SYLLABUS

Class – B.Com. II Year (Hons.)

Subject – Marketing Management

UNIT – I	Marketing Introduction, Nature and Scope of Marketing, Importance of Marketing, Marketing Concept: Traditional and Modern Selling Vs Marketing, Marketing Mix Marketing Environment
UNIT – II	Consumer behavior and Marketing Segmentation: Nature, Scope and Significance of Consumer Behavior, Market Segmentation concept and importance. Basis for Market Segmentation. Positioning, Marketing Information System, Marketing Research- Process and Significance.
UNIT – III	Product: concept of product, consumer and industrial goods, product planning and development, new product development process. Packing role and functions, brand name and trade mark , after sales service, product life cycle concept
UNIT – IV	Price: importance of price in the marketing mix, factors affecting price of a product/service, pricing methods, distribution channels and physical distribution channel-concept and role: types of distribution channel: factors affecting choice of a distribution channel: retailer and wholesaler, physical distribution. of goods: transportation, warehousing, logistics.
UNIT – V	Sales promotion: nature and importance of sales promotion, methods of promotion, optimum promotion mix, advertising media-their relative merits and limitation, characteristics of an effective advertisement, personal selling, selling as a career, qualities of a successful sales person, functions of salesman. Public relation, meaning and its importance, new age media — internet and mobile advertising

UNIT I

DEFINITION OF MARKETING

Meaning of Marketing:
Marketing is a wide term embracing all resources and economic activities needed to direct the flow of goods and services from producers to consumers. It is a distribution process so far as businessmen are concerned.

"A total system of interacting business activities designed to plan, price, promote and distribute want-satisfying products and services to present and potential customers" — William J Stanton. It is a modern activity that has developed about the middle of the current century as a scientific process and organized activity and a body of knowledge.

The Committee of the American Marketing Association, 1960, defined marketing as **"the performance of business activities that direct the flow of goods and services from producers or suppliers to the consumers and end-users."**

It is the management function which organizes and directs all those business activities involved in assessing and converting customer purchasing power into effective demand for a specific product or service and in moving the product or service to the final consumer or user so as to achieve the profit target or other objectives set by a company (U. K. Institute of Marketing).

Product-oriented Definition -Marketing may be narrowly defined as a process by which goods and services are exchanged and the valued determined in terms of money prices.

Customer-oriented Definition - According to Cardiff and Still. "Marketing is the business process by which products are matched with the markets and through which transfers of ownership are effected."

System-Oriented Definition -William J. Stanton has given a system oriented definition of marketing. "Marketing is a total system of interacting business activities designed to plan, price, promote and distribute wants satisfying products to target markets to achieve organisational objectives.

Kotler's Definition -Kotler has defined marketing as a social and managerial process by which individuals and groups obtain what need and want through creating, offering and exchanging products of value with others.

Types of Marketing Entities

Anything which is sellable needs marketing.

Based on the above statement, the following is the list of entities to which marketing is a necessary function:

Goods: Any product manufactured in mass quantity, requires proper marketing to make it available to its consumers located in different places of the country or world.
For example*:* Mobile phones manufactured in China and sold all over the world

Services: An economic activity performed to meet the consumer's demand, needs, promotion and marketing.
For example*:* Ola cabs providing for local taxi services

Events: Various trade fairs, live shows, local events and other promotional events need marketing and publicity.
For example: Indian Fashion Expo is the event where leading fashion houses participate to display exhibit their creation needs marketing to reach customers, manufacturers and traders.

Experiences: It even organizes and customizes the impression made by certain goods and services to fulfil the customer's wish.
For example: A Europe trip package provided by makemytrip.com or tripadvisor.com

Persons: A person who wants to promote his skills, profession, art, expertise to acquire customers, take the help of marketing functions.

For example*:* A chartered accountant updating his profile over linkedin.com to publicise his skills and talent to reach clients.

Places: Marketing of tourist places, cities, states and countries helps to attract visitors from all over the world.
For example*:*India's Ministry of Tourism promoting India through 'Incredible India' campaign

Properties: It provides for selling of tangible and intangible properties like real estate, stocks, securities, debentures, etc.
For example*:* Real estate agents publicize the residential plots to investors

Organizations: Several corporations and non-profit organizations like schools, colleges, universities, art institutes, etc. create and maintain a public impression through marketing.
For example*:* Circulars and advertisements made by colleges as 'admission open.'

