- 1) Apply the concept of PLC on a destination of your choice and critically analyse its marketing strategies.
- 2) Explain different types of life cycles with their examples.
- 3) Explain different stages of the life cycle of a product.
- 4) Explain different strategies used by companies during various stages of the life cycle of a product?

UNIT 11: PRODUCT PRICING STRATEGIES: PRODUCT LEVELS, PRODUCT ISSUES, BRAND DECISIONS AND PRODUCT PRICING

STRUCTURE:

- 11.1 INTRODUCTION
- 11.2 OBJECTIVES
- 11.3 PRODUCT CONCEPT
- 11.4 PRODUCT LEVELS
- 11.5 CHECK YOUR PROGRESS: 1
- 11.6 PRODUCT CLASSIFICATION
- 11.7 PRODUCT DECISION
- 11.8 CHECK YOUR PROGRESS: 2
- 11.9 SUMMARY
- 11.10 GLOSSARY
- 11.11 ANSWERS TO CHECK YOUR PROGRESS
- 11.12 REFERENCES
- 11.13 SUGGESTED READINGS
- 11.14 TERMINAL QUESTIONS

11.1. INTRODUCTION

Product is a key element in the market offering. Marketing planning begins with formulating an offering to meet the target customer's needs or wants, and this offering is in the form of an offering but a product can be more than that. A product is anything that can be offered to a market to satisfy a want or a need. Products that are marketed include physical goods, services, experiences, events, persons, places, properties, organizations, information and ideas. Product is a focal element of the marketing mix.

11.2. OBJECTIVES

After studying this unit, you will be able to understand:

- Meaning of product, product level
- Classification of product
- Brand decisions
- Packaging
- Labeling

11.3. PRODUCT CONCEPT

In marketing, the term “product” is often used as a catch-all word to identify solutions a marketer provides to its target market. This approach is followed to cover offerings that fall into one of the following categories:

11.3.1. GOODS

Something is considered a good if it is a tangible item i.e. it is something that is felt, tasted, heard, smelled or seen. For example, bicycles, cell phones and soaps are all examples of tangible goods. In some cases there is a fine line between items that affect the senses and whether these are considered tangible or intangible. We often see this with digital goods accessed via the internet such as listening to music online or visiting an information website. In these cases, there does not appear to be anything that is tangible or real since it is essentially computer that is providing the solution. However, for our purposes, we distinguish these as goods since these products are built (albeit using computer code), are stored (e.g., on a computer hard drive), and generally offer the same benefits each time (e.g., quality of the download song is always the same).

11.3.2. SERVICES

Something is considered a service if it is an offering, a customer obtains through the work or labor of someone else. Services can result in the creation of tangible goods (e.g., a publisher of business magazines

hires a freelance writer to write an article) but the main solution being purchased is the service. Unlike goods, services are not stored, they are only available at the time of use (e.g., doctor's visit) and the consistency of the benefit offered can vary from one purchaser to another (e.g., not exactly the same prescription each time).

11.3.3. IDEAS

Something falls into the category of an idea if the marketer attempts to convince the customer to alter their behavior or their perception in some way. Marketing idea is often a solution put forth by non-profit groups or governments in order to get targeted groups to avoid or change certain behavior. This is seen with public service announcements directed towards such activities as youth smoking, automobile safety and illegal drug use. While in some cases a marketer offers solutions that provide both tangible and intangible attributes; for most organizations their primary offering (the thing that is the main focus of the marketing effort) is concentrated in one area. So while a manufacturer may offer intangible services or a service firm provides certain tangible equipment, these are often used as add-ons that augment the organization's main product.

11.4. PRODUCT LEVELS

On the surface, it seems a product is simply a marketing offering, whether tangible or intangible, that someone wants to purchase and consume. In this case, one might believe product decisions are focused exclusively on designing and building the consumable elements of goods, services or ideas. For instance, one might think the key product decision for a manufacturer of floor cleaners is to focus on creating a formula that cleans more effectively. But actually, while decisions related to the consumable parts of the product are extremely important, the Total Product consists of more than what is consumed. The total product offering and the decisions facing the marketer can be broken down into three key parts,

which the marketer needs to address at their respective level: Core Benefits, Actual Product and Augmented Product.

11.4.1. CORE BENEFITS

Consider why so much of stress is given on people to make buying decisions that satisfy their needs? While many needs are addressed by the consumption of a product or service, some needs are not. For instance, customers may need to be perceived highly by other members of their group or need a product that is easy to use or need a risk-free purchase. In each of these cases, and many more, the core product itself is the benefit the customer receives from using the product. In some cases these core benefits are offered by the product itself (e.g.. floor cleaner) while in other cases the benefit is offered by other aspects of the product (e.g.. the can containing the floor cleaner that makes it easier to spread the product). Consequently, at the very heart of all product decisions is determining the key or core benefits a product will provide. From this decision, the rest of the product offering can be developed.

11.4.2. ACTUAL PRODUCT

The core benefits are offered through the components that make up the actual product that the customer purchases. For instance, when a consumer returns home from shopping at the grocery store and takes a purchased item out of her shopping bag, the actual product is the item she holds in her hand. Within the actual product is the consumable product, which can be viewed as the main good, service or idea the customer is buying. For instance, while toothpaste may come in a package that makes dispensing it easy, the Consumable Product is the paste that is placed on a toothbrush. But marketers must understand that while the consumable product is, in most cases, the most critical of all product decisions, the actual product includes many separate product decisions including product features, branding, packaging, labeling and more.

11.4.3. AUGMENTED PRODUCT

Marketers often surround their actual products with goods and services that provide additional value to the customer's purchase. While these factors may not be key reasons leading customers to purchase (i.e. not core benefits), for some, the inclusion of these items strengthens the purchase decision while for others failure to include these may cause the customer not to buy. Items considered part of the augmented product include:

- a. **Guarantee:** This provides a level of assurance that the product will perform up to expectations and if not the company marketing the product will support the customer's decision to replace, have it repaired or return for a refund.
- b. **Warranty:** This offers customers a level of protection that often extends past the guarantee period to cover, repair or replacement of certain product components.
- c. **Customer Service:** This consists of additional services that support the customer's needs including offering training and assistance via telephone or online.
- d. **Complementary Products:** The value of some product purchases can be enhanced with add-on products, such as items that make the main product easier to use (e.g., laptop carry bag. enhance styling (e.g., cell phone face plates) or extended functionality. (e.g., *portable keyboard for PDAs*).
- e. **Accessibility:** How customers obtain the product can affect its perceived value depending on such considerations as how easy it is to obtain (e.g., stocked at nearby store, delivered directly to office), the speed at which it can be obtained and the likelihood it will be available when needed.

11.5. CHECK YOUR PROGRESS: 1

11.5.1. FILL IN THE BLANKS:

1. Something is considered a good if it is an.....item.
2. Something is considered aif it is an offering a customer obtains through the work or labour of someone else.
3. Something falls into the category of an..... if the marketer attempts to convince the customer to alter their behaviour.
4. provides a level of assurance that the product will perform up to expectations and if not the company marketing the product will support the customers decision to replace, have it repaired or return for a refund
5. offers customers a level of protection that often extends past the guarantee period to cover, repair or replace certain product components.

11.6. PRODUCT CLASSIFICATION:

Marketers have traditionally classified products on the basis of characteristics, durability, tangibility and use (consumer or industrial). Each product type has an appropriate marketing strategy.

11.6.1. CONSUMER PRODUCTS CLASSIFICATION:

In addition to categorizing by type of offering, most products intended for consumers use can be further categorized by how frequently and where they are purchased.

a. Convenience Products: These are products that appeal to a very large market segment. They are generally consumed regularly and purchased frequently. Examples include most household items such as food, cleaning products and personal care products. Because of the high purchase volume, pricing per item tends to be relatively low and consumers often see little value in shopping around since additional effort

yield minimal savings. From the marketer's perspective, the low price of convenience products means that profit per unit sold is very low. In order to make high profits, marketers must sell in large volumes. Consequently, marketers attempt to distribute these products in mass through as many retail outlets as possible.

b. Shopping Products: These are products that consumers purchase and consume on a less frequent schedule compared to convenience products. Consumers are willing to spend more time locating these products since they are relatively more expensive than convenience products and because these may possess additional psychological benefits for the purchaser, such as raising their perceived status level within their social group. Examples include many clothing products, personal services, electronic products and household furnishings. Because consumers are purchasing less frequently and are willing to shop to locate these products, the target market is much smaller than that of convenience goods. Consequently, marketers often are more selective when choosing distribution outlets to sell their products.

c. Specialty Products: These are products that tend to carry a high price tag relative to convenience and shopping products. Consumption may occur at about the same rate as shopping products but consumers are much more selective. In fact, in many cases consumers know in advance which product they prefer and will not shop to compare products. But they may shop at retailers that provide the best value. Examples include high-end luxury automobiles, expensive champagne and celebrity hair care experts. The target markets are generally very small and outlets selling the products are very limited to the point of being exclusive.

In addition to the three main categories above, products are classified in at least two additional ways:

d. Emergency Products: These are products a customer seeks due to sudden events and for which pre-purchase planning is not considered.

Often the decision is one of convenience (e.g., whatever works to fix a problem) or personal fulfillment (e.g., perceived to improve purchaser's image).

e. Unsought Products: These are products whose purchase is unplanned by the consumer but occur as a result of marketer's actions. Such purchase decisions are made when the customer is exposed to promotional activity such as a salesperson's persuasion or purchase incentives like special discounts offered to certain online shoppers. These promotional activities often lead customers to engage in Impulse Purchasing.

11.6.2. BUSINESS PRODUCTS CLASSIFICATION:

The amount spent on business purchasing far exceeds consumer purchasing. Products sold within the business-to-business market fall into one of the following categories:

a. Raw Materials: These are products obtained through mining, harvesting, fishing, etc. that are key ingredients in the production of higher-order products.

b. Processed Material: These are products created through the processing of basic raw materials. In some cases, the processing refines original raw materials while in other cases, the process combines different raw materials to create something new. For instance, several crops including corn and sugarcane can be processed to create ethanol which has many uses including as a fuel to power car and truck engines.

c. Equipment: These are products used to help with production or operations activities. Examples range from conveyor belts used on an assembly line to large buildings used to house the headquarters staff of a multi-national company.

d. Basic Components: These are products used within more advanced components. These are often built with raw material or processed material. Electrical wire is an example.

e. Advanced Components: These are products that use basic components to produce products that offer a significant function needed within a larger product. Yet by itself an advanced component does not stand alone as a final product. In computers, the motherboard would be an example since it contains many basic components but without the inclusion of other products (e.g., memory chips, microprocessor, etc.), it would have little value.

f. Product Component: These are products used in the assembly of a final product though these could also function as standalone products. Dice included as part of a children's board game would be an example.

g. MRO (Maintenance, Repair and Operating) Products: These are products used to assist with the operation of the organization but are not directly used in producing goods or services. Office supplies, parts for a truck fleet and natural gas to heat a factory would fall into this category.

Products can be classified into three groups, according to durability and tangibility:

1. **Nondurable goods:** Tangibles consumed in one or a few uses.
2. **Durable goods:** Tangibles that normally survive many uses. Durable goods require more personal selling and service, command a higher margin and require more seller guarantees.
3. **Services:** Intangible, inseparable, variable and perishable products that require more quality control, supplier credibility and adaptability.

11.7. PRODUCT DECISION

The actual product is designed to provide the core benefits sought by the target market. The marketer offers these benefits through a combination of factors that make up the actual product.

Below are discussed in detail the key factors that together help shape the actual product:

11.7.1. Consumable Product Features

 11.7.2. Branding

11.7.3. Packaging

11.7.4. Labeling

11.7.1. CONSUMABLE PRODUCT FEATURES:

Features are characteristics of a product that offer benefits to the customer. In most cases, the most important features are those associated with the consumable product since they are the main reason a customer makes a purchase. The benefits of consumable product features are of two types: functional and psychological.

a. Functional Benefits: Benefits derived from features that are part of the consumable product. For instance, a plasma television includes such features and benefits as durability and tangibility.

Features	Functional Benefit
<i>Screen size</i>	<i>Offers greater detail and allows for more distant viewing</i>
<i>Screen resolution viewing</i>	<i>Provides clear, more elastic picture</i>
<i>Surround sound</i>	<i>Immerse all senses in the viewing experience</i>
<i>Remote control</i>	<i>Allows for greater comfort while viewing</i>

Table: 1

These features are called functional because they result in a benefit that the user directly associates with the consumable product. For marketers, functional benefits are often the result of materials, design and production decisions. How the product is built can lead to benefits such as effectiveness, durability, and speed, ease-of-use and cost savings to name just few.

b. Psychological Benefits: Benefits the customer perceives to receive when using the product though these may be difficult to measure and may vary from customer to customer. These benefits address needs such as status within a group, risk reduction, sense of independence and happiness. Such benefits are developed through promotional efforts that target customer's internal makeup.

In addition to determining the type of features to include in a product, the marketer faces several other decisions related to features:

- **Quantity and Quality vs. Cost:** For the marketers an important decision focuses on the quantity and quality of features to include in a product. In most cases, more features were included or the higher the quality level for a particular feature, the more expensive the product is to produce and market.
- **Is the product to be made better?** Even if added cost is not a major concern, the marketer must determine if more features help or hurt the target market's perception of the product. A product with too many features could be viewed as too difficult to use. This was often the case when video cassette recorders (VCR) were the principle device for taping television programs and watching rented movies. Many of the higher-level features introduced in the 1990s as the product matured such as, advanced television recording proved too difficult for the average consumer to master.
- **Who Should Choose the Features?** Historically marketers determined what features to include in a product. However, technology and especially the Internet offer customers the opportunity to choose their own features to custom build a product. For instance, companies offering website hosting services allow website owners to choose from a list of service options that best suits their needs. Also for traditional products such as clothing, companies allow customers to stylize their purchases with logos and other personalized options.

11.7.2. BRANDING DECISION:

Branding is a major issue in product strategy. On the one hand, developing a branded product requires a huge long-term investment especially for advertising, promotion and packaging. However, it need not entail actual production: many brand-oriented companies such as Sarah Lee subcontract manufacturing to other companies. On the other hand,

manufacturers eventually learn that market power comes from building their own brands. The Japanese firms Sony and Toyota, for example, have spent liberally to build their brand names globally. Even when companies can no longer afford to manufacture their products in their homelands, strong brand names continue to command customer loyalty. Branding involves decisions that establish an identity for a product with the goal of distinguishing it from competitors' offerings. In markets where competition is fierce and where customers may select from among many competitive products, creating an identity through branding is essential. It is particularly important in helping to position the product in the minds of the product's target market.

A: WHAT IS A BRAND?

Perhaps the most distinctive skill of professional marketers is their ability to create, maintain, protect and enhance brands. The American Marketing Association defines a brand as a name, term, sign, symbol or design or a combination of these, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors. In essence, a brand identifies the seller or maker. Whether it is a name, trademark, logo or another symbol, a brand is essentially a seller's promise to deliver a specific set of features, benefits and services consistently to the buyers. The best brands convey a warranty of quality. But a brand is an even more complex symbol. The branding challenge is to develop a deep set of positive associations for the brand. Marketers must decide at which level(s) to anchor the brand's identity. One mistake would be to promote only attributes. First, buyers are not as interested in attributes as they are in benefits. Second, competitors can easily copy attributes. Third, today's attributes may become less desirable tomorrow. Ultimately, a brand's most enduring meanings are its values, culture and personality which define the brand's essence. Smart firms therefore craft

strategies that do not dilute the brand values and personality built up over the years.

b: Brand Equity:

Brands vary in the amount of power and value they have in the marketplace. At one extreme are brands that are not known by most of the buyers. Then there are brands for which buyers have a fairly high degree of brand awareness. Beyond this are brands with a high degree of brand acceptability. Next are brands that enjoy a high degree of brand preference. Finally there are brands that command a high degree of brand loyalty. There are five levels of customer attitude towards a brand:

- Customer will change brands, especially for price reasons. No brand loyalty.
- Customer is satisfied. No reason to change the brand.
- Customer is satisfied and would incur costs by changing brand.
- Customer values the brand and sees it as a friend.
- Customer is devoted to the brand.

Brand equity is highly related to number of customers. It is also related to the degree of brand-name recognition, perceived brand quality, strong mental and emotional associations and other assets such as patents, trademarks and channel relationships. High brand equity allows a company to enjoy reduced marketing costs because of high brand awareness and loyalty, gives a company more leverage in bargaining with distributors and retailers, permits the firm to charge more because the brand has higher perceived quality, allows the firm to more easily launch extensions because the brand has high credibility and offers some defense against price competition.

c: Brand Names and Brand Marks:

At a very basic level, branding is achieved through the use of unique brand names and brand marks. The brand name which may be either the

individual product name or a name applied to a group or family of products is important for many reasons including suggesting what the product is or does (e.g. Mop-and-Glow). The name is also what we utter when we discuss the product (i.e. word-of-mouth marketing). The brand mark is a design element, such as a symbol (e.g. reebok/adidas shoes), logo (e.g. Facebook! graphic), a character (e.g. Charlie Chaplin) or even a sound (e.g. IPL sound)

ADVANTAGES OF BRANDS:

A strong brand offers many advantages for marketers including:

1. Brands provide multiple sensory stimuli to enhance customer recognition. For example, a brand can be visually recognizable from its packaging, logo, shape, etc. It can also be recognizable via sound such as hearing the name on a radio advertisement or talking with someone who mentions the product.
2. Customers who are frequent and enthusiastic purchasers of a particular brand are likely to become brand loyal. Cultivating brand loyalty among customers is the ultimate reward for successful marketers since these customers are far less likely to be enticed to switch to other brands compared to non-loyal customers.
3. Well-developed and promoted brands make product positioning efforts more effective. The result is that upon exposure to a brand (e.g. hearing it, seeing it), customers conjure up mental images or feelings of the benefits they receive from using that brand. The reverse is even better. When customers associate benefits with a particular brand, the brand may have attained a significant competitive advantage. In these situations, the customer who recognizes, he needs a solution to a problem (e.g. needs to remove stains from clothes) may automatically think of one brand that offers the solution to the problem (e.g., Ariel). This “benefit = brand” association provides a significant advantage for the brand that the customer associates with the benefit sought.

4. Firms that establish a successful brand can extend the brand by adding new products under the same “family” brand. Such branding may allow companies to introduce new products more easily since the brand is already recognized within the market.

5. Strong brands can lead to financial advantages through the concept of Brand Equity in which the brand itself becomes valuable. Such gains can be realized through the outright sale of a brand or through licensing arrangements. For example, Company A may have a well-recognized brand (Brand X) within a market but for some reason they are looking to concentrate their efforts in other markets. Company B is looking to enter the same market as Brand X. If circumstances are right, Company A could sell to Company B the rights to use the Brand X name without selling any other part of the company. That is, Company A simply sells the legal rights to the Brand X name but retains all other parts of Brand X such as the production facilities and employees. In cases of well-developed brands, such a transaction may carry a very large price tag. Thus, through strong branding efforts Company A achieves a large financial gain by simply signing over the rights to the name. But why would Company B seek to purchase a brand for such a high price tag? This is so because by buying the brand, Company B has already achieved the important marketing goal of building awareness within the target market. The fact that the market is already familiar with the brand allows the Company B to concentrate on other marketing decisions.

11.7.3. PACKAGING:

Nearly all tangible products (i.e., goods) are sold to customers within a container or package that serves many purposes including protecting the product during shipment. In a few cases, such as with certain produce items, the final customer may purchase the product without a package but the produce marketer still faces packaging decisions when it comes to shipping to the store. Thus, for many products, there are two packaging

decisions: final customer and distribution. Final Customer Packaging relates to the package the final customer receives in exchange for their payment. When the final customer makes a purchase, he or she is initially exposed to the Primary Package: the outermost container that is seen and touched by the final customer. This primary package can be further divided into the following:

a. First-Level Package: This is packaging that holds the actual product (e.g., Dettol bottle).

In some cases, this packaging is minimal since it only serves to protect the product. For instance, certain frozen food products are sold to consumers in a cardboard box with the product itself contained in a plastic bag found inside the box. This plastic bag represents the first-level package. In other cases, frozen food products are sold in the plastic bags that contain the product. In these cases, the plastic bag is both first-level package and the primary package for conveying product information.

b. Second-Level Package: In some cases, the first-level package is surrounded by one or more outer packages (e.g, box holding the Dettol bottle). This second-level package may act as the primary package for the product.

c. Package Inserts: Marketers use a variety of other methods to communicate with customers after they open the product package. These methods are often inserted within or sometimes on the product's package. Insertions include information such as instruction manuals and warranty cards, promotional incentives such as coupons and items that add value (recipes and software).

Distribution Packaging is used to transport the customer package through the supply chain. It generally holds multiple customer packages and also offers a higher level of damage protection than that of customer packaging.

FACTORS TO CONSIDER WHEN MAKING PACKAGING DECISION:

Packaging decisions are important for several reasons including:

- a. Protection:** Packaging is used to protect the product from damage during shipping and handling; and to lessen spoilage if the product is exposed to air or other elements.
- b. Visibility:** Packaging design is used to capture customers' attention as they are shopping or glancing through a catalog or website. This is particularly important for customers who are not familiar with the product and in situations, such as those found in grocery stores, where a product must stand out among thousands of other products. Packaging designs that stand out are more likely to be remembered on future shopping trips.
- c. Added Value:** Packaging design and structure can add value to a product. For instance, benefits can be obtained from package structures that make the product easier to use while stylistic designs can make the product more attractive to display in the customer's home.
- d. Distributor Acceptance:** Packaging decisions must not only be accepted by the final customer, they may also have to be accepted by distributors who sell the product for the supplier. For instance, a retailer may not accept packages unless they conform to requirements they have for storing products on their shelves.
- e. Cost:** Packaging can represent a significant portion of a product's selling price. For example, it is estimated that in the cosmetics industry, the packaging cost of some products may be as high as 40% of a product's selling price. Smart packaging decisions can help reduce costs and possibly lead to higher profits.
- f. Expensive to Create:** Developing new packaging can be extremely expensive. The costs involved in creating new packaging include: graphic and structural design, production, customer testing, possible destruction of leftover old packaging and possible advertising to inform customer of the new packaging.

g. Long Term Decision: When companies create a new package, it is most often with the intention of having the design on the market for an extended period of time. In fact, changing a product's packaging too frequently can have negative effects since customers become conditioned to locate the product based on its package and may be confused if the design is altered.

h. Environmental or Legal Issues: Packaging decisions must also include an assessment of its environmental impact especially for products with packages that are frequently discarded. Packages that are not easily bio-degradable could draw customer and possibly governmental concern. Also, caution must be exercised in order to create packages that do not infringe on intellectual property, such as copyrights, trademarks or patents held by others.

11.7.4. LABELING

Most packages, whether final customer packaging or distribution packaging are imprinted with information intended to assist the customer which is referred to as labeling. For consumer products, labeling decisions are extremely important for the following reasons:

- a.** Labels serve to capture the attention of shoppers. The use of catchy words may cause strolling customers to stop and evaluate the product.
- b.** The label is likely to be the first thing a new customer sees and thus offers their first impression of the product.
- c.** The label provides customers with product information to aid their purchase decision or help improve the customer's experience when using the product (e.g. recipes).
- d.** For companies serving international markets or diverse cultures within a single country, bilingual or multilingual labels may be needed.
- e.** Labels generally include a universal product code (UPC) and, in some cases, radio frequency identification (RFID) tags, that makes it easy for resellers, such as retailers, to checkout customers and manage inventory.

f. In some countries many products, including food and pharmaceuticals are required by law to contain certain labels such as listing ingredients, providing nutritional information or including usage warning information.

11.8 CHECK YOUR PROGRESS: 2

11.8.1. FILL IN THE BLANKS:

- 1..... are generally consumed regularly and purchased frequently.
2. MRO products means
3. Strong brands can lead to financial advantages through the concept ofin which the brand itself becomes valuable.
4. Nearly all tangible products are sold to customers within a container or
5. Marketers have traditionally classified products on the basis of,, and

11.9. SUMMARY

In this chapter multifaceted concept have been discussed regarding products, different types of product level, product planning and product life cycle. Uses of product life cycle in formulating strategies concerning successful product launch and product diversification were highlighted. Product decisions are based on how much the organization has to adjust, the product on the standardization - adaptation range to differing market conditions. This results in the evolution of five basic strategic alternatives: extension, adaptation; adaptation, extension; adaptation and invention. Extension is nearest to a standardized product, communications strategy and invention at the other end of the variety, that is, an adaptation strategy. The more adaptive the policy, the more costly it will be for the organization. Ideas regarding different types of product levels and product issues were

examined. Furthermore what is branding; how it helps in increasing sales are also discussed. How labeling is going to help the product has also been discussed in brief.

11.10. GLOSSARY

- **Product strategy:** Marketing plan for a product based on the characteristics of the target market, market share objectives, desired product positioning within the market and profit objectives.
- **Product Cannibalization:** Loosing sales of a product to another similar product within the same product line.
- **Product Development Strategy:** The development of a new product/service aimed at the organization's existing market.
- **Product Positioning:** The consumer perception of a product or service as compared to its competition.
- **Market position:** The perception of a product or an organization from the view of the consumer.
- **Product differentiation:** positioning a brand in such a way as to differentiate it from the competition and establish an image that is unique.

11.11. ANSWERS TO CHECK YOUR PROGRESS

11.5.1. FILL IN THE BLANKS:

1. Tangible
2. Service
3. Idea
4. Guarantee
5. Warranty

11.8.1. FILL IN THE BLANKS:

1. Convenience Products
2. Maintenance, Repair and Operating
3. Brand Equity
4. Package
5. Characteristics, durability, tangibility and use.

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11.13. SUGGESTED READINGS

- | | |
|--|-----------------|
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New Product, Product Leadership | Robert Cooper |
| 2. Marketing Management | Mukesh Dhunna |
| 3. Basics of Marketing Management | Dr. R.B. Rudani |
| 4. Marketing Management | R S Gupta |
| 3. Principles Of Marketing | Philip Kotler |

11.14. TERMINAL QUESTIONS

1. What do you understand by product? Explain in detail the different types of products?
2. What are different types of product decisions that are used by the producer?
3. What is a product and why is it considered as a key element in the market offering?
4. How does branding, packaging and labeling helps in positioning of the product?
5. Explain the key factors that help in shaping the product?

UNIT12: DISTRIBUTION CHANNEL STRATEGIES

STRUCTURE:

- 12.1 INTRODUCTION
- 12.2 OBJECTIVES
- 12.3 CHANNELS OF DISTRIBUTION: MEANING AND DEFINITION
- 12.4 NATURE AND IMPORTANCE OF DISTRIBUTION CHANNEL
- 12.5 CHECK YOUR PROGRESS: 1
- 12.6 CHANNEL DESIGN DECISION
- 12.7 FACTORS AFFECTING THE SELECTION OF CHANNELS OF DISTRIBUTION
- 12.8 CHECK YOUR PROGRESS: 2
- 12.9 SUMMARY
- 12.10 GLOSSARY
- 12.11 ANSWERS TO CHECK YOUR PROGRESS
- 12.12 REFERENCES
- 12.13 SUGGESTED READINGS
- 12.14 TERMINAL QUESTIONS

12.1 INTRODUCTION

The primary objective of all business enterprises is to earn profit by selling goods and services to ultimate consumers or users. In order to bring goods from the place of manufacture to the place of consumers, the goods have to follow a path or route which is known as channel of distribution or trade channel. A trade or marketing channel consists of producer, middlemen and consumers or users. The channel serves as a link between the producer and consumers. In the present lesson, we shall discuss the various aspects of channels of distribution.

The role of distribution is to provide a company with the accomplishment of the task of delivering the product at a right time, place and quantity at a minimum cost. Although the distribution problem was one of the first issues analyzed by the marketing researchers in the beginning of the 20th century, the distribution problem has an enormous importance in the marketing literature and managerial contexts today.

12.2 OBJECTIVES

After studying this unit, you will be able to understand:

1. Meaning and definition of channel of distribution.
2. Nature and importance of channels of distribution.
3. Steps involved in deciding the channels for distribution.
4. Factors affecting the selection of channels of distribution.

12.3 CHANNEL OF DISTRIBUTION – MEANING AND DEFINITION

12.3.1 MEANING

A channel of distribution or trade channel is the path or route along which goods move from producers to ultimate consumers or industrial users. In other words, it is the distribution network through which a producer puts his product in the hands of actual users. The channel of distribution includes the original producer, the final buyer and any middleman; either wholesaler or retailer. The term middleman refers to any institution or individual in the channel which either acquires title to the goods or negotiates or sells in the capacity of an agent or broker. But facilitating agencies that perform or assist in marketing function are not included as middlemen in the channel of distribution. This is because they neither acquire title to the goods nor negotiate purchase or sale. Such facilitating agencies include banks, railways, roadways, warehouses, insurance companies, advertising agencies, etc.

12.3.2 DEFINITION

“Any sequence of institutions from the producer to the consumer including one or any number of middlemen is called Channel of Distribution.”—**McCarthy**

According to **Philip Kotler**, “Every producer seeks to link together the set of marketing intermediaries that best fulfill the firm’s objectives This set

of marketing intermediaries is called the marketing channel, also trade – channel or channel of distribution.”

William J. Stanton has defined a trade channel in these words, “A channel of distribution (sometimes called a trade channel) for a product is the route taken by the title to the goods as they move from the producer to the ultimate customer or industrial users.” Another writer **Richard Buskirk** has expressed the same idea in other words, “Distribution channels are systems of economic institutions through which a producer of goods delivers them into the hands of their users.”

After going through the above definitions, you can now summarize that channels of distribution is a very important tool of marketing. Channels of distribution are the means employed by manufacturers and sellers to get their products to the market and into the hands of users. Channels are management tools used to move goods from place of production to place of consumption. They are the means by which title to goods is transferred from sellers to buyers. The process of transferring is not so simple in the present day marketing that is characterized by heterogeneity on both the demand and supply sides. The channel is therefore, the vehicle for viewing marketing organization in its external aspects and for bridging the physical and non-physical gaps which exist in moving goods from producers to customers through the determination of price. In any developing economy, there is an increasing emphasis on specialization and the division of labor. As a result of this, a gap gets developed between producers and users. The primary purpose of a distributive channel is to bridge this gap by resolving spatial (geographical distance) and temporal (relating to time) discrepancies in supply and demand. For this certain essential functions need to be performed. These are:

- (i) Transfer of title to the goods involved
- (ii) Physical movement of goods from the point of production to the point of consumption

(iii) Storage function

(iv) Communication of the information concerning the availability characteristics and price of the goods in transit, inventory and on purchase.

12.4 NATURE AND IMPORTANCE OF DISTRIBUTION CHANNEL

12.4.1 NATURE

Nothing prevents a producer from meeting his customers directly. If a seller does not use his privilege, he has to borrow the services of different middlemen to pass on the production to the actual users. Following are the nature of channels of distribution:

a). Provide Distribution Efficiency: In the first place, the channels bring together the manufacturer and the user in an economic manner and thereby provide distribution efficiency to the manufacturer.

b). Minimizes the Number of Contacts needed for reaching Consumers: In most cases, it will be impractical for a manufacturing firm to sell its entire production directly to the consumers. Resource constraint is the first hurdle in this regard. If resources can be found, the question arises whether it will be advantageous for the firm to sell its products directly and all by itself, totally avoiding external marketing channels. Analysis shows that in most cases, using external marketing channels/intermediaries is more advantageous to the firm than performing the distribution function all by itself. Channels minimize the number of contacts.

c). Breaks the bulk and cater to tiny requirement: Channels break the bulk and meet the small- size needs of individual consumers.

d). Provide Salesmanship: Marketing channels also provide salesmanship. In particular, they help in introducing and establishing new products in the market. In many cases, buyers go by the recommendations

of the dealers. The dealers establish the products in the market through their persuasive selling and person-to-person communication. They also provide pre-sale and after-sale service to the buyers.

e). Help in Price Mechanism: In many cases, the channels also help to implement the price mechanism. They conduct price negotiations with buyers on behalf of the principals and assist in arriving at the right price; the price that is acceptable to the market as well as the user. This is vital for the consummation of the marketing process. The manufacturer would find it difficult to complete this step without the help of the channels.

f). Look after a Part of Physical Distribution and Financing: Channels also look after a part of the physical distribution functions like transportation, handling, warehousing, sub-distribution, order processing and inventory management. Channels also share the financial burden of the manufacturer by financing the goods flowing through the marketing pipeline. Often, they pay cash and lift the products. In the process, the manufacturer gets his money long before the products reach the ultimate users. In some cases, the channels provide substantive deposits to the principals. In several cases, the channels also extend credit to the subordinate levels in the channel and to the consumers. This also relieves the principals' financial strain to an extent.

g). Assist in Merchandising: Merchandising is another important function performed by marketing channels. Through merchandising, they help reinforce the awareness about the product among customers. When a customer visits a retail shop, his attention can be allured by an attractive display. Merchandising complements the selling efforts of the company and acts as a silent salesman at the retail outlet.

h). Provide Market Intelligence: Channels provide market intelligence and feedback to the principal. In the nature of things, channels are in a good position to perform this task since they are in constant and direct contact with the customers. They feel the pulse of the market all the time.

i). Act as Change Agents and Generate Demand: The marketing task involves diffusion of some innovation among consumers. In such cases, the channels go much beyond the conventional functions of distribution and act as 'change agents' among consumers and generate demand for the product.

12.4.2 IMPORTANCE OF DECISION RELATING TO THE CHANNELS OF DISTRIBUTION

What should be the channel of distribution for a particular product? How many channels must be used for distribution of a particular product? What will be the cost of distributing product through these channels? What changes should be made in the present channels of distribution? Are the questions, replies to which are called decisions, related to channels to distribution?

Decisions relating to channels of distribution are very important because the success of marketing efforts of an enterprise depends to a large extent upon the accuracy and correctness of these decisions. Ultimate objective of every business and industrial enterprise is to earn heavy profit through maximum turnover. This objective can be achieved only if the goods and services produced by the enterprise are made available to their customers at the right time and place. It is not possible for any producer to distribute all the goods and services produced by him to the consumers. He cannot keep himself in constant touch with the frequent changes in the wants of customers. He cannot provide personal services to all the consumers. He cannot come to know about their problems. For these reasons, he has to depend upon the services of middle men for the distribution of his product to his consumer. Channels of distribution solve all these problems of any producer and manufacturer. They make the goods and services available wherever it is required by the consumer. Thus it is very much desirable that a product must be distributed to its consumer through channels of distribution.

These decisions regarding channels of distribution are due to the following reasons:

(i) Distribution channel is an important element in the marketing mix of the firm. Other elements in the marketing mix are interdependent and interrelated with the decision of channels of distribution. The choice of channels of distribution affects the pricing, physical distribution and promotion decisions to a considerable extent. A mistake in the selection of distribution channel may upset the whole marketing mix.

(ii) Cost involved in the use of a distribution channel enters the price of the product that is ultimately to be paid by the consumers. If the cost is high, the sales will be adversely affected. Thus, if decision regarding channel is wrong, the cost of distribution will be very high and sales of the product might be limited. On the other hand, a sound channel decision will reduce the cost of distribution and ultimately the price of the product. It will maximize sales.

(iii) A product or service is really useful only when it is available to the end users at the right time and right place. The channel decision determines where and when the product will be available to the consumers.

(iv) The channel decision involves long term commitment of the firm. The relations between manufacturer and middlemen depend largely upon the choice of channel of distribution. Changes in channel are not easy.

(v) The right choice of channels of distribution will reduce the fluctuations in the production due to continuous and effective distribution, the stability in demand and supply will ensure steady employment and proper budgetary control. The manufacturer can continuously monitor in sales and stock position of his middlemen to exercise effective control over distribution network.

In this way, channel decision is very important in maximizing sales and profits. The decision is also important from consumers' point of view as

they can get the required goods at proper time and place, in the right quantity at a reasonable price. So, the producer should be very cautious in selecting the channels of distribution for his products.

12.5 CHECK YOUR PROGRESS: 1

12.5.1 FILL IN THE BLANKS:

1. A or trade channel is the path or route along which goods move from producers to ultimate consumers or industrial users.
2. Any from the producer to the consumer including one or any number of middlemen is called Channel of Distribution.
3. In any there is an increasing emphasis on specialization and the division of labor.
4. If a seller does not use his privilege, he has to borrow the services of differentto pass on the production to the actual users.
5. When a customer visits a, his attention can be allured by an attractive display.

12.6 CHANNEL DESIGN DECISION

We have seen that a firm can take its product to the user in more ways than one. It can use different types of intermediaries; it can also structure its channel in different ways. For example, it can have a single-tier or a two-tier or a three-tier channel structure. It can reach different market segments with different channel arrangements or with the same channel arrangement. It can also use different channel arrangements for reaching a single market segment. The options are indeed many.

- How does the firm make the choice? How does it determine which one is the best?
- Should it go for own channels, company showrooms and depots? Or prefer conventional intermediaries, i.e., the wholesale/retail trade?

-
- How many levels/tiers should there be in the chosen channel design?
 - How many wholesale points should it have to ensure satisfactory market coverage? Where should they be located?
 - How many retail points should it have? Which are the places where it should have them?
 - What should be the relationship between the wholesalers and the retailers?

12.6.1. FOLLOWING STEPS ARE INVOLVED IN DECIDING THE CHANNELS FOR DISTRIBUTION

a. Formulating the Channel Objectives: Formulation of channel objectives is the first step in designing a channel system. The objectives clarify what is sought to be achieved by having the channels. All firms seek to realize certain common objectives by having the channel. In addition, they may also have some specific objectives depending on their unique circumstances. The common objectives which firms seek from channels are:

- Effective coverage of the target market
- Efficient and cost-effective distribution
- Ensuring that consumers incur minimum exertion in procuring the product
- Helping the firm to carry on manufacturing uninterrupted and confident that the channels will take care of sales.
- Partnering the firm in financing and sub-distribution tasks

b. Identifying Channel Functions: Identification of the functions to be performed by the channel is the next step in designing a channel system. We have already discussed the channel functions in detail. Suffices to add here that channel design depends on the functions expected of the channel and that channel function must be identified in the specific context of the firm in order to get practical direction in designing the channel system.

c. Linking Channel Design to Product Characteristics: Different products require different channel systems. The firm should analyze the characteristics of the product and choose the channel system that matches the product best. Consumer and industrial goods, for example, need different channels. And within the category of consumer goods, different sub-categories such as convenience goods, shopping goods and specialty goods, may need different channel systems.

d. Evaluation of the Distribution Environment: While selecting the channel design, the firm should also take into account the distribution environment obtaining in the country/territory. It should evaluate the vital features of the distribution environment and ensure that the proposed channel design is compatible with them. Distribution environment in the broader sense includes the trade related legal environment as well. A mention about the legal environment relating to marketing and trade matters has been made in the chapter on The Marketing Environment. The legal implications of the channel design must be carefully examined before taking a final decision.

e. Evaluation of Competitor's Channel Designs: The firm should also study the competitor's channel patterns before deciding its channel design. While the firm may not necessarily follow the competitors in channel design, it should analyze the plus and minus of the channel patterns adopted by each of its major competitors. Quite a number of firms do settle down for a 'follow the leader' policy in channel design. They find it an easy route. But such an approach may deprive them of the chance to score an edge over competition through the channel strategy.

f. Matching the Channel Design to Company Resources: Choice of channel is also governed by the resources available with the organizations. Firms with limited resources settle for conventional channels. Firms with limited resources and small volume of business will normally find it difficult and uneconomical to opt for own channels. For such firms, establishing

branch showroom/depots/retail outlets of their own will result in a high unit cost of distribution which they cannot afford. They are better off by depending on conventional channels. In fact, they are usually content with a small network of conventional intermediaries. Firms with larger resources have more options: Firms with larger resources and larger marketing operations can go in for varied distribution channels. In fact, in India, in several businesses, firms which are strong in resources, usually operate two parallel channels; one reaching out to the customer through company depots and showrooms and the other through conventional intermediaries. The textile business which we discussed earlier is a good example of this phenomenon. Firms like Reliance Industries, Bombay Dyeing and DCM have all gone for such a two-pronged channel design. In some cases, however, even large firms prefer a distribution arrangement wherein they will not be required to pump in much of their resources.

g. Evaluating the Alternatives and Selecting the Best: With the completion of the foregoing steps, the number of alternatives would have narrowed down considerably. The firm must evaluate these alternative designs and choose the best among them. Actually, two distinct evaluations, an economic evaluation and a conceptual evaluation may be necessary.

- **Economic Evaluation; balancing cost, efficiency and risk:** Cost and efficiency are the main parameters in economic evaluation. Often, though not necessarily, the two are directly proportional. The firm has to rate the risk associated with the different alternatives. The firm's choice is a compromise among the three parameters. The first step here is the determination of the sales volume that can be obtained through each alternative design. Second, the costs of selling that volume through that alternative have to be assessed. In other words, the firm determines the unit cost of selling in each of the alternatives. The firm chooses the one which is attractive from the cost efficiency angle and is relatively less risky.

• **Conceptual Evaluation; flexibility and controllability:** Conceptual evaluation is also equally important. It has to be used for assessing the flexibility and controllability of the alternative. It is possible that economic evaluation points to one particular alternative as superior while conceptual evaluation gives it a low rating.

After deciding the design of the channel and the number of tiers in the channel, the firm has to decide the number of members needed in each tier and their locations. It has to select suitable persons/ establishments and appoint them as stockiest, distributors and dealers as the case may be. It has to administer them, service them and motivate them.

12.7 FACTORS AFFECTING THE SELECTION OF CHANNELS OF DISTRIBUTION

There may be many channels of distribution for a product and a manufacturer has to select any one or more of these channels. Selection of a particular channel is a decision upon which the success of all the marketing efforts of an enterprise depends. Therefore, a particular channel must be selected only after a careful study and consideration of all the relevant factors. Factors affecting the selection of channels of distribution can be divided into five parts:

15.7.1 Factors related to the manufacturer

15.7.2 Factors related to the product

15.7.3 Factors related to the market

15.7.4 Factors related to the middlemen and

15.7.5 Factors related to the environment.

The details in this regard are as follows:

12.7.1 FACTORS RELATED TO MANUFACTURER:

Following are the factors related to producer/manufacturer which affect the decision of selecting a channel of distribution:

a. Financial resources: The very first factor affecting the selection of a channel of distribution is the availability of financial resources with a manufacturer. If the manufacturer has sufficient financial resources, he may decide to sell his products direct to the consumers. If, on the other hand, a manufacturer does not have sufficient financial resources, he must decide to distribute his products with the help of middlemen.

b. Marketing experience and managerial ability: Marketing of goods is an art. If the enterprise has sufficient marketing experience and managerial ability, the decision may be taken for distributing products directly to the consumers. If the enterprise lacks marketing experience and managerial ability, the enterprise must decide to distribute its products with the help of middlemen.

c. Goodwill: Selection of a particular channel of distribution depends upon the goodwill of manufacturer also. If a manufacturer enjoys high reputation in the market and his products are popular among consumers, he can select any channel of distribution according to his desire because every middleman wants to sell the products of such manufacturer. If a manufacturer does not enjoy such reputation, he should take the advantage of goodwill of middlemen and he should select the channel of distribution which enjoys high reputation.

e. Size of the enterprise: If the size of an enterprise is large and it has sufficient financial resources, marketing experience and managerial ability, it may select any channel of distribution. It may also decide to distribute its products to the consumers directly. Otherwise, the manufacturer will have to depend upon the experience and ability of middlemen.

f. Desire to control: If the manufacturer wants to have complete control over all the marketing activities, he should select a short channel of distribution or he should distribute his goods directly to the consumers. If on the other hand, the manufacturer has no such desire, he may decide a long channel of distribution.

12.7.2 FACTORS RELATED TO PRODUCT:

Following are the factors related to product which effect the selection of channel of distribution:

a. Perishability of product: If the product is of perishable nature, it must be distributed within shortest possible time and therefore shortest channel of distribution must be selected. If the product can be stored for some time, longer channel of distribution may also serve the purpose.

b. Ordered products: If a manufacturer manufactures goods according to orders only, he usually decides to distribute these products direct to his consumers. If a manufacturer produces goods according to standards, he may decide for distributing these goods through a long channel.

c. Price per unit: It has been the experience that the channel of distribution for distributing the goods of low price unit is generally long and that for the goods of high price unit is generally short.

d. Weight: It also has been the experience that the goods of high weight are generally distributed directly by the manufacturers. On the other hand, the goods of light weight are distributed through a long channel of distribution.

e. Technical nature of product: If the product is of technical nature, it becomes necessary for the manufacturer to provide after-sale-services to the consumers. In case of such products, it becomes necessary that these products must be supplied directly by the manufacturer or through shortest possible channel of distribution.

12.7.3 FACTORS RELATED TO MARKET:

Following are the factors related to market which affect the selection of a particular channel of distribution:

a. Number of consumers: If the number of consumers of a product is very large, it must be distributed through a long channel of distribution so that it may be made available in all the

segments of the market at all the times. If, on the other hand, number of consumers of a product is limited, it must be distributed through short channel of distribution.

b. Regional concentration: If the consumers of a product are scattered all over the country, it will not be possible for the manufacturer to distribute such product directly. Therefore, it becomes necessary that such a product must be distributed through a long channel of distribution. If, on the other hand, the consumers of a product are scattered over a particular region, it can be supplied by the manufacturer himself or it can be distributed through a short channel of distribution.

c. Size of orders: If a product is bought by the consumers in large quantity, the manufacturer may decide to distribute it direct to the consumers. If, a product is bought by the consumers in small quantity, the manufacturer will have to arrange to supply the product at all the places and at all the times. Thus, such a product is distributed through a long channel of distribution.

d. Nature of market: A very important consideration affecting the selection of a particular channel of distribution is the nature of market or the product. If the product is industrial, it can be distributed directly by the manufacturers to the industrial users. On the other hand, consumer goods are generally supplied to the consumers through middlemen.

e. Policies of competitors: Marketing policies of competitors also affect the decision of an enterprise regarding the selection of a particular channel of distribution. If most of the competitors are distributing their products through middlemen, the enterprise should also decide to do so. If the competitors are supplying their goods directly to the consumers, the enterprise may also decide to do so.

12.7.4 FACTORS RELATED TO MIDDLEMEN:

Following are the factors related to middlemen which affect the selection of a particular channel of distribution:

a. Availability of desired middlemen: If desired middlemen of desired experience and capability are available in the market, the manufacturer may determine to distribute his products through such middlemen. If, on the other hand, desired middlemen are not available for a particular product, the manufacturer will have to supply it directly.

b. Sales possibilities: If it is expected that the sales of a product can be increased, if it is distributed through middlemen, the manufacturer may take the help of these middlemen. If the increase in sales is not expected through middlemen, the manufacturer may decide to distribute his products directly.

c. Cost consideration: If the cost of distribution of a product through a channel of distribution is within the range of enterprise, a decision may be taken to adopt it; otherwise it is better to distribute the goods directly.

d. Marketing policies and strategies: Sometimes, a manufacturer adopts a channel of distribution for distributing his products because of his marketing policies and strategies to do so. Main reason of such decision may be to get the advantage of goodwill of middlemen.

e. Services provided by middlemen: A manufacturer should select a channel of distribution which may meet his requirements. So, a channel must be selected for the services it provides.

12.7.5 ENVIRONMENTAL FACTORS:

Some environmental factors also affect the selection of channels distribution for a product. Such as in the market condition of slump, a channel of distribution must be selected with a view to provide goods and services to the consumers at a lower rate. In addition to this, some legal restrictions also affect the selection of a channel of distribution. The channel selected by the enterprise must also meet social expectation.

12.8 CHECK YOUR PROGRESS: 2

12.8.1 FILL IN THE BLANKS:

1. Formulation of is the first step in designing a channel system.
2. are the main parameters in economic evaluation.
3. If the manufacturer wants to have over all the marketing activities, he should select a short channel of distribution.
4. of competitors also affect the decision of an enterprise regarding the selection of a particular channel of distribution.

12.9 SUMMARY:

This chapter has looked into the important concept of channels of distribution. A distribution channel can be as short as being direct from the vendor to the consumer or may include several interconnected intermediaries such as wholesalers, distributors, agents, retailers. Each intermediary receives the item at one pricing point and moves it to the next higher pricing point until it reaches the final buyer, also called channel of distribution. Key ideas regarding meaning, nature and importance of channels of distribution were presented. Channel design decision was also explained in detail. Finally, factors that affect the selection of channels of distribution have been discussed in detail. The best channel structure is reflected in the design that offers the desired performance effectiveness at the lowest possible cost along each marketing function to be executed.

12.10 GLOSSARY

- **Channel marketing** - The commercial processes involved in promoting and selling and distributing a product or service.
- **Distribution channel** - A way of selling a company's product either directly or via distributors.

- **Wholesale Sales Method** - Selling to distributors at significantly discounted prices who in turn sell to full service or self service retail outlets.
- **Multiple-channel system**: A channel of distribution that uses a combination of direct and indirect channels where members serve different segments.

12. 11 ANSWERS TO CHECK YOUR PROGRESS

12. 5.1 FILL IN THE BLANKS:

1. Channel of distribution.
2. Sequence of institutions
3. Developing economy
4. Middlemen
5. Retail shop

12.8.1 FILL IN THE BLANKS:

1. Channel objectives
2. Cost and efficiency
3. Complete control
4. Marketing policies

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12.13 SUGGESTED READINGS

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| • Marketing Management | C.N. Sontakki |

12.14 TERMINAL QUESTIONS

1. Define channels of distribution. Explain the importance of channels of distribution.
2. Name any three institutional retail outlets.
3. What factors should be considered in channels building decision?
4. Explain the channels of distribution in detail.

UNIT 13: PLANNING MARKETING PROGRAMMES

STRUCTURE:

- 13.1 INTRODUCTION
- 13.2 OBJECTIVES
- 13.3 DEFINITIONS OF MARKETING
- 13.4 MARKET PLANNING
- 13.5 CHECK YOUR PROGRESS-1
- 13.6 PRODUCT LINE
- 13.7 PRODUCT MIX
- 13.8 CHECK YOUR PROGRESS-2
- 13.9 BRANDING
- 13.10 PACKAGING
- 13.11 MANAGEMENT OF DISTRIBUTION
- 13.12 CHECK YOUR PROGRESS-3
- 13.13 SUMMARY
- 13.14 GLOSSARY
- 13.15 ANSWER TO CHECK YOUR PROGRESS - 1, 2 & 3
- 13.16 REFERENCES
- 13.17 SUGGESTED READINGS
- 13.18 TERMINAL AND MODEL QUESTIONS

13.1 INTRODUCTION

Any time one tries to persuade somebody to do something to buy his product, donate for some charitable purpose or vote for some candidate or attend a dramatic show or accept a social date with him, both of them are said to engage in marketing. Especially, marketing exists in any type of economic system and in any stage of economic development except the most primitive situation where the individuals are economically self sufficient and trade or exchange does not exist. Marketing is all pervasive in the present day world.

Marketing begins with the fundamental idea that most human behaviour is a purposeful quest for need satisfaction and this activity is rooted in exchange notion. Marketing requires the existence of two or more persons or groups having certain wants and also possessing certain products.

13.2 OBJECTIVES

After studying this unit you will be able to

- Explain the meaning of marketing
- Elements and objectives of marketing
- Importance of marketing
- Meaning of product line, factors influencing product mix
- Meaning and functions of Branding
- Advantages of Branding
- Meaning and functions of packaging
- Kinds of packaging
- Management of distribution

13.3 DEFINITIONS OF MARKETING

Marketing includes all activities involved in the creation of place, time and possession utilities. Place utility is created when goods and services are available at the places they are needed, time utility when they are needed and possession utility when they are transferred to those who needed them.

“Marketing is the economic activity by which goods and services are exchanged and their values determined in terms of money prices.”
“Marketing is the process of discovering and translating consumer’s needs and wants into products and services specification, creating demand for these products and services and then in turn expending this demand.”

“Marketing consists of all activities designed to generate and facilitate any exchange intended to satisfy human needs and wants.”

According to Philip **Kotler**, “marketing is a social and managerial process by which individuals and groups obtain what they need and want through creating, offering and exchanging products of value with others.”

Enis defines marketing as “a fundamental human activity which encompasses exchange activities conducted by individuals and organisations for the purpose of satisfying human wants.”

The American Marketing Association (AMA) defines marketing as “the performance of business activities that direct the flow of goods and services from producer to consumer or user.” According to **Cundiff** “marketing is the business process by which products are matched with markets and through which transfers of ownership are affected.”

13.3.1 ELEMENTS OF MARKETING

The essential elements of marketing are

- Marketing must focus on customer.
- Marketing must deliver to customer.
- Marketing is surrounded by customers need.
- Marketing is a key business.
- Marketing sub system affects company strategy.
- Marketing is a part of total environment.
- Marketing as a subject.

13.3.2 OBJECTIVES OF MARKETING

The broad objectives of marketing are

- Appreciation of marketing practices and influences in the marketing situation
- Develop policies and frameworks.
- To determine marketing mix that aims to satisfy the needs and wants of the customers.

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- To satisfy the needs and wants of the customers.
 - To create adequate profits for the growth of the enterprise.
 - To raise the standard of the living of people.

13.3.3 IMPORTANCE OF MARKETING

- Marketing affects each person's life.
- Marketing aims at satisfying the needs of customers.
- Marketing aims to provide quality products, services so as to satisfy the customer and ultimately raise their standard of living.
- Marketing as a career provides an employment opportunity to various people.
- It helps in developing economic resources of any country.

13.4 MARKET PLANNING

Market planning is the process of developing and implementing a plan to identify, anticipate and satisfy consumer demand in such a way as to make profit. The two main elements of this plan are market research to identify and anticipate customer requirements and the planning of an appropriate marketing mix to meet these requirements. Market research involves:

Gathering and recording information about consumers, market, product and the competition in an organised way from internal information already held by an organisation, e.g. details of existing customers. External primary information i.e. information collected at first hand by interviewing customers and potential customers to get their views about a company and its products. External secondary information i.e. using published sources of information e.g. those produced by marketing organisations about products, markets and brands. Thus marketing plan is used:

- To assess how well the organisation is doing in its markets.
- To identify current strength and weakness in these market.

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- To establish marketing objectives to be achieved in these market.
 - To establish marketing - mix for each market designed to achieve organizational objectives.

13.4.1 IMPORTANCE OF A MARKETING PLAN

If you are just starting your business, one of the biggest questions you probably have now is how to attract new clients? Creating a marketing plan can help you focus on those high-priority activities that are likely to generate more clients quickly. Here are four ways of creating a marketing plan that can help you.

- **Plan for Expenses:** While there are many free and low cost ways to market your business, some marketing costs money. How much are you willing to commit to your total marketing budget? What is a realistic number for all the marketing activities you hope to accomplish?
- **Understand Your Target Market:** One of the biggest mistakes that small-business owners make believes that “everyone” is their target market. There is no one product or service that appeals to everyone alike. Even Coca-Cola, which targets most people and whose products are available virtually everywhere has different marketing messages for different products they advertise, to different market segments. Decide who is most likely to buy from you. Who are they and what factors influence their decision to buy? Look at their demographics. How old are they? Are they married? Do they have kids? Where do they live? What job titles do they have? Next, look at their psychographics. Why do they buy? What problems do they want solutions to? How bad is the problem? Yes, you can have multiple target markets but keep in mind that you will need a separate marketing campaign for each market. It is better to stick with one initially and expand as your company grows.
- **Determine What Media To Use:** Which marketing tactics (direct mail, word of mouth, TV, radio, internet) you use depends on your marketing budget and your target audience. Choose one to start with, get your

campaign working and start bringing in customers. Once you have one marketing campaign in place, add another. If you try to juggle too many things at one time, you dramatically limit the time, money and resources you can devote to each.

- **Stick to a Schedule:** Too many business owners get trapped in a vicious cycle. They start marketing when business is slow. Then, either because of their marketing campaign or because someone referred them business, they end up with a client or two. All marketing halts as they focus their attention on serving their clients. As the client projects come to an end, the business owner realizes he or she is in the same boat as before with no prospects. So he or she starts marketing again. And the cycle is repeated. For your marketing to be successful, you need to stick to a schedule and keep your marketing activities going through slow and busy times.

If you have not yet created your marketing plan, consider creating one today. It doesn't have to be overwhelming and time consuming. Simply plan out the activities you can do (meaning you have the time and resources to complete) in the next two weeks to generate new clients.

13.5 CHECK YOUR PROGRESS- 1:

A) What do you mean by marketing?

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B) Fill In The Blanks:

- 1) Marketing must focus on_____.
- 2) _____helps in developing economic resources of any country.
- 3) _____is a part of total business environment.
- 4) Marketing is a key to_____.

C) Identify whether True / False:

- 1) Marketing means any human activity taking place in relation to market.
- 2) Marketing is considered as “every one’s business.
- 3) Marketing is a continuous process.
- 4) Market is the place where buyers and sellers are present to exchange what they have with what they need.
- 5) Marketing as a career provides an employment opportunity to various people.

13.6 PRODUCT LINE

In the simplest way, a product could be defined as everything the purchaser gets in exchange for his money. A product consists of bundle of utilities involving various product features and accompanying services.

According to Kotler “a product is anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or needs.” Product line refers to a group of products that are closely related because they satisfy a class of needs, are used together, are sold to the same customer groups, are marketed through the same type of outlets or fall within given price range. Any change in product line or product item naturally changes the product mix and vice versa. Product line includes the following.

13.6.1 PRODUCT MODIFICATION

It is the process by which the existing products are modified to suit the changing demand on account of fashion changes. Product modification may be defined as a deliberate alteration in the physical attributes of product or its packaging.

13.6.2 PRODUCT ELIMINATION

There are some products which cannot be improved or modified to suit the market needs. Here the profitable alternative would be to withdraw

the product. The process of withdrawal is technically known as product elimination.

13.6.3 PRODUCT LINE STRATEGIES

A company has several strategies at its disposal with respect to the width, depth and consistency of its products mix. Most of these strategies involve a change in the product mix. Major product line strategies are as follows

13.6.3.1 EXPANSION OF PRODUCT MIX

Expanding the line may be a valid decision if it is in an area in which consumers traditionally enjoy a wide variety of brands to choose from and are accustomed to switching from one to another.

13.6.3.2 CONTRACTING OR DROPPING THE PRODUCT

This is rather more difficult because much money has already been invested and therefore as fast as possible, products are allowed to linger on for long until they become a loss. When contraction is decided upon, various alternatives are available to the marketers.

13.6.3.3 ALTERNATION OF EXISTING PRODUCTS

Alternative may be made either in the design, size, colour, packaging etc. This strategy is to be followed regardless of the width and depth of the product mix.

13.6.3.4 PRODUCT DIFFERENTIATION

It is concerned with developing and promoting an awareness of difference between the advertised product and the products of the competitors.

13.6.3.5 MARKET SEGMENTATION

Market segmentation is act of dividing market into homogeneous units, each of which of its units has different wants and motivation. To meet these different demands, different products are developed. Market

segmentation takes place on various grounds like geographic, demographic, income and age group etc.

13.7 PRODUCT MIX

Product mix is the combination of all products offered for sale by a company. The product mix is three- dimensional. It has breadth, depth and consistency. Breadth is measured by the number or variety of products manufactured by a single manufacturer. For example Bajaj Electricals produce a variety of electrical appliances such as fans, mixers, lamps etc. Depth refers to the assortment of size, colours and models offered within each product line. For example Bajaj Electricals manufacture different varieties or models of fans and lamps. Consistency refers to the close relationship of various product lines either to their end use or to production requirement or to distribution channels or to other variables.

13.7.1 FACTORS INFLUENCING PRODUCT MIX

The fundamental reason for changing product mix is due to the change in the market demand. Change in demand occurs due to the following factors:

- Population increase.
- Change in the level of the income of the buyers.
- Change in consumer behaviour

In India, there is an ever increasing rate in the growth of population. This naturally adds to the number of buyers leading to a quantitative change in the volume of production. The development programmes of the government ensure increase in income enabling in the consumers to spend more. This also adds to the stream of demand both qualitatively and quantitatively. In India, rural market is evolved mainly because of this reason. The change in consumer behaviour is a continuous source or a reason that invites change in product planning. Other reasons could be stated as follows:

- Marketing influences
- Production influences
- Financial influences

All these arise out of the internal economies of a firm. As long as the profit motive is the criterion for the existence of a firm, changes in product mix are inevitable.

13.8 Check Your Progress- 2

A) What is a product?

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B) Define product line?

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C) Fill In The Blanks:

- 1) Everything that the purchaser gets in exchange for his money is called_____
- 2) The process of withdrawal of the products is technically known as_____
- 3) _____is the act of dividing market into homogeneous units.
- 4) The combination of all products offered for sale by a company is called_____

D) Identify Whether True Or False:

- 1) Product is everything that the purchaser gets in exchange of his money.
- 2) Product mix is one of the elements of marketing mix.
- 3) Product mix is the activity related to the product, service or idea to be offered.
- 4) Market segmentation is the act of dividing market in different segments, each of which tends to be heterogeneous in all significance.
- 5) Market segmentation is the act of dividing market into homogeneous units.

13.9 BRANDING

One of the most significant product policy decisions an organization faces is how to identify its products. In general branding is a way for an organization to identify its offerings and distinguish them from those of competitors. Branding is the management process by which a product is branded. It is a general term covering various activities such as giving a brand name to a product, designing a brand mark, and establishing and polarising it. A brand is a name, term symbol or design or a combination of them which is intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors. For ex. Lux soap and Hamam soap. Branding may be accomplished by the use of.

13.9.1 BRAND NAME

Brand name is part of brand consisting of a word, letter, group of words or letters comprising a name which is intended to identify the goods or services of a seller or a group of sellers and to differentiate them from those of competitors. Sony TV, Parker pen are example of brand name.

13.9.2 BRAND MARK

A mark is the part of the brand which appears in the form of a symbol, design or distinctive colouring or lettering. It could be recognised

only by sight but may not be pronounceable, for example, the symbol of Maharaja of Air India.

13.9.3 TRADE MARK

When a brand name or brand mark is registered and legalised, it becomes a trade mark. Thus registered brands are Trade Marks. In that sense, all Trade Marks are brands but not all brands are Trade Marks. Trade Mark is defined as “a brand or part of a brand that is given legal protection because it is capable of exclusive appropriation.” Thus the trade mark is essentially a legal term protecting the manufacturer’s right to use the brand name.

13.9.4 TRADE NAME

A trade name is the name of the business, preferably the name of the organisation itself. A trade name may also be a brand name but in such a case, it serves two separate purposes. It brings out the identity of the manufacturer and the product. For example, Godrej is both a trade name and a brand name for most of their products.

13.9.5 CHARACTERISTICS OF BRAND NAMES

- It should be easy to pronounce, spell and remember.
- The brand should suggest products’ benefits or qualities.
- The brand should be distinctive.
- The name should be capable of being registered and protected legally under the statutory law.
- It should be easy to advertise and promote.
- Brand Name and trade mark must be suited to markets, buyers and products.
- The brand should have suggestive quality so that interest may be developed in the mind.

13.9.6 FUNCTIONS OF BRANDING

- It helps in product identification and gives distinctiveness to a product.
- It denotes the quality or standard of a product.
- It eliminates imitation products.
- It ensures legal right on the products.
- It helps in advertising and packaging activities.
- It helps to create and sustain brand loyalty to particular products.
- It helps in price differentiation of products.

In the present day markets, branding is inevitable and plays an important role in demand creation. A large number of products even today live in the markets mainly due to an effective use of brand names. Importance of branding arose mainly because of the over emphasis on advertising. In fact, the brand name is a child of advertisement and the trade mark is the legal guardian of a brand name.

13.9.7 ADVANTAGES OF BRANDING

To The Manufacturer:

- It identifies the products and distinguishes it from other competing products.
- If properly promoted, brand name creates confidence in and goodwill for the products.
- It saves advertising cost if the brand name is popular.
- It widens the market for products.

To The Consumers:

- It affords an easy way for purchase by easily identifying a product.
- The brand names assure fixed prices. Even the distributors cannot unjustifiably vary prices.

To The Distributors:

- Widely popular brands ease the selling process and lead to large sale.

- It helps in advertising and sales promotion programmes.
- The distributors can easily find out the quick moving products.
- Branding reduces price flexibility; it reduces risk in business.

13.10 PACKAGING

Packing is the process of covering, wrapping or crating goods into a package. This is done for the purpose of delivering the articles to the consumer or for the purpose of transport. Packaging may be defined as the general group of activities in product planning which involves designing and producing the container or wrapper for a product.

Packaging is often called as the fifth 'P' of marketing. Packaging is the sub division of the packing function of marketing. It involves more than simply placing products in containers or covering them with wrapper. Packaging has been defined as "an activity which is concerned with protection, economy, convenience and promotional consideration." The Indian Institute of Packaging has defined packaging as "the embracing function of package, selection, manufacturer, filling and handling."

13.10.1 FUNCTIONS OF PACKAGING

Packaging has two dimensional functions. First it must protect the product. It also has a promotional role which has become more important. The basic function of any package is to protect the product in transit, in storage and in use from breakage and spoilage by moisture, fungus, insect and exposure to sunlight. But today package perform several other function. Some of these functions are:

- To assemble and arrange the contents in the desired form.
- To identify the contents, the brand and the maker.
- To protect the contents from production to final use.
- To provide suitable product mix including sizes, weight, prices etc.
- To facilitate retailers functions.

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- To facilitate transporting, storing and warehouse handling
 - To enable the display of the contents.
 - To encourage repurchase and facilitate product use.
 - To help in complying with legal requirements.
 - To provide opportunity and space for advertising.
 - To offer resale value for the consumer.

According to Philip Kotler, Protection, Convenience, Economy and Promotion are the consumer purposes attached to package.

13.10.1.1 PROTECTION FROM VARIOUS KINDS OF DAMAGES

- Damage by mechanical handling and product loss
- Chemical change

13.10.1.2 CONVENIENCE

- Storage convenience
- Convenience in use

13.10.1.3 ECONOMY

- Package provides various economies both to the producers and the consumers
- Provides opportunities for re use
- Creates an opportunity to communicate with the customers

13.10.1.4 PROMOTION

Promotional function of package has become important due to

- Self service
- Consumer difference
- Integrated marketing concept

13.10.2 KINDS OF PACKAGING

On the basis of nature, packaging is classified into:

- **Family Packaging:** The products of a particular manufacturer when packed in an identical manner are known as family packaging. The shape, colour, size, etc of packaging will be similar for all his products.
- **Re Use Packaging:** Packages that could be used for some other purpose after the packed goods have been consumed are known as re use packaging.
- **Multiple Packaging:** It is the practice of placing several units in one container. This helps to introduce new products and increase the sales.

13.11 MANAGEMENT OF DISTRIBUTION

It refers to an activity that is involved for ownership and to make the product and services available at the right time. The main objective of physical distribution is to provide the goods/services at low cost. It consists of two things:

- **Physical Distribution:** Producer directly meets the customers.
- **General Distribution:** Producer gives to whole seller and whole seller gives to retailer and retailer provides the goods to the customer.

Physical distribution management may be divided into three broad areas of managerial responsibility: First aspect is concerned with arranging a proper mode of transportation and arranging of store locations at convenient places. Second aspect is logical coordination. It is a critical element of physical distribution management. It is the process that harmoniously combines physical distribution and material management. Third aspect is material management. It is concerned with finding sources of supply, acquiring raw materials to keep the production process going smoothly. It is closely related with the buying function also.

13.12 CHECK YOUR PROGRESS- 3

- A) What do you understand by branding?
- B) Define packaging?

C) Fill In The Blanks:

- 1) Branding helps in identification and distinguishing the products from other competing _____.
- 2) _____ helps in advertising and sales promotions.
- 3) The process of covering the goods or services into a package is called _____
- 4) Products when packed in an identical manner is called _____
- 5) The practice of placing several units in one container is called _____
- 6) _____ helps in advertising and packaging activities.

D) Identify Whether True/False:

- 1) All Trade Marks are Brands.
- 2) All Brands are Trade Marks.
- 3) Branding helps in product identification and gives distinctiveness to a product.
- 4) Branding widens the market for products.
- 5) Packaging protects the product from production to final use.
- 6) Distribution is concerned with the availability of products at the right time.

13.13 SUMMARY

In this unit we have discussed the meaning of marketing, its objectives and how a product is planned to enter the market. Marketing includes all activities involved in the creation of place, time and possession utilities. Place utility is created when goods and services are available at the places they are needed, time utility when they are needed and possession utility when they are transferred to those who needed them. Marketing begins with the fundamental idea that most human behaviour is a purposeful quest for need satisfaction and this activity is rooted in

exchange notion. Marketing requires the existence of two or more persons or groups having certain wants and also possessing certain products. Product line refers to a group of products that are closely related because they satisfy a class of needs, are used together, are sold to the same customer groups, are marketed through the same type of outlets or fall within given price range. Any change in product line or product item naturally changes the product mix and vice versa. Branding is the management process by which a product is branded. It is a general term covering various activities such as giving a brand name to a product, designing a brand mark, and establishing and polarising it. Branding is closely related with packaging. Packaging may be defined as the general group of activities in product planning which involves designing and producing the container or wrapper for a product. Packaging is an activity which is concerned with protection, economy, convenience and promotional consideration. While physical distribution refers to activity that is involved for ownership and to make the product and services available at right time. The main objective of physical distribution is to provide the goods/services at a low cost.

13.14 GLOSSARY

- **Persuade**-It is concerned to influence others by advice or argument.
- **Segmentation** – Act of dividing unit into sub unit according to the homogeneity.
- **Elimination** –Process of withdrawal is known as elimination

13.15 ANSWER TO CHECK YOUR PROGRESS

13.5 (A) Marketing is the process of discovering and translating consumer's needs and wants into products and services specification, creating demand for these products and services and then in turn expending this demand.

13.5 (B) Fill In The Blanks:

- 1 - Customers
- 2 - Marketing
- 3 - Marketing
- 4 - Business

13.5 (C) True/False

- 1 - True
- 2 - True
- 3 - True
- 4 - True
- 5 - True

13.8 (A) A product could be defined as everything the purchaser gets in exchange for his money. A product consists of bundle of utilities involving various product features and accompanying services.

13.8 (B) Product line refers to a group of products that are closely related because they satisfy a class of needs, are used together, are sold to the same customer groups, are marketed through the same type of outlets or fall within given price range.

13.8 (C) Fills In The Blanks:

- 1- Product
- 2- Product Elimination
- 3- Market Segmentation
- 4- Product mix

13.8 (D) True/False

- 1- True
- 2- True
- 3- True
- 4- False
- 5- True

13.12 (A) Branding is the management process by which a product is branded. It is a general term covering various activities such as giving a brand name to a product, designing a brand mark and establishing and polarising it.

13.12 (B) Packing is the process of covering, wrapping or crating goods into a package. This is done for the purpose of delivering the articles to the consumer or for the purpose of transport.

13.12 (C) Fills In The Blanks:

- 1- Products
- 2- Branding
- 3- Packing
- 4- Family packaging
- 5- Multiple Packaging
- 6- Branding

13.12 (D) True/False

- 1- True
- 2- False
- 3- True
- 4- True
- 5- True
- 6- True

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13.17 SUGGESTED READINGS

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3. Marketing Management	Mukesh Dhunna
4. Basics of Marketing Management	Dr. R.B. Rudani
5. Marketing Management	C.N. Sontakki

13.18 TERMINAL QUESTIONS

- Q1.** Define Marketing. Discuss the objectives and importance of Marketing.
- Q2.** What is a Product? Define Product line and also describe the Product line Strategies.
- Q3.** Define Product Mix. What Are the factors influencing Product Mix?
- Q4.** What do you mean by Branding? Discuss the functions and advantages of Branding.
- Q5.** Differentiate between Packing and Packaging? Discuss the functions of Packaging.

UNIT 14: DESIGNING COMMUNICATION AND PROMOTION MIX

STRUCTURE:

- 14.1 INTRODUCTION
- 14.2 OBJECTIVES
- 14.3 DEFINITION OF COMMUNICATION
- 14.4 STEPS IN DEVELOPING EFFECTIVE COMMUNICATION
- 14.5 CHECK YOUR PROGRESS- 1
- 14.6 PROMOTION MIX
- 14.7 CHECK YOUR PROGRESS-2
- 14.8 ADVERTISING STRATEGIES
- 14.9 MAJOR DECISIONS IN ADVERTISING
- 14.10 CHECK YOUR PROGRESS-3
- 14.11 SUMMARY
- 14.12 GLOSSARY
- 14.13 ANSWER TO CHECK YOUR PROGRESS- 1, 2 AND 3
- 14.14 REFERENCES
- 14.14 SUGGESTED READINGS
- 14.16 TERMINAL QUESTIONS

14.1 INTRODUCTION

In the previous unit you have learned about the meaning of Marketing, how a product is introduced in market, its branding, packaging and regular supply of product in the market at the right time. Marketing is very essential for the development of product. For marketing of a product there should be a proper flow of information and effective communication from producer to consumer. Without effective communication, marketing and promotion of any product is not possible. Thus communications play a key role in the promotion and development of the products. Communication is the process of informing and reminding the consumer about a product or service. Communication means sharing of meanings. It is derived from the Latin word “communis” which means common.

Promotion is the personal or interpersonal process of assisting a prospective customer to buy a product or service. Promotion mix refers to the activity relating to the promotion of product service or idea. It consists of all activity towards motivating the customer to buy the product.

14.2 OBJECTIVES

After studying this unit you will able to learn

- Meaning of Communication
- Purpose of Communication
- Nature of Communication
- Types of Communication
- Elements of Communication Process
- Barriers in Effective Communication
- Steps in Developing Effective Communication
- Promotion Mix
- Elements of Promotion Mix
- Factors Affecting Promotion Mix
- Advertising Strategies
- Major Decisions in Advertising

14.3 DEFINITIONS OF COMMUNICATION

Communication is the process of transfer of information between two sources with information being understood by both.

According to Kelly, "Communication is a field of knowledge dealing with the systematic application of symbols to acquire common information regarding an objective or event." According to Luther, "It is the transmission of commonly meaningful information. It is the process that involves the exchange of behaviour." According to A. Kumar, "Communication is the process of making a message understood by the

satisfying the need sets and ego set of a receiver.” In the view of Sanborn, “Communication is the process of sending and receiving messages.”

According to Fortune, “Communication is the procedure whereby one mind affects another.” According to Newstrom and Davis, “Communication is the transfer of information from one person to another person. It is a way of reaching others by transmitting ideas, facts, thoughts, feelings, and values.”

14.3.1 PURPOSE OF COMMUNICATION

- To keep employees informed of company’s progress
- To provide employees with orders and instruction in connection with their duties
- To solicit information from the employees which may aid management
- To express management interest in its personnel
- To reduce labour turn over
- To instill personal pride in each employee with being a member of the company.

14.3.2 NATURE OF COMMUNICATION

- Communication is social interaction through messages.
- Communications are constructed for the people by the people. Communication is the language of life.
- Its basic process is interpersonal which is wholly individualistic.
- It creates a common pool of ideas and strengthens the feeling of togetherness.

14.3.3 FUNCTIONS OF COMMUNICATION

- It provides knowledge
- It gives way to commercial purpose
- It enforces and adjusts behavioural patterns
- It helps in socialisation

-
- It performs incidental neutral functions
 - It serves as an essential tool for direction and assists in decision making
 - It coordinates employee action
-

14.3.4 TYPES OF COMMUNICATION

People communicate with each other in a number of ways that depend upon the message and its context in which it is being sent. Choice of communication channel and your style of communicating also affect communication. So, there are varieties of types of communication.

14.3.4.1 BASED ON THE COMMUNICATION CHANNELS USED

(A) Verbal Communication: Verbal communication refers to the form of communication in which message is transmitted verbally; communication is done by word of mouth and a piece of writing. Objective of every communication is to have people understand what we are trying to convey. In verbal communication, remember the acronym KISS (keep it short and simple).

When we talk to others, we assume that others understand what we are saying because we know what we are saying. But this is not the case. Usually people bring their own attitude, perception, emotions and thoughts about the topic and hence create barrier in delivering the right meaning.

So in order to deliver the right message, you must put yourself on the other side of the table and think from your receiver's point of view. Would he understand the message? How it would sound on the other side of the table? Verbal Communication is further divided into:

- Oral Communication
- Written Communication

(a) Oral Communication: In oral communication, spoken words are used. It includes face-to-face conversations, speech, telephonic conversation, video, radio, television, voice over internet. In oral communication,

communication is influenced by pitch, volume, speed and clarity of speaking.

Merits of Oral Communication: In a face-to-face conversation, by reading facial expression and body language, one can guess whether he/she should trust what is being said or not. It is very effective. There is instant feedback for the message transmitted.

Demerits of Oral Communication: In face-to-face discussion, user is unable to deeply think about what he is delivering. There is no proof of what has been communicated. Lack of authenticity is another drawback of oral communication. It is also time consuming.

(b) Written Communication: In written communication, written signs or symbols are used to communicate. A written message may be printed or hand written. In written communication, message can be transmitted via email, letter, report, memo etc. Message, in written communication, is influenced by the vocabulary and grammar used, writing style, precision and clarity of language used. Written Communication is most common form of communication being used in business. So, it is considered core among business skills. Memos, reports, bulletins, job descriptions, employee manuals and electronic mail are the types of written communication used for internal communication. For communicating with external environment in writing, electronic mail, Internet Web sites, letters, proposals, telegrams, faxes, postcards, contracts, advertisements, brochures, and news releases are used.

Merits of Written Communication: Written communication is authentic whether it is in the form of orders or organizational manuals. It also provides proof for future reference and this is the biggest merit of written communication.

Demerits of Written Communication: Written communication is costly as compared to oral communication. Unlike oral communication, written communication does not bring instant feedback.

It takes more time in composing a written message as compared to word-of-mouth and number of people struggle because of writing ability.

(B) Non-Verbal Communication: Non-verbal communication is the sending or receiving of wordless messages. We can say that communication other than oral and written, such as gesture, body language, posture, tone of voice or facial expressions is called non-verbal communication. Non-verbal communication is all about the body language of speaker.

Non-verbal communication helps receiver in interpreting the message received. Often, non-verbal signals reflect the situation more accurately than verbal messages. Sometimes non-verbal response contradicts verbal communication and hence affects the effectiveness of message. Non-verbal communications have the following three elements:

Appearance: *Speaker: clothing, hairstyle, neatness, use of cosmetics*

Surrounding: room size, lighting, decorations, furnishings

Sounds: *Voice tone, volume, speech rate*

Body Language: *Facial expressions, gestures, postures*

14.3.4.2 BASED ON THE PURPOSE AND STYLE:

Based on style and purpose, there are two main categories of communication and they both bear their own characteristics. Communication types based on style and purpose are:

- A. Formal Communication
- B. Informal Communication

A. Formal Communication: In formal communication, certain rules, conventions and principles are followed while communicating message. Formal communication occurs in formal and official style. Usually professional settings, corporate meetings, conferences undergo in formal pattern. In formal communication, use of slang and foul language is avoided and correct pronunciation is required. Authority lines are needed to be followed in formal communication.

B. Informal Communication: Informal communication is done using channels that are in contrast with formal communication channels. It is just a casual talk. It is established for societal affiliations of members in an organization and face-to-face discussions. It happens among friends and family. In informal communication use of slang words is not restricted.

Usually informal communication is done orally and using gestures. Informal communication, unlike formal communication, does not follow authority lines. In an organization, it helps in finding out staff grievances as people express more when talking informally. Informal communication helps in building relationships.

14.3.5 ELEMENTS OF COMMUNICATION PROCESS

Communication being a process must have some elements to complete the process. Various elements have been presented in different models of communication which have discussed below

- **Sender:** Sender of the message is the person who intends to make contact with the objective of passing the message to other persons.
- **Message:** This is the subject matter of the communication which is intended to be passed to the receiver from sender.
- **Encoding:** The process of converting the message into communication symbols is known as encoding.
- **Channel:** Message encoded into symbols is transmitted by the sender through a channel like written form, personal contact etc.
- **Receiver:** Receiver is the person to whom the symbols are transmitted.
- **Decoding:** The receiver receives the subject matter of communication in the form of communication symbols in which the sender has encoded his message. The receiver decodes these symbols into message.
- **Feedback:** Feedback is necessary that the receiver has received the message and understood it in the same sense as the sender intended.

14.3.6 BARRIERS IN EFFECTIVE COMMUNICATION:

- **Lack of Common Experience:** Lack of common experience between instructor and student is probably the greatest single barrier to effective communication. Many people seem to believe that words transport meanings from speaker to listener in the same way that a truck carries bricks from one location to another. Words, however, rarely carry precisely the same meaning from the mind of the instructor to the mind of the student. In fact, words, in themselves, do not transfer meanings at all. Whether spoken or written, they are merely stimuli used to arouse a response in the student. The student's past experience with the words and the things to which they refer determines how the student responds to what the instructor says.

A communicator's words cannot communicate the desired meaning to another person unless the listener or reader has had some experience with the objects or concepts to which these words refer. Since it is the students' experience that forms vocabulary, it is also essential that instructors speak the same language as the students. If the instructor's terminology is necessary to convey the idea, some time needs to be spent making certain the students understand that terminology.

The English language abounds in words that mean different things to different people. To a farmer, the word tractor means the machine that pulls the implements to cultivate the soil; to a trucker, it is the vehicle used to pull a semitrailer; in aviation, a tractor propeller is the opposite of a pusher propeller. Each technical field has its own vocabulary. Technical words might mean something entirely different to a person outside that field, or perhaps, mean nothing at all. In order for communication to be effective, the students' understanding of the meaning of the words needs to be the same as the instructor's understanding.

- **Confusion between The Symbol And The Symbolized Object:** Languages abound with words that mean different things to different

people. Confusion between the symbol and the symbolized object results when a word is confused with what it is meant to represent.

Although it is obvious that words and the connotations they carry can be different, people sometimes fail to make the distinction. An aviation maintenance technician (AMT) might be introduced as a mechanic. To many people, the term mechanic conjures up images of a person labouring over an automobile. Being referred to as an aircraft mechanic might be an improvement in some people's minds but neither really portrays the training and skill of the trained AMT. Words and symbols do not always represent the same thing to every person. To communicate effectively, speakers and writers should be aware of these differences. Words and symbols can then be carefully chosen to represent exactly what the speaker or writer intends.

- **Overuse of Abstractions:** Abstractions are words that are general rather than specific. Concrete words or terms refer to objects that people can relate directly to their experiences. They specify an idea that can be perceived or a thing that can be visualized. Abstract words, on the other hand, stand for ideas that cannot be directly experienced, things that do not call forth mental images in the minds of the students.

The word aircraft is an abstract word. It does not call to mind a specific aircraft in the imaginations of various students. One student may visualize an airplane, another student might visualize a helicopter and still another student might visualize an airship. Although the word airplane is more specific, various students might envision anything from a Boeing 777 to a Piper Cub.

Another example of abstractions would be if an instructor referred to aircraft engines. Some students might think of jet engines while others would think of reciprocating engines. Even reciprocating engine is too abstract since it could be a radial engine, an inline engine, a V-type engine or an opposed type engine. Abstractions should be avoided in most cases but there are times when abstractions are necessary and useful.

Aerodynamics is applicable to all aircraft and is an example of an abstraction that can lead to understanding aircraft flight characteristics. The danger of abstractions is that they will not evoke the same specific items of experience in the minds of the students that the instructor intends. When such terms are used, they should be linked with specific experiences through examples and illustrations. For instance, when an approach to landing is going badly, telling a student to take appropriate measures might not result in the desired action. It would be better to tell the student to conduct a go-around since this is an action that has the same meaning to both student and instructor. When maintenance students are being taught to torque the bolts on an engine, it would be better to tell them to torque the bolts in accordance with the maintenance manual for that engine rather than simply to torque the bolts to the proper values. Whenever possible, the level of abstraction should be reduced by using concrete, specific terms. This better defines and gains control of images produced in the minds of the students.

- **Interference:** Barriers to effective communication are usually under the direct control of the instructor. However, interference is made up of factors that are outside the direct control of the instructor: physiological, environmental and psychological interference. To communicate effectively, the instructor should consider the effects of these factors.

Psychological interference is any biological problem that may inhibit symbol reception such as hearing loss, injury or physical illness. These, and other physiological factors, can inhibit communication because the student is not comfortable. The instructor must adapt the presentation to allow the student to feel better about the situation and be more receptive to new ideas. Adaptation could be as simple as putting off a lesson until the student is over an illness. Another accommodation could be the use of a seat cushion to allow a student to sit properly.

14.4 STEPS IN DEVELOPING EFFECTIVE COMMUNICATION

Communication is a deciding factor in any business or professional career. Unless you are able to get your message across to the others in a successful manner, you cannot get your work done or express your ideas or views properly. The success of any organization or group depends on the communication effectiveness of the individuals involved in it. Various steps involved in developing effective communication are as follows:

Step 1 Listening: Listening to your receiver will help understand and clarify their concerns better. The art of listening also shows the other person that you are genuinely interested in their talk. Such kind of two sided communication method helps in achieving more than the normal levels of success. Listening to your client or employee and working on their concerns will not just earn you a simple method of problem resolution but also will ensure increased loyalty. Also look out for symptoms of inattentiveness in your audience. Many times you can modulate your speech if you figure out that your receiver is bored of your speech. Do not end up in a conversation that is one sided. Provide equal opportunity for your listener also to get involved in the conversation.

Step 2 Talk Brief: Unless extremely needed, avoid involving in long and detailed lectures to convey your message to your audience. Many times it is necessary that you provide to-the-point answers to the questions rather than beating around the bush. Remember that time is valuable and take consideration for other's time especially. Try to be short and brief whenever possible. A short and informative talk is an important feature of an effective communication.

Step 3 Consider Using Names: Usage of an individual's name to address them when you talk helps increase the effectiveness of your communication. Hence always ask for a person's name before you start to talk and make sure that you use their name with the right pronunciation

when you talk to them. In case you do not get their name right the first time, do not hesitate to verify it again.

Step 4 Talk Confidently: Make sure that you know what you are talking about. Prepare your points and express them confidently. Lack of confidence will spur restlessness in your listener and might even bore them. Do not pause or deviate from your points or try to explain or provide excuses for mistakes.

Step 5 Use Non-verbal Communication To Send Your Message Effectively: An effective communication is a mix of verbal and non-verbal communication.

Your body language and voice tone make up for more than half of what you are trying to convey. It is important that you try to establish eye contact when you talk to someone. A proper eye contact creates confidence in your listener. Eye movement, body posture and hand gestures all need to be modulated and kept consistent with your message for an effective communication.

Step 6 Take Care of Your Language And Jargon: When you convey your message or communicate, remember to use the right and crisp words. Lengthy words and repeated sentences might not create the required appeal with your audience. Do not use a lot of filler words in your sentence as they might tend to create loss of interest in your audience. Remember to make your message clear and simple and avoid using jargons and complicated sentences. Also make sure that you are confident and continuous in your conversation, long pauses or breaks might not keep your listener hooked to your conversation.

Step 7 Create A Level Of Comfort: Before you start to talk to your audience, remember to establish an atmosphere of comfort. It is necessary that a comfort level is created so as to facilitate an easy communication process. Provide undivided attention to your listener so as to denote the importance of the communicated message.

The increased comfort level creates a good relationship and conveys the message effectively. Try your best to avoid physical barriers and interruptions when you talk to your listener. Do not involve into a conversation in a loud or busy area. Try to find a location where you can focus on the message at hand.

14.5 Check Your Progress: 1

A) Define Communication?

B) Explain verbal communication.

C) Fill In The Blanks:

1. Communication is derived from the word-----
2. Communication is done by word of mouth and a piece of writing is called-----
3. Communication is the process of sending and receiving-----
4. Sending or receiving of wordless messages is called-----

D) Identify Whether True/False:

1. Communication is not a social interaction through messages.
2. Communication serves as an essential tool for direction, it assists in decision making.
3. Communication provides knowledge
4. Written Communication is most commonly used in business.
5. In oral communication, spoken words are used.
6. In formal communication, no rules, conventions and principles are followed while communicating message.

14.6 PROMOTION MIX

Promotion mix refers to the combination of various promotional tools used by a business firm to create, maintain and increase demand. It involves an appropriate integration of advertising, personal selling, sales promotion and publicity. Promotion mix is the combination, types and amount of different forms of promotion used by marketers.

Promotion is an important part of marketing mix of a business enterprise. Once a product is developed, its price is determined the next problem comes to its sale i.e., creating demand for the product. It requires promotional activities. The activities are techniques which bring the special characteristics of the product and of the producer to the knowledge of prospective customers.

Promotion is a process of communication involving information, persuasion and influence. The term 'selling' is often used synonymously with promotion. But promotion is wider than selling. Selling is concerned only with the transfer of title in goods to the purchaser, whereas promotion includes techniques stimulating demand. These techniques include advertising, salesmanship or personal selling and other methods of stimulation demand.

Advertising and sales promotion techniques are indirect and non-personal whereas personal selling or salesmanship is a direct and personal technique. All these techniques, however, should be integrated with the marketing objectives of the enterprise. The salesmen can report about the different advertising and other promotional appeals as they are in close touch with the consumer public and market conditions. Promotion is essentially the sales efforts of a business enterprise and includes the function of informing, persuading and influencing the purchase decision of the existing and prospective consumers with the object of increasing sales volume and profits. Promotion is the effort of the seller to sell the product effectively. Promotion is the communication with the customers to pursue

them to buy the product. It is the duty of the marketing manager to choose the communication media and blend them into an effective promotion programme. These are more than one type of tools used to promote sales. The combination of these tools with a view to maintain and create sales is known as promotion mix. Promotion mix is the name given to the combination of methods used in communicating with customers.

14.6.1 ELEMENTS OF PROMOTION MIX:

There are seven elements of promotion mix:

Advertising: Advertising is a non-personal presentation of goods, services or idea. In advertising, existing and prospective customers are communicated the message through impersonal media like radio, T.V., newspapers and magazine. It involves transmission of standard message simultaneously to a large number of people. The message transmitted is known as advertising.

Personal Selling: Personal selling is the process of assisting and persuading the existing and prospective buyer to buy the goods or services in person. It involves direct and personal contact of the seller or his representative with the buyer.

Publicity: Publicity is a non-personal, non-paid stimulation of demand of the product or services or business unit by planning commercially significant news about the services or business unit in the print media or by obtaining a favourable presentation of it upon radio, television or stage.

Sales Promotion: Sales promotion consists of all activities other than advertising, personal selling and publicity which help in promoting sales of the product. Such activities are non-repetitive and one time offers. According to American Marketing Association, sales promotion includes, "those marketing activities other than personal selling, advertising and publicity that stimulate consumer purchasing and dealer effectiveness such as, point of purchase displays, shows and exhibitions, demonstrations and various non-recurring selling efforts not in the ordinary routine." The main

aim of sales promotion is to increase sales and profits of the firm but it is quite different from personal selling and advertising. In personal selling, customer is persuaded by a sales person face to face. Advertising is a non-personal mass communication media. Sales promotion, on the other hand is a non-recurring and non-routine method. Its main aim is to supplement and coordinate the personal selling and advertising. It is a supporting and facilitating element of promotional strategy. Sales promotion bridges the gap of advertising and personal selling.

Corporate Image: It is important to create a good image in the sight of general public as the image of an organization is a crucial point in marketing. If the reputation of a company is bad, consumers are less willing to buy a product from that company.

Exhibitions: Exhibitions provide a chance to try the product by the customers. It is an avenue for the producers to get an instant response from the potential consumers of the products.

Direct Marketing: Direct Marketing is reaching the customer without using the traditional channels of advertising such as radio, newspaper, television etc. This type of marketing reaches the targeted consumers with techniques such as promotional letters, street advertising, catalogue distribution, fliers etc.

14.6.2 FACTORS AFFECTING PROMOTION MIX

While determining the promotion mix of a business firm, the following factors should be considered:

- Nature of product
- Nature of market
- Stage of products life
- Availability of funds
- Nature of technique
- Promotional strategies

14.7 CHECK YOUR PROGRESS: 2

A) Define Promotion mix?

B) What do you mean by Sales Promotion?

C) Fill In The Blanks:

1. -----is an important part of marketing mix of a business enterprise.
2. The combination of various promotional tools used by a business firm is called-----
3. Sales promotion consists of all activities other than advertising, personal selling----- which help in promoting sales of the product.
4. Exhibitions provide a chance to try the product by the-----

14.8 MEANING OF ADVERTISING:

Advertising is one of the most powerful elements in the promotion mix. Advertising is the promotion of a company's products and services carried out primarily to drive up sales of the products and services. It is also done to build a brand identity and communicate changes in old products or introduce new product/services to the customers. Advertising has become an essential element of the corporate world and hence companies allot a considerable amount of resources towards their advertising budget.

14.8.1 OBJECTIVES OF ADVERTISING:

There are several objectives for advertising, some of which are as follows:

- Increasing the sales of the product, service.
- Creating and maintaining a brand identity or brand image.
- Communicating a change in the existing product line.
- Introduction of a new product or service.
- Increasing the buzz-value of the brand or the company.

14.8.2 ADVERTISING STRATEGIES:

There are several considerations in an advertising strategy. Advertising messages are not created on a whim or by a quick flash of inspiration. Advertising is a disciplined art and involves a lot of strategic thinking.

Advertisers create messages to accomplish specific objectives, a process called strategic planning. Advertisers determine what you want accomplished, decide on strategies to go about accomplishing and implementing tactics which make the plan come to life. Advertising involves many different strategies.

- First there must be a strategic business plan that deals with the broadest decisions made by the organization.
- Next advertisers have marketing strategies that will identify key advantages for the product or firm in the marketplace.
- Lastly there are advertising strategy decisions that are made which are crucial to all advertising situations.
- Advertisers must set objectives and identify the target audience.
- The advertising product must be compared to competing product features.
- The product must be positioned so that it is welcomed in the marketplace by consumers.
- Finally the advertisers must create a brand image and personality for the product.

These are all key considerations for the advertising strategy. Targeting an audience for the product is the most important. These audiences are equivalent to a target market but often include people other than prospects such as those who influence the purchase. Once the target audience is defined, this lets the advertising planner zero in on the most responsive audience.

14.9 MAJOR DECISIONS IN ADVERTISING:

Marketing management must make four important decisions when developing an advertising program. These four important decisions are as follows:

- Setting advertising objectives
- Setting advertising budget
- Developing advertising strategy
- Evaluating advertising campaign
- **Setting Advertising Objectives:** The first step is to set advertising objectives. These objectives should be based on past decisions about target market, positioning and marketing mix which defines the job that advertising must do in the total marketing program. Advertising is a specific communication task to be accomplished.
- **Setting Advertising Budget:** After determining its advertising objectives, the company next sets its advertising budget for each product. A brand's advertising budget depends on its stages of product life cycle. Market share also impacts the amount of advertising needed.
- **Developing Advertising Strategy:** Advertising strategy consists of two major elements.
 - 1- Creating advertising message
 - 2- Selecting advertising media

In the past, companies often themed media planning as secondary to the message creation process. These creative departments first created good advertisements then the media department selected the best media for carrying these advertisements.

- **Evaluating Advertising Campaign:** It is the last step in major decision of advertising. In this stage, evaluate the message of advertising. How much attention people give on the message of advertising, its market covering capacity, style, tone, words and format etc are evaluated in this stage.

14.10 CHECK YOUR PROGRESS: 3

A) What is advertising?

B) Fill In The Blanks:

1. Advertising is one of the most powerful elements of -----
2. -----is concerned with the promotion and development of product.
3. Advertising leads to introduction of a new-----
4. Advertisers create messages to accomplish specific objective. This process is called-----

C) Identify True /False:

1. Advertising increases the sales of the product/ service.
2. Advertising creates a brand identity or brand image.
3. Advertising is an essential element of the corporate world
4. Promotion mix is an element of marketing mix.

14.11 SUMMARY:

In this unit, we have discussed the meaning of communication, how communication helps in the promotion and development of product. Other promotional activities like advertising have also been discussed in this unit. Communication is the process of transfer of information between two sources with information being understood by both. Communication is the process of informing and reminding the consumer about a product or service.

Promotion mix refers to the combination of various promotional tools used by a business firm to create, maintain and increase demand. It involves an appropriate integration of advertising, personal selling, sales promotion and publicity. Promotion mix is the combination, types and amount of different forms of promotion used by marketers. Advertising is a non-personal presentation of goods, services or idea. In advertising, existing and prospective customers are communicated the message

through impersonal media like radio, T.V., newspapers and magazine. It involves transmission of standard message simultaneously to a large number of people. The message transmitted is known as advertising.

Advertising is one of the most powerful elements in the promotion mix. Advertising is the promotion of a company's products and services carried out primarily to drive up sales of the products and services. It is also done to build a brand identity and communicate changes in old products or introduce new product/services to the customers. Advertising has become an essential element of the corporate world and hence companies allot a considerable amount of resources towards their advertising budget.

14.12 GLOSSARY:

- **Advertising-** It is a non-personal presentation of goods, services or idea.
- **Communication-** It is exchange of information between two sources.
- **Corporate Image-**It is the reputation of product of any company
- **Direct Marketing-** To reach the customer without using the traditional channels of advertising..
- **Promotion Mix** – It is the combination of all promotional activity used by marketers.
- **Sales Promotion-** It is consists of all activities which help in promotion of product.
- **Selling** –It is concerned with the transfer of goods to the purchaser in exchange of money.

14.13 ANSWER TO CHECK YOUR PROGRESS:

14.5 (A) Communication is the process of transfer of information between two sources with information being understood by both.

14.5 (B) Verbal communication refers to the form of communication in which message is transmitted verbally; communication is done by word of mouth and a piece of writing.

14.5 (C) Fill In the Blanks

- 1) Communis
- 2) Verbal Communication
- 3) Messages
- 4) Non -verbal Communication

14.5 (D) True/False

- 1) False
- 2) True
- 3) True
- 4) True
- 5) True
- 6) False

14.7 (A) Promotion mix refers to the combination of various promotional tools used by a business firm to create, maintain and increase demand. It involves an appropriate integration of advertising, personal selling, sales promotion and publicity.

14.7 (B) Sales Promotions consist of all activities other than advertising, personal selling and publicity which help in promoting sales of the product.

14.7 (C) Fill In the Blanks

- 1) Promotion
- 2) Promotion mix
- 3) Publicity
- 4) Customers

14.10 (A) Advertising is the promotion of a company's products and services carried out primarily to drive up sales of the products and services.

14.10 (B) Fill in the Blanks

- 1) Promotion mix
- 2) Advertising
- 3) Product
- 4) Strategic planning

14.10 (C) True/False

- 1) True
- 2) True
- 3) True
- 4) True

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14.16 Terminal Questions:

Q.1- Define Communication. Discuss the types of Communication.

Q.2- Discuss the elements of Communication process.

Q.3- What are the barriers in effective communication?

Q.4- Discuss the various steps involved in developing effective communication.

Q.5- Define Promotion Mix. What are the factors affecting Promotion Mix?

Q.6- Discuss the elements of Promotion mix.

Q.7- What do you mean by Advertising? Discuss the Advertising strategies.

UNIT- 15: SALES PROMOTION

STRUCTURE:

- 15.1 INTRODUCTION
- 15.2 OBJECTIVES
- 15.3 MEANING, DEFINITIONS, PURPOSE OF SALES PROMOTION
- 15.4 CHECK YOUR PROGRESS - 1
- 15.5 OBJECTIVES OF SALES PROMOTION
- 15.6 CRITERIA OF SETTING OBJECTIVES
- 15.7 CHECK YOUR PROGRESS- 2
- 15.8 SELECTING SALES PROMOTION TOOLS
- 15.9. DEVELOPING SALES PROMOTION STRATEGIES
- 15.10. SALES PROMOTION TOOLS AND PROGRAMMES
- 15.11 CHECK YOUR PROGRESS-3
- 15.12 IMPORTANCE OF SALES PROMOTION
- 15.13. CHECK YOUR PROGRESS-4
- 15.14 SUMMARY
- 15.15 GLOSSARY
- 15.16 ANSWERS TO CHECK YOUR PROGRESS- 1, 2, 3 AND 4.
- 15.17 REFERENCES
- 15.18 SUGGESTED READINGS
- 15.19 TERMINAL QUESTIONS

15.1 INTRODUCTION

In the previous unit, you have learnt about some of the methods of marketing communications which are at the disposal of any marketer including ports, terminals and shipping services. No single method is appropriate by itself and thus the necessity to undertake an integrated approach to marketing communications. Each marketer has to devise his own promotional-mix to help him achieve his specific marketing objectives. In the present lesson we shall discuss sales promotion. You have learnt about advertising and personal selling in the earlier lessons. Personal selling involves face-to-face contact with specific individuals while advertising is directed towards a large number of potential customers. They also help in increasing sales of goods. Thus, advertising can be used as a

means of communication to inform potential customers about the incentives offered for sales promotion. Personal selling can include communication of the incentives to individual customers. But sales promotion differs from advertising and personal selling in terms of its approach and technique.

Suppose you go to the market to buy soap. The shopkeeper suggests that if you buy two soap cakes, an extra soap cake will be given to you free of cost under “buy 2 get 3” scheme. You feel attracted to buy as by doing so you are saving money of one soap. Moreover, soap is an item which is required on a regular basis and so you can keep the extra two cakes to be used later. This is an approach of increasing sales of a product and it is quite different from what you have learnt in the earlier two units. Let us learn more about this in the present unit.

15.2 OBJECTIVES

After studying this unit, you will be able to:

- Explain the meaning of sales promotion;
- State the objectives of sales promotion;
- Describe the strategies used in sales promotion;
- Recognise the role of each tool in promoting sales;
- Describe the importance of sales promotion in business.

15.3 MEANING OF SALES PROMOTION:

Every businessman wants to increase the sales of goods that he deals in. He can adopt several ways for that purpose. You might have heard about “lakhpati bano”, “win a tour to Singapore”, “30% extra in a pack of one kg”, “scratch the card and win a prize” etc. You might also have seen gifts like lunch box, pencil box, pen, shampoo pouch etc. offered free with some products.

There are also exchange offers, like; in exchange of existing model of television you can get a new model at a reduced price. You may have also observed in your neighbouring markets notices of “winter sale”, “summer sale”, “trade fairs”, “discount up to 50%” and many other schemes to attract customers to buy certain products. All these are incentives offered by manufacturers or dealers to increase the sales of their goods. These incentives may be in the form of free samples, gifts, discount coupons, demonstrations, shows, contests etc. All these measures normally motivate the customers to buy more and thus, it increases sales of the product. This approach of selling goods is known as “sales promotion”.

Sales promotion consists of all promotional activities other than advertising, personal selling and publicity that helps to increase sales through non- repetitive and one time communication.

In other words, it includes marketing activities other than personal selling, advertising and publicity that stimulate consumer purchasing and dealer effectiveness, such as point of purchase displays, shows and exhibitions, demonstrations and various non-recurring selling efforts not in the ordinary routine. Sales promotion adopts short term, non-recurring methods to boost up sales in different ways. These offers are not available to the customers throughout the year. During festivals, end of the seasons, year ending and some other occasions these schemes are generally found in the market. Thus, sales promotion consists of all activities other than advertising and personal selling that help to increase sales of a particular commodity.

15.3.1 DEFINITIONS

The term sales promotion has been defined as under:

According to **Philip Kotler**, “those marketing activities other than personal selling, advertising and publicity that stimulate consumer purchasing and dealer effectiveness, such as display, shows,

demonstrations, expositions and various other non-current selling efforts, not in ordinary routine.”

In the words of **Robert C. and Scott A.**, “sales promotion consists of a diverse collection of incentive tools, mostly short- term, designed to stimulate quicker and/or greater purchase of particular products/services by consumers or trade.”

According to **Harold Whitehead**, “Sales promotion includes the dissemination of information to wholesalers, retailers, customers (actual and potential) and to the salesman”.

In the words of **Boone and Kurtz**, “Sales promotion can be defined as those forms of promotion other than advertising and personal selling that increase sales through non-recurrent selling efforts”.

According to **American Marketing Association**, “Those marketing activities other than personal selling, advertising and publicity that stimulate consumer purchasing and dealer effectiveness such as displays, shows and exposition, demonstration and various non-recurrent selling, not in the ordinary routine.”

In the words of **McCarthy**, “Sales promotion is any method of informing persuading or reminding consumers, wholesalers, retailers about the marketing mix of product, place and price which has been assembled by the marketing manager”.

In the words of **L.K. Johnson**, “Sales promotion consists of all those activities whose purpose is to supplement, to co-ordinate and to make more effective efforts of the sales force, of the advertising department and of the distributors; and to increase sales and otherwise stimulate consumers to take greater initiative in buying.”

We can summarize that sales promotion is a very important tool of marketing which includes samples, coupons, cash refund offers, prices off etc. so sales promotion refers to irregular and personal sales (leaving advertising and publicity) and all the marketing activities which stimulate

the consumers to purchase more and the traders to increase their sales like decoration, fairs, exhibitions, displays etc.

15.3.2 PURPOSE

The ultimate aim or purpose of sales promotion is that of increasing the volume of sales and profits but it differs from advertising and personal selling both in approach and techniques. Personal selling involves face to face contact with specific individuals while advertising is directed at a large number of potential customers. Sales promotion serves as a link between two by focussing selling efforts on selected small groups of people. Sales promotion usually involves non-recurring and no-routine methods in contrast with the routine and recurring nature of advertising and personal selling. Under advertising, the media is not owned and controlled by the advertiser except in direct mail advertisements. But sales promotion methods are controlled by the advertiser. Sales promotion covers various stimulants directed to the consumers and dealers. That is why it is of two types, consumers' sales promotion and dealers' sales promotion. The former stimulates consumer's buying at the point of sale and latter improves dealer's effectiveness at the retail outlets.

15.4 CHECK YOUR PROGRESS- 1

Answer the following in brief.

a) What is meant by 'sales promotion'?

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.....

.....

b) How can advertising help sales promotion?

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15.5 OBJECTIVES OF SALES PROMOTION

You have learnt that the main objective of sales promotion is to increase sales. However, there are also some other objectives of sales promotion. The objectives are:

- 16.5.1. To introduce new products
- 16.5.2. To attract new customers and retain the existing ones
- 16.5.3. To maintain sales of seasonal products
- 16.5.4. To meet the challenge of competition

Let us learn about these objectives in details.

15.5.1 TO INTRODUCE NEW PRODUCTS

Have you ever heard about distribution of free samples? Perhaps you know that many companies distribute free samples while introducing new products. The consumers after using these free samples may develop a taste for it and buy the products later for consumption.

15.5.2 TO ATTRACT NEW CUSTOMERS AND RETAIN THE EXISTING ONES

Sales promotion measures help to attract or create new customers for the product. While moving in the market, customers are generally attracted towards the product that offers discount, gift, prize, etc. These are some of the tools used to encourage the customers to buy the goods. Thus, it helps to retain the existing customers and at the same time it also attracts some new customers to buy the product.

15.5.3 TO MAINTAIN SALES OF SEASONAL PRODUCTS:

There are some products like air conditioner, fan, refrigerator, cooler, winter clothes, room heater, sunscreen lotion, glycerine soap etc. which are used only in a particular season. To maintain the sales of these types of products, normally the manufacturers and dealers give off-season discount. For example, you can buy air conditioner in winter at a reduced price. Similarly you may get discount on winter clothes during summer.

15.5.4 TO MAINTAIN SALES OF SEASONAL PRODUCTS

Today's business faces competition all the time. New products frequently come to the market and at the same time improvement also takes place. So, sales promotion measures have become essential to retain the market share of the seller or producer in the product-market.

15.6. CRITERIA FOR SETTING OBJECTIVES:

- (A) Cost of reaching an audience.
- (B) Acceptability of the tools to be used.

These criteria are developed taking into consideration the following variables/factors:

15.6.1 KINDS OF PRODUCT

The product is one of the factors that determine the form of promotion. Toys, toilet soaps and cosmetics are effectively shown on television. Mass selling consumer goods can be easily promoted through radio and television. Industrial and speciality goods should be promoted through technical journals and through sales engineers.

15.6.2 THE BUYER

If the marketers are to provide realistic solutions to the problem of buyers, they must know their customers, their needs and desires, their attitude, values, aspirations and expectations. Hence marketers must have up-to-date information about customer demand and customer behaviour. If the buyers are educated then demonstrations or instructions can be used as sales promotion technique. Similarly, contests and quizzes can be used if buyers are of young age and educated.

15.6.3 NATURE AND SIZE OF MARKET

The number, geographical location and purchasing power of potential customers exercise a significant impact on the sales promotion. Sampling, coupon, money refund orders, premium offer, price-off and trading stamps etc., are suitable for sales promotion in local markets. On

the other hand, fairs, exhibitions and fashion shows are more appropriate for sales promotion on the national level particularly for garments, books and electronic items.

15.6.4 STAGES IN PRODUCT LIFE CYCLE

This is an important managerial tool in sales promotion. Product lifecycles consists of four stages. Introduction of the product requires lots of energy to create awareness, acceptance and demand for the product. Introducing a new product for most companies is a costly and difficult exercise that is why they mostly depend on middlemen. Growth includes a fast growth both in sales volume and profit. Maturity (saturation) stage is longer. But the speed in achieving sales volume reduces during this stage. Profit also starts declining much faster than the sales. Declining is the last stage in product lifecycle. After a period of stability, the buyers lose interest on the product and sales start falling more quickly. At this stage either high cost sales promotion technique may be used or existing product may be improved.

15.6.5 MANAGEMENT POLICY

In the management policy, first of all, sales promotion objectives are set, then communication tools required for achieving these objectives are designed and the third step is to determine the cost required to execute promotional activities and programmes. In short, sales promotion expenditure is directly related to the objectives to be achieved.

15.6.6. BUDGET ALLOCATION AVAILABLE

The decision on how much to spend on promotion is externally difficult on account of multitude of promotional tools on the one hand and varieties of products and markets on the other. For example, the greater the geographical dispersion of a target market, the greater the communication expenditure required. Similarly, if an offering is in its early life cycle, there is a greater need of expenditure. But promotion budget

should always justify the tasks to be undertaken. A basic principle would be the cost and returns of sales promotion tools to be adopted. Hindustan Lever has its well-drawn up sales promotion budget. If any business house does not have its promotion budget fixed, then promotion programmes will have to be designed to support the marketing plan.

15.6.7 GOVERNMENT REGULATIONS

Government has passed various laws and made rules to protect the consumer interest such as the prevention of Food Adulteration Act, the Drugs and Magic Remedies (Objectionable Advertisements) Act, and Drugs and Cosmetics Act etc. Sales promotion policy must take into consideration the government regulations relating to the particular product, e.g. the commodity rates must be specified on the package and in case of medicines, drug contents and date of manufacturing, date of expiry and price must be specified.

15.7 CHECK YOUR PROGRESS- 2

15.7.1 FILL IN THE BLANKS:

- (a) Sales promotion includes all promotional activities other than advertising, personal selling and _____
- (b) The basic object of sales promotion is to increase the buying response of ultimate _____
- (c) The object of sales promotion is to improve _____ share.
- (d) Sales promotion objective is to supplement and co-ordinate the efforts of advertising and _____ selling.
- (e) Informing buyers about new brand and new package is the _____ of sales promotion.

15.7.2 STATE WHETHER TRUE OR FALSE?

- a. Discount on price is allowed only for those products of which sales tend to decline.

-
- b. Sales promotion schemes are announced only when new products frequently come in the market.
 - c. Free samples are distributed to induce customers to try new products.
 - d. Customers want to buy air-conditioners in summer to get the benefit of off-season discount.
 - e. Sales promotion helps to retain existing customers as well as create new ones.

15.8 SELECTING SALES PROMOTION TOOLS:

Sellers can use many tools for accomplishing sales promotion objectives. The following discussion will make us familiar with the main consumer and trade promotion tools.

15.8.1. CONSUMER PROMOTION TOOLS

The main consumer promotion tools are samples, coupons, cash refunds, price packs, premiums, advertising specialities, patronage rewards, point-of-purchase, displays and demonstrations, contests and games.

- **Samples** are offers to consumers of a trial amount of a product. Sampling is the most effective way to introduce a new product. Although in some cases sampling may be expensive.

- **Coupons** are certificates that give buyers a saving when they purchase specified products. Coupons can stimulate sales of a mature brand or promote early trial of a new brand.

- **Cash refund** offers (rebates) are offers to refund part of the purchase price of a product to consumers who send a “proof of purchase” to the manufacturer.

- **Price packs** are reduced prices that are marked by the producer directly on the label or package. Price packs are very effective in stimulating short-term sales.

-
- **Premiums** are goods offered either free or at low cost as an incentive to buy a product.
 - **Advertising specialities** are useful articles imprinted with advertiser's name, given as gifts to consumers.
 - **Patronage rewards** are cash or other rewards for the regular use of a certain company's products or services.
 - **Point-of-purchase** promotions are displays and demonstrations that take place at the point of purchase or sale.
 - **Contests and games** are promotional events that give consumers the chance to win something such as cash, trips or goods-by luck or through extra effort.

15.8.2. TRADE PROMOTION TOOLS

Several trade promotion tools are used by the manufacturers. Consumer promotion tools such as contest, premiums and displays can also be used as trade promotion tools. The manufacturer may also offer a straight discount on price on purchases during a stated period of time. The offer induces dealers to buy in quantity or to carry a new item. Dealers can utilize the discount for immediate profit, for advertising or for price reductions to their customers.

Manufacturers also may offer an allowance which is promotional money paid by manufacturers to retailers in return for an agreement to feature the manufacturer's products in some way. An advertising allowance compensates retailers for advertising the product. Through a display discount and allowance, manufacturers may offer free goods, push money and specialty advertising items to middlemen and sales force.

15.8.3. BUSINESS PROMOTION TOOLS

Companies use business promotions to generate business leads, stimulate purchases, reward customers and motivate sales people. Many of the consumer or trade promotion tools are used for business promotion.

Major business promotion tools are conventions, trade shows and sales contests.

Throughout the world, many companies and trade associations arrange conventions and trade shows for promoting their products. Companies selling industrial goods exhibit their products at the trade show. Participants in the trade shows receive many benefits such as opportunities to find new sales leads, contact customers, introduce new products, meet new customers, sell more to present customers and educate customers with publications and audio-visual materials. Companies can reach many prospects through trade shows that could not be reached through their sales forces. Marketers may spend a substantial portion of their promotion budgets on trade shows. They face several decisions including which trade shows to participate in, how much to spend on each trade show, how to build dramatic exhibits that attract attention and how to follow up on sales leads effectively. Companies also use sales contest as a business promotion tool. A sales contest is a contest organized for the purpose of motivating sales people or various middlemen to increase their sales performance over a given period. Sales contests are also called "incentive programs" which recognize and motivate good company performers who may be awarded trips, cash prizes or other gifts. Some companies have a system of awarding points on the basis of performance which the receiver can utilize for any of a variety of prizes. Sales contests are most productive when they are linked with measurable and achievable sales objectives such as finding new accounts, reviving old accounts or increasing discount profitability.

15.9. DEVELOPING SALES PROMOTION STRATEGIES

A sales promotion is frequently used by a business to increase sales of a specific product or service. Successful sales promotions draw new customers as well as keeping current customers. There are three sales promotion strategies: A "push strategy" pushes products through the

distribution chain with the in-store consumer as the final link. Discounts and free trials are two examples of "push strategy" sales promotion tools.

In contrast to the "push strategy," the "pull strategy" focuses on stimulating the consumer to purchase the product directly from the manufacturer. Cash refunds and loyalty programs are two examples of "pull strategies." The third strategy is a combination of the first two and may offer a consumer incentive in addition to a dealer discount.

INSTRUCTIONS DEVELOPING SALES PROMOTION STRATEGIES

15.9.1. LIST YOUR PRODUCT'S ATTRIBUTES:

Focus on the features that make your product different from similar products. Here are some examples: Your product possesses a specific benefit that competing products lack; your product comes in a popular larger size or your product has just been praised by a major celebrity. All of these positive qualities can be used to promote and increase sales of your product.

15.9.2 EXAMINE YOUR TARGET MARKET

Identify those consumer groups likely to use your product. Depending on the product, you may have one target market (example: ladies' handbags); or you could have several markets (example: hiking boots with built-in antimicrobial insoles). List non-traditional markets that can also benefit from your product.

15.9.3. ANALYZE YOUR COMPETITORS' TACTICS

Before you can "pull away from the pack," you need to see where the pack is running. Look at local advertisements, point of purchase offers and other promotional tactics your competition is using to sell similar products. If possible, make a few anonymous visits to gauge the product's sales for yourself.

15.9.4. DEVELOP A "WIN-WIN" SALES PROMOTION

Using the information you've gathered about your product, market and competitors, develop a sales promotion that benefits both the retailer and the customer. Here are two examples: Develop a customer loyalty card program with a truly exceptional reward for completing the loyalty card (e.g., a certificate for a free massage from a health product manufacturer). Another "win-win" sales promotion may offer a complete bicyclist clothing package with the purchase of a higher end bicycle.

15.9.5. INFORM AND ENTHUSE YOUR EMPLOYEES

A key element of successful sales promotion is the contagious attitude of employees towards the product. If they use and love the product, they will be happy to communicate that value to the customers.

15.9.6. CONDUCT AN INTERACTIVE TRAINING SESSION ABOUT THE PRODUCT

Provide a sample for all employees; if that's not feasible, ensure that everyone has time to try or study the product. Talk about the product's benefits for consumers and highlight the product's outstanding value when compared with similar products. Make the session fun-filled and conclude it with a great prize for the winner of a product trivia contest.

15.9.7. DEVELOP CRITERIA FOR THE PROMOTION'S SUCCESS

Before you implement the sales promotion, identify a quantitative measure of its success. This achievement might come in the form of higher monetary return, new customers signed up for a long-term service plan or other objective criteria.

15.9.8. IMPLEMENT THE PROMOTION

First, ensure that you have plenty of targeted products on hand. Next, highlight the product (and the promotional enticement) with store graphics and promotional supplies provided by the manufacturer. Make sure the product's benefits are communicated by the displays and by your

employees. One unconventional tactic is to hire an outgoing costumed version of the product, station her in the parking lot and task her with waving customers into the store.

To reach your target markets, put your advertising message into the media utilized by these markets. Here are two examples: for a golf product, advertise on golf websites, in regional golf publications and at local country clubs. For organic makeup products and cosmetics, advertise in organic and health magazines and at health and fitness centers.

15.10. SALES PROMOTION TOOLS AND PROGRAMMES

Sales promotion techniques are known as promotion tools and the mode of their application is known as sales programme. These tools and programmes are divided under two heads:

- (A) Tools and programmes for consumer's sales promotion.
- (B) Tools and programmes for dealer / distributor sales promotion

(A) TOOLS AND PROGRAMMES FOR CONSUMER'S SALES PROMOTION

These tools and programmes are as follows:

15.10.1 Sample: Usually called consumer sample, free samples are given to consumers to introduce a new product or to expand the market. The consumers can try the product.

15.10.2 Demonstrations or Instructions: These are instructions given to educate the consumers about using the product. This method may be used in products like vacuum cleaner.

15.10.3 Coupon: It is a certificate that reduces the price. When a buyer gives a coupon to the dealer or retailer, he gets the product at lower price. For example, in DCM coupon system if regular price is Rs.20 then with a coupon it is Rs.18. These are also known as discount coupons. Coupons are also accepted as cash by retailers.

15.10.4 Money-Refund Orders: The technique indicates refund of full purchase price if the buyer so wants. It is helpful in the introduction of a new product. Refund additional interest and increases sales considerably. It is a good device for creating new user and to strengthen the brand loyalty.

15.10.5 Premium (Gift) Offers: These are temporary price reductions which appeal to bargain instinct, e.g., instant coffee sold in carafes by one company was very successful. Towels, dinner- ware, hair-brushes, key chains, artificial flowers, ball pens, toilet soaps, blades were given in pack premiums. Attractive reusable jars costing separately say Rs. 12 may be given at an extra charge of Rs. 4 only. Liril gave a soap box almost free with two soap cakes.

15.10.6 Price-Off: The price off label is printed on the package e.g. Rs. 4 offers a Brooke Bond tea pack of 500 grams. It gives a temporary discount to the consumers.

15.10.7 Contests or Quizzes: These are held to stimulate consumer's interest in the product. In these contests and quizzers, participants compete for prizes on the basis of their skill or creative ideas. In Sweepstakes, they submit their names to be included in a draw of prize winners. This type of sales promotion is not a lottery because there is chance or luck; prizes are offered and a payment to participant is there. Trading or Bonus stamps are issued by retailers to customers who buy goods from there. The number of stamps given to a buyer depends upon the amount of purchases made by him. For instance in India, Roman Bonus Stamps are issued at the rate of 2-2.5 % of the purchase amount. These stamps are given free of charge and the customers can redeem them to obtain products out of the specified list. This technique induces customer to buy their requirements from the retailers who offer such stamps. The purpose is to increase customer loyalty.

15.10.9 Fairs and Exhibitions: Trade shows, fashion shows or parades, fairs and exhibitions are important technique/tools of sales promotion. They provide a forum for the exhibitions or demonstration of products. Free literature can be distributed to introduce the firm and its products to the public. Fairs and exhibitions are organized usually by big firms or trade associations. At these fairs and exhibitions, business firms are allotted stalls wherein they display their products. Fairs and exhibitions have wide appeal as several people visit there. Customer can be attracted through gifts, special concessions and free demonstrations of technical and speciality products. They provide an opportunity to the visitors to observe the competing products and help to promote sales. For instance, the Trade Fair Authority of India organises Trade Fairs of various types in New Delhi. The National Book Trust organises World Book Fair where publishers from all over the world are invited to display their publications. Sometimes sales conventions or conferences of dealers are held. Producers of garments often organise fashion shows to promote their products.

15.10.10 Public Relations Activities: These include greetings or thanks in newspapers, donating space for noble causes, offer of Privileged Citizen Card etc. Their purpose is not to create immediate demand or to increase sales. They are designed to create a good image of the firm in society.

15.10.11 Exchange Scheme: This technique offers to exchange the old product with new payment of a fixed amount which is less than the original price for example, exchange of old black & white television for colour television by paying rupees 8000 only (original price is rupees 10000) was offered by a particular producer of colour TV sets.

(B) TOOLS AND PROGRAMMES FOR DEALERS/DISTRIBUTORS SALES PROMOTION:

These tools and programmes are:

15.10.12 Free Display: There is provision of free display of material either at the point of purchase (POP) or at the point of sale (POS), depending on

one's view point. Display reaches consumers when they are buying and actually spending their money.

15.10.13 Retail Demonstrations: These are arranged by manufactures for preparing and distributing the products as a retail sample, for example, Nescafe Instant Coffee was served to consumers for trying the sample on the spot of demonstration regarding the method of using the product.

15.10.14 Trade Deals: These are offered to encourage retailers to give additional selling support to the product, e.g. toothpaste sold with 30% to 40% margin.

15.10.15 Buying Allowance: Sellers give buying allowance of a certain amount of money for a product bought.

15.10.16 Buy-Back Allowance: It is offered to encourage repurchase of a product immediately after another trade deal. A buy back is a resale opportunity.

15.10.17 Free Goods: Seller gives free goods, e.g. one piece free with two, or two pieces free with ten are common free deals.

15.10.18 Advertising and Display Allowance: These are also offered to retailers to popularise the product and brand name of the manufacturer.

15.10.19 Contents: Sales contests are held for salesmen.

15.10.20 Dealer Loader: A gift for an order is a premium given to the retailer for buying certain quantities of goods or for special display done by the retailer.

15.10.21 Training for Salesmen: Dealer and distributor training for sales men may be provided to them for better knowledge of a product and the way to use it. Dealer sales promotion provides the selling devices. Sales promotion devices at the point of purchase inform, remind and stimulate buyers to purchase products. People who see these devices are in a buying mood and thus they can be easily persuaded to buy those products. Tell tags are informative labels affixed on the product describing in detail

the features of the product and its unique selling points. Counter, top racks, posters, mechanised signs are other point-of purchase displays.

15.11 CHECK YOUR PROGRESS - 3

Fill In The Blanks:

- (a) Free samples are given to customers to introduce a new _____
- (b) Coupon is a certificate that reduces the _____ of the product.
- (c) Price-off gives a temporary _____ to the consumers.
- (d) Producers of garments often organise _____ shows to promote their products.
- (e) Retail demonstrations are supplied by manufactures for preparing and distributing the products as retail _____.

15.12 IMPORTANCE OF SALES PROMOTION

The business world today is a world of competition. A business cannot survive if its products do not sell in the market. Thus, all marketing activities are undertaken to increase sales. Producers may spend a lot on advertising and personal selling; still the product may not sell. So incentives need to be offered to attract customers to buy the product. Thus, sales promotion is important to increase the sale of any product. Let us discuss the importance of sales promotion from the point of view of manufacturers and consumers.

15.12.1. FROM THE POINT OF VIEW OF MANUFACTURERS

Sales promotion is important for manufacturers because:

- i. It helps to increase sales in a competitive market and thus, increases profits;
- ii. It helps to introduce new products in the market by drawing the attention of potential customers;

- iii. When a new product is introduced or there is a change of fashion or taste of consumers, existing stocks can be quickly disposed of.
- iv. It stabilizes sales volume by keeping its customers with them. In the age of competition it is quite possible that a customer may change his/her mind and try other brands. Various incentives under sales promotion schemes help to retain the customers.

15.12.2. FROM THE POINT OF VIEW OF CONSUMERS

Sales promotion is important for consumers because:

- i. The consumer gets the product at a cheaper rate;
- ii. It gives financial benefit to the customers by way of providing prizes and sending them to visit different places;
- iii. The consumer gets all information about the quality, features and uses of different products
- iv. Certain schemes like money back offer creates confidence in the mind of customers about the quality of goods; and
- v. It helps to raise the standard of living of people. By exchanging their old items they can use latest items available in the market. Use of such goods improves their image in society.

15.13. CHECK YOUR PROGRESS - 4

Given below are some statements which are wrong. Correct them in the space provided below each.

- a. "Money back offer" helps customers to improve their status in the society and so it is important to them.

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b. Existing stock can be quickly disposed off by sales promotion when dealers want to compete in the market and that is why it is important to them.

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c. The importance of sales promotion is appreciated by consumers because they cannot change over to new brand of goods.

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d. Dealers consider sales promotion to be important because it involves cheaper rates being offered to customers.

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e. For consumers sales promotion has no importance even if it provides information about improvement in quality of goods because that does not bring monetary benefit.

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15.14 SUMMARY

In this unit we have discussed the meaning of sales promotion, its objectives and how to select, develop and implement sales promotion

strategies. *More than any other element of the promotional mix, sales promotion is about "action"*. Sales promotion is the final marketing mix element. It is about stimulating customers to buy a product. It is not designed to be informative; a role which advertising is much better suited to. Sales promotion consists of short-term incentives to encourage purchase or sales of a product or service whereas advertising and personal selling offer reasons to buy a product or service, sales promotion offers reasons to buy *now*. **Promotional strategy** is the function of informing, persuading, and influencing a consumer decision. It is as important to non-profit organizations as it is to a profit oriented company like Colgate-Palmolive. Some promotional strategies are aimed at developing *primary demand*, the desire for a general product category.

Sales promotion activities may be used singly or in combination, both offensively and defensively, to achieve one goal or a set of goals. Sales-promotion tools vary in their specific objectives. A free sample stimulates **consumer trial** whereas a free management-advisory service aims at cementing a long-term relationship. Today, many marketing managers first estimate what they need to spend in trade promotion then what they need to spend in consumer promotion. Whatever is left they will budget for advertising. There is a danger however in letting advertising take a back seat because advertising typically acts to build brand loyalty. The question of whether or not sales promotion weakens brand loyalty is subject to different interpretations. Sales promotion, with its incessant price off, coupons, deals and premiums may devalue the product offering in buyers' mind. Buyers learn that the list price is largely a fiction. However, before jumping to any conclusion, we need to distinguish between price promotions and added-value promotions.

15.14.1 WHAT YOU HAVE LEARNT

Sales promotion consists of all promotional activities other than advertising and personal selling to increase sales of a commodity.

➤ **Objectives of Sales Promotion**

- To introduce new products
- To attract new customers and retain the existing
- To maintain sales of seasonal products
- To challenge the competition

➤ **Tools / Techniques used in Sales Promotion**

- Free samples
- Premiums or Bonus offer
- Exchange schemes
- Price-off offer
- Coupons
- Fairs and Exhibitions
- Trading stamp
- Scratch and win offer
- Money Back offer

➤ **Importance of Sales promotion:**

For manufacturers	For consumers
<ul style="list-style-type: none"> • Increases the volume of sales • Helps to introduce new products in the market • Enables quick disposal of existing stocks 	<ul style="list-style-type: none"> • Goods are available cheaper rate • Financial benefits to the customers • Generates awareness about new brands • Stabilizes the volume of sales • Creates confidence in the mind of customers regarding quality • Raise standard of living

15.15 GLOSSARY

- **Sales promotion-** Consists of short-term incentives to encourage the purchase or sale of a product or service.
Samples- Offers of a trial amount of a product.
- **Coupons-** Certificates that offer buyers savings when they purchase specified products.
- **Seasonal products-** Item whose demand varies in a regular pattern year to year.
- **Market share-** The portion of a market controlled by a particular company or product.
- **Dealer outlets-** a place of business for retailing goods.

15.16 ANSWERS TO CHECK YOUR PROGRESS 1, 2, 3 & 4

15.4 (a) Sales Promotion refer to all activities other than advertising and personal selling that help to increase sales of a particular commodity.

(b) Advertising can be used as a means of communication to inform potential customers about incentives for sales promotion.

15.7.1 Fill In The Blanks.

- (a) Publicity
- (b) Consumers
- (c) Market
- (d) Personal
- (e) Objective.

15.7.2 State Whether True or False?

- (a) False
- (b) False
- (C) True
- (d) False
- (e) True

15.11 Fill in the Blanks.

- (a) Product
- (b) Price
- (c) Discount
- (d) Fashion
- (e) Sample

- 15.13** a. Exchange offer as a sales promotion measure helps consumers to improve their status in the society and so it is important to them.
- b. The importance of sales promotion to dealers lies in the fact that existing stocks can be quickly disposed off when there is change in the fashion or taste of consumers.
- c. To the dealer, sales promotion is important because customers are thereby induced not to change over to new brands.
- d. Sales promotion is important to consumers as goods are available at cheaper rates.
- e. For consumers, sales promotion is important because it provides information about improvement in quality of goods.

Activity for You:

- i. Make an enquiry from the neighbouring market retailers at what time they offer stock clearance-sale and why.
- ii. Collect information through advertisements in newspapers and magazines regarding various sales promotion schemes introduced by manufacturers.

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15.17 SUGGESTED READINGS:

Principles of Marketing	C.N. Sontakki
International Marketing	R. Srinivasan
Marketing Management	Mukesh Dhunna
Basics of Marketing Management	Dr. R.B. Rudani
Marketing Management	C.N. Sontakki

15.18 TERMINAL QUESTIONS

1. Explain the meaning of 'Sales Promotion'. Why is Sales Promotion necessary? Describe the purpose served by sales promotion?
2. Explain briefly the objectives of sales promotion. What are the criteria for setting the objectives of sales promotion? Explain the factors to be considered in developing these criteria.
3. Explain how sales promotion tools and programmes are selected and developed?
4. Explain various sales promotion tools and programmes for dealers/distributors and consumers' sales promotion.

UNIT-16: PUBLIC RELATIONS

STRUCTURE:

- 16.1 INTRODUCTION
- 16.2 OBJECTIVES
- 16.3 MEANING AND DEFINITIONS OF PUBLIC RELATIONS
- 16.4 CHECK YOUR PROGRESS-1
- 16.5 OBJECTIVES OF PUBLIC RELATIONS
- 16.6 FUNCTIONS OF PUBLIC RELATIONS
- 16.7 ELEMENTS OF PUBLIC RELATIONS
- 16.8 CHECK YOUR PROGRESS-2
- 16.9 THE PUBLIC RELATIONS PROCESS
- 16.10 CHECK YOUR PROGRESS-3
- 16.11 MAJOR TOOLS IN MARKETING PUBLIC RELATIONS
- 16.12 CHECK YOUR PROGRESS-4
- 16.13 PUBLIC RELATION OPPORTUNITIES FOR HOSPITALITY INDUSTRY
- 16.14 SUMMARY
- 16.15 GLOSSARY
- 16.16 ANSWERS TO CHECK YOUR PROGRESS- 1, 2, 3 AND 4.
- 16.17 REFERENCES
- 16.18 SUGGESTED READINGS
- 16.19 TERMINAL QUESTIONS

16.1 INTRODUCTION

In the previous lesson, you have learnt about sales promotion, which consists of all promotional activities other than advertising, personal selling and publicity that help to increase sales through non repetitive and one time communication. In other words, it includes marketing activities other than personal selling, advertising and publicity that stimulate consumer purchasing and dealer effectiveness such as point of purchase displays, shows and exhibitions, demonstrations and various non-recurring selling efforts not in the ordinary routine. Sales promotion adopts short-

term, non-recurring methods to boost up sales in different ways. These offers are not available to the customers throughout the year. During festivals, end of the seasons, year ending and some other occasions these schemes are generally found in the market. Each marketer has to devise their own promotional-mix to help them achieve their specific marketing objectives. In the present unit we shall discuss public relations, its process and technique. Public relations, perhaps the most misunderstood part of marketing communications, can be the most effective tool.

Public Relations is a planned and sustained activity to help an institution create a social climate favourable for its growth. It is based on the fundamental belief that the survival of any enterprise, public or private depends today on the sensitive response to changes in public opinion.

16.2 OBJECTIVES

After reading this chapter, you should be able to:

1. Understand the meaning and definitions of public relations.
2. Understand the public relations objectives: Building Product Awareness, Creating Interest, Providing Information, Stimulating Demand, Reinforcing the Brand
3. Understand the different functions and elements of public relations.
4. Understand the public relations process: research, establishing marketing objectives, defining the target audience, choosing the PR message and vehicles, and evaluating PR results.
5. Know how the different PR tools are used: Media Relations, Media Tours, Newsletters, Special Events, Speaking Engagements, Sponsorships, Employee Relations, Community Relations and Philanthropy.
6. Discuss the public relations opportunities for hospitality business.

16.3 MEANING OF PUBLIC RELATIONS

Public relations (PR) is an important marketing tool that until recently was treated as a marketing stepchild. PR is moving into an explosive growth stage. Companies are realizing that mass marketing is no longer the answer to some of their communication needs. Advertising costs continue to rise, while audience reach continues to decline. Dull advertising reduces the impact of each ad. Sales promotion costs have also increased as channel intermediaries demand lower prices and better commissions and deals. Personal selling can cost over Rs.500 a call. In this environment, public relations, holds the promise of a cost-effective promotional tool. The creative use of news events, publications, social events, community relations and other PR techniques offers companies a way to distinguish themselves and their products from their competitors.

The public relations department of cruise lines, restaurant chains, airlines and hotels is typically located at corporate headquarters. Often, its staff is so busy dealing with various publics—stockholders, employees, legislators and community leaders that PR support for product marketing objectives tends to be neglected. Many four and five-star hotel chains have corrected this deficiency by hiring local public relations managers. In the past, it was common for marketing function and PR function to be handled by two different departments within the firm. Today these two functions are increasingly integrated. There are several reasons for this integration. First, companies are calling for more market-oriented PR. They want their PR departments to manage PR activities that contribute toward marketing the company and improving the bottom line. Second, companies are establishing marketing PR groups to support corporate/product promotion and image making directly. Thus marketing PR, like financial PR and community PR, serves a special constituency, the marketing department.

16.3.1 DEFINITIONS OF PUBLIC RELATIONS

The term Public Relations has been defined as under:

“Public Relations is the deliberate, planned and sustained effort to establish and maintain mutual understanding between an organization and its publics.”
- **Institute of Public Relations, USA**

“Public relations is the attempt by information persuasion and adjustment to engineer public support for an activity, cause, movement or institution.”
- **Edward L. Bernays**

“Public Relations is a combination of philosophy, sociology, economics, language, psychology, journalism, communication and other knowledge into a system of human understanding.” - **Herbert M. Baus**

“Merely human decency which flows from a good heart.”

- **Charles Plackard**

“Good performance, publicity appreciated because adequately communicated.”
- **Fortune (Magazine)**

“Public Relations is(Dale Carnegie) - winning friends and influencing people – writ large.”
- **Robert Heibroner**

“Everything involved in achieving a favourable opinion.”

- **George F. Meredith**

Former President of the American Public Relation Association “The Management function which gives the same organized and careful attention to the asset of goodwill as is given to any other major asset of business.”
- **John W. Hill**

“Public Relations is distinctive management function which helps establish and maintain mutual lines of communication, understanding, acceptance and cooperation between an organization and its publics; involves the management of problems or issues; helps management to keep informed on and responsive to public opinion; defines and emphasizes the responsibility of management to serve the public interest; helps management keep abreast of and effectively utilize change, serving as an early warning system to help anticipate trends; uses research and sound, ethical communication as its principal tools.” - **Rex F. Harlow**

So we can summarize that Public relations (PR) is the practice of managing the flow of information between an organization and its publics. Public relations provide exposure to an organization or individual to their audiences using topics of public interest and news items that do not require direct payment. Their aim is often to persuade the public, investors, partners, employees and other stakeholders to maintain a certain point of view about the company, its leadership and products or of political decisions. Common activities include speaking at conferences, winning industry awards, working with the press and employee communication.

16.4 CHECK YOUR PROGRESS - 1

Answer the following in brief:

a) What do you mean by public relations?

.....

16.5 OBJECTIVES OF PUBLIC RELATIONS

Like other aspects of marketing promotion, public relations are used to address several broad objectives including:

16.5.1 BUILDING PRODUCT AWARENESS

When introducing a new product or re- launching an existing product, marketers can use a PR element that generates consumer attention and awareness through media placements and special events.

16.5.2 CREATING INTEREST

Whether a PR placement is a short product article or is included with other products in “round up” article, stories in the media can help entice a targeted audience to try the product. For example, around the holiday

season, a special holiday food may be promoted with PR through promotional releases sent to the food media or through special events that sample the product.

16.5.3 PROVIDING INFORMATION

PR can be used to provide customers with more in depth information about products and services. Through articles, collateral materials, newsletters and websites, PR delivers information to customers that can help them gain understanding of the product.

16.5.4 STIMULATING DEMAND

A positive article in a newspaper, on TV news show or mentioned on the Internet often results in a discernable increase in product sales.

16.5.5 REINFORCING THE BRAND

In many companies the public relations function is also involved with brand reinforcement by maintaining positive relationships with key audiences and thereby aiding in building a strong image. Today it is ever more important for companies and brands to build a good image. A strong image helps the company build its business and it can help the company in times of crisis as well.

16.6 FUNCTIONS OF PUBLIC RELATIONS

- Public Relations are establishing the relationship among the two groups (organisation and public).
- Art or Science of developing reciprocal understanding and goodwill.
- It analyses the public perception & attitude, identifies the organisation policy with public interest and then executes the programmes for communication with the public.

16.7. ELEMENTS OF PUBLIC RELATIONS

- A planned effort or management function.
- The relationship between an organisation and its publics.
- Evaluation of public attitudes and opinions.
- An organisation's policies, procedures and actions as they relate to said organisation's publics.
- Steps taken to ensure that said policies, procedures and actions are in the public interest and socially responsible.
- Execution of an action and /or communication programme.
- Development of rapport, goodwill, understanding and acceptance as the chief end result sought by public relations activities.

16.8 CHECK YOUR PROGRESS - 2

16.8.1. FILL IN THE BLANKS:

- Public relations (PR) is an important marketing tool that until recently was treated as a _____.
- Public Relations are a _____ activity to help an institution create a social climate favourable for its growth.
- Public Relations are execution of an action and or _____.
- Public Relations are a _____ or management function.

16.8.2 STATE WHETHER TRUE OR FALSE?

- In the past, it was common for the marketing function and PR function to be handled by same departments within the firm.
- Today it is ever more important for companies and brands to build a good image.
- PR can be used to provide customers with more in depth information about products and services.

- d) Public Relations are establishing the relationship among the two groups, organisation and its employee.

16.9 THE PUBLIC RELATIONS PROCESS

Effective public relations are the result of a process. This process must be integrated with the firm's marketing strategy. One common misconception about public relations and publicity is that quantity is more important than quality. Some PR firm's measure success by the number of articles placed in media. As in other marketing efforts, public relations should be meaningful to the target market. The PR process consists of the following steps: research, establishing the market objectives, defining the target audience, choosing the PR messages and vehicles, implementing the PR plan and evaluating the results.

16.9.1. RESEARCH

Before a company can develop a public relations programme, it must understand the company's mission, objectives, strategies, and culture. It should know the vehicles that will be effective in delivering messages to the target audience. Much of the information needed by a PR manager will be contained in a well-written marketing plan. Ideally, the PR manager should be involved in the formation of the marketing plan. The firm's environmental scanning system is another important source of information for the PR manager. Analysis of this information should identify trends and give the firm insights into how they should react to these trends. For example, many hotel and restaurant companies are now showing what they are doing to wave and protect the natural environment.

16.9.2. ESTABLISHING THE MARKETING OBJECTIVES

Once the PR manager has identified opportunities through product experiment and research, priorities can be established and objectives set. Marketing PR can contribute to the following objectives:

-
- (a) Build awareness:** PR can place stories in the media to bring attention to a product, service, person, organization or idea.
- (b) Build credibility:** PR can add credibility by communicating the message in an editorial context.
- (c) Stimulate the sales force and channel intermediaries:** PR can help boost sales force and franchisee enthusiasm. Positive stories about a new menu item will make an impression on the customers, employees and franchisees of a restaurant chain. The publicity a hotel receives from winning the Ministry of Tourism Award provides their sales force with great ammunition when they make a sales call.
- (d) Hold down promotion costs:** PR costs less than direct mail and media advertising. The smaller the company's promotion budget is, the stronger the case for using PR to gain share of mind. Specific objectives should be set for every PR campaign.

16.9.3. DEFINING THE TARGET AUDIENCE

A relevant message delivered to a target audience by the appropriate vehicle is crucial to the success of any PR campaign. Effective PR practitioners carefully identify the public that they wish to reach. They then study these publics and find media that can be used as vehicles to deliver their message. The identity issues important to the public form the message so that it seems natural and logical to the target audience.

16.9.4. CHOOSING THE PR MESSAGE AND VEHICLES

The PR practitioner is now ready to identify or develop interesting stories about the product or service. If the number of stories is insufficient, the PR practitioner should propose newsworthy events that the company can sponsor. Here the challenge is to create news rather than find it. PR ideas include hosting major academic conventions, inviting celebrity speakers and developing news conferences. Each event is an opportunity to develop a multitude of stories directed at different audiences.

16.9.5. IMPLEMENTING THE MARKETING PR PLAN

Implementing publicity requires care. Consider the matter of placing information in media. Exciting information is easy to place. However, most press releases are less than great and might not get the attention of busy editors. A chief asset of publicists is their personal relationship with media editors. Public relations practitioners are often ex-journalists who know many media editors and what they want. PR people look at media editors as a market to be satisfied so that they will continue to use the company's press releases. Publicity requires extra care when it involves staging special events such as testimonial dinners, news conferences and national contests. PR practitioners need a good head for detail and for coming up with quick solutions when things go wrong. Most hotel corporations have a crisis plan included as part of their PR plan. In this plan they state who can talk to the media and who should not. These plans usually state that staff should not speak to media but instead direct all inquiries to the director of public relations.

16.9.6. EVALUATING PR RESULTS

The contribution of PR is difficult to measure because it is used along with promotion tools. If it is used before other tools come into action then its contribution is easier to evaluate.

(a) **Exposures:** The easiest measure of PR effectiveness is the number of exposures created in the media. Publicists supply the client with a clipping book showing all the media that carried news about the product and a summary statement such as the following:

Media coverage included 3,500 column inches of news and photographs in 350 publications with a combined circulation of 79.4 million; 2,500 minutes of air time on 290 radio stations and an estimated audience of 65 million; and 660 minutes of air time on 160 television stations with an estimated audience of 91 million. If this time and space had been purchased at advertising rates, it would have amounted to

Rs.1,047,000.12. This exposure measure is not very satisfying. There is no indication of how many people actually read, heard or recalled the message and what they thought afterward. There is no information on the net audience reached because publications overlap in readership. Because publicity's goal is to reach, not frequency, it would be useful to know the number of unduplicated exposures. It is also important that publicity reaches target markets. A common weakness of publicity is that the persons exposed to it are not part of the company's target market.

(b) **Awareness/Comprehension/Attitude Change:** A better measure is the change in product awareness/comprehension/attitude resulting from the campaign (after allowing for the effect of other promotional tools). For example, how many people recall hearing the news item? How many told others about it (a measure of word of mouth)? How many changed their minds after hearing it? The Potato Board learned, for example, that the number of people who agreed with the statement "potatoes are rich in vitamins and minerals" went from 36 percent before the campaign to 67 percent after the campaign, a significant improvement in product comprehension.

(c) **Sales-and-Profit Contribution:** Sales-and-profit impact is the most satisfactory measure, if obtainable. A well-planned public relations campaign is usually part of an integrated promotional campaign. This makes it very difficult to isolate the impact of the PR campaign.

16.10 CHECK YOUR PROGRESS - 3

Fill In The Blanks:

- a) Effective _____ are the result of a process.
- b) PR can add credibility by communicating the _____ in an editorial context.
- c) Effective PR practitioners carefully identify the _____ that they wish to reach.

- d) Each event is an opportunity to develop a multitude of stories directed at different_____.
- e) A well-planned public relations campaign is usually part of an_____ campaign.

16.11 MAJOR TOOLS IN MARKETING PUBLIC RELATIONS

As we have noted while studying Public Relations, the challenges faced in implementing PR will lead many marketers to hire professionals to handle these activities. Whether marketers handle their own PR or seek outside help, it is important that they be familiar with the tools available for public relations. The key tools available to carry out the public relations function include:

- Media Relations
- Media Tours
- Newsletters
- Special Events
- Speaking Engagements
- Sponsorships
- Employee Relations
- Community Relations and Philanthropy

Each of these PR tools is discussed in detail below.

16.11.1 MEDIA RELATIONS:

Historically the core of public relations; media relations, includes all efforts to publicize products or the company to members of the press, TV and radio, newspaper, magazine, newsletter and Internet. In garnering media coverage, PR professionals work with the media to place stories about products, companies and company spokespersons. This is done by developing interesting and relevant story angles that are pitched to the media. It is important to remember that media placements come with good stories and no payment is made to the media for placements. In fact, in

order to maintain the highest level of credibility, many news organizations bar reporters from accepting even the smallest gifts (e.g., free pencils with product logo) from companies.

Key tools used in media relations include:

- **Press Kits:** Include written information such as a news release, organization background, key spokesperson biographies and other supporting materials that provide information useful to reporters.
- **Audio or Video News Releases:** These are pre-recorded features distributed to news media that may be included within media programming. For instance, a local news report about amusement parks may include portions of a video news release from a national amusement park company.
- **Matte Release:** Some media, especially small local newspapers may accept articles written by companies often as filler material when their publication lacks sufficient content. PR professionals submit matte releases through syndicated services (i.e. services that supply content to many media outlets) or directly to targeted media via email, fax or snail mail.
- **Website Press Room :** While hard copies of materials are used and preferred by some media, marketers are well served by an online press room that caters to media needs and provides company contact information.

As PR people know, many story ideas for newspapers, magazines and television news often start with a suggestion from a PR person. If things work out, a reporter or editor will, at best, write a positive story with the company as a key feature or, at minimum, include the company's name somewhere within an industry-focused article.

16.11.2. MEDIA TOUR

Some new products can be successfully publicized when launched with a media tour. On a media tour, a company spokesperson travels to

key cities to introduce a new product by being booked on TV and radio talk shows and conducting interviews with print and Internet reporters or influencers (e.g., bloggers). The spokesperson can be a company employee or someone hired by the company, perhaps a celebrity or "expert" who has credibility with the target audience. One common use of the media tour is the book tour, where an author travels the country to promote a newly released book. A media tour may include other kinds of personal appearances in conjunction with special events such as public appearances, speaking engagements or autograph signing opportunities.

16.11.3. NEWSLETTERS

Marketers who have captured names and addresses of customers and potential customers can use a newsletter for regular contact with their targeted audience. Newsletters can be directed at trade customers, final consumers or business buyers and can be distributed either by regular mail or electronic means (i.e., e-newsletters delivered via email or rss feed). Marketers using newsletters strive to provide content of interest to customers as well as information on products and promotions. A bookstore may include reviews of new books, information on online book chats and information on in-store or online promotions. A food manufacturer may include seasonal recipes, information on new products and coupons. Online newsletters offer the opportunity to link to stores carrying the marketer's products. Effective newsletters are sought out by and well received by interested audiences.

16.11.4. SPECIAL EVENTS

These run the gamut from receptions to elegant dinners to stunts. Special events can be designed to reach a specific narrow target audience such as individuals interested in college savings plans to major events like a strawberry festival designed to promote tourism and regional agriculture. Stunts, such as building the world's largest ice cream sundae during

National Ice Cream month captures the attention of an audience in the immediate area and also attracts the attention of mass media such as TV news and major newspapers which provide broad reach. The Oscar Mayer Weiner mobile is a classic example providing a recognizable icon that travels the country garnering attention wherever it visits. As with all PR programs, special event planners must work hard to ensure the program planned conveys the correct message and image to the target audience.

16.11.5. SPEAKING ENGAGEMENTS

Speaking before industry conventions, trade association meetings and other groups provides an opportunity for company experts to demonstrate their expertise to potential clients/customers. Generally these opportunities are not explicitly for company or product promotion; rather they are a chance to talk on a topic of interest to potential customers and serve to highlight the speaker's expertise in a field. Often the only mention of the company or its products is in the speaker biography. Nevertheless, the right speaking engagement puts the company in front of a good target audience and offers networking opportunities for generating customer leads.

16.11.6. SPONSORSHIPS

Companies and brands use sponsorships to help build goodwill and brand recognition by associating with an event or group. Marketers can examine sponsorship opportunities to find those that reach target groups, fit within a specified budget and provide sponsorship benefits that suit the marketer's objectives. There are numerous local, regional, national and international sponsorship opportunities ranging from a local art centre or theatre to the Olympics.

Most organizations seeking company sponsors provide information on the variety of sponsorship levels which include data on event audience, exposure opportunities, which can include signage, T-shirts, public

announcements and numerous other opportunities, receptions and much more. Marketers can use this information to help match sponsorship opportunities with the company's objectives.

16.11.7. EMPLOYEE COMMUNICATIONS

For many companies communicating regularly with employees is important in keeping employees informed of corporate programs, sales incentives, personnel issues as well as keeping them updated on new products and programs. Companies use a variety of means to communicate with employees, including Intranet, email, online and print newsletters. In larger firms an in-house PR department often works in conjunction with the Human Resources Department to develop employee communications.

16.11.8. COMMUNITY RELATIONS AND PHILANTHROPY

For many companies fostering good relations with key audiences includes building strong relationships with their regional community. Companies implement programs supportive of the community ranging from supporting local organizations and institutions (e.g., arts organizations, community activities, parks) to conducting educational workshops (e.g., for teachers, parents) to donating product for community events and charitable fundraisers.

The goal is generally to develop a positive relationship with members of the community (i.e., be known as a good neighbour). Effective community relations can help a company weather bad publicity or a crisis situation that can unexpectedly arise due to a problem with a product, unethical behaviour by management or even by false rumours. Some companies also make an effort to contribute to charitable organizations, often organizations that have some relationship to the company's mission or to a key principal of the company.

16.12 CHECK YOUR PROGRESS-4:

State whether true or false?

- (a) Matte Release includes written information such as a news release, organization background, key spokesperson biographies and other supporting materials that provide information useful to reporters.
- (b) Special events can be designed to reach audience.
- (c) Companies and brands use sponsorships to help build goodwill and brand recognition by associating with an event or group.
- (d) The right speaking engagement puts the company in front of a good target audience and offers networking opportunities for generating customer leads.

16.13 PUBLIC RELATION OPPORTUNITIES FOR HOSPITALITY INDUSTRY

The truth is hotel marketers think very traditionally. And unfortunately this means, in the discipline of marketing, an expense item rather than as a return on investment. The 'expense' philosophy usually means spending your marketing rupees, over time, on ad placement in media to communicate your message. This is certainly important but unless your results can be measured or tracked, this may not be the most efficient way to get your message out there. When marketing tactics involve public relations, direct mail, sales, e-marketing, website maintenance and then media placement, your rupees can be allocated so that they are more focused, more targeted and more effective. Hotel public relations includes activities such as press relations, special events planning, targeted outreach for focused editorial coverage, organization of press familiarization trips (so that travel writers can experience your venue first hand), newsletters, community relations and philanthropy. Ironically while marketing budgets have decreased over the last few years, it was public relations that usually took the hit, even when it

is a less expensive cost item than the other marketing tactics mentioned above and that it produces more beneficial results. It is just that it is usually considered an afterthought rather than a core marketing tactic.

The power of public relations is well proven. It is the most cost-effective method for promoting a travel product, establishing third-party credibility and getting your name in front of the trade industry and publications and of course, the public. Placing stories with press releases, articles and columns is your link to countless national and local newsrooms, editors, and journalists. And the media provide significantly more credibility than expensive traditional display advertising. How should you get back into the PR game? How can you get started using public relations if we have not done in the past?

- First, take a look at how public relations have shaped the development of your company. Have you been taking advantage of the PR opportunities provided to you by your brand or your Convention and Visitors Bureau? What are the images, perceptions and messages already out there about your hotel or establishment? Are they accurate? Is it the message you want the public to know? Does that message need to be modified or strengthened?
- Determine which marketing, sales and public relations disciplines will work in tandem with one another to support each other's messages; will direct mail to a targeted pre-determined audience; support editorial coverage in the publications this group reads; will direct contact by your sales director, help support the messages you want shared; will web-marketing and e-mail marketing be the tactic used to support the PR effort at this time?
- Agree upon your public relations objectives to make public relations work for you. It is always amazing to see how hotel operators and owners expect a lot when they give a little. "PR can handle it and we do not need a whole lot of funds." Well, you may not need as much as you

would for advertising, direct mail or image advertising but there should be a budget allocated for press release distribution, photography, special events, clipping services, opportunities to entertain the media and so on.

- Do you have someone on staff to handle media relations? If funds allow, this is an excellent strategy to maximize awareness and gain the utmost exposure. In-house public relations can be so strong for a hotel, resort, destination, as it allows a spokesperson to really focus and dedicate efforts for promoting your product. But do not use this individual to handle all the miscellaneous activities unrelated to public relations. It is not unusual for a really good PR person to be an excellent jack-of-all-trades. And that is because good PR people are very resourceful and always can find a contact or an answer to any issue. But do not allow hotel management to always “throw anything” their way. Let the PR person concentrate on press relations, special events and media.
- If resources for PR are limited and you cannot afford an on-site person, consider bringing in an outside public relations expert to focus on specific proactive tasks, serve as the liaison with writers and editors and assist your hotel with publicity efforts.

Remember, public relations demand a professional with the experience, writing skills, public speaking skills and media relationships to capitalize on. This effort should not be left to a sales secretary or the general manager’s assistant to simply “handle.” The PR activities should not be thrown on to someone as additional work. Public relations truly require a polished, refined and intelligent presentation from the professional dedicated to this discipline. Organization, creativity, skill and media contacts required for a successful effort, takes experience and know-how.

16.14 SUMMARY

In this unit we have discussed the meaning of public relations, its process and major tools in marketing public relations. What exactly is PR? PR involves communicating a message to one or more of the different publics that is target audiences, which an organisation wishes to influence in a positive way. These audiences will typically consist of the organisation's existing or potential customers and shareholders.

It may also be in the organisation's interests to communicate a message to other different publics which may range from government regulators to all types of other officials, consultants and other advisers or any other decision-makers who are in the organisation's interests to influence positively.

At a time when many organisations have to impose rigorous justifications on every penny of marketing expenditure, one particular marketing technique is acquiring an even greater importance than usual. This technique is public relations. Public relations, or PR is a term many people in business use without being entirely clear what it means. PR is known to be a potentially extremely powerful promotional tool but relatively few people understand what it is, how to go about using it and least of all how to get value for money from it. In fact, though, there is no need whatsoever for PR to be a mystery.

16.14.1 LET US SUMMARIZE THE POINTS WE HAVE DISCUSSED IN THIS UNIT

I. Definition of Public Relations: The process by which we create a positive image and customer preference through third-party endorsement.

II. Public Relations objectives: Building Product Awareness, Creating Interest, Providing Information, Stimulating Demand, Reinforcing the Brand

III. Functions of Public Relations:

- Public Relations is establishing the relationship among the two groups (organisation and public).

- Art or Science of developing reciprocal understanding and goodwill.
- It analyses the public perception and attitude, identifies the organisational policy with public interest and then executes the programmes for communication with the public.

IV. Elements of public relations:

- A planned effort or management function.
- The relationship between an organisation and its publics.
- Evaluation of public attitudes and opinions.
- An organisation's policies, procedures and actions as they relate to said organisation's publics.
- Execution of an action and or communication programme.
- Steps taken to ensure that said policies, procedures and actions are in the public interest and socially responsible.
- Development of rapport, goodwill, understanding and acceptance as the chief end result sought by public relations activities.

V. The Public Relations Process:

- 1) Researching to understand the firm's mission, culture and target of the communication
- 2) Establishing marketing objectives
 - a) Build awareness
 - b) Build credibility
 - c) Stimulate the sales force and channel intermediaries
 - d) Hold down promotion costs
- 3) Defining the target audience
- 4) Choosing the PR message and vehicles such as event creation
- 5) Implementing the marketing PR plan
- 6) Evaluating PR results
 - a) Exposures
 - b) Awareness/comprehension/attitude change
 - c) Sales-and-profit contribution

VI. Overview of the Major Tools in Public Relations:

Media Relations, Media Tours, Newsletters, Special Events, Speaking Engagements, Sponsorships, Employee Relations, Community Relations and Philanthropy.

16.15 GLOSSARY:

- **Contests, sweepstakes, and games:** Give consumers a chance to win something, such as cash or a trip.
- **Corporate communications:** This activity covers internal and external communications and promotes understanding of an organization.
- **Counseling:** Involves advising management about public issues and company positions and image.
- **Event creation:** A particularly important skill in publicizing fund-raising drives or nonprofit organizations.
- **Lobbying:** Dealing with legislators and government officials to promote legislation and regulation.
- **Patronage rewards:** Cash or other awards for regular use of a company's products or services.
- **Point-of-purchase:** (POP) promotions include displays and demonstrations take place at the time of sale.
- **Premiums:** Goods offered either free or at low cost as an incentive to buy a product.
- **Press relations:** To place newsworthy information into the news media to attract attention.
- **Press release:** Information released to the media about certain new products or services.
- **Product publicity:** Various efforts to publicize specific products.

16.16 ANSWERS TO CHECK YOUR PROGRESS

16.4 The process by which we create a positive image and customer preference through third-party endorsement.

16.8.1. Fill in the blanks:

- a) marketing stepchild
- b) planned and sustained
- c) communication programme
- d) planned effort

16.8.2 State whether true or false?

- a) False
- b) True
- c) True
- d) False

16.10 Fill in the blanks:

- a) public relations
- b) message
- c) publics
- d) audiences

16.12 State whether true or false?

- a) False
- b) False
- c) True
- d) True

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16.18 SUGGESTED READINGS

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| 3. Principles of public relations | Rayudu, C. S. & Balan, K. R. |

16.19 TERMINAL QUESTIONS

1. Explain the meaning of 'public relations'. Describe the process of Public relations.
2. Explain briefly the objectives of public relations. What are the functions and elements of public relations?
3. Explain various tools and techniques which are used in Public Relations.
4. Describe the role of public relations opportunities for hospitality industry.