UNIT –I

Meaning Of Market-Classification Of Markets-Meaning And Definition Of Marketing-Feautures Of Marketing-Importance Of Marketing-Difference Between Marketing And Selling-Evolution Of Marketing Concepts-Functions Of Marketing.

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INTRODUCTION

MEANING OF MARKET

The word market is derived from the Latin word marcatus which means merchandise.

Market includes both place and region in which buyers and sellers are in free competition with one another.

Definition of market

In the words of William Stanton, "Marketing is a total system of interacting business activities- designed to plan, price, promote, and distribute want-satisfying products and services to present and potential customers."

Classification of Markets:

On the Basis of Geographic Location

- **Local Markets:** In such a market the buyers and sellers are limited to the local region or area. They usually sell perishable goods of daily use since the transport of such goods can be expensive.
- **Regional Markets:** These markets cover a wider are than local markets like a district, or a cluster of few smaller states
- **National Market:** This is when the demand for the goods is limited to one specific country. Or the government may not allow the trade of such goods outside national boundaries.
- **International Market:** When the demand for the product is international and the goods are also traded internationally in bulk quantities, we call it an international market.

On the Basis of Time

- **Very Short Period Market:** This is when the supply of the goods is fixed, and so it cannot be changed instantaneously. Say for example the market for flowers, vegetables. Fruits etc. The price of goods will depend on demand.
- **Short Period Market**: The market is slightly longer than the previous one. Here the supply can be slightly adjusted.

- **Long Period Market**: Here the supply can be changed easily by scaling production. So it can change according to the demand of the market. So the market will determine its equilibrium price in time.

On the Basis of Nature of Transaction

- **Spot Market:** This is where spot transactions occur, that is the money is paid immediately. There is no system of credit
- **Future Market**: This is where the transactions are credit transactions. There is a promise to pay the consideration sometime in the future.

On the Basis of Regulation

- **Regulated Market**: In such a market there is some oversight by appropriate government authorities. This is to ensure there are no unfair trade practices in the market. Such markets may refer to a product or even a group of products. For example, the stock market is a highly regulated market.
- **Unregulated Market**: This is an absolutely free market. There is no oversight or regulation, the market forces decide everything.

Features of Marketing

Main features of marketing are:

1. Needs and Wants
2. Creating a Market Offering
3. Customer Value
4. Exchange Mechanism

1. Needs and Wants:

The main objective of marketing process is to satisfy the needs and wants of the customers. All the marketing activities are carried out to fulfill this objective. A need can be defined as sum total of all those items which are basic to human beings.

An organization must identify the various needs of their customers and should develop products and services that satisfy the same.

For example, food, shelter, clothing, water etc. Culturally defined objects that are potential satisfiers of needs are known as Wants. For example, basic need for water can take many forms such as cold drink or lemon water or tea or coffee etc. These forms are known as wants.

2. Creating a Market Offering:

Market offering means giving an offer for goods and services by describing its features like shape, size, quality, uses etc. Suppose a computer is offered in a market; its various features like different sizes and prices at which it is available, technologies used, location of the shops at which it is available etc. are described. A good 'market offer' is one which aims at complete consumers' satisfaction.

3. Customer Value:

The customer is willing to purchase the product or services only when its value is satisfying their needs, in relation to its cost i.e. the product or service is providing them maximum benefit. Therefore, the marketer's job is to add some value to its product so that it is preferred by the customers over the competitors' product.

4. Exchange Mechanism:

The process of marketing consists of exchange of goods and services for money or money's worth. This mechanism helps both buyers and sellers to get what they desire. Exchange is defined as an essence of marketing. Products can be exchanged through various middlemen at different levels of distribution.

IMPORTANCE OF MARKETING

Importance of Marketing – For Business

i. Marketing helps business to keep pace with the changing tastes, fashions and preferences of the customers. It works out primarily because ascertaining consumer needs and wants is a regular phenomenon and improvement in existing products and introduction of new products is a continuous process. Marketing thus, contributes to providing better products and services to the consumers and thereby helps them in improving their standard of living.

ii. Marketing plays an important role in the development of the economy. Various functions and sub-functions of marketing like advertising, personal selling, packaging, transportation, etc., generate employment for a large number of people, and accelerate growth of business.

iii. Marketing helps the business in increasing its sales volume, generating revenue and ensuring its success in the long run.

iv. Marketing also helps the business in meeting competition most effectively.

v. Marketing Promotes Product Awareness to the Public.

vi. Marketing Builds up Company's Reputation. In order to conquer the general market, marketers aim to create a brand which helps in name recognition and product recall.

Importance of Marketing for Customers:

(i) Marketing promotes product awareness to the public. Marketing creates a win-win situation for both, customers and the company. With the help of marketing, product/service awareness is generated among people thus making them capable of identifying their needs and satisfying them.

(ii) By the process of new product development marketing managers identify the needs of customers thereby finding ways to cater to them.

(iii)With the help of marketing of different products a customer can compare the competitors' products and buy the best one among the available choices.

(iv) By the way of promotion activities conducted by marketers, customers get extra benefit for buying the products.

(v) With the development of various new marketing concepts like Customer Relationship Marketing (CRM), customers get benefit since companies have now realized the importance of existing customers and thus try to maintain them.

Importance of Marketing for Society:

(i) Due to various marketing activities like advertising, personal selling, packaging, transportation etc., a large number of employment opportunities are generated.

(ii) Marketing helps to increase the national income by increasing the sales volume, thus generating revenue.

(iii) To produce goods with maximum quality and distributes the goods and services with nominal prices.

(iv) Marketing helps to increasing standard of living of the peoples in the society.

(v) Marketing helps to create awareness for non-business items for society's benefits like, family planning, population control, child labour, child-abuse, anti-smoking campaigns etc.,

Selling

Selling means providing the customer with the good he/she needs in exchange of a price. It is usually between two parties. Selling is more like an agreement wherein the buyer receives the product in exchange for money.

Difference between Selling and Marketing

Point of Difference	Marketing Concept	Selling Concept
Definition	Marketing is the process of delivering goods and services to create value for the customer and make a profit.	Sales are the process of rounding up customers to increase sales.
View on business	It views the business as a customer satisfactory process.	It views business as a goods-producing process.
Price	Consumers determine the price.	The cost determines the price.
Effectiveness	This concept is applicable to the pure competition market.	This concept is useless in a pure competition market
Marketing mix	This concept gives equal importance to the marketing mix.	This concept gives importance to only promotion.
Market segmentation	This concept thinks about market segmentation deeply.	This concept never thinks about the market concept.

Start	This concept starts with actual and potential customers.	This concept starts with existing products.
Profit	This concept earns profit through customer satisfaction.	This concept earns profit through attractive sales and promotion.
Emphasis	This concept emphasis customer needs.	This concept emphasis on products or services.
Scope	The scope of the marketing concept is wider.	The scope of the selling concept is narrow.
Objective	The objective of this concept is to satisfy the customer through goods and services.	The objective of the selling concept is to increase sales of goods and services.

Evolution of Marketing Concept:

This marketing philosophy has undergone a thorough and gradual change since the great Industrial Revolution that took place during the latter-half of the 18th and first-half of the 19th centuries. This gradual change can be traced under four periods and captions namely, production orientation period, sales-orientation period, customer-orientation period and social orientation period.

Following is the brief explanation of each philosophy and corresponding period:

1. Production Orientation Philosophy:

Till 1930s, there prevailed a strong feeling that whenever a firm has a good product, it results in automatic consumer response and that needed little or no promotional efforts. This production-oriented marketing concept was built on "Good wine needs no push." That is, if the product is really good and the price is reasonable, there is no need for special marketing efforts.

The assumptions of this concept are:

(i) Anything that can be produced can be sold,

(ii) The most important task of management is to keep the cost of production down.

(iii) A firm should produce only certain basic products.

This concept can be illustrated as under:

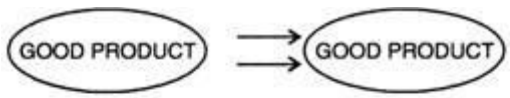

Fig. 1.01

Under this concept, production is the starting point. The product acceptability occurs after the product is produced.

2. Sales Orientation Philosophy:

The failures of the production orientation philosophy of 1930s paved the way for change in the outlook that was possible during 1940s. This reshaped philosophy was sales-orientation that holds good to a certain extent even today.

It states that mere making available the best product is not enough; it is futile unless the firm resorts to aggressive salesmanship. Effective sales-promotion, advertising and public-relations are of top importance. High pressure salesmanship and heavy doses of advertising are a must to move the products of the firm.

The essence of sales orientation philosophy is "Goods are not bought but sold." The maker of product must say that his product is best and he fails if he keeps mum.

The assumptions of this philosophy are:

(i) Producing the best possible product.

(ii) Finding the buyer for the product,

(iii) The management's main task is to convince the buyers through high pressure tactics, if necessary.

It can be illustrated as under:

Fig. 1.02

The philosophy has been prevailing since 1940. It is more prevalent in selling all kinds of insurance policies, consumer non-durables and consumer durable products, particularly the status-symbols.

3. Customer Orientation Philosophy:

This philosophy was brought into play during 1950s and points out that the fundamental task of business undertaking is to study and understand the needs, wants, desires and values of potential consumers and produce the goods in the light of these findings so that consumer specifications are met totally.

Here, the starting point is the customer rather than the product. The enterprise is to commence with the consumer and end with the requisite product. It emphasizes the role of marketing research well before the product is made available in the market place.

The assumptions are:

1. The firm should produce only that product as desired by the consumer.

2. The management is to integrate all its activities in order to develop programmes to satisfy the consumer wants.

3. The management is to be guided by 'long-range profit goals' rather than 'quick sales.'

It can be illustrated as under:

Fig. 1.03

This means a radical change in the philosophy.

It meant two basic changes namely:

(i) Move from production to market-orientation,

(ii) Gradual shift from age old “Caveat emptor” to “Caveat vendor”.

Since 1950, this philosophy is in vogue and will continue so long as consumer is the King of the market.

4. Social Orientation Philosophy:

There has been a further refinement in the marketing concept particularly during 1970s and 1980s. Accordingly, the new concept goes beyond understanding the consumer needs and matching the products accordingly.

This philosophy cares for not only consumer satisfaction but for consumer welfare or social welfare. Such social welfare speaks of pollution-free environment and quality of human life. Thus, a firm manufacturing a pack of cigarettes for consumer must not only produce the best cigarettes but pollution-free cigarettes; an automobile not only fuel efficient but less pollutant one.

In other words, the firm is to discharge its social responsibilities. Thus, social welfare becomes the added dimension.

The assumptions of social-orientation philosophy are:

(i) The firm is to produce only those products as are wanted by the consumers,

(ii) The firm is to be guided by long-term profit goals rather than quick sales.

(iii) The firm should discharge its social responsibilities,

(iv) The management is to integrate the firm's resources and activities to develop programme to meet these individual consumer and social needs.

This concept can be illustrated as under:

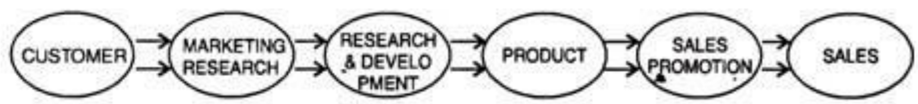

Fig. 1.04

This social oriented philosophy is the latest and is considered as an integrated concept. This philosophy, as it covers earlier long-standing concepts, is bound to rule the marketing world for pretty long time.

FUNCTIONS OF MARKETING

The seven functions of marketing are distribution, market research, setting prices, finance, product management, promotional channels and matching products to consumers.

1. Finding the Best Distribution Channels

Distribution is about deciding how you'll get the goods or services you want to sell to the people who want to buy them. Having an idea for a product is great, but if you aren't able to get that product to the customers you aren't going to make money. Distribution can be as easy as setting up shop in the part of a city where your target customers are – but in an increasingly interconnected world, distribution more often than not now means that you'll need to take your products or services to the customers.

2. Financing an Enterprise

It takes money to make money. As a business owner, an important function of marketing a product is finding the money through investments, loans, or your personal capital to finance the creation and advertising of your goods or services.

3. Deep Market Research

Market research is about gathering information concerning your target customers. Who are the people you want to sell to? Why should they buy from you as opposed to a rival business? Answering these questions requires that you do some on-the-ground observation of the market trends and competing products.

4. Setting Prices

Setting the correct price for your product or service can be a challenge. If you price it too high, you might lose customers – but if you price it too low you might be robbing yourself of profits. The "right" price normally comes through trial and error and doing some market research.

5. Product and Service Management

Once you've determined the target market and set the price of your product or service, the goal becomes to effectively manage the product or service. This involves listening to customers, responding to their wants and needs, and keeping your products and services fresh and up to date.

6. Promotional Channels

Most business owners are familiar with the idea of promotion. Advertising your products and services is essential to attracting new customers and keeping existing customers coming back. As the marketplace changes, you'll want to respond appropriately by tailoring your promotion messages to social media, by sticking with more conventional outlets, or by using a mix of the old and new.

7. Matching Products to Customers

While we tend to think of selling and marketing as being closely linked, selling is last on the list of the seven functions of marketing. This is because selling can happen only after you've determined the wants and needs of your customer base and are able to respond with the right products at the right price point and time frame.

UNIT – II

MARKET SEGMENTATION AND CONSUMER BEHAVIOUR

Meaning and Definition Of Market Segmentation-Different Patterns Of Market Segmentation-Bases For Segmenting Consumer Markets-Benefits And Limitations Of Market Segmentation

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MEANING OF MARKET SEGMENTATION

Market segmentation is **an extension of market research that seeks to identify targeted groups of consumers to tailor products and branding** in a way that is attractive to the group. ... Companies can segment markets in several ways: Geographically by region or area.

DEFINITION

Market segmentation is the process of dividing up mass markets into groups with similar needs and wants.[1] The rationale for market segmentation is that in order to achieve competitive advantage and superior performance, firms should: "(1) identify segments of industry demand, (2) target specific segments of demand, and (3) develop specific 'marketing mixes' for each targeted market segment. "[2] From an economic perspective, segmentation is built on the assumption that heterogeneity in demand allows for demand to be disaggregated into segments with distinct demand functions.[3]

PATTERNS OF MARKET SEGMENTATION

Market segments can be build up in many ways, one way is to identify **preference segments**. For example cookies buyers are asked how much they value sweetness and saltiness in biscuits as two product attributes. Three different patterns can emerge.

1. **Homogeneous Preferences:** shows a market where all the consumers have roughly the same preferences. The market shows no natural segments. We would predict that existing brands would be similar and cluster around the middle of the scale in both sweetness & saltiness.

2. **Diffused Preferences:** At the other extreme, consumer preferences maybe scattered throughout the space, indicating that customers vary greatly in their preferences. The first brand to enter the market is likely to position in the center to appeal to the most people

3. **Clustered Preferences:** The market might reveal distinct preference clusters, called **natural market segments**. The first firm in this market has three options. It might position in the center, hoping to appeal to all groups. It might position in the largest market segment **(concentrated marketing).** It might develop several brands, each positioned in a different segment. If the first firm developed only one brand, competitors would enter and introduce brands in the other segments.

EFFECTIVE SEGMENTATION

Not all segmentation is useful. For example, table salt buyers could be divided into blond and brunette customers, but hair color is not relevant to the purchase of salt. Furthermore, if all salt buyers buy the same amount of salt each month, believe all salt is the same, and would pay only one price for salt, this market would be minimally segmentable from a marketing point of view.

To be useful, market segment must be:

- **Measurable:** The size, purchasing power, and characteristics of the segment can be measured.

- **Substantial:** The segments are large and profitable enough to serve. A segment should be the largest possible homogeneous group worth going after with a tailored marketing program. It would not pay, for example, for an automobile manufacturer to develop cars for people who are under four feet tall.
- **Accessible:** The segments can be effectively reached and served.
- **Differentiable:** The segments are conceptually distinguishable and respond differently to different marketing-mix elements and programs. If married and unmarried women respond similarly to a sale on perfume, they do not constitute separate segments.
- **Actionable**: Effective programs can be formulated for attracting and serving the segments.

BENEFITS OF MARKET SEGMENTATION

1. Higher Rate of Success

Market segmentation means to study your market, to be more precise it helps to divide a bigger market into smaller modules and lets the marketers know the potential of the market/consumers which reduces the risk of loss and thus there are higher chances of success for the business.

2. Increases Profitability

Market segmentation is a very effective process for business and it helps the business to target particular segments of the market and thus helps to find better business opportunities pertaining to that particular market segment. The marketers can thus, strategize their campaigns as per the chosen market segment needs and requirements and helps to increase the business profitability. This technique lets the company's focus on one particular segment rather than the whole market which in return gives increased profit.

3. Increases Competitiveness

When the focus and the target market is clearly identified to the marketers and the business team, then comes the competitiveness. As the target market is known to the business, the competition in the market will increase and the marketing team will come up with new innovative ideas to promote their brand better to stand out among the competitors. Different offers and discounts will help the marketing team to attract more consumers and knowing your consumers better will help gain brand loyalty.

4. Retention of Customer

Retaining customers is very crucial for the business and market segmentation helps in customer retention. Once the business knows the consumers, their needs can be catered well and the customer's experience with the market brand will help to connect with the product/service like the hospitality sectors. Consumers mostly prefer the products/services they have experienced especially in the cases of airlines and hospitals.

5. Creates and Provides Market Opportunities

Market segmentation helps to identify and recognize potential market opportunities. The market segments where the consumers are less satisfied with the other brands are the opportunity areas for the company to focus and to establish their brand. The companies can work in these segments and provide a better product to the consumers than the already existing ones in the market and earn the consumer's loyalty. Thus, market segmentation gives excellent market opportunities.

6. Effective Market Campaigning

As the business knows the consumers and their needs, the marketing team can customize or personalize their marketing campaign accordingly and organize their strategies as per the need of the market which is directly proportional to the success of the business.

7. Wise and Efficient Use of Resources

Market segmentation helps to save unnecessary time and effort engaged in the marketing campaign by identifying the potential areas of the market. Thus it helps to use the company resources and money in a more streamlined and efficient manner.

8. Higher Customer Satisfaction

Market segmentation directs or guides the company to make its marketing efforts consumer and market-oriented in a specific market segment, and lets the companies serve the consumers better, increasing customer satisfaction which is the ultimate goal of the business.

9. Cost-Efficient

Efficient market research and market segmentation help to save a lot of useful time, money and resources invested in the marketing campaign. Also as the customers are grouped as per their needs, commonalities, choices, statuses, etc. it becomes easy to target the audience for the marketers. Thus through market segmentation, the campaign management process is conducted very smoothly and efficiently in a cost-effective manner.

10. Know your Customer Better

The market segmentation helps to study the market needs and potential consumer which reduces the risk of loss or unsuccessful marketing campaigns. As the market research is done in advance before the campaign the chances of being successful are much more as the segmentation of the market helps the marketers to do their homework for marketing. The marketers can strategize and plan their campaign as per the generic needs of the potential consumers as per the market research.

It is very important to understand what the consumer and the market demands for and what are their actual needs. Effective marketing can be implemented only if the potential and promising market has been identified else all the efforts of marketing goes in vain. Companies must always put themselves in the place of consumers first and must analyze what they would have expected out of the product/services if they would have been in their shoes.

LIMITATIONS OF MARKET SEGMENTATION

1. Limited Production:

In each specific segment, customers are limited. So, it is not possible to produce products in mass scale for every segment. Therefore, company cannot take advantages of mass scale production; scale of economy is not possible. Product may be costly and affect adversely to the sales.

2. Expensive Production:

Market segmentation is expensive in both production and marketing. In order to satisfy different groups/segments of buyers, producers have to produce products of various models, colors, sizes, etc., that result into more production costs. In the same way, the producers are required to maintain large inventory for different styles, colors, and sizes of products.

3. Expensive Marketing:

Market segmentation also results into expensive marketing. Due to different groups of buyers, the marketer has to consider all the segments in terms of needs, interests, habits, preferences and attitudes. Marketer has to formulate and implement several marketing strategies for different segments.

4. Difficulty in Distribution:

Company needs to make the separate arrangement for each of the products demanded by different classes of customers. Salesman's recruitments, selection, training, payments, and incentives are more difficult and costly. Company has to maintain separate channels and services for satisfying varied customer groups.

5. Heavy Investment:

Market segmentation leads to heavy investment. In order to satisfy different needs and wants of various groups, a company has to produce variety of product lines and product items. For the purpose, the company requires to invest more on technology and other inputs that may demand heavy investment.

6. Promotion Problems:

Market segmentation also creates promotional problems and multiplies promotional difficulties. It is obvious that different segments are made on the basis of distinguished characteristics of buyers. Each group differs in terms of advertising media, appeal or message. In order to influence various segments of buyers, the company is required to prepare a separate advertising programme or strategy. Similarly, personal selling and sales promotional activities become more complex. Company needs to spend more to take benefits of specialization.

7. Stock and Storage Problems:

To meet needs and wants of different consumer groups, the company must maintain adequate stock of various products on a continuous basis. This creates problem of stocks, storage, and working capital. Most limitations reflect the impact of situation and inability of manager to segment the market purposively and meaningfully. But, limitations cannot restrict segmentation philosophy and practice. These limitations can be overcome by segmenting market carefully and objectively.

DEFINITION OF CONSUMER BEHAVIOUR

Consumer behaviour is the study of how individual customers, groups or organizations select, buy, use, and dispose ideas, goods, and services to satisfy their needs and wants. It refers to the actions of the consumers in the marketplace and the underlying motives for those actions.

Marketers expect that by understanding what causes the consumers to buy particular goods and services, they will be able to determine—which products are needed in the marketplace, which are obsolete, and how best to present the goods to the consumers.

According to Engel, Blackwell, and Mansard, ‘consumer behaviour is the actions and decision processes of people who purchase goods and services for personal consumption’.

According to Louden and Bitta, ‘consumer behaviour is the decision process and physical activity, which individuals engage in when evaluating, acquiring, using or disposing of goods and services’.

NATURE OF CONSUMER BEHAVIOUR:

1. Influenced by various factors:

The various factors that influence the consumer behaviour are as follows:

a. Marketing factors such as product design, price, promotion, packaging, positioning and distribution.

b. Personal factors such as age, gender, education and income level.

c. Psychological factors such as buying motives, perception of the product and attitudes towards the product.

d. Situational factors such as physical surroundings at the time of purchase, social surroundings and time factor.

e. Social factors such as social status, reference groups and family.

f. Cultural factors, such as religion, social class—caste and sub-castes.

2. Undergoes a constant change:

Consumer behaviour is not static. It undergoes a change over a period of time depending on the nature of products. For example, kids prefer colourful and fancy footwear, but as they grow up as teenagers and young adults, they prefer trendy footwear, and as middle-aged and senior citizens they prefer more sober footwear. The change in buying behaviour may take place due to several other factors such as increase in income level, education level and marketing factors.

3. Varies from consumer to consumer:

All consumers do not behave in the same manner. Different consumers behave differently. The differences in consumer behaviour are due to individual factors such as the nature of the consumers, lifestyle and culture. For example, some consumers are technoholics. They go on a shopping and spend beyond their means.

They borrow money from friends, relatives, banks, and at times even adopt unethical means to spend on shopping of advance technologies. But there are other consumers who, despite having surplus money, do not go even for the regular purchases and avoid use and purchase of advance technologies.

4. Varies from region to region and country to county:

The consumer behaviour varies across states, regions and countries. For example, the behaviour of the urban consumers is different from that of the rural consumers. A good number of rural consumers are conservative in their buying behaviours.

The rich rural consumers may think twice to spend on luxuries despite having sufficient funds, whereas the urban consumers may even take bank loans to buy luxury items such as cars and household appliances. The consumer behaviour may also varies across the states, regions and countries. It may differ depending on the upbringing, lifestyles and level of development.

5. Information on consumer behaviour is important to the marketers:

Marketers need to have a good knowledge of the consumer behaviour. They need to study the various factors that influence the consumer behaviour of their target customers.

The knowledge of consumer behaviour enables them to take appropriate marketing decisions in respect of the following factors:

a. Product design/model

b. Pricing of the product

c. Promotion of the product

d. Packaging

e. Positioning

f. Place of distribution

6. Leads to purchase decision:

A positive consumer behaviour leads to a purchase decision. A consumer may take the decision of buying a product on the basis of different buying motives. The purchase decision leads to higher demand, and the sales of the marketers increase. Therefore, marketers need to influence consumer behaviour to increase their purchases.

7. Varies from product to product:

Consumer behaviour is different for different products. There are some consumers who may buy more quantity of certain items and very low or no quantity of other items. For example, teenagers may spend heavily on products such as cell phones and branded wears for snob appeal, but may not spend on general and academic reading. A middle- aged person may spend less on clothing, but may invest money in savings, insurance schemes, pension schemes, and so on.

8. Improves standard of living:

The buying behaviour of the consumers may lead to higher standard of living. The more a person buys the goods and services, the higher is the standard of living. But if a person spends less on goods and services, despite having a good income, they deprives themselves of higher standard of living.

9. Reflects status:

The consumer behaviour is not only influenced by the status of a consumer, but it also reflects it. The consumers who own luxury cars, watches and other items are considered belonging to a higher status. The luxury items also give a sense of pride to the owners.

CONSUMER BEHAVIOUR THEORIES

There are several types of Consumer Behavior Theories;

1. Traditional Theories of Consumer Behavior.
2. Modern Theories of Consumer Behavior.
3. Economic Theories Explaining Consumer Behavior.
4. Psychological Theories Explaining Consumer Behavior.
5. Social Psychological Theories Explaining Consumer Behavior.
6. Sociological Theories Explaining Consumer Behavior.

Traditional Theories of Consumer Behavior

The theory is an exposition of the general principles of any science. It is basically the philosophical explanation of phenomena, either physical or moral. It is a view held or supposition explaining something.

Two types of theories explain consumer behavior – traditional or old theories and modern or contemporary theories.

The traditional theorists would believe that consumers behave mechanistically. Their views about consumers may be compared with that of the economic philosophers' views. Economists developed quite a few principles explaining consumer behavior.

One of the economics principles says that as consumers' incomes increase, they buy more for use or consumption.

The other principle says that if the supply of an item falls, consumers will buy that item in larger quantities meaning an increase in demand. The traditional theorists explaining consumer behavior fully accept these economic principles and believe that consumers comply with economic principles.

They thought that consumers are rational creatures and as a result, every move they take is well thought, planned, and logical. They also applied some of their experiences and intuitions in explaining consumer behavior.

Therefore, we can say that traditional theories explaining consumer behaviors were based on economic laws, marketers' own experiences, and their intuitions.

Modern Theories of Consumer Behavior.

The modern or contemporary theories in opposition to traditional theories are neither based on economic principles nor marketers' intuitions. They are rather based on the findings of different disciplines of social and behavioral sciences.

Since consumer behavior is considered an interdisciplinary field of study today, theories explaining consumer behavior are also based on such disciplines from which consumer behavior borrows.

The consumer is described as the most complex and unpredictable creature on this earth. He is again a social element interacting with different groups belonging to a particular culture.

Moreover, he himself is an identity. Because of these multidimensional aspects, his behavior is rational and other times highly irrational and unpredictable. His mind also changes very often, changing his behavior.

The modern or contemporary theories can deal very successfully with the volatile, unpredictable, and irrational aspects of consumer behavior.

These theories are based on social and behavioral sciences, though not as precise as the theories of physical or natural sciences. Still, they can explain the uncertain behavior, unaccountable change of mind, and people's unreasonable behavior more accurately than the old theories.

In real life, we see that majority of our behaviors are irrational and unpredictable. The contemporary theories focus mainly on these aspects in explaining consumer behavior.

They are developed through eclectic borrowing from anthropology, sociology, social psychology, individual psychology, and other related fields. These are a couple of fields dealing with almost all of the forces that may influence our behavior. Contemporary theories are nowadays heavily used to build models of buyer behavior.

The reason for developing and using consumer behavior models is that consideration of all of the variables affecting individuals' decision-making is most important.

Obviously, the behavior should be understood in totality, and to do this, simultaneous consideration of every variable having an impact or potential impact on buying behavior is a must.

And a model can help effectively in this since it comprehensively organizes variables.

Economic Theories Explaining Consumer Behavior

Efforts were made from very early times to explain the motivational processes that influence consumer behavior. All social sciences, including economics, have contributed separate theories and tried to find out this phenomenon.

Economists from even Adam Smith's time developed theories that explain the behavior of consumers. The trend continued thereafter, and even contemporary economists are constructing theories of buyer behavior.

Economic theories describe the man as a rational buyer who has perfect information about the market and uses it to obtain maximum value for the buying effort and money. According to the economic theories (particularly the classical ones), consumers make purchase decisions purely based on self-interest. Price is considered to be the strongest motivation.

People do not spend all their income. Disposable personal income is used both for personal consumption and saving. If disposable personal income rose, business people would be interested in learning what proportion of the additional income the consumers might spend and what proportion they might save.

Marketing analysts are more interested in examining the effect of changes in income on spending and saving. In inflationary periods spending rises faster than income. In the same way size of family and family income is also important as they affect spending and saving patterns.

The income that consumer expects to receive in the future has some bearing on his present spending pattern. In particular, spending on automobiles, furniture, major appliances, and other expensive items tend to be influenced by consumers' optimism or pessimism about future incomes. In the same way, consumers' liquid assets also affect buying plans.

Cash and other assets readily convertible into cash, such as balance in saving accounts, shares, etc. influence our purchases. Retired and unemployed individuals may use liquid assets to buy everyday necessities. Other consumers may use liquid assets to meet major medical bills and other emergencies.

The availability of consumer credits strongly influences the pattern of consumer spending. Credit that allows one to buy now and pay later enables a consumer to command more purchasing power than that separated by his current income.

Even small fluctuation in income causes sharp repercussions in consumer’s purchases. The quick response of durable goods expenditure to income changes traces the wide use of installment credit in financing such purchases.

Consumers are more willing to increase installment debt when income rises and are more reluctant to incur additional indebtedness when income is declining.

Quite a several economic theories explain different aspects of buying behavior described in the above few paragraphs. Four major economic theories dealing with buyer behavior are;

1. Marginal Utility Theory
2. Indifference Theory
3. Income and Savings Theory
4. Rising Income Theory

Psychological Theories Explaining Consumer Behavior

The purchase decision of consumers re influenced by some of their individual characteristics, such as learning, attitudes, etc., as well as the groups and their psychology of which consumers belong. Psychological, social-psychological, and sociological theories discussed in this lesson will help you understand how their personal characteristics and groups influence consumers.

Psychological theories are also called Learning Theories. The essence of these theories lies in the fact that people learn from experience, and the results of experience will modify their actions on future occasions. The importance of brand loyalty and repeat purchase make learning theory more relevant in the field of marketing.

Studies of learning and the related areas of recognition, recall, and the habitual response has furnished marketers with several keys to understanding consumer behavior. Do they help in answering questions like how consumers learn about products offered for sale?

How do they learn to recognize and recall these products? By what process do they develop buying and consuming habits? Four factors influence learning;

1. Repetition,
2. Motivation,
3. Conditioning
4. Relationship and organization.

Repetition

Repetition is necessary for the progressive modification of psychological influences. It must be accompanied by attention, interest, and a goal if it is effective—advertisers who depend on repetition alone waste both their efforts and money.

Motivation

Individual motivation is the most important factor involved in indicating and governing his or her activities. Activity in harmony with one's motives is both satisfying and pleasing. Human motivation is a topic of considerable interest to marketing professionals.

Conditioning

It is a way of learning in which a new response to a particular stimulus is developed. Through long advertising efforts and continued exposure of a particular symbol, the company successfully conditioning the people to recognize the bottle or packet of its product, e.g., Jet washing powder or Aromatic toilet soap.

The conditioned response establishes only a temporary rather than a permanent behavior pattern, and if the original stimulus does not frequently enforce it, the conditioned response eventually disappears.

We have to remember that all persons do not respond equally well to conditioning, nor are their responses generally predictable.

Relationship and organization

Learning effectiveness is enhanced if the thing to be learned is presented in a familiar environmental setting. A salesperson can more effectively demonstrate a vacuum cleaner or a washing machine by using them at the customer's place instead of describing their capacity and cleaning power in a store.

The housewife is interested in the machine's performance specification only as they directly relate to cleaning their own carpets and garments etc.

Social Psychological Theories Explaining Consumer Behavior

The credit for formulating these theories goes to Thorstein Veblen and Festinger.

Veblen asserted that man is primarily a social animal, and his wants and behavior are largely influenced by the group he is a member of. All people tend to fit in society despite their personal likes and dislikes. Most luxury goods are bought primarily because one's neighbor or friend of the same status bought it.

Culture, sub-culture, social classes, the family are the different factor groups that influence buyer behavior. Consumers are social beings and belong to social groups. Among these, perhaps, the family plays an important role in behavior formation.

Man is essentially a social being and interacts with other individuals in a variety of social groups. Despite personal differences, people may be forced to accept society's decision, such as the Group Insurance Scheme, where individual differences of opinion may not be given much consideration.

It is pertinent here to ask how these considerations influence marketing. The answer is simple, for the present day, marketing is consumer-oriented, and consumers' psychology, their social and economic characteristics, etc., therefore, form the cornerstone for marketing decisions.

It is this recognition given to consumers that have given rise to the concept of market segmentation.

Now you will be given brief ideas on two important social psychological theories that help understand consumer behavior. They are as follows:

- Theory of Achievement Motivation, and
- Cognitive Dissonance theory.

Sociological Theories Explaining Consumer Behavior

Sociologists and anthropologists view behavior as involving the activities of groups of people motivated by group pressures.

It is recognized that individuals as social creatures are strongly influenced in their buying by social and cultural environments in which they live. The people with whom an individual regularly associates exert strong influences on his or her behavior.

The reference group exerts a strong influence on individual behavior. Knowledge of reference groups and their influences make it easier to explain why consumers behave in particular ways, and more important to marketers is to predict their behavior.

FACTORS INFLUENCING CONSUMER BEHAVIOUR

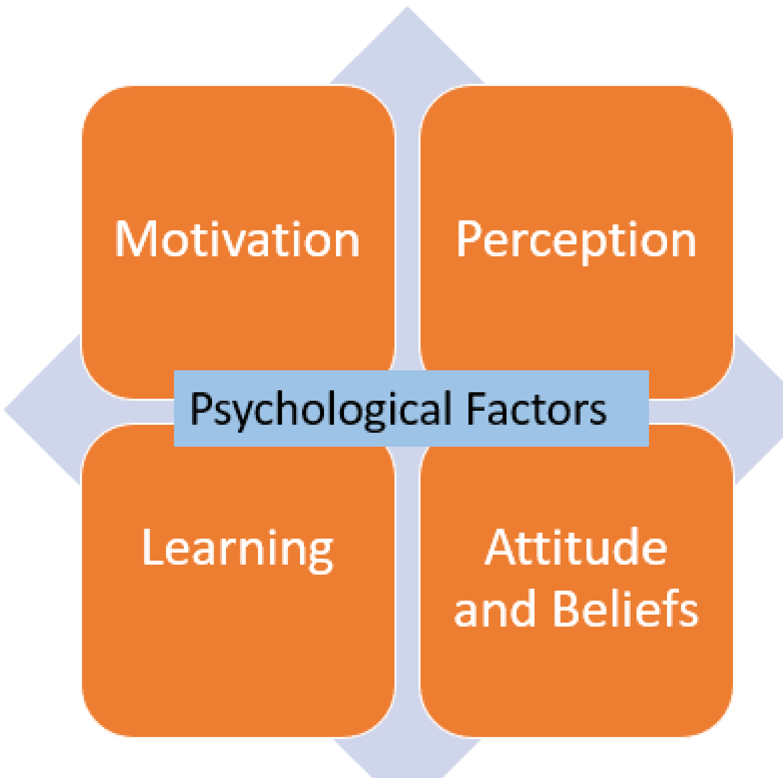
1. **Psychological Factors**
2. **Social Factors**
3. **Cultural Factors**
4. **Personal Factors**
5. **Economic Factors**

Consumer behavior is influenced by many different factors. A marketer should try to understand the factors that influence consumer behavior. Here are 5 major factors that influence consumer behavior:

1. Psychological Factors

Human psychology is a major determinant of consumer behavior. These factors are difficult to measure but are powerful enough to influence a buying decision.

Some of the important psychological factors are:



i. Motivation

When a person is motivated enough, it influences the buying behaviour of the person. A person has many needs such as the social needs, basic needs, security needs, esteem needs and self-actualization needs. Out of all these needs, the basic needs and security needs take a position above all other needs. Hence basic needs and security needs have the power to motivate a consumer to buy products and services.

ii. Perception

Consumer perception is a major factor that influences consumer behavior. Customer perception is a process where a customer collects information about a product and interprets the information to make a meaningful image about a particular product.

When a customer sees advertisements, promotions, customer reviews, social media feedback, etc. relating to a product, they develop an impression about the product. Hence consumer perception becomes a great influence on the buying decision of consumers.

iii. Learning

When a person buys a product, he/she gets to learn something more about the product. Learning comes over a period of time through experience. A consumer's learning depends on skills and knowledge. While a skill can be gained through practice, knowledge can be acquired only through experience.

Learning can be either conditional or cognitive. In conditional learning the consumer is exposed to a situation repeatedly, thereby making a consumer to develop a response towards it.

Whereas in cognitive learning, the consumer will apply his knowledge and skills to find satisfaction and a solution from the product that he buys.

iv. Attitudes and Beliefs

Consumers have certain attitude and beliefs which influence the buying decisions of a consumer. Based on this attitude, the consumer behaves in a particular way towards a product. This attitude plays a significant role in defining the brand image of a product. Hence, the marketers try hard to understand the attitude of a consumer to design their marketing campaigns.

2. Social Factors

Humans are social beings and they live around many people who influence their buying behavior. Human try to imitate other humans and also wish to be socially accepted in the society. Hence their buying behavior is influenced by other people around them. These factors are considered as social factors. Some of the social factors are:

i. Family

Family plays a significant role in shaping the buying behavior of a person. A person develops preferences from his childhood by watching family buy products and continues to buy the same products even when they grow up.

ii. Reference Groups

Reference group is a group of people with whom a person associates himself. Generally, all the people in the reference group have common buying behavior and influence each other.

iii. Roles and status

A person is influenced by the role that he holds in the society. If a person is in a high position, his buying behavior will be influenced largely by his status. A person who is a Chief Executive Officer in a company will buy according to his status while a staff or an employee of the same company will have different buying pattern.

3. Cultural factors

A group of people are associated with a set of values and ideologies that belong to a particular community. When a person comes from a particular community, his/her behavior is highly influenced by the culture relating to that particular community. Some of the cultural factors are:

i. Culture

Cultural Factors have strong influence on consumer buyer behavior. Cultural Factors include the basic values, needs, wants, preferences, perceptions, and behaviors that are observed and learned by a consumer from their near family members and other important people around them.

ii. Subculture

Within a cultural group, there exists many subcultures. These subcultural groups share the same set of beliefs and values. Subcultures can consist of people from different religion, caste, geographies and nationalities. These subcultures by itself form a customer segment.

iii. Social Class

Each and every society across the globe has form of social class. The social class is not just determined by the income, but also other factors such as the occupation, family background, education and residence location. Social class is important to predict the consumer behavior.

4. Personal Factors

Factors that are personal to the consumers influence their buying behavior. These personal factors differ from person to person, thereby producing different perceptions and consumer behavior.

Some of the personal factors are:

i. Age

Age is a major factor that influences buying behavior. The buying choices of youth differ from that of middle-aged people. Elderly people have a totally different buying behavior. Teenagers will be more interested in buying colorful clothes and beauty products. Middle-aged are focused on house, property and vehicle for the family.

ii. Income

Income has the ability to influence the buying behavior of a person. Higher income gives higher purchasing power to consumers. When a consumer has higher disposable income, it gives more opportunity for the consumer to spend on luxurious products. Whereas low-income or middle-income group consumers spend most of their income on basic needs such as groceries and clothes.

iii. Occupation

Occupation of a consumer influences the buying behavior. A person tends to buy things that are appropriate to this/her profession. For example, a doctor would buy clothes according to this profession while a professor will have different buying pattern.

iv. Lifestyle

Lifestyle is an attitude, and a way in which an individual stay in the society. The buying behavior is highly influenced by the lifestyle of a consumer. For example when a consumer leads a healthy lifestyle, then the products he buys will relate to healthy alternatives to junk food.

5. Economic Factors

The consumer buying habits and decisions greatly depend on the economic situation of a country or a market. When a nation is prosperous, the economy is strong, which leads to the greater money supply in the market and higher purchasing power for consumers. When consumers experience a positive economic environment, they are more confident to spend on buying products.
Whereas, a weak economy reflects a struggling market that is impacted by unemployment and lower purchasing power.

Economic factors bear a significant influence on the buying decision of a consumer. Some of the important economic factors are:

i. Personal Income

When a person has a higher disposable income, the purchasing power increases simultaneously. Disposable income refers to the money that is left after spending towards the basic needs of a person.

When there is an increase in disposable income, it leads to higher expenditure on various items. But when the disposable income reduces, parallelly the spending on multiple items also reduced.

ii. Family Income

Family income is the total income from all the members of a family. When more people are earning in the family, there is more income available for shopping basic needs and luxuries. Higher family income influences the people in the family to buy more. When there is a surplus income available for the family, the tendency is to buy more luxury items which otherwise a person might not have been able to buy.

iii. Consumer Credit

When a consumer is offered easy credit to purchase goods, it promotes higher spending. Sellers are making it easy for the consumers to avail credit in the form of credit cards, easy installments, bank loans, hire purchase, and many such other credit options. When there is higher credit available to consumers, the purchase of comfort and luxury items increases.

iv. Liquid Assets

Consumers who have liquid assets tend to spend more on comfort and luxuries. Liquid assets are those assets, which can be converted into cash very easily. Cash in hand, bank savings and securities are some examples of liquid assets. When a consumer has higher liquid assets, it gives him more confidence to buy luxury goods.

v. Savings

A consumer is highly influenced by the amount of savings he/she wishes to set aside from his income. If a consumer decided to save more, then his expenditure on buying reduces. Whereas if a consumer is interested in saving more, then most of his income will go towards buying products.

UNIT – III

MARKETING MIX AND PRODUCT POLICY

Definition and Components Of Marketing Mix- Four Ps Of Marketing Mix- Definition Of Product-Feautures Of Product- Classification Of Products-Stages In New Product Development-Product Life Cycle-Branding-Advantages Of Branding A Product-Packaging-Functions Of Package-Labelling-Functions Of Labelling-Kinds Of Labels.

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MARKETING MIX

DEFINITION

The **marketing mix** refers to the set of actions, or tactics, that a company uses to promote its brand or product in the market. The 4Ps make up a typical marketing mix - Price, Product, Promotion and Place. However, nowadays, the marketing mix increasingly includes several other Ps like Packaging, Positioning, People and even Politics as vital mix elements

COMPONENTS OF MARKETING MIX

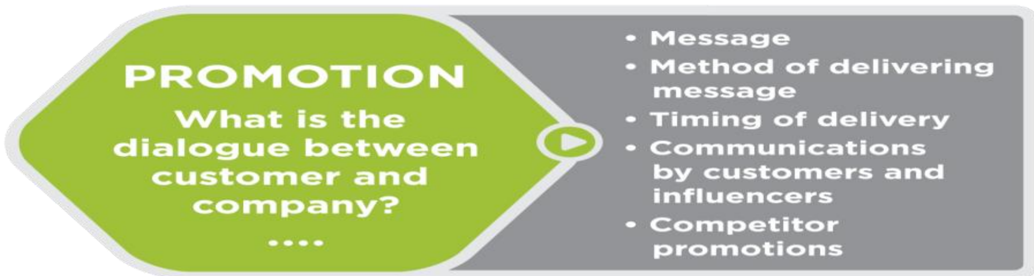
1. Product

In the marketing mix, the term "product" means the solution that the customer wants and needs. In this context, we focus on the solution rather than only on the physical product. Examples of the product include:

- The Tesla Model S, a premium electric car
- A Stay at a Holiday Inn Express, a low-price national hotel chain
- Doritos Nachos Cheese, a snack food
- Simple, an online banking service

Each of these products has a unique set of features, design, name, and brand that are focused on a target customer. The characteristics of the products are different from competitors' products.

2. Promotion



In the marketing mix, the term "promotion" refers to the communications that occur between the company and the customer. Promotion includes both the messages sent by the company and messages that customers send to the public about their experience. Examples of promotion include:

- An advertisement in Cooking Light magazine
- A customer's review of the product on Tumblr
- A newspaper article in the local paper quoting a company employee as an expert
- A test message sent to a list of customers or prospects

Marketing professionals have an increasingly difficult job influencing promotions that cannot be controlled by the company. The company's formal messages and advertising are only one part of promotions.

3. Place

In the marketing mix, the term "place" refers to the distribution of the product. Where does the customer buy the product? "Place" might be a traditional brick-and-mortar store, or it could be online. Examples include:

- Distribution through an online retailer such as Amazon.com
- Use of a direct sales force that sells directly to buyers
- Sales through the company's Web site, such as the shoe purchases at Nike.com
- Sales by a distributor or partner, such as the purchase of a Samsung phone from Best Buy or from a Verizon store

In today's world, the concept of "place" in the marketing mix rarely refers to a specific physical address. It takes into account the broad range of distribution channels that make it easy for the target customer to buy.

4. Price

In the marketing mix, the term “price” refers to the cost to the customer. This requires the company to analyze the product’s value for the target customer. Examples of price include:

- The price of a used college textbook in the campus bookstore
- Promotional pricing such as Sonic Drive-In’s half-price cheeseburgers on Tuesdays
- Discounts to trade customers, such as furniture discounts for interior designers

Marketing professionals must analyze what buyers are willing to pay, what competitors are charging, and what the price means to the target customer when calculating the product’s value. Determining price is almost always a complicated analysis that brings together many variables.

PRODUCT

Definition

Product refers to an item, good or service that is capable of satisfying the needs or wants of customers. It is one of the crucial elements of the marketing mix and is offered for sale in the market.

Product is simply a means or medium of providing service to the customers. It comprises both tangible and intangible items that can be made available in the market for attention, acquisition, and use by people for fulfilling their needs. A product is created as a result of different production processes and efforts of human labor.

There are basically two categories of products: Consumer products and industrial products. Consumer products are those products that are ultimately used by customers for satisfying their wants. These are final products and do not require any further processing stage. On the other hand, industrial products are those which are used as input for the manufacturing of final products.

FEATURES OF PRODUCTS

1. **Customer Satisfaction:** Products are the means through which customers fulfill their needs and wants. It serves as a medium through which business offers service to customers for satisfying their requirements.

2. **Exchange value:** The product should have an exchange value in monetary terms for which it is exchanged with people. This enables the exchange of products between the buyer and seller possible.
3. **Tangibility:** It is one of the important features of the product. The product should have tangible attributes like it should be seen, touched or should have a physical presence.
4. **Intangible attributes:** Product may be intangible which means that it does not have any physical presence. In the case of availing services like banking, repairing, and transportation, a product is intangible.
5. **Associated attributes:** The product should have differential and unique features that make its identification and acceptance by buyers quite easy. It helps in product differentiation and creating a better image.

IMPORTANCES OF PRODUCT

1. **Element of marketing mix:** Product is the key element of the whole marketing mix. All other elements that are price, promotion, and place mix are all dependent and decided in accordance with the product.
2. **Initiates market planning:** Product is termed as the starting point and center of all marketing programs. All marketing activities like sales promotion, advertising and distribution are decided according to the nature of the product.
3. **Competitive weapon:** Product is a powerful weapon of business to face strict market competition. Businesses by efficiently producing products are able to provide better quality at a lower cost which attracts more and more customers.
4. **Means of consumption and satisfaction:** Product is the center of consumption and satisfaction of customers. People buy and consume different products for satisfying their numerous needs.
5. **Key to market success:** Product is an important element for attaining success in the market. If business is able to deliver products in accordance with customer requirements, their product will widely be accepted. It will attract more customers and will provide growth opportunities for the business.
6. **Essential from social viewpoint:** It is important from the viewpoint of society as it provides numerous benefits to them. The product satisfies the wants of society, improves

their standard of living and also serves as a means of providing employment opportunities to a large number of peoples involved in various processes of the product.

Classifications of Products in Marketing: Consumer and Industrial Products

A. Consumer Products:

Consumer products are the products purchased for ultimate consumption by the consumers for satisfying their needs. For example soaps, shoes, clothes, tooth pastes etc. They can further be divided on the basis of durability and shopping efforts involved.

1. Durability of Products:

The consumer goods can be classified into three parts on the basis of durability:

(a) Non- Durable Products:

Non- durable products are those consumer products which are consumed in one or few uses for example soap, toothpaste, shampoo, salt etc. These goods have a small profit margin, need heavy advertisement and should be easily available.

(b) Durable Products:

Durable products are the products with longer consumption period and uses. For example TV, refrigerator, coolers etc. These goods provide high profit margin, require greater personal selling efforts, after sales services etc.

(c) Services:

Services are intangible in form and refer to those activities, benefits or satisfaction which are offered for sale. For example postal service, hair cutting, tailoring, transportation etc.

Following are their main features:

(i) Services are intangible in nature.

(ii) Services can't be stored.

(iii) Services are highly variable in that the quality of service provided by different people is different.

(iv) A service can’t be separated from its source.

2. Shopping Efforts Involved:

Consumer products can be categorized into following three parts on the basis of the time and efforts buyers are willing to spend for the purchase of a product:

(a) Convenience Products:

These products require minimum time and effort and are purchased frequently by the customers. For example bread, medicines, salt, sugar, jam etc.

(i) These products are easily available and require minimum time and effort.

(ii) They are available at low prices.

(iii) These are essential goods; so their demand is regular and continuous.

(iv) They have standardized price.

(v) The supply of these goods is more than the demand; therefore competition for these products is very high.

(vi) Sales promotion schemes such as discount, free offer, rebate etc. help in marketing of these products.

(b) Shopping Products:

These are the products that require considerable time and effort. For example clothes, jewellery, televisions etc. Before making final purchase, a consumer compares the quality, price, style etc. at several stores.

Following are the main features of these products:

(i) They are durable in nature

(n) These goods have high unit price as well as profit margin.

(iii) Before making final purchase, consumer compares the products of different companies.

(iv) Purchases of these products are pre planned.

(v) An important role is played by the retailer in the sale of shopping products.

(c) Speciality Products:

Speciality Products refer to those products which have certain special features due to which the buyers are willing to spend a lot of time and effort on the purchase of such products. These products have brand loyalty of highest order. For example designer clothes, hair styling, antique products, jewellery etc.

Following are the main features of specialty products:

(i) The demand for such products is relatively infrequent.

(ii) These products are very costly.

(iii) These are available for sale only at few places.

(iv) An aggressive promotion is essential for the sale of such products.

(v) Many of the specialty product require after sales service too.

B. Industrial Products:

The products which are used as inputs to produce consumer products are known as industrial products. For example raw material, machinery, tools, lubricants etc. These products are used for non personal & business purposes. Manufacturers, transport agencies, banks & insurance companies, mining companies etc. are the main parties involved, in marketing of industrial products.

Following are the main features of Industrial products:

(i) Number of Buyers:

Industrial Products have limited number of buyers as compared to consumer goods.

(ii) Channel Levels: Since the number of buyers is limited, the sales take place with the help of shorter channels of distribution.

(iii) Geographic Concentration:

The demand for industrial products is concentrated at certain fixed geographical locations.

(iv) Derived Demand:

The demand for industrial products depends upon the demand for consumer goods, therefore the demand for industrial products is known as derived demand. For example demand for cotton fibre increases when there is increased demand for cotton suits, bed sheets etc.

(v) Role of Technical Consideration

Technical consideration plays an important role in the purchase of industrial goods because these products are purchased for use in business operations.

(vi) Reciprocal Buying:

A company may purchase some raw material from another company and also may sell its finished good to the same company. Such a practice is known as reciprocal buying. For example, Tata may buy tyres and tubes from Ceat which may in turn purchase Tata's trucks.

(vii) Leasing Out:

The prices of the industrial products are very high; therefore the companies prefer to take them on lease instead of buying.

Classification of Industrial Products:

Types of Industrial Product are as follows:

1. Materials and Parts:

These refer to the goods that completely enter into the manufacture of a product.

These are of two types:

(a) Raw Material:

These are of two types (i) agricultural products like sugar cane, wood, rubber etc. and (ii) natural products like iron ore, crude petroleum etc.

(b) Manufactured Materials and Parts:

These are of two types (i) component material like glass, iron, plastic etc. and (ii) component parts like steering, battery, bulb etc.

2. Capital Items:

These are the goods that are used in producing finished goods. They include tools, machines, computer etc. Capital items are classified into (a) installations like elevators, mainframe computers etc. and (b) equipments like hand tools, fax machine etc.

3. Supplies and Business Services:

These include goods like paints, lubricants, computer stationary etc. which are required for developing or managing the finished products. These are classified into (a) maintenance and repair items like paints, nails, solutions etc. and (b) operating supplies like oils, lubricants, ink etc.

STAGES OF PRODUCT DEVELOPMENT PROCESS

It is important to understand that there is no one generic product development process and that each rendition of such a process will vary depending on the depth and detail that each explanation covers. This article explains 8 stages of the product development process and these are listed below.

1. **Idea Generation:** The first stage in the product development process is idea generation. In this stage, the company comes up with many different and unique ideas based on both internal and external sources. Internal idea sources more often than not refer to the in-house research and development teams of the company and external sources refer to competitor innovations, the customer wants, distributors and suppliers, and so on. The company thereby focuses on coming up with as many feasible ideas as possible.

2. **Idea Screening:** The next stage involves the screening of this often-large set of ideas. The primary objective of this stage is to focus on ideas that are in line with the company's customer value and financial goals. The stage focuses on the filtering out of ideas that are poor or are not feasible and retain those that have good potential. This is to ensure that the company does not face losses by moving ahead with fickle ideas that do not promise adequate returns.

3. **Concept Development and Testing:** The third of the product development process steps is concept development and testing. In this stage, the good product ideas must be developed into detailed product concepts that are conveyed in consumer-oriented terms. The concept must be made in order to project the product in terms of how it is perceived by consumers and how it will potentially be received in the market and by which set of potential customers. This concept must then be tested by presenting it to the target consumers and their response must be taken into account.

4. **Development of Marketing Strategy:** The new product development process in marketing is covered in stage four. In this step, the company tries to come up with strategies to introduce a promising product into the market. The company must therefore come up with the price, potential revenue figures as well as advertising and distributing channels in this step.

5. **Business Analysis:** The product concept is put through a vigorous business analysis or test in order to ascertain projected sales and revenue and also assess risk and whether the production of the product is financially feasible. The company's objectives are considered and if these are satisfied, the product is moved on to the next step.

6. **Product Development:** This is the step that comes after the management of a company declares a product concept to be in line with the goals of the company and issues green light for development. The research and development wing of the company then works on the product concept for many months and even years in some cases, to come up with a working and functional prototype of the product concept.
7. **Test Marketing:** This is the penultimate stage of the new product development process and involves the testing of the product and its suggested marketing program in realistic market settings. This stage provides an insight into how the product will be introduced into the market, advertised, produced, packaged, distributed, and eventually sold to the customers, and therefore any optimizations if required can be made by the company.

8. **Commercialization:** The final step of the product development process is that of commercialization. Based on the information gathered during the test marketing process, the business management may either decide to go ahead with the launch of the product or put it on the backburner. In case the go-ahead is given, the product is finally introduced into the market and this process is called commercialization. This stage often leads to massive costs in terms of initial infrastructural investments as well as sales promotions and advertisements.

THE STAGES INVOLVED IN THE PRODUCT LIFE CYCLE ARE

1. Introduction Stage 2. Growth Stage 3. Maturity Stage 4. Decline Stage 5. Abandonment Stage.

Product Life Cycle Stages

Like human beings, products also have a limited life-cycle and they pass through several stages in their life-cycle. A typical product moves through five stages, namely, introduction, growth, maturity saturation and decline. These stages in the life of a product are collectively known as product life-cycle.

The length of the cycle and the duration of each stage may vary from product to product, depending on the rate of market acceptance, rate of technical change, nature of the product and ease of entry. But sales volume and profit level change from stage to stage as shown in Fig. 15.2. Every stage creates unique problems and opportunities and, therefore, requires a special marketing strategy.

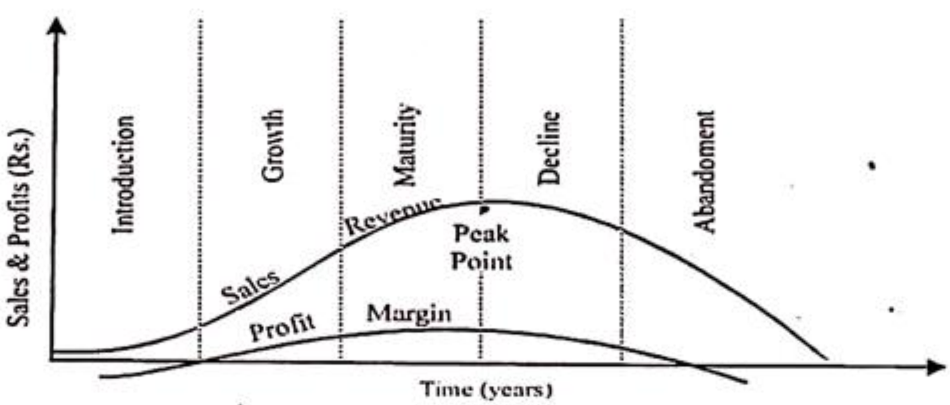


Fig. **15.2 : Product Life-Cycle**

A brief description of each stage and the marketing strategy required for it is given below:

1. INTRODUCTION STAGE:

In the first stage, the product is introduced in the market and its acceptance is obtained. As the product is not known to all consumers and they take time to shift from the existing products, sales volume and profit margins are low. Competition is very low, distribution is limited and price is relatively high.

Heavy expenditure is incurred on advertising and sales promotion to gain quick acceptance and create primary demand. Growth rate of sales is very slow and costs are high due to limited production and technological problems. Often a product incurs loss during this stage due to high startup costs and low sales turnover.

The following strategies may be adopted to introduce a product successfully:

(i) 'Money back' guarantee may be offered to encourage the people to try the product.

(ii) Attractive gift as an 'introductory offer' may be offered to customers.

(iii) Attractive discount to dealers.

(iv) Some unique features built into the product.

2. GROWTH STAGE:

As the product gains acceptance, demand and sales grow rapidly. Competition increases and prices fall. Economies of scale occur as production and distribution are widened. Attempt is made to improve the market share by deeper penetration into the existing market or entry into new markets. The promotional expenditure remains high because of increasing competition and due to the need for effective distribution. Profits are high on account of large scale production and rapid sales turnover.

During the growth stage, following strategies may be adopted:

(i) New versions of the product may be introduced to satisfy the requirements of different types of customers.

(ii) Brand image of the product is created through advertising and publicity.

(iii) The price of the product is made competitive.

(iv) Customer service is enhanced.

(v) Distribution channels are strengthened to make the product easily available wherever required

.

3. MATURITY STAGE:

During this stage prices and profits fall due to high competitive pressures. Growth rate becomes stable and weak firms are forced to leave the industry. Heavy expenditure is incurred on promotion to create brand loyalty. Firms try to modify and improve the product, to develop new uses of the product and to attract new customers in order to increase sales.

In order to prolong the maturity stage, a firm may adopt the following strategies:

(i) The product is differentiated from the rival products.

(ii) Brand image of the product may be emphasised.

(iii) Lifetime or longer period warranty is offered.

(iv) New markets may be developed.

(v) New uses of the product are developed.

(vi) Reusable packaging is introduced.

DECLINE STAGE:

Market peaks and levels off during saturation. Few new customers buy the product and repeat orders disappear. Prices decline further due to stiff competition and firms fight for retaining market share or replacement sales. Sales and profits inevitably fall unless substantial improvements in the product or reduction in costs are made.

The product is gradually displaced by some new products due to changes in buying behaviour of customers. Promotion expenditure is drastically reduced. The decline may be rapid and the product may soon disappear from the market. However, decline may be slow when new uses of the product are created.

In order to avoid sharp decline in sales, a firm may adopt the following strategies:

(i) New features may be added in the product and the product is repositioned.

(ii) The packaging may be made more attractive.

(iii) Economy packs or models may be introduced to revive demand.

(iv) Selective distribution may be adopted to reduce costs.

4. ABANDONMENT STAGE:

Ultimately, the firm abandons the product in order to make better use of its resources. As preferences of customers change, new and more innovative products replace the abandoned product. When the decline is rapid, the product is abandoned. New products with unique features may be introduced. Some firms cannot bear the loss and sell out.

BRANDING

The term brand refers to **a business and marketing concept that helps people identify a particular company, product, or individual**. Brands are intangible, which means you can't actually touch or see them. As such, they help shape people's perceptions of companies, their products, or individuals.

Branding means "**Marketing practice of creating a name, symbol or design that identifies and differentiates a product from other products**."

ADVANTAGES OF BRANDING

1. Awareness and Differentiation

Branding makes the customer aware about the product or service, because without branding how customer will recognize the product or the service. There are so many similar products and services that are used for same cause and for satisfying the same customer needs. Just imagine if there was no branding then all cold drinks would have been same? It's hard to imagine I know, that's why branding helped many customers to prefer to use Coca - Cola while some other prefer to use Pepsi and so on.

2. Premium prices

Branding helps the company in charging a premium price for their product because a strong brand can charge a higher price than its competitors which in turn leads to higher profit margins for the company. An example would be Apple and Samsung charging a higher price of their smartphones than Sony and Huawei because customers have that brand image that Apple and Samsung have the best quality when it comes to smartphones.

3. Barrier to entry on the market

Having a strong and established brand under your portfolio in the market can be a barrier for entrance of new competitors on the same market as yours. The potential new competitors will know that there is a strong leading brand and they may never make a decision to entry on the market.

DISADVANTAGES OF BRANDING

1. Huge development costs

The biggest disadvantage of branding is that it involves huge cost because brands are not created overnight and companies have to spend huge sums on advertising and publicity. Often the brand marketers calculate the ROBI (Return of Brand Investment) as they tend to predict and justify the brand development process.

2. Limited quality flexibility

Limited flexibility in the quality of the products and services of the brands is emerging from the fact that they offer quality for premium price. THE ONLY REASON why customers will pay this premium price is the guaranteed quality. So, no exclusions here guys!

3. Changing the perception for the brand is hard

Another disadvantage of branding is that if due to some reason brand gets a bad name or reputation than it is very difficult, if not impossible to regain the original position or status of the brand. It's similar to basketball MVP, one bad pass can led to losing the game and you're no more perceived as MVP.

PACKAGING

Packaging is the science, art and technology of enclosing or protecting products for distribution, storage, sale, and use.

Packaging also refers to the process of designing, evaluating, and producing packages.

Functions of Packaging

1) Protection: One of the major functions of packaging is to provide for the ravages of time and environment for the natural and manufactured products. The protection function can be divided into some classes viz.

A. Natural deterioration:
It is caused by the interaction of products with water, gases and fumes, microbiologic organisms like bacteria, yeasts and moulds, heat, cold, desiccation (dry environment in deserts and high-altitude areas), contaminants and insects and rodents.

B. Physical protection:
The packaging is also used for physical protection, which include improving shock protection, internal product protection and reducing shock damage caused from vibration, snagging, friction and impact.

C. Safety:
A special kind of protective packaging is required for products that are deemed hazardous to those who transport them or use them. These product include highly inflammable gas and liquid, radioactive elements, toxic materials etc. The packaging should also be done so that children could not easily use or dispose them.

D. Waste reduction:
Packaging also serves to reduce the amount of waste especially in case of food distribution

2) Containment:

This involves consolidation of unit loads for shipping. It starts with spots of adhesives on the individual shippers that stick them together, straps of steel and plastic, entire shrouds of shrinkable or stretchable plastic films and paper or corrugated wraps that surround an entire pallet of product.

There are some special bulk boxes or pallet bins made from unusually strong corrugated board or fabricated form plastics or metal, the method of which depends on the type and weight of product and its protective needs. The cargo containers made of aluminum used to hold many pallet loads of goods can be transferred to or from ships, trains and flatbed trucks by giant cranes.

3) Information:

The packaging conveys necessary information to the consumers. The common information that packaging provides include general features of the product, ingredients, net weight of the contents, name and address of the manufacturers, maximum retail price (MRP).

Packaging of medicine and some food products is required to provide information on methods of preparations, recipes and serving ideas, nutritional benefits, and date of manufacturing, date of expiry, warning messages and cautionary information. Sometimes, the colour of the packaging itself provides some information. For example, orange colour of the bottle of Mirinda or Fanta conveys the information that these brands are of orange coloured soft drinks.

4) Utility of use:

The convenience packaging has been devised for foods, household chemicals, drugs, adhesives, paints, cosmetics, paper goods and a host of other products. This type of packaging includes dispensing devices, prepackaged hot metals, disposable medical packaging.

5) Promotion:

Companies use attractive colours, logos, symbols and captions to promote the product that can influence customer purchase decision.

LABELLING

Definition:

Labelling is a part of branding and enables product identification. It is a printed information that is bonded to the product for recognition and provides detailed information about the product. Customers make the decision easily at the point of purchase seeing the labelling of the product.

TYPES OF LABELLING

There are different types of labels:

- **Brand label**: It plays an important role in labelling as it gives information about the brand. It can be removable or non-removable.
- **Descriptive label**: It specifies product usage.
- **Grade label**: It describes the aspect and features of the product.

FUNCTIONS OF LABELLING

The different functions of labelling are as follows:

1. **Defines the product and its contents**: A label is informative about the product's usage and caution to be taken while using the product. **Example**, Red Label Natural Care tea mentions five ingredients in its label that provide immunity.

2. **Recognition of product**: Labeling assists in the identification of the product. **Example**, the brand name of a chocolate will help one choose from the rest of the confectionery items available.

3. **Assorting of products**: It means classification or grading of products according to different categories in the market. **Example**, shampoos are categorized as dry hair, normal hair and oily hair types and cater to consumers in the market with the dry, normal and oily scalp, respectively.

4. **Assists promotion of products**: It gives the customer the reason to purchase the product. **Example**, it attracts the attention of the consumer by displaying messages such as '20% free' or 'save rupees 15' message in potato chips packet.

5. **In compliance with the law**: Labels should strictly abide by the law. **Example**, for tobacco, the label should mention 'Tobacco is injurious to health'. Cigarettes also should have 'Smoking is injurious to health' as the statutory warning on its package.

IMPORTANCE OF LABELLING

- Labelling is significant as it fetches customers' attention to purchase the product because of visual appeal.
- It promotes the sale of the product as it can make or break the sale of a product.

UNIT - IV

PRICING POLICY, CHANNEL OF DISTRIBUTION AND PROMOTION MIX

Meaning Of Price-Factors Affecting Price Decision –Types Of Pricing Strategies-Definition Of Channel Of Distribution-Features Of Marketing Channels –Types Of Channel Of Distribution-Factors Determining Channel Of Distribution-Functions Of Wholesalers-Types Of Retailers-Promotion Mix-Advertising-Types Of Advertising-Personnel Selling-Qualities Of A Good Salesman.

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PRICING

Pricing is the process whereby a business sets the price at which it will sell its products and services. The needs of the consumer can be converted into demand only if the consumer has the willingness and capacity to buy the product.

DEFINITION:

Pricing may be defined as "the method of determining the value a producer will get in the exchange of goods and services".

FACTORS AFFECTING PRICING DECISIONS

An enormous number of factors affect pricing decisions. A marketing manager should identify and study the relevant factors affecting the pricing. Some factors are internal to organization and, hence, controllable while other factors are external or environmental and are uncontrollable.

Factors are also classified in terms of competition-related factors, market-related factors, product- related factors, and so forth. However, we will consider internal and external factors affecting pricing decisions. Due to these factors, price is set high or low, fixed or variable, and equal or discriminative.

(A) Internal Factors:

Internal factors are internal to organisation and, hence, are controllable. These factors play vital role in pricing decisions. They are also known as organisational factors. Manager, who is responsible to set price and formulae pricing policies and strategies, is required to know adequately about these factors.

Important internal factors have been discussed here:

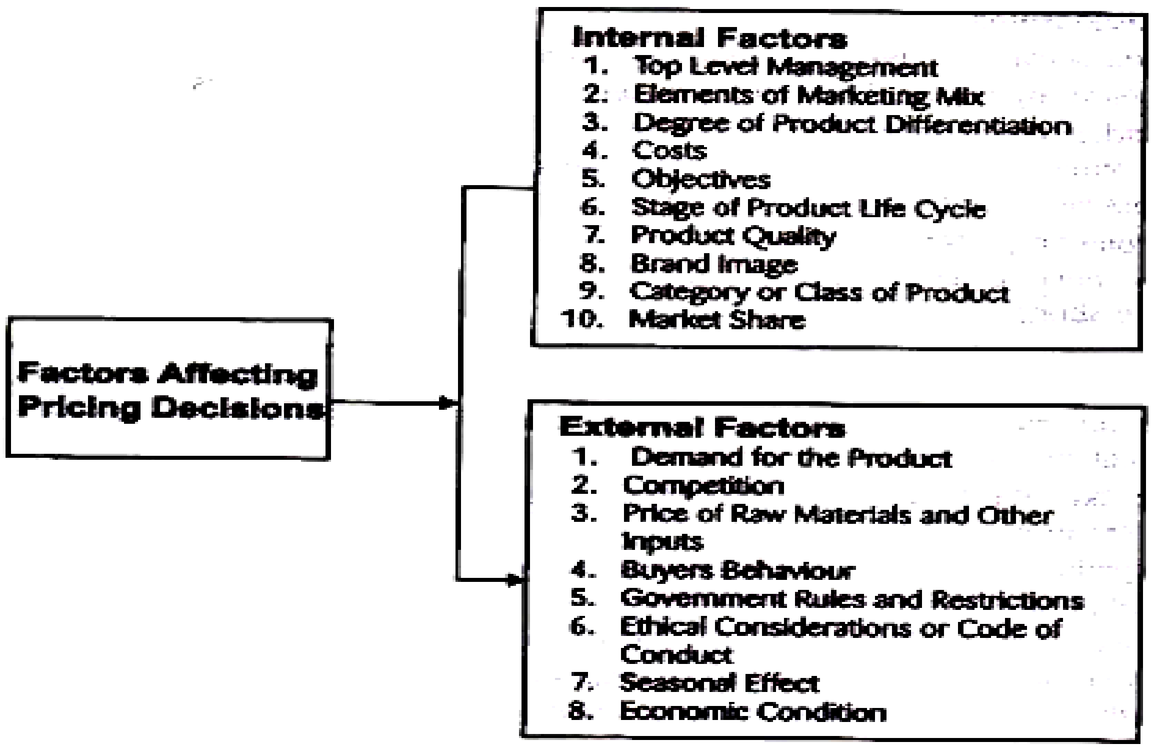

Figure 2: Factors affecting Pricing Decisions

1. Top Level Management:

Top-level management has a full authority over the issues related to pricing. Marketing manager's role is administrative. The philosophy of top-level management is reflected in forms of pricing also. How does top management perceive the price?

How far is pricing considered as a tool for earning profits, and what is importance of price for overall performance? In short, overall management philosophy and practice have a direct impact on pricing decision. Price of the product may be high or low; may be fixed or variable; or may be equal or discriminative depends on top-level management.

2. Elements of Marketing Mix:

Price is one of the important elements of marketing mix. Therefore, it must be integrated to other elements (promotion, product, and distribution) of marketing mix. So, pricing decisions must be linked with these elements so as to consider the effect of price on promotion, product and distribution, and effect of these three elements on price.

For example, high quality product should be sold at a high price. When a company spends heavily on advertising, sales promotion, personal selling and publicity, the selling costs will go up, and consequently, price of the product will be high. In the same way, high distribution costs are also reflected in forms of high selling price.

3. Degree of Product Differentiation:

Product differentiation is an important guideline in pricing decisions. Product differentiation can be defined as the degree to which company's product is perceived different as against the products offered by the close competitors, or to what extent the product is superior to that of competitors' in terms of competitive advantages. The theory is, the higher the product differentiation, the more will be freedom to set the price, and the higher the price will be.

4. Costs:

Costs and profits are two dominant factors having direct impact on selling price. Here, costs include product development costs, production costs, and marketing costs. It is very simple that costs and price have direct positive correlation. However, production and marketing costs are more important in determining price.

5. Objectives of Company:

Company's objectives affect price of the product. Price is set in accordance with general and marketing objectives. Pricing policies must the company's objectives. There are many objectives, and price is set to achieve them.

6. Stages of Product Life Cycle:

Each stage of product life cycle needs different marketing strategies, including pricing strategies. Pricing depends upon the stage in which company's product is passing through. Price is kept high or low, allowances or discounts are allowed or not, etc., depend on the stage of product life cycle.

7. Product Quality:

Quality affects price level. Mostly, a high-quality-product is sold at a high price and vice versa. Customers are also ready to pay high price for a quality product.

8. Brand Image and Reputation in Market:

Price doesn't include only costs and profits. Brand image and reputation of the company are also added in the value of product. Generally, the company with reputed and established brand charges high price for its products.

9. Category of Product

Over and above costs, profits, brand image, objectives and other variables, the product category must be considered. Product may be imitative, luxury, novel, perishable, fashionable, consumable, durable, etc. Similarly, product may be reflective of status, position, and prestige. Buyers pay price not only for the basic contents, but also for psychological and social implications.

10. Market Share:

Market share is the desired proportion of sales a company wants to achieve from the total sales in an industry. Market share may be absolute or relative. Relative market share can be calculated with reference to close competitors. If company is not satisfied with the current market share, price may be reduced, discounts may be offered, or credit facility may be provided to attract more buyers.

(B) EXTERNAL FACTORS:

External factors are also known as environmental or uncontrollable factors. Compared to internal factors, they are more powerful.

Pricing decisions should be taken after analyzing following external factors:

1. Demand for the Product:

Demand is the single most important factor affecting price of product and pricing policies. Demand creation or demand management is the prime task of marketing management. So, price is set at a level at which there is the desired impact on the product demand. Company must set price according to purchase capacity of its buyers.

Here, there is reciprocal effect between demand and price, i.e., price affects demand and demand affects price level. However, demand is more powerful than price. So, marketer takes decision as per demand. Price is kept high when demand is high, and price is kept low when demand of the product is low. Price is constantly adjusted to create and/or maintain the expected level of demand.

2. Competition:

A marketer has to work in a competitive situation. To face competitors, defeat them, or prevent their entry by effective marketing strategies is one of the basic objective organisation. Therefore, pricing decision is taken accordingly.

A marketer formulates pricing policies and strategies to respond competitors, or, sometimes, to misguide competitors. When all the marketing decisions are taken with reference to competition, how can price be an exception?

Sometimes, a company follows a strong competitor's pricing policies assuming that the leader is right. Price level, allowances, discount, credit facility, and other related decisions are largely imitated.

3. Price of Raw Materials and other Inputs:

The price of raw materials and other inputs affect pricing decisions. Change in price of needed inputs has direct positive effect on the price of finished product. For example, if price of raw materials increases, company has to raise its selling price to offset increased costs.

4. Buyers Behaviour:

It is essential to consider buyer behaviour while taking pricing decision. Marketer should analyze consumer behaviour to set effective pricing policies. Consumer behaviour includes the study of social, cultural, personal, and economic factors related to consumers. The key characteristics of consumers provide a clue to set an appropriate price for the product.

5. Government Rules and Restrictions:

A company cannot set its pricing policies against rules and regulations prescribed by the governments. Governments have formulated at least 30 Acts to protect the interest of customers. Out of them, certain Acts are directly related to pricing aspects. Marketing manager must set pricing within limit of the legal framework to avoid unnecessary interference from the outside. Adequate knowledge of these legal provisions is considered to be very important for the manager.

6. Ethical Consideration or Codes of Conduct:

Ethics play a vital role in price determination. Ethics may be said as moral values or ethical code that govern managerial actions. If a company wants to fulfill its social obligations and when it believes to work within limits of the ethics prescribed, it always charges reasonable price for its products. Moral values restrict managerial behaviour.

7. Seasonal Effect:

Certain products have seasonal demand. In peak season, demand is high; while in slack season, demand reduces considerably. To balance the demand or to minimize the seasonal-demand fluctuations, the company changes its price level and pricing policies. For example, during a peak season, price may be kept high and vice versa. Discount, credit sales, and price allowances are important issues related to seasonal factor.

8. Economic Condition:

This is an important factor affecting pricing decisions. Inflationary or deflationary condition, depression, recovery or prosperity condition influences the demand to a great extent. The overall health of economy has tremendous impact on price level and degree of variation in price of the product. For example, price is kept high during inflationary conditions. A manager should keep in mind the macro picture of economy while setting price for the product.

TYPES OF PRICING

1) Premium pricing

It is a type of pricing which involves establishing a price higher than your competitors to achieve a premium positioning. You can use this kind of pricing when your product or service presents some unique features or core advantages, or when the company has a unique competitive advantage compared to its rivals. For example, Audi and Mercedes are premium brands of cars because they are far above the rest in their product design as well as in their marketing communications.

2) Penetration pricing

It is a commonly used pricing method amongst the various *types of pricing* is designed to capture market share by entering the market with a low price as compared to the competition. The penetration pricing strategy is used in order to attract more customers and to make the customer switch from current brands existing in the market. The main target group is price sensitive customers. Once a market share is captured, the prices are increased by the company.

However, this is a sensitive strategy to apply as the market might be penetrated by yet another new entrant. Or the margins are so low that the company does not survive. And finally, this strategy never creates long term brand loyalty in the mind of customers. This strategy is used mainly to increase brand awareness and start with a small market share.

3) Economy pricing

This type of pricing takes a very low cost approach. Just the bare minimum to keep prices low and attract a specific segment of the market that is highly price sensitive. Examples of companies focusing on this type of pricing include Walmart, Lidl and Aldi.

4) Skimming price

Skimming is a type of pricing used by companies that have a significant competitive advantage and which can gain maximum revenue advantage before other competitors begin offering similar products or substitutes. It can be the case for innovative electronics entering the marketing before the products are copied by close competitors or Chinese manufacturers.

After being copied, the product loses its premium value and hence the price has to be dropped immediately. Thus, to get maximum margins from their products, innovative companies keep launching new variants so that customers are always in the discovery phase and paying the required premium.

5) Psychological pricing

It is a type of pricing which can be translated into a small incentive that can make a huge impact psychologically on customers. Customers are more willing to buy the necessary products at $ 4.99 than products costing $5. The difference in price is actually completely irrelevant. However, it makes a great difference in the mind of the customers. This strategy can frequently be seen in the supermarkets and small shops.

6) Neutral strategy

This type of pricing focuses on keeping the price at the same level for all four periods of the product lifecycle. However, with this type of strategy, there is no opportunity to make higher profits and at the same time, it doesn't allow for increasing the market share. Also, when the product declines in turnover, keeping the same price effects the margins thereby causing an early demise. This pricing is used very rarely.

7) Captive product pricing

It is a type of pricing which focuses on captive products accompanying the core products. For example, the ink for a printer is a captive product where the core product is the printer. When employing this strategy companies usually put a higher price on the captive products resulting in increased revenue margins, than on the core product.

8) Optional product pricing

It can be frequently observed in the case of airline companies. For example, the basic product of KLM Airlines is offering or providing seats in the airplane for different flights. However, once the customers start purchasing these seats, they are offered optional features along with the seats. Examples may be extra seat space, more drinks etc. Because of this optional product, there is more revenue generated from the main product. Customers are willing to spend for the optional product as well.

9) Promotional pricing strategy

It is just like Bundling price. But here, the products are bundled so as to make the customer use the bundled product for the first time. This type of pricing focuses on buying one, and getting a new type of product for free. Promotional pricing can also serve as a way to move old stock as well as to increase brand awareness.

10) Geographical pricing

It involves variations of prices depending on the location where the product and service is being sold and is mostly influenced by the changes in the currencies as well as inflation. An example of geographic pricing can also be the sales of heavy machinery, which are sold after considering the transportation cost of different locations.

Channels of Distribution

A distribution channel is a chain of businesses or intermediaries through which a good or service passes until it reaches the final buyer or the end consumer. Distribution channels can include wholesalers, retailers, distributors, and even the Internet.

Various Types of Channels of Distribution:

1. Direct Channel (Zero Level):

It is the shortest and simplest channel of direct distribution of goods from manufacturer to customers.

It is called as zero level channel of distribution as it does not involve any intermediary.

It facilitates direct relationship between the manufacturer and the customer.

Examples – e-business (selling through internet); Direct Mail Order Houses; Chain Stores (Colourplus, Nike, Bata etc.); Direct selling (Amway; Oriflame etc.)

2. Indirect Channel:

When a manufacturer employs one or more intermediaries to sell and distribute their product to the customers it is called as indirect selling. In this, goods move from the point of production to the point of consumption through a distribution network.

The various forms of indirect distribution networks are:

(a) One Level Channel:

This channel of distribution involves one intermediary to transfer goods from the manufacturer to the customer. In this, the title and risk transfers from manufacturers to retailers who in turn sell goods to customers. This distribution channel enables manufacturers to retain control and approach large number of potential customers.

Examples – Automobile manufacturers sell their cars through authorised dealers.

(b) Two Level Channel:

This channel of distribution involves two intermediaries to transfer goods from the manufacturer to the customer. In this wholesalers and retailers act as a connecting link between manufacturers and consumers. This network enables manufacturer to cover a large market area. It is a most adopted distribution channel for consumer products.

(c) Three Level Channel:

This channel of distribution involves manufacturers using the services of agents or brokers to connect with wholesalers and retailers. Manufacturers appoint agents in major areas who in turn connect them to wholesalers and retailers. It is suitable for manufacturers of limited product line with customers spread over a wide geographical area.

A. Direct Channel:

1. Producer → Consumer…. (Zero Level/No Intermediary)

B. Indirect Channel:

1. Producer Retailer → Consumer…… (One Level/Intermediary)
2. Producer → Wholesaler → Retailer → Consumer (Two Level/Intermediaries)
3. Producer Agent → Wholesalers → Retailer → Consumer (Three Level/Intermediaries)

Diagrammatic Presentation:

1. Producer → Consumer……….. Zero Level

Example – Eureka Forbes

2. Producer → Retailer → Consumer ……. 1 Level

Example – Specialty products like Washing Machines, TVS, Refrigerators, or industrial products are sold

3. Producer → Wholesaler Distributor → Retailer → Consumer ………. 2 Level

Example – Goods like food items drugs etc., small manufacturers' goods which are widely sold to consumers

4. Producer → Distributor → Wholesaler → Retailer → Consumer ……… 3 Level

Example – Items like cloth, grocery where producer wishes to totally pass on the burden of distribution to intermediaries.

1. Producer → Consumer:

Here producer sells direct to final users without any intermediaries. Shortest Distribution Channel.

Methods used are:

i. Opening sales counter at manufacturer's plant, e.g., bakery items, ice cream etc.

ii. Door to door sales e.g., Utensils, ladies garments, cosmetics, items of daily use Vim, Surf etc.

iii. Sales by opening shops e.g., Raymonds, Bata etc.

iv. Sales through mechanical devices e.g., Parag milk through ATM, etc.

Usefulness of Methods / When Suitable:

1. Marketing highly perishable goods like milk
2. Products which could be sold by post
3. New product requiring effective salesmanship
4. Industrial goods requiring effective servicing by expert for which producer is the best
5. Closeness with Consumer

2. Producer → Retailer → Consumer:

Here, goods are sold by manufacturer to retailer who sells to consumer. Also known as One – level Channel

Methods used:

i. Salesmen of manufacturers visit and collect orders from retailers

ii. Orders by Post

iii. Sales made at factory

Usefulness/ When suitable:

i. Perishable products, physically or fashion wise, in order to speed up their distribution.

ii. Large Retailers want to deal directly (without wholesalers) with producers.

3. Producer → Wholesaler → Retailer → Consumer:

Two parties in between producer and final consumer. Hence also called Two Level Channel/PWRC. A traditional, normal, regular and popular channel.

Suitability:

i. When there is large number of consumer who purchase in small quantities.

ii. When products need a balanced or equitable distribution.

iii. Small manufacturers whose goods are to be sold to consumers widely scattered in different localities.

4. Producer → Agent / Distributor → Wholesaler → Retailer Consumer:

Here producer sells first to Agent who sells to wholesaler in turn selling to retailer. Agent or Distributor acts as facilitating party on commission basis and does not assume title to goods. Agents are used by manufacturers to free themselves from marketing and pass on the burden of distribution to intermediary.

There are several channels available for the purpose of distribution of goods. Each channel has its own advantages and limitations and every company has to make difficult choice about channels of distribution. This decision about choice of a channel of distribution depends on several factors. A company has to consider all these factors and make an appropriate choice.

FACTORS DETERMINING THE CHANNELS OF DISTRIBUTION

The following are the factors:

1. MARKET RELATED FACTORS:

Since the channels of distribution operate in the market. The market related factors are very important. There are several forces in the market which dictate the choice of channels of distribution.

The following are the market related factors to be considered:

a. Customers:

The ultimate purpose of any channel of distribution is to distribute the goods to the customers. Therefore the requirements and the nature of the customers should be considered while deciding the channel of distribution.

If the customers are widely scattered the channels must be in a position to reach them out effectively. This requires appropriate channels but if the customers are not widely scattered smaller channels would be sufficient. If the customers are very large in number such as individuals, very wide channels of distribution will be necessary, but if the customers are small in number and purchase in large quantities such as the industrial purchasers, small channels or even direct distribution will be sufficient.

b. Competition:

One has to consider the channels of distribution arranged by the competitors. This choice represents the wisdom and experience of the competitors. It also means that the competitors have been successful in using such channels over the long run. A company can adopt such channels of distribution if found suitable to itself. Unless there are compelling reasons, a company should not try to change the pattern of distribution as compared with that of the competition.

c. Existing Channels of Distribution:

One has to make study of the existing channels of distribution. The functions performed by these channels, their strengths and weaknesses, their suitability and such other factors affect the choice of channels. Their relative advantages must also be studied.

2. PRODUCT FACTORS:

Since it is the product which is to be distributed, the product characteristics also have to be analyzed while choosing a channel of distribution. Different products are different in nature and this nature of the products requires different types of channels.

The following product factors have to be considered:

a. Perishability:

If the products are highly perishable, the channel must be short or even direct marketing would be suitable. This is because long channels of distribution with a large number of intermediaries delay the distribution of goods. Products like milk, flowers etc. require very fast distribution.

b. Nature of the Product:

Consumer goods are purchased by a larger number of people, in smaller quantities and more frequently. Therefore such goods require longer channels of distribution which have a wide range. The presence of retailers is a must. Industrial goods on the other hand are purchased in larger quantities by a smaller number of purchasers and less frequently. Moreover the industrial goods purchaser is well informed, knowledgeable and rational. Such goods require shorter channels of distribution.

c. Technicality:

Some products are highly technical in nature such as computer hardware and software, medical diagnostic equipment etc. Such goods require a high amount of technical support which can be provided only by the manufacturer. Therefore, such goods are best distributed by manufacturers' salesmen. Goods which do not require such technical support, for example-ready-to-wear garments can be distributed by longer channels of distribution.

d. Seasonality:

Some goods have a seasonal nature either in terms of production (agricultural goods), or consumption (woolen goods) and such goods require different types of distribution channels.

e. Variety Offered:

If a manufacturer has a wide range of goods, he can opt for direct distribution of the goods since a large number of products are available. If a manufacturer has very few products, he has to distribute them through long channels of distribution.

f. Unit Value:

Products of high unit value suit shorter channels of distribution or even direct marketing, but products of low unit value which are mass consumed require longer channels of distribution.

3. COMPANY FACTORS:

A company has to look within and understand itself while choosing a channel of distribution. It has to understand its requirements, strengths and weaknesses.

The following specific factors have to be understood:

a. Company's Financial Strength:

A financially strong company can design its own channel of distribution because of its financial strength. It can negotiate with people and establish an altogether new channel of distribution. A company which is not financially strong has to settle down for existing channels of distribution because establishing a new channel of distribution requires huge amounts of money.

b. The Extent of Control Desired:

Control desired in this context means the ability of the company to exercise control over the channels of distribution in matters like resale price maintenance, territory restrictions etc. Longer the channel, lesser will be the control.

c. Reputation of the Company:

A well-established company with a strong reputation will find it easy to have longer channels of distribution. This is because channel intermediaries are generally willing and enthusiastic to be associated with strong companies.

d. Company's Marketing Policies:

Every company will have policies regarding marketing and these policies will also lay down norms relating to channels of distribution and these policies will also have a strong influence on the choice of channels of distribution.

e. Past Experience:

An established company will already have well established channels of distribution. The company will also have experience in matters of dealing with such channels of distribution. A company should consider such past experience while deciding the channels of distribution.

4. CHANNEL RELATED FACTORS:

The channels of distribution choosing should be appropriate from the view point of the company. These channels must be examined and then a proper choice must be made.

The following factors of the channel must be considered:

a. The Ability of the Channels:

Well established and strong channels have the ability to distribute goods effectively over a wide area. They can promote and sell even unknown products. Newly established channels of distribution however cannot do these. Therefore a company has to consider the ability of the channels before deciding on the channels of distribution.

b. The Financial Strength of the Channels:

Financially strong channels of distribution can distribute the goods well and also finance the manufacturers directly or indirectly. They can lift the goods from the manufacturers by paying cash immediately which indirectly amounts to financing the manufacturers. Therefore, such financial ability is also a factor that must be considered by a company regarding choice of channel of distribution.

c. Ability to Provide after Sales Service:

Some products require a long term after sales service. In such a case it should be decided as to who has to provide the after sales service whether the manufacturer or a member of the channel of distribution. In such a case a company has to look into the ability of the channels of distribution to provide effective after sales service in a sustained manner.

5. ENVIRONMENTAL FACTORS:

A company's channel choice depends on certain environmental factors. Environment in this context means the environment within which the company, the channels of distribution, the customers etc. are present.

The following are certain environmental factors which must be considered while deciding channels of distribution:

a. Economic Situation:

The prevailing economic situation in the country affects all the economic activities. Therefore, a company has to be aware of the prevailing economic conditions. During an economic boom, the sales of all the products will naturally good and channels of distribution will be more than willing to take up distribution of products.

During a recessionary period, the general sales come down as a result of h which channels of distribution become reluctant to take up distribution. These are the factors to be considered by a company while deciding on a channel of distribution.

b. Legal Factors:

A company is free to decide about its channels of distribution as long as its activities are legal. There are certain legal factors however which must be considered while deciding channels of distribution and arrangements with them. Certain types of arrangements with the channels of distribution in the form of sole distributorship and in the cases of certain essential commodities may be objectionable under law. Therefore, such legal factors are to be considered.

c. Fiscal Structure:

Fiscal structure in this context refers to certain indirect taxes levied by the state governments on products. There is no uniformity in this matter and clarity is absent in certain cases. Therefore, such matters must also be considered while deciding on, channels of distribution.

WHOLESALER

A Wholesaler is **a middleman distributor that deals in the distribution of goods from manufacturers to retailers**. The wholesaler buys in large quantities that attract discounts and lower prices

Functions of Wholesaler

Various functions performed by a wholesaler are explained below.

(i) Buying and Assembling:

The wholesaler purchases goods in large quantities from different manufacturers and assembles them at one place and stores them in his warehouse and resell to the retailers.

(ii) Warehousing

By preserving the goods received from different manufacturers in stores, the wholesaler performs the function of warehousing. The storage of goods is needed on account of time lag between production and consumption of goods.

(iii) Grading and Packaging:

The assembled goods are graded in accordance with their quality and packed in different containers before supplying to the retailers. In this manner, the wholesaler performs important marketing functions of grading and packing.

(iv) Transportation:

The wholesalers purchase goods from manufacturers and carry them to his godowns and then supply the same to the retailers. He may employ his own vans or hire vehicles for carrying the goods on account of bulk purchases. They can avail of economies in freight.

(v) Financing:

The wholesaler provides credit facilities to the retailers and manufacturers. They sometimes give advance to the manufacturers for the goods to be received later. By selling goods on credit they help the retailers.

(vi) Risk Bearing:

A wholesaler performs the marketing function of risk bearing also. Goods are exposed to many risks such as destruction and spoilage in warehouses on account of many avoidable and unavoidable reasons. The wholesaler is also confronted with many other risks viz., sudden changes in demand of the product, prices of the products going down and non- recovery of payment from retailers in (bad debts) etc.

(vii) Providing Marketing Information:

The wholesaler imparts valuable information to both the manufacturer and the retailer. He keeps informing the manufacturer about the tastes, preferences, likes and dislikes of the customers. He gathers this information from the retailers. At the same time he informs the retailer about the goods produced by the manufacturer. In order to gather the information the wholesaler conducts various market surveys.

***(viii) Dispersion of Goods**:*

The wholesalers sell goods to largely scattered retailers. When the stock of retailers is exhausted, they approach the wholesalers for purchasing the goods. In this process, the wholesaler provides valuable service in the disposal of goods. The wholesaler also undertakes extensive advertisement and also sales promotion techniques for the dispersal of the goods.

RETAILER

Retailer is a person or **business that you purchase goods from**. Retailers typically don't manufacture their own items. They purchase goods from a manufacturer or a wholesaler and sell these goods to consumers in small quantities.

FUNCTIONS OF RETAILER

Generally, retailers are involved in the following functions:

1. **Function of breaking bulk**

Retailers break up large quantities into smaller units such as individual canes, bottles, packets, appropriate for consumer use.

2. **Function of creating place utility**

Retailers create place utility by transporting goods to the point of consumption.

3. **Stocking Varieties of goods**

Retailers buy varieties of goods from various manufacturers or wholesalers. Thus, a retailer provides a wide range of choice enabling the consumers to select the products of their choice.

4. **Providing credit facilities to customers**

Retailers grant credit facilities to consumers and thus increase their short-term purchasing power.

5. **Providing information to customers and wholesalers**

Retailers act as a link between the buyers and wholesalers / manufacturers. In the distribution channel, retailers are in direct contact with customers. Retailers supply market information to manufacturers either directly or through wholesalers.

6. **Estimating the demand and arranging the purchase of the product**

Retailers create demand for products by communicating with their customers. This demand creation is quite helpful for manufacturers and wholesalers.

7. **Acting as consumer's agent**

The retailers anticipate the wants of the consumers and then supply them the right kind of goods at a reasonable price. Their job is to make the consumer's buying as easy and convenient as possible.

8. **Marketing functions**

Retailers perform several marketing functions such as sales promotion, advertising and point of purchase display. They induce customers to buy products of reputed companies.

9. **Connecting link**

The retailers are the connecting link between the wholesaler and the ultimate consumer.

PROMOTION MIX

Definition:

The **Promotion Mix** refers to the blend of several promotional tools used by the business to create, maintain and increase the demand for goods and services.

The fourth element of the 4 P's of Marketing Mix is the promotion; that focuses on creating the awareness and persuading the customers to initiate the purchase. The several tools that facilitate the promotion objective of a firm are collectively known as the Promotion Mix.

The Promotion Mix is the integration of Advertising, Personal Selling, Sales Promotion, Public Relations and Direct Marketing. The marketers need to view the following questions in order to have a balanced blend of these promotional tools.

- What is the most effective way to inform the customers?
- Which marketing methods to be used?
- To whom the promotion efforts be directed?
- What is the marketing budget? How is it to be allocated to the promotional tools?

Elements of Promotion Mix

1. **Advertising:** The advertising is any paid form of non-personal presentation and promotion of goods and services by the identified sponsor in the exchange of a fee. Through advertising, the marketer tries to build a pull strategy; wherein the customer is instigated to try the product at least once. The complete information along with the attractive graphics of the product or service can be shown to the customers that grab their attention and influences the purchase decision.

2. **Personal Selling:** This is one of the traditional forms of promotional tool wherein the salesman interacts with the customer directly by visiting them. It is a face to face interaction between the company representative and the customer with the objective to influence the customer to purchase the product or services.

3. **Sales Promotion:** The sales promotion is the short term incentives given to the customers to have an increased sale for a given period. Generally, the sales promotion schemes are floated in the market at the time of festivals or the end of the season. Discounts, Coupons, Payback offers, Freebies, etc. are some of the sales promotion schemes. With the sales promotion, the company focuses on the increased short-term profits, by attracting both the existing and the new customers.

4. **Public Relations:** The marketers try to build a favourably image in the market by creating relations with the general public. The companies carry out several public relations campaigns with the objective to have a support of all the people associated with it either directly or indirectly. The public comprises of the customers, employees, suppliers, distributors, shareholders, government and the society as a whole. The publicity is one of the form of public relations that the company may use with the intention to bring newsworthy information to the public.

   E.g. Large Corporates such as Dabur, L&T, Tata Consultancy, Bharti Enterprises, Services, Unitech and PSU's such as Indian Oil, GAIL, and NTPC have joined hands with Government to clean up their surroundings, build toilets and support the swachh Bharat Mission.

5. **Direct Marketing:** With the intent of technology, companies reach customers directly without any intermediaries or any paid medium. The e-mails, text messages, Fax, are some of the tools of direct marketing. The companies can send emails and messages to the customers if they need to be informed about the new offerings or the sales promotion schemes.

   E.g. The Shopper stop send SMS to its members informing about the season end sales and extra benefits to the golden card holders.

Thus, the companies can use any tool of the promotion mix depending on the nature of a product as well as the overall objective of the firm.

ADVERTISING

The advertising is any paid form of non-personal presentation and promotion of goods and services by the identified sponsor in the exchange of a fee. Through advertising, the marketer tries to build a pull strategy; wherein the customer is instigated to try the product at least once. The complete information along with the attractive graphics of the product or service can be shown to the customers that grab their attention and influences the purchase decision.

TYPES OF ADVERTISING

Advertising activities can be categorized into above the line, below the line, and through the line advertising according to their level of penetration.

- **Above the line advertising** include activities that are largely non-targeted and have a wide reach. Examples of above the line advertising are TV, radio, & newspaper advertisements.
- **Below the line advertising** include conversion focused activities which are directed towards a specific target group. Examples of below the line advertising are billboards, sponsorships, in-store advertising, etc.
- **Through the line advertising** include activities which involve the use of both ATL & BTL strategies simultaneously. These are directed towards brand building and conversions and make use of targeted (personalized) advertisement strategies. Examples of through the line advertising are cookie based advertising, digital marketing strategies, etc.

Advertising activities can also be categorized into 5 types based on the advertising medium used. These types of advertisements are:

- **Print Advertising:** Newspaper, magazines, & brochure advertisements, etc.
- **Broadcast Advertising:** Television and radio advertisements.
- **Outdoor Advertising:** Hoardings, banners, flags, wraps, etc.
- **Digital Advertising:** Advertisements displayed over the internet and digital devices.

- **Product/Brand Integration:** Product placements in entertainment media like TV show, YouTube video, etc.

OBJECTIVES OF ADVERTISING

There are 3 main objectives of advertising – to inform about the brand or offering, to persuade to buy or perform a task, and to remind and reinforce the brand message.

To Inform

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

To Persuade

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

To Remind

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

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

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

- Changing Customers’ attitudes, etc.

IMPORTANCE OF ADVERTISING

To The Customers

- **Convenience:** Targeted informative advertisements make the customer’s decision making process easier as they get to know what suits their requirements and budget.
- **Awareness:** Advertising educates the customers about different products available in the market and their features. This knowledge helps customers compare different products and choose the best product for them.
- **Better Quality:** Only brands advertise themselves and their products. There are no advertisements for unbranded products. This ensures better quality to the customers as no brand wants to waste money on false advertising.

To The Business

- **Awareness:** Advertising increases the brand and product awareness among the people belonging to the target market.
- **Brand Image:** Clever advertising helps the business to form the desired brand image and brand personality in the minds of the customers.
- **Product Differentiation:** Advertising helps the business to differentiate its product from those of competitors’ and communicate its features and advantages to the target audience.
- **Increases Goodwill:** Advertising reiterates brand vision and increases the goodwill of the brand among its customers.
- **Value for Money:** Advertising delivers the message to a wide audience and tends to be value for money when compared to other elements of the promotion mix.

ADVANTAGES OF ADVERTISING

- **Reduces Per-Unit Cost:** The wide appeal of advertisements increases the demand for the product which benefits the organization as it capitalizes on the economies of scale.

- **Helps in Brand Building:** Advertisements work effectively in brand building. Brands who advertise are preferred over those which doesn’t.
- **Helps in Launching New Product:** Launching a new product is easy when it is backed by an advertisement.
- **Boosts up Existing Customers’ Confidence in the Brand:** Advertisements boosts up existing customers’ confidence in the brand as they get a feeling of pride when they see an advertisement of the product or the brand they use.
- **Helps n Reducing Customer Turnover:** Strategic advertisements for new offers and better service helps reduce customer turnover.
- **Attracts New Customers:** Attractive advertisements help the brand in gaining new customers and expanding the business.
- **Educates The Customers:** Advertisements inform the customers about different products existing in the market and also educates them in what they should look for in an apt product.

Disadvantages of Advertising

- **Increases the Costs:** Advertising is an expense to the business and is added to the cost of the product. This cost is eventually borne by the end consumer.
- **Confuses the Buyer:** Too many advertisements with similar claims often confuses the buyer in what to buy and should he buy the product or not.
- **Is Sometimes Misleading:** Some advertisements use smart strategies to mislead the customers.
- **Only For Big Businesses:** Advertising is a costly affair and only big businesses can afford it. This makes small businesses out of competition with big businesses who get to enjoy a monopoly in the market.
- **Encourages The Sale Of Inferior Products:** Effective advertisements even lead to the sale of inferior products which aren’t good for the consumers.

QUALITIES OF GOOD SALES MAN

Essential qualities of an effective salesman are: (1) personality (2) cheerful disposition (3) mental ingredients (4) courtesy (5) patience and perseverance and (6) complete knowledge about the self, product, company and the customer.

The success of a business undertaking largely depends upon the efficiency of its salesman. In the modern age of cut throat competition, a person possessing desired qualities can prove to be a successful salesman.

(1) Personality:

A good salesman should possess a good personality. What fragrance is to a flower is personality to an individual. It is the ability to impress others. A charming personality always creates a good impression. He should possess good health, attractive appearance and impressive voice. He should not suffer from physical handicaps like stammering and limping etc.

(2) Cheerful Disposition:

He should have a smiling face. It is rightly said that 'a man without a smiling face must not open a shop. In order to impress upon the customers he should always be cheerful and sweet tempered. He should be properly dressed as the dress greatly enhances the personality.

(3) Mental Ingredients:

An individual cannot be a successful salesman unless he possesses certain mental qualities like imagination, sound judgment, presence of mind, foresightedness, initiative and strong memory. These qualities are of great help to a salesman in dealing with customers having different nature and temperament. He can successfully tackle the customers. The mental qualities are very helpful in creating permanent customers for the product.

(4) Courtesy:

A salesman should always be polite and courteous towards his customers. It costs nothing but wins permanent customers for the product. He should help the customers in making the right choice or in selecting the products. This will definitely help in winning over the confidence of the customers.

(5) Patience and Perseverance:

A salesman comes across different type of customers. Some of them purchase nothing but waste time by asking irrelevant questions about the products. Under such circumstances, he should not loose temper but give patient hearing to the customers.

He should not get tired with his customers soon. He should try time and again to convince the customers. Customer is supreme for him and he should not leave any stone unturned to give full satisfaction to the customers.

(6) Complete Knowledge About The Self, Product, Company And The Customer:

A salesman should clearly know about himself. He should try to find out his limitations and make constant efforts to overcome them. At the same time, he should know his strong points. While dealing with the customers he should exhibit his plus points and avoid displaying the weaknesses. He can remove his weaknesses by undergoing proper training. There is no denying the fact that salesmen are made and not born.

He should possess the full knowledge about the product so that he may properly answer the questions of the customers at the time of sale. The buyer depends to a great extent on the salesman especially in case of a new product.

SALES PROMOTION

MEANING

Sales promotion is a set of marketing technologies aimed to stimulate the demand in particular products and increase brand awareness. Limited in time, it creates a feeling of time-sensitiveness, generates new leads, and keeps existing customers engaged.

BENEFITS OF SALES PROMOTION

- **It helps to generate new leads.** Sales promotion can boost your product image since it encourages sharing information about it within social groups related to your business. If you sell training football shoes, people keen on playing football will share the message.
- **Allows re-engaging with your existing audience.** Once a person subscribed to a brand's email newsletters, they will receive regular sales promotions. It is a way to keep the audience engaged and maintain a close connection with the company, which is crucial for building loyalty.
- **Skyrockets revenue.** Sales promotions help companies to increase the number of sold goods, even though they need to lower the price to achieve that goal. Of course, merely reducing the price is not enough, people should need your product, while the discount is only another reason to make a purchase.
- **Increases brand awareness.** Sales promotion is a way to make a name for your brand because people are more likely to talk about a company that proposes benefits and saves their money. That's what sales promotion does.

OBJECTIVES OF ADVERTISING

- Launch a new product
- Attract new clients
- Stay competitive
- Make existing customers buy more
- Sell during off-season
- Run clearance campaigns

Although the main goal of sales promotion is to increase demand in a particular product, you can reach several important goals. Understanding them will help you create an effective promotion strategy.

1. **Launch a new product.** If you're going to expand and turn your small coffee shop into a bakery, you need to reach new market segments. You can attract new customers by offering a free cookie with each cup of coffee or suggest visitors set their own price once in a while.
2. **Attract new clients.** This objective should be your long-term goal since it allows your business to grow. Your potential clients are likely your competitors' customers, so analyzing their product and benefits, you can offer something more valuable.
3. **Stay competitive.** Researching and analyzing your competitors will not only help you attract new clients but constantly improve your product and customer service.
4. **Make existing customers buy more.** It's always easier to make an existing customer buy more than attract new clients. Provide each client with a personalized approach — it will help you build customer loyalty. As a result, clients will promote your brand organically.
5. **Sell during the off-season.** Goods like swimwear, boats, tents, air conditioners, refrigerators are definitely more popular in summer but you should consider special strategies to sell them throughout the year. Offer time-limited discounts, "1+1=3" campaigns, and other marketing tricks.
6. **Run clearance campaigns.** They're especially popular before summer and winter. As dealers need to make room for a new collection, they often run total clearance campaigns when users can buy goods from old collections at extremely reduced prices.

There are several **TYPES OF SALES PROMOTIONS** that will help you reach your objectives.

- Price deal
- Loyalty reward program
- Bonus-pack deal
- Giveaways
- Coupons
- Mobile couponing
- Sampling

There is a variety of ways to run a successful sales promotion, but let’s focus on some most frequently used ones, using a cup of coffee as an example.

- **Price deal.** It is a temporary cost reduction, for instance, 20% off for a coffee for a week.
- **Loyalty reward program.** This means that customers collect points or credits when they buy coffee. If they get 10 points, for example, they will have one coffee for free.
- **Bonus-pack deal.** It means that a customer can get more products paying the original price. For instance, they pay a dollar for one cup of coffee and get free candy, which gives some positive emotions and makes them come back in the future.
- **Giveaways.** These tactics aim to increase brand awareness. It means giving some items for free in exchange for personal information to use in further marketing. For example, offer a free cup of coffee in exchange for a phone number, which you can use for many purposes: promoting new sales, sharing updates and news with short text messages, etc.
- **Coupons.** You can sell coffee for the original price and give a coupon, which will make the next purchase 5% cheaper.
- **Mobile couponing.** It stands for coupons received on mobile phones via SMS. To get a discount, a customer needs to show the coupon on their smartphone.
- **Sampling.** Choosing this promotion type, companies give a sample of the product; for instance, the first cup of coffee to promote a new taste.

SALES PROMOTION TECHNIQUES.

- Discounts
- Time-limited offers
- Seasonal promotions
- “1+1=3"
- Holiday promotions
- Gifts

- Contests
- Reward points
- Special prices
- First-purchase coupons
- Free shipping

1. **Discounts.** This technique is as old as the hills. Small companies and big corporations use this method to sell more. One of the reasons it's so popular, even today, is that discounts are great for both consumers and retailers. Sellers can clear room in their warehouse for new arrivals and customers can buy more at reduced prices. Keep in mind that a normal discount should be between 5-20% since clients won't even notice less than 5% discount, but more than 20% off will make them feel suspicious about your brand.
2. **Time-limited offers.** This technique works even better than a big discount. With this trick, marketers manage to create a sense of urgency and fear of missing out on their products. You can give clients 24 hours to grab this special offer. To make this technique perform better, you need to advertise your promotion on each channel you use. This will bring more sales and increase your site traffic.
3. **Seasonal promotions.** People often buy ski suits in summer and air conditioners in winter to save money. Selling products during off-seasons can be a real challenge, so we strongly recommend you to run seasonal promotions. Sell items from old collections at reduced prices and don't forget to advertise your campaign via email and social media.
4. **“1+1=3".** "Buy one and get one for free" and "Buy 2 items and get the third one for free" are very familiar marketing tricks. Such campaigns help you sell products at a low price or save money shopping together with a friend. Retailers can significantly boost sales with this technique reinforcing clearance sales.
5. **Holiday promotions.** Christmas, New Year's Eve, Halloween, International Women's Day, and Valentine's Day are great chances to skyrocket sales. People are extremely generous when buying presents for their friends and family. Launch your holiday

campaigns in advance, and invest in advertising via email, PPC, social media, and other channels. This will help you increase brand awareness and site traffic.

6. **Gifts.** Who doesn't like freebies? If you are a startup or about to launch a new product, go for this technique. It will help you reach big audiences fast, build brand recognition, and collect user-generated content which is especially valuable for every type of business. Let users try your service for free for 7 days, launch a campaign that will let each client who spends $100+ receive a gift, or give away free samples with each order.

7. **Contests.** Competitions are a great opportunity to boost user engagement and increase brand awareness and sales. You can let your audience to create a slogan for your brand, a new advertising message, design, or share creative ideas on how to use your product in an unusual way. Make sure that the prize correlates with the effort spent on participating in your contest.

8. **Reward points.** You definitely should reward clients who buy from you regularly - people love brands that appreciate their choice. So, with this technique, you can start building customer loyalty. Give points to each client who makes a second purchase or spends a certain amount of money. Then, let them exchange those points for a product they like.

9. **Special prices.** Marketers usually run a 1-day campaign when users can buy everything at a fixed price. These prices usually look tempting for users and they can’t overcome the feeling of missing out. The goal may be an annual clearance of goods. You can set a fixed price for each product category of your store. For example, sweaters for $5.99, jeans for $9.99, coats for $15.99. This technique works.

10. **First-purchase coupons.** It always takes time for people to give money to a new store especially when buying expensive products. To make them think over the purchase faster, offer a special incentive. You can send a welcome email to a new visitor with a coupon to get a 10 or 15% discount off their first purchase. For better performance, limit this appealing offer to a couple of days.

11. **Free shipping.** Very often users leave your site without buying just because of expensive delivery options. To win back these potential clients, you can run a time-limited campaign that allows them to receive their orders for free if they spend a certain amount of money.

If you sell medium-priced goods, do not make this fixed sum too high. Otherwise, people won’t fall for this trick.

UNIT –V

RECENT TRENDS IN MARKETING

Social Marketing-De –Marketing-Re- Marketing-Over Marketing-Meta Marketing-E-Marketing-Online Retailing-Shopping Malls.

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SOCIAL MARKETING

Social marketing is an approach used to develop activities aimed at changing or maintaining people's behaviour for the benefit of individuals and society as a whole.

Social good is the primary focus of the Social Marketing that revolves around channelizing positive changes in social, national, international and local communities for public interest by opting for some constructive and positive means.

IMPORTANCE OF SOCIAL MARKETING

Social Marketing is one of the best ways to influence people for taking action towards society and working on behavioral change. Various campaigns for social marketing can quickly develop an interest in the public. One can easily target their audience with the strategies they perform for social marketing.

Social Marketing positively influences the perceptions of audiences. Social marketing is best when programs conducted for the target audience are related to their understanding of the society, which will not only be more productive but will also bring an effective change.

- Social marketing is best for business as it develops good brand awareness among the people. Social marketing can be performed between a broad audience, and a company can explain it by having an excellent social marketing strategy, which will not only develop interest between people, but it will also boost up the advertisement.
- Social marketing is cost-effective than any other marketing, as one can easily find the target audiences by the performance they delivered in public. One can quickly get their target

audiences through social marketing. There will be less research and development as compared to other social marketing.

- As in commercialization, social marketing plays a significant role in influencing people. And without social marketing, commercialization is incomplete as every business has to deal with social marketing to let people know that their aim is for changing the society for good.
- Social marketing is one of the closest marketing campaigns, where one can easily reach to the public. They can easily promote the changes which are happening in society and make sure that the products which they are supporting our desire to the public.

DE-MARKETING

Coined by Phillips Kotler and Sidney Levy, De-marketing can be explained as the efforts made by a company to reduce consumption of a product.

Webster's dictionary says that De-Marketing is "The use of advertising to decrease demand for a product that is in short supply."

Basically, any attempt that is made to discourage consumers from buying a certain product is called De-marketing.

Let us explain the concept of De-marketing with some examples. A very common example of De-marketing is followed by five-star hotels that aspire to maintain exclusivity. Right from having two wheeler parking lots at a distance to having impeccably dressed guest associates to the high priced menu; maximum efforts are made to discourage the common man from using their services and thus maintain their exclusivity.

Another example of de-marketing would be the efforts made by the TATA group to discourage consumers from buying Tata Nano. Since the demand for Tata Nano far outweighed the supply, Tata Group completely stopped the promotion of Tata Nano and rather started promoting other products by the Tata group. Similar was the case when customers were discouraged by Maruti from buying the Maruti Xtillo and rather opt for Maruti A-Star – which was recently launched.

Importance of De-marketing

De-marketing may be adopted because of multiple reasons, some of which are listed below:

- The supply cannot meet the demand.
- Resources, especially natural resources, must be conserved.
- Cost of advertising for the product is extremely high.
- Inadequate or absent distribution channel
- Price of selling in a particular locality is extremely high
- Save the consumer from potential harm, such as from alcohol or tobacco

The reasons for adopting de-marketing can be multifold, however, its end result is always to discourage demand and thus help the company make profits, even if by selling fewer products.

TYPES OF DE-MARKETING

De-marketing strategies are divided into three kinds. The three kinds are:

1. General de-marketing

General de-marketing is done when a company wants to de-market its product for one and all. It is always done when a firm wants to reduce the entire demand for consumption for the product.

Examples of general de-marketing can be State and Central Governments de-marketing alcohol and cigarette for the entire population.

2. Selective de-marketing

Selective marketing is when firms target a select class of consumers and aim their de-marketing strategies at them. This is mainly done to protect loyal or core consumers.

Examples of selective marketing can be an elite real estate builder de-marketing its project to maintain exclusivity and the snob value associated with its project.

3. Ostensible de-marketing

Ostensible de-marketing is the phenomenon of creating the artificial shortage to stimulate the appetite of consumers. A limited supply of goods is created so that consumers start stocking these "hard to get" products.

A very good example of ostensible de-marketing occurred with BMW in 1997 when it restricted its supply in the entire UK market.

Re-marketing

Remarketing (also known as retargeting) is the tactic of serving targeted ads to people who have already visited or taken action on your website.

Remarketing is a way to connect with people who previously interacted with your website or mobile app. It allows you to strategically position your ads in front of these audiences as they browse Google or its partner websites, thus helping you increase your brand awareness or remind those audiences to make a purchase.

Benefits of Remarketing

Guide Users Further Down the Funnel

Remarketing not only reminds visitors of their desire to engage with your brand but can facilitate the transition to the next step of the conversion funnel. If a user has left a product page, for instance, the remarketing ad can be presented to them immediately, leading the user back to the product page where they can be incentivized to move to the next stage of the funnel—adding the item to cart.

Increasingly Relevant Ads

Remarketing ads can be combined with personalization to fit the preferences and needs of each user or to specific customer segments. This can be done through the use of dynamic ads, which automatically adapt content and promotions specifically to each user and ensure they are exposed to the most relevant creative. Making use of dynamic advertising solutions fused with automated personalization capabilities increases the richness of remarketing campaigns, resulting in deeper user engagement and higher marketing ROI.

Types of Remarketing Campaigns

- **Standard Remarketing.**

  Show ads to your past visitors as they browse sites and apps on the Display Network.

- **Dynamic Remarketing.**

  Remarketing allows you to show ads to people who have previously visited your website or used your mobile app. Dynamic remarketing takes this a step further, letting you show previous visitors ads that contain products and services they viewed on your site.

- **Remarketing Lists for Search Ads.**

  Remarketing lists for search ads (RLSA) is a feature that lets you customize your search ads campaign for people who have previously visited your site, and tailor your bids and ads to these visitors when they're searching on Google and search partner sites.

- **Video Remarketing**.

  You can show personalized ads to millions of viewers across YouTube and video partner sites, based on their past interactions with your videos or YouTube channel. This is known as "video remarketing."

- **Email Remarketing.**

  Email remarketing refers to the email systems used by merchants to follow up with website visitors who do not make a desired purchase action. It is a development of email marketing that aims to re-attract website viewers or customers.

E-MARKETING

E-marketing is a process of planning and executing the conception, distribution, promotion, and pricing of products and services in a computerized, networked environment, such as the Internet and the World Wide Web, to facilitate exchanges and satisfy customer demands.

E-Marketing (Electronic Marketing), also known as Internet Marketing, Web Marketing, Digital Marketing, or Online Marketing, is marketing done through the internet on online channels. E-marketing is the process of marketing a product or service offering using the Internet to reach the target audience on smartphones, devices, social media etc.. E-marketing not only includes marketing on the Internet, but also includes marketing done via e-mail and wireless media. It uses a range of technologies

Importance of E-marketing

In modern times where most of the work and transactions are happening through online channels, it becomes every important for marketers to reach out to customers through right channels. Smartphones, tablets, smart TVs, laptops are being used globally to run businesses and buy and sell goods. E-marketing helps in reaching out to your audience on these channels along with traditional offline channels as well. Sometimes for some offerings, e-marketing is the only viable option. e- Marketing is very transparent in terms of its effectiveness as compared to offline marketing.

Advantages of E-marketing

Certain advantages of e-marketing are discussed as below:

1. Much better return on investment from than that of traditional marketing as it helps increasing sales revenue.

2. E-marketing means reduced marketing campaign cost as the marketing is done through the internet

3. Fast result of the campaign as it helps to target the right customers.

4. Easy monitoring through the web tracking capabilities help make e-marketing highly efficient

5. Using e-marketing, viral content can be made, which helps in viral marketing.

Types and of e-marketing

There are several ways in which companies can use internet for marketing. Some ways of e-marketing are:

1. Article marketing

2. Affiliate marketing

3. Video marketing

4. Email marketing/Newsletters

5. Blogging

6. Content marketing

7. Podcasts

8. Webinars

Characteristics of Electronic Marketing

Addressability:

The ability to apply transmission is the contribution of the Internet by providing assistance to agencies in order to determine their customers even before the implementation of the purchase. The role of digital technology is to provide multiple options for website users to determine their requirements.

Interactivity:

Interactivity is the ability of customers to express their desires directly to enterprises, through their response and interaction with the marketing communications issued by these institutions.

Memory:

It is the ability of electronic marketing to access databases that contain information about customers and their purchase dates. Memory storage helps agencies that use electronic marketing to obtain customer information in a timely manner in order to provide marketing offers to them.

Control:

This provides customers with the ability to control all the information provided through them; it provides customers only the information they want, and without forcing them to provide any confidential information.

Accessibility:

This provides more detailed information to customers about the institutions' products and prices, while activating the ability to compare a group of products. Therefore, commercial institutions seek to develop their products based on the wishes of existing customers, and in an effort to reach new customers.

ONLINE OR ELECTRONIC RETAILING

Online or electronic retailing is the sale of goods and services through the internet. E-tailing, can include business-to-business (B2B) and business-to-consumer (B2C) sales of products and services, through subscriptions to website content, or through advertising. E-tailing requires businesses to tailor traditional business models to the internet and its users."

Advantages of online retail

The benefits of retailing online include:

- **Easy access to market** - in many ways the access to market for entrepreneurs has never been easier. Online marketplaces such as eBay and Amazon allow anyone to set up a simple online shop and sell products within minutes.
- **Reduced overheads** - selling online can remove the need for expensive retail premises and customer-facing staff, allowing you to invest in better marketing and customer experience on your e-commerce site.
- **Potential for rapid growth** - selling on the internet means traditional constraints to retail growth – Eg. finding and paying for larger - are not major factors. With a good digital marketing strategy and a plan a scale up order fulfilment systems, you can respond and boost growing sales.
- **Widen your market / export** - one major advantage over premises-based retailers is the ability expand your market beyond local customers very quickly. You may discover a strong demand for your products in other countries which you can respond to by targeted marketing, offering your website in a different language, or perhaps partnering with an overseas company.

- **Customer intelligence** - ability to use online marketing tools to target new customers and website analysis tools to gain insight into your customers' needs. For advice on improving your customer's on-site experience, read how to measure your online marketing.

Disadvantages of online retail

Some negatives of online retail include:

- Website costs - planning, designing, creating, hosting, securing and maintaining a professional e-commerce website isn't cheap, especially if you expect large and growing sales volumes.
- **Infrastructure costs** - even if you aren't paying the cost of customer-facing premises, you'll need to think about the costs of physical space for order fulfilment, warehousing goods, dealing with returns and staffing for these tasks.
- **Security and fraud** - the growth of online retail market has attracted the attention of sophisticated criminal elements. The reputation of your business could be fatally damaged if you don't invest in the latest security systems to protect your website and transaction processes.
- **Legal issues** - getting to grips with e-commerce and the law can be a challenge and you'll need to be aware of, and plan to cope with, the additional customer rights which are attached to online sales.
- **Advertising costs -** while online marketing can be a very efficient way of getting the right customers to your products, it demands a generous budget. This is especially true if you are competing in a crowded sector or for popular keywords.
- **Customer trust -** it can be difficult to establish a trusted brand name, especially without a physical business with a track record and face-to-face interaction between customers and sales staff. You need to consider the costs or setting up a good customer service system as part of your online offering.

META MARKETING

Meta marketing is "the synthesis of all managerial, traditional, scientific, social and historical foundations of marketing," a term first coined by E.J.Kelly while discussing the issue of ethics and science of marketing.

Thus, Meta Marketing is an attempt to widen the horizons of marketing by covering non-profit organizations. The best examples of Meta Marketing can be selling family planning ideas or the idea of prohibition.

Shopping Mall

A Shopping Mall can be defined as agglomeration or group of different stores offering various brands, products or services at one place. A mall has many shops and companies can lease/buy these shops for setting up their own stores. These days' malls are present in almost every major city in the world and have products / services like clothing, restaurants, forex services, groceries, movie theatres etc.

Shopping malls are not only places to shop; they also have become places for having fun and spending time. Consumers spend a considerable time in shopping malls because they host a lot of stores and activities that attract consumers' attention and offer a lot of benefits.