Information: Certain information related to healthcare, technology, science, media, law, tax, market, finance, accounting, etc. have to demand among the corporate decision-makers who are marketed by some leading information agencies.
For example*:* Bloomberg provides all current financial, business and market data

Ideas: Brands market their products or services through advertisements spreading a social message to connect with the consumers.
For example: Idea 4G's advertisement spreading the message of 'sharing our real side.'

NATURE OF MARKETING

Marketing is a complex function and does not sum up to sales alone.

Managerial Function: Marketing is all about successfully managing the product, place, price and promotion of business to generate revenue.
Human Activity: It satisfies the never-ending needs and desires of human beings.
Economic Function: The crucial second marketing objective is to earn a profit.
Both Art and Science: Creating demand of the product among consumers is an art and understanding human behaviour, and psychology is a science.
Customer Centric: Marketing strategies are framed with the motive of customer acquisition.
Consumer Oriented: It practices market research and surveys to know about consumer's taste and expectations.
Goal Oriented: It aims at accomplishing the seller's profitability goals and buyer's purchasing goals.
Interactive Activity: Marketing is all about exchanging ideas and information among buyers and sellers.
Dynamic Process: Marketing practice keeps on changing from time to time to improve its effectiveness.
Creates Utility: It establishes utility to the consumer through four different means; form (kind of product or service), time (whenever needed), place (availability) and possession (ownership).

Objectives of Marketing
Marketing majorly focuses on achieving consumer satisfaction and maximizing the profits.

Following are the illustration of different aims of marketing practices:

- **Customer Satisfaction**: The primary motive of a company is to satisfy the needs of customers.
- **Ensure Profitability**: Every business is run for profit and so goes for marketing.
- **Building Organizational Goodwill**: It portrays the product and the company's positive image in front of the customers.
- **Create Demand**: It works for generating the demand for products and services among the customers.
- **Increase Sales Volume**: It is a rigorous process of increasing the sale of product or service to generate revenue.

- **Enhance Product Quality**: Marketing initiates customer feedback and reviews to implement them for product enhancement.
- **Create Time and Place Utility**: It makes sure that the product or service is available to the consumer whenever and wherever they need it.

Functions and Scope of Marketing

Marketing is not just selling off goods and services to the customers; it means a lot more than that It starts with the study of the potential market, to product development, to market share capturing, to maintain cordial relations with the customers.

Following multiple operations of marketing helps the business to accomplish long-term goals:

- **Market Research**: A complete research on competitors, consumer expectations and demand is done before launching a product into the market.
- **Market Planning**: A proper plan is designed based on the target customers, market share to be captured and the level of production possible.
- **Product Design and Development**: Based on the research data, the product or service design is created.
- **Buying and Assembling**: Buying of raw material and assembling of parts is done to create a product or service.
- **Product Standardization**: The product is graded as per its quality and the quality of its raw materials.

- **Packaging and Labelling**: To make the product more attractive and self-informative, it is packed and labelled listing out the ingredients used, product use, manufacturing details, expiry date, etc.
- **Branding**: A fascinating brand name is given to the product to differentiate it from the other similar products in the market.
- **Pricing of the Product**: The product is priced moderately keeping in mind the value it creates for the customer and cost of production.
- **Promotion of the Product**: Next step is to make people aware of the product or service through advertisements.
- **Warehousing and Storage**: The goods are generally produced in bulks and therefore needs to be stored in warehouses before being sold in the market in small quantities.
- **Selling and Distribution**: To reach out to the consumers spread over a vast geographical area, selling and distribution channels are to be selected wisely.
- **Transportation**: Transportation means are decided for transfer of the goods from the manufacturing units to the wholesalers, retailers and consumers.
- **Customer Support Service**: The marketing team remain in contact with the customers even after selling the product or service to know the customer's experience, and satisfaction derived.

PHILOSOPHY OF MARKETING

- **PRODUCTION CONCEPT:** Managers of production oriented organizations concentrate on achieving high production efficiency and wide distribution coverage.
- **PRODUCT CONCEPT:** The product concept holds that consumers will favour those products that offer the best quality, performance or innovative features.
- **THE SELLING CONCEPT:** The selling concept holds that consumers, if left alone, will ordinarily not buy enough of the organisation's products.
- **THE MARKETING CONCEPT:** This is a customer oriented approach which points out that the primary task of a basis of latest and accurate knowledge of market demand, the enterprise must produce and offer the products which will give the desired satisfaction and services to the customer.

It involves the following orientation →

- **Customer orientation.**
- **Integrated approach.-**
- **Marketing information system**
- **Profitability.**
- **Societal marketing concept**

What is the difference between a customer and a consumer?

The following distinction should help:
• **A customer** – purchases and pays for a product or service

• **A consumer –** is the ultimate user of the product or service; the consumer may not have paid for the product or service

DIFFERENCE BETWEEN TRADITIONAL SELLING AND MODERN SELLING

Traditional selling	**Modern selling**
Typical 1960s-80s selling, and still found today.	Essential to sustain successful business today.
standard product	customized, flexible, tailored product and service
sales function performed by a 'sales-person'	sales function performed by a 'strategic business manager'
seller has product knowledge	seller has strategic knowledge of customer's market-place and knows all implications and opportunities resulting from product/service supply relating to customer's market-place
delivery service and supporting information and training are typical added value aspects of supply	strategic interpretation of the customer organization's market opportunities, and assistance with project evaluation and decision-making are added value aspects of supply
good lead-time is a competitive advantage	just-in-time (JIT) is taken for granted, as are mutual planning and scheduling; competitive advantages are: capability to anticipate unpredictable requirements, and assistance with strategic planning and market development
value is represented and judged according to selling price	value is assessed according to the cost to the customer, plus non-financial implications with respect to CSR (corporate social responsibility), environment, ethics, and corporate culture
the benefits and competitive strengths	the benefits and competitive strengths of the

of the products or service are almost entirely tangible, and intangibles are rarely considered or emphasized	product or service now include many significant intangibles, and the onus is on the selling organization to quantify their value
benefits of supply extend to products and services only	benefits of supply extend way beyond products and services, to relationship, continuity, and any assistance that the selling organization can provide to the customer to enable an improvement for their staff, customers, reputation and performance in all respects
selling price is cost plus profit margin, and customers have no access to cost and margin information	selling price is market driven (essentially supply and demand), although certain customers may insist on access to cost and margin information
seller knows the business customers' needs	seller knows the needs of the business customers' customers and partners and suppliers
sales person sells (customers only deal with sales people, pre-sale)	whole organization sells (customers expect to be able to deal with anybody in supplier organization, pre-sale)
sales people only sell externally, ie, to customers	sales people need to be able to sell internally to their own organization, in order to ensure customer needs are met
strategic emphasis is on new business growth (ie, acquiring new customers)	strategic emphasis is on customer retention and increasing business to those customers (although new business is still sought)
buying and selling is a function, with people distinctly responsible for each discipline within selling and customer organizations	buying and selling is a process, in which many people with differing jobs are involved in both selling and customer organizations
hierarchical multi-level management structures exist in selling and customer organizations	management structures are flat, with few management layers
authority of sales person is minimal, flexibility to negotiate is minimal,	authority of sales person is high (subject to experience), negotiation flexibility exists, and

approvals must be sought via management channels and levels for exceptions	exceptions are dealt with quickly and directly by involving the relevant people irrespective of grade
selling and buying organization are divided strictly according to function and department, inter-departmental communications must go up and down the management structures	selling organization is structured in a matrix allowing for functional efficiency and also for inter-functional collaboration required for effective customer service, all supply chain processes, and communications
supplier and customer organization functions tend to talk to their 'opposite numbers' in the other organization	open communications to, from and across all functions between supplier and customer organization
the customer specifies and identifies product and service requirements	the selling organization must be capable of specifying and identifying product and service requirements on behalf of the customer
the customer's buyer function researches and justifies the customer organization's needs	the selling organization must be capable of researching and justifying customer organization's needs, on behalf of the customer
the customer's buyer probably does not appreciate his/her organization's wider strategic implications and opportunities in relation to the seller's product or service, and there will be no discussion with the seller about this issues	the seller will help the buyer to understand the wider strategic implications and opportunities in relation to the seller's product or service
the buyer will tell the seller what the buying or supplier-selection process is	the seller will help the buyer to understand and align the many and various criteria within their own (customer) organization, so that the customer organization can assess the strategic implications of the supplier's products or services, and make an appropriatedecision whether to buy or not

THE MARKETING MIX
(THE 4 P'S OF MARKETING)

Marketing is simplistically defined as 'putting the right product in the right place, at the right price, at the right time.' Though this sounds like an easy enough proposition, a lot of hard work and research needs to go into setting this simple definition up. And if even one element is off the mark, a promising product or service can fail completely and end up costing the company substantially.

The use of a marketing mix is an excellent way to help ensure that 'putting the right product in the right place,…' will happen. The **marketing mix** is a **crucial tool to help understand what the product or service can offer and how to plan for a successful product offering**. The marketing mix is most commonly executed through the 4 P's of marketing: **Price**, **Product**, **Promotion**, and **Place**.

These have been extensively added to and expanded through additional P's and even a 4C concept. But the 4Ps serve as a great place to start planning for the product or even to evaluate an existing product offering.

THE FOUR P'S

Product

The product is either a tangible good or an intangible service that is seem to meet a specific customer need or demand. All products follow a logical product life cycle and it is vital for marketers to understand and plan for the various stages and their unique challenges. It is key to understand those problems that the product is attempting to solve. The benefits offered by the product and all its features need to be understood and the unique selling proposition of the product need to be studied. In addition, the potential buyers of the product need to be identified and understood.

Price

Price covers the actual amount the end user is expected to pay for a product. How a product is priced will directly affect how it sells. This is linked to what the perceived value of the product is to the customer rather than an objective costing of the product on offer. If a product is priced higher or lower than its perceived value, then it will not sell. This is why it is imperative to understand how a customer sees what you are selling. If there is a positive customer value, than a product may be successfully priced higher than its objective monetary value. Conversely, if a product has little value in the eyes of the consumer, then it may need to be underpriced to sell. Price may also be affected by distribution plans, value chain costs and markups and how competitors price a rival product.

Promotion

The marketing communication strategies and techniques all fall under the promotion heading. These may include advertising, sales promotions, special offers and public relations. Whatever the channel used, it is necessary for it to be suitable for the product, the price and the end user it is being marketed to. It is important to differentiate between marketing and promotion. Promotion is just the communication aspect of the entire marketing function.

Place

Place or placement has to do with how the product will be provided to the customer. Distribution is a key element of placement. The placement strategy will help assess what channel is the most suited to a product. How a product is accessed by the end user also needs to compliment the rest of the product strategy.

CHALLENGES

Over the years, marketing managers have felt that the traditional marketing mix has its limitations in how it is structured. Several important elements have been grouped within four larger categories thereby belittling their true importance amid several factors. Two main criticisms and their solutions:

Lack of Focus on Services

The conventional marketing mix tends to be applicable to tangible goods i.e. the traditional definition of products. Services or intangible goods are also a vital customer offering and can be planned for in much the same way as physical products. To cater to the unique challenges of services, the 4P model has been supplemented with 3 additional categories which are:

- **Physical Evidence** is proof and a reassurance that a service was performed
- **People** are the employees who deliver the service
- **Processes** are the methods through which a service is executed and delivered to the customer

Lack of True Customer Focus

Though a total focus on the customer and what they desire is a vital element of the 4P model, this truth is often in danger of being overlooked by enthusiastic marketing teams. To counter this, Robert F. Lauterborn put forward his customer centric four Cs classification in 1990. This model converts the four P's into more customer oriented four C's:

- **Product to Customer Solution**

- **Price to Customer Cost**
- **Promotion to Customer Communication**
- **Place to Customer Convenience**

Marketing Environment

The marketing activities of the business are affected by several internal and external factors. While some of the factors are in the control of the business, most of these are not and the business has to adapt itself to avoid being affected by changes in these factors. These external and internal factors group together to form a marketing environment in which the business operates.

Marketing Environment is the combination of external and internal factors and forces which affect the company's ability to establish a relationship and serve its customers.

The marketing environment of a business consists of an internal and an external environment. The internal environment is company specific and includes owners, workers, machines, materials etc. The external environment is further divided into two components: micro & macro. The micro or the task environment is also specific to the business but external. It consists of factors engaged in producing, distributing, and promoting the offering. The macro or the broad environment includes larger societal forces which affect society as a whole. The broad environment is made up of six components: demographic, economic, physical, technological, political-legal, and social-cultural environment.

"A company's marketing environment consists of the actors and forces outside of marketing that affect marketing management ability to build and maintain successful relationships with target customers". – Philip Kotler

Components of Marketing Environment

The marketing environment is made up of the internal and external environment of the business. While internal environment can be controlled, the business has very less or no control over the external environment.

Internal Environment

The internal environment of the business includes all the forces and factors inside the organization which affect its marketing operations. These components can be grouped under the Five M's of the business, which are:

- Men
- Money

- Machinery
- Materials
- Markets

The internal environment is under the control of the marketer and can be changed with the changing external environment. Nevertheless, the internal marketing environment is as important for the business as the external marketing environment. This environment includes the sales department, marketing department, the manufacturing unit, the human resource department, etc.

External Environment

The external environment constitutes factors and forces which are external to the business and on which the marketer has little or no control. The external environment is of two types:

Micro Environment

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

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

Macro Environment

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

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

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

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

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

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

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

Importance of Marketing Environment

Every business, no matter how big or small, operates within the marketing environment. Its present and future existence, profits, image, and positioning depend on its internal and external environment. The business environment is one of the most dynamic aspects of the business. In order to operate and stay in the market for long, one has to understand and analyze the marketing environment and its components properly.

Essential for planning
An understanding of the external and internal environment is essential for planning for the future. A marketer needs to be fully aware of the current scenario, dynamism, and future predictions of the marketing environment if he wants his plans to succeed.

Understanding Customers
A thorough knowledge of the marketing environment helps marketers acknowledge and predict what the customer actually wants. In-depth analysis of the marketing environment reduces (and even removes) the noise between the marketer and customers and helps the marketer to understand the consumer behavior better.

Tapping Trends
Breaking into new markets and capitalizing on new trends requires a lot of insight about the marketing environment. The marketer needs to research about every aspect of the environment to create a foolproof plan.

Threats and Opportunities

A sound knowledge of the market environment often gives a first mover advantage to the marketer as he makes sure that his business is safe from the future threats and taps the future opportunities.

Understanding the Competitors

Every niche has different players fighting for the same spot. A better understanding of the marketing environment allows the marketer to understand more about the competitions and about what advantages do the competitors have over his business and vice versa.

UNIT II

CONSUMER BEHAVIOUR

Consumer behavior is the study of the way people seek, purchase, use, evaluate and dispose of products and services. It is the phycology of marketing, and it is used to determine why consumers seek one product alternative from the other.
But why do consumers seek and purchase products? This is linked to the ideology of needs and wants. Needs and wants exist if a consumer is unsatisfied, consumers seek and purchase the products that can provide them with maximum satisfaction.Consumer behavior can be used by marketers to create the marketing strategy; targeting each consumer effectively once they understand their needs and wants through the research of consumer behavior.
The study of consumers helps firms and organizations improve their marketing strategies by understanding issues such as how

- The psychology of how consumers think, feel, reason, and select between different alternatives (e.g., brands, products, and retailers);
- The psychology of how the consumer is influenced by his or her environment (e.g., culture, family, signs, media);
- The behavior of consumers while shopping or making other marketing decisions;
- Limitations in consumer knowledge or information processing abilities influence decisions and marketing outcome;
- How consumer motivation and decision strategies differ between products that differ in their level of importance or interest that they entail for the consumer; and
- How marketers can adapt and improve their marketing campaigns and marketing strategies to more effectively reach the consumer.

One "official" definition of consumer behavior is "The study of individuals, groups, or organizations and the processes they use to select, secure, use, and dispose of products, services, experiences, or ideas to satisfy needs and the impacts that these processes have on the consumer and society." it brings up some useful points:

1. Behavior occurs either for the individual, or in the context of a group (e.g., friends influence what kinds of clothes a person wears) or an organization (people on the job make decisions as to which products the firm should use).
2. Consumer behavior involves the use and disposal of products as well as the study of how they are purchased. Product use is often of great interest to the marketer, because this may influence how a product is best positioned or how we can encourage increased consumption. Since many environmental problems result from product disposal (e.g., motor oil being sent into sewage systems to save the recycling fee, or garbage piling up at landfills) this is also an area of interest.
3. Consumer behavior involves services and ideas as well as tangible products.
1. The impact of consumer behavior on society is also of relevance. For example, aggressive marketing of high fat foods, or aggressive marketing of easy credit, may have serious repercussions for the national health and economy.

There are four main applications of consumer behavior:

1. The most obvious is for *marketing strategy*—i.e., for making better marketing campaigns. For example, by understanding that consumers are more receptive to food advertising when they are hungry, we learn to schedule snack advertisements late in the afternoon. By

understanding that new products are usually initially adopted by a few consumers and only spread later, and then only gradually, to the rest of the population, we learn that (1) companies that introduce new products must be well financed so that they can stay afloat until their products become a commercial success and (2) it is important to please initial customers, since they will in turn influence many subsequent customers' brand choices.

2. A second application is *public policy*. In the 1980s, Accutane, a near miracle cure for acne, was introduced. Unfortunately, Accutane resulted in severe birth defects if taken by pregnant women. Although physicians were instructed to warn their female patients of this, a number still became pregnant while taking the drug. To get consumers' attention, the Federal Drug Administration (FDA) took the step of requiring that very graphic pictures of deformed babies be shown on the medicine containers.
3. *Social marketing* involves getting ideas across to consumers rather than selling something. Marty Fishbein, a marketing professor, went on sabbatical to work for the Centers for Disease Control trying to reduce the incidence of transmission of diseases through illegal drug use. The best solution, obviously, would be if we could get illegal drug users to stop. This, however, was deemed to be infeasible. It was also determined that the practice of sharing needles was too ingrained in the drug culture to be stopped. As a result, using knowledge of consumer attitudes, Dr. Fishbein created a campaign that encouraged the cleaning of needles in bleach before sharing them, a goal that was believed to be more realistic.
4. As a final benefit, studying consumer behavior should make us better consumers. Common sense suggests, for example, that if you buy a 64 liquid ounce bottle of laundry detergent, you should pay less per ounce than if you bought two 32 ounce bottles. In practice, however, you often pay a size *premium* by buying the larger quantity. In other words, in this case, knowing this fact will sensitize you to the need to check the unit cost labels to determine if you are *really* getting a bargain

CONSUMER DECISION MAKING PROCESS

INTRODUCTION - CULTURE AND CONSUMER BEHAVIOUR

1. The study of culture is a challenging undertaking because its primary focus is on the broadest component of social behavior in an entire society.
2. In contrast to the psychologist, who is principally concerned with the study of individual behavior, or the sociologist, who is concerned with the study of groups, the anthropologist is primarily interested in identifying the very fabric of society itself.

WHAT IS CULTURE?

1. Given the broad and pervasive nature of **culture**, its study generally requires a detailed examination of the character of the total society, including such factors as language, knowledge, laws, religions, food customs, music, art, technology, work patterns, products, and other artifacts that give a society its distinctive flavor.
2. In a sense, culture is a society's personality. For this reason, it is not easy to define its boundaries.
3. **Culture** is the sum total of learned beliefs, values, and customs that serve to direct the consumer behavior of members of a particular society.
4. Beliefs consist of the very large number of mental or verbal statements that reflect a person's particular knowledge and assessment of something.
5. Values also are beliefs, however, values differ from other beliefs because they must meet the following criteria:
   a) They are relatively few in number.
   b) They serve as a guide for culturally appropriate behavior.

c) They are enduring or difficult to change.
d) They are not tied to specific objects or situations.
e) They are widely accepted by the members of a society.

6. In a broad sense, both values and beliefs are mental images that affect a wide range of specific attitudes that, in turn, influence the way a person is likely to respond in a specific situation.

THE INVISIBLE HAND OF CULTURE

1. The impact of culture is so natural and automatic that its influence on behavior is usually taken for granted.
2. Often, it is only when we are exposed to people with different cultural values or customs that we become aware of how culture has molded our own behavior.
3. Consumers both view themselves in the context of their culture and react to their environment based upon the cultural framework that they bring to that experience. Each individual perceives the world through his or her own cultural lens.
4. Culture can exist and sometimes reveal itself at different perceived or subjective levels.
5. Those interested in consumer behavior would be most concerned with three "levels of subjective culture:
   a) Supranational level – reflects the underlying dimensions of culture that impact multiple cultures or different societies.
   b) National level factors – such as shared core values, customs, personalities, and predispositional factors that tend to capture the essence of the "national character" of the citizens of a particular country.
   c) Group Level factors – are concerned with various subdivisions of a country or society. They might include subcultures' difference, and membership and reference group differences.

CULTURE SATISFIES NEEDS

- Culture exists to satisfy the needs of people within a society.
  - It offers order, direction, and guidance in all phases of human problem solving by providing "tried and true" methods of satisfying physiological, personal, and social needs.
  - Similarly, culture also provides insights as to suitable dress for specific occasions (e.g., what to wear around the house, what to wear to school, what to wear to work, what to wear to church, what to wear at a fast food restaurant, or a movie theater).
- Cultural beliefs, values, and customs continue to be followed as long as they yield satisfaction.
- In a cultural context, when a product is no longer acceptable because it's related value or custom does not adequately satisfy human needs, it must be modified.
- Culture gradually evolves to meet the needs of society.

CULTURE IS LEARNED

1. At an early age we begin to acquire from our social environment a set of beliefs, values, and customs that make up our culture.
2. For children, the learning of these acceptable cultural values and customs is reinforced by the process of playing with their toys.
3. As children play, they act out and rehearse important cultural lessons and situations.

How Culture Is Learned

4. There are three distinct forms of learning:
5. Formal learning—adults and older siblings teach a young family member "how to behave."
6. Informal learning—a child learns primarily by imitating the behavior of selected others.
7. Technical learning—teachers instruct the child in an educational environment as to what, how, and why it should be done.
8. Advertising and marketing communications can influence all three types of cultural learning..
9. It most influences informal learning by providing models of behavior to imitate.
10. This is especially true for visible or conspicuous products that are evaluated in public settings, where peer influence is likely to play an important role.
11. The repetition of advertising messages creates and reinforces cultural beliefs and values.
12. Cultural meaning moves from the culturally constituted world to consumer goods and from there to the individual consumer by means of various consumption-related vehicles (e.g., advertising or observing or imitating others' behavior.)

TYPES OF CULTURE: IT CAN BE IDENTIFIED ON THE BASIS OF:

(a) race
(b) nationality
(c) religion
(d) age
(e) geographic location
(f) gender
(g) social class
(h) - Etc.

CROSS CULTURAL CONSUMER BEHAVIOUR

Characteristic features of a firm going global:

1. High market share in the domestic market
2. Advantageous economies of scale
3. Access to marketing/manufacturing bases across global borders
4. Availability of resources and capability to absorb huge losses
5. Product/technology clout
6. Cost and differentiation advantages

Cross-cultural marketing is defined as "*the effort to determine to what extent the consumers of two or more nations are similar or different. This will facilitate marketers to understand the psychological, social and cultural aspects of foreign consumers they wish to target, so as to design effective marketing strategies for each of the specific national markets involved.*"

Cross cultural marketing Objectives and Policies

A company can enter a foreign market as a-
· Domestic exporter
· Foreign importer
· Foreign government-solicit the firm to sell abroad
The firm's objectives could be:

· To determine how consumers in two or more societies are similar/different and devise suitable, appropriate strategies
· Devise individualized marketing strategy if cultural beliefs, values and customs of a specific country are different

Basic areas to be understood for cross cultural marketing
1. Language & meaning
2. Difference in market segmentation opportunities
3. Differences in the criteria for evaluating products and services: Apparel firms in India believe that that the quality
of the fabric determines the quality of the garment whereas, the Japanese think that every aspect of the garment from sewing to packaging decides quality.
4. Differences in consumption pattern and perceived benefits of products and services: leather exports by India
5. Differences in the economic and cultural social condition and family structure: Social class differences have beenuseful in explaining differences in consumer behaviour in relation to
(a) preferences for products and brands
(b) storepatronage or shopping behaviour
(c)exposure to promotion media and
(d) savings and the use of the creditfor purchasing products

Problems in Cross Cultural marketing
1. Problems related to product selection: The marketer going for cross cultural marketing has to select the customers/market not on the basis of the superficial similarities of age or income, but by using the real motivating factors thatprompt them to accept or reject products.
2. Problems related to promotion/marketing communication: e.g. Ariel in the middle east and also Pepsi.
3. Problems related to pricing: the marketer has to adjust his pricing policies according to the local economic conditionsand customs.
4. Problems related to selection of distribution channels.

Cross-Cultural Consumer Analysis
To determine whether and how to enter a foreign market, we need to conduct some form of cross-cultural consumer analysis. Let us first define what is cross-cultural consumer analysis and then move ahead in knowing how to do it. Cross-cultural consumer analysis can be defined as the effort to determine to what extent the consumers of two or more nations are similar or different. Such analysis can provide marketers with an understanding of the psychological, social, and cultural characteristics of the foreign consumers they wish to target, so that they can design effective marketing strategies for the specific national markets involved.

Japanese Culture Traits	American Culture traits
➢ Japanese language	➢ English language
➢ Homogenous	➢ Diverse
➢ Harmony to be valid and preserved	➢ Fight for one's beliefs/positions
➢ Group, not individual, important	➢ Individualistic
➢ Ambiguous	➢ Clear-cut
➢ General	➢ Specific
➢ Unspoken agreement	➢ Get the facts straight
➢ Hold back emotions in public	➢ Display emotions in public
➢ Process-oriented	➢ Result oriented
➢ Fun-oriented	➢ Humor oriented
➢ Make a long story short	➢ Make a short story long
➢ Nonverbal communication important	➢ Verbal communication important
➢ Interested in who is speaking	➢ Interested in what is spoken

MARKET SEGMENTATION

According to Stanton, "Market segmentation consists of taking the total, heterogeneous market for a production dividing it. into several sub-markets or segments, each of which tends to be homogeneous in all significant aspects."

According toKotler, 'tile purpose of segmentation is to determine difference among buyers which may be consequential in choosing among them or marketing to them.

FEATURES OR CHARACTERISTICS OF MARKET SEGMENTATION –

1. It consists of a group of customers who share a similar set of wants.
2. The marketer does not create the segments, but identify the segments and decide which one to target.
3. Market segmentation is the result of -modern marketing concept' and micro marketing.
4. Varied and complex buyer behavior is the root cause of market segmentation.
5. It is a method for achieving maximum market response from limited marketing resources by recognizing differences in the response characteristics of various parts of the market.
6. It is being used as strategy of **'divide and conquer'.**
7. It enables the marketers to give better alternatives to the selection of customers and offer an appropriate marketing-mix.
8. To divide customers in homogeneous groups on the basis of their attributes and nature so that suitable marketing programs may be prepared for each segment (group).
9. To find out customers' preferences, their interests and buying habits so that it may be decided
   whether homogeneous marketing efforts would be suitable for all customers or not.
10. To find out areas where new customers may be made while making proper marketing efforts.
11. To find out purchase potential of different customer groups.
12. To make organization customer-oriented so that profit may be earned through customer satisfaction.
13. Market segmentation provides a basis for improved performance through correct application of selected marketing concepts and techniques.

FAVOURABLE CONDITIONS FOR EFFECTIVE MARKET SEGMENTATION

The use ofthe concept of market segmentation will be more useful in the following conditions:

1. The number of potential customers of the **target** market must be measurable.
2. The various required information and **data about** the target market must be accessible.
3. There must **be consumers in** sufficient number to provide profitable **sales volume to the compan**y.
4. The prospective target segment must be accessible itself through the existing channels of distribution of the company, the advertising media and sales-force to minimize cost

and unnecessary wastage of efforts.

BASES FOR MARKET SEGMENTATION

BASES FOR MARKET SEGMENTATION

(A) Geographic Bases

(1) Climate
(2) Region
(3) Topography:
- (a) Plains
- (b) Hilly areas
- (c) Coastal areas
- (d) Desert

(B) Demographic Bases

(1) Regional distribution of population
(2) Metros, urban, sub-urban and rural distribution of population
(3) Age-group distribution of population
(4) Sex
(5) Education
(6) Occupation
(7) Language
(8) Nationality
(9) Family life-cycle
(10) Size of the family

(C) Socio-economic Bases

(1) Income levels
(2) Culture
(3) Religion
(4) Social classes
(5) Ethnic groups
(6) Type of the family:
- (a) Joint
- (b) Nucleus

(D) Psychographic

(1) Self-concept
(2) Consumption-pattern
(3) Life-styles
(4) Autonomy
(5) Conservatism-radical, liberal, traditional, modern
(6) Ambitiousness-low achievers, moderate achievers, high achievers
(7) Gregariousness:
- (a) Extrovert
- (b) Introvert

(E) Marketing Elements Bases

(1) Ultimate consumers and industrial users
(2) Price sensitivity of the market
(3) Quality sensitivity of the market

SELECTION OF TARGET SEGMENT

In evaluating different market segments, the firm must look at two factors: the segment's overall attractiveness, and the company's objectives and resources. In brief, the following points should be kept in mind while evaluating and selecting a target market:

1. **Size of the Segment.**
2. **Growth Potential.**
3. **Attractiveness.**
4. **Must be Measurable:**
5. **Accessible.**
6. **Resources.**

Stanton has suggested the following four guidelines about how to determine which segment should be the target markets:'

(1) The target market should be compatible with the organization's goals and image.

(2) It should match with the market opportunity represented in the target market, with the company's resources.

(3) An organization should seek markets that will generate sufficient sale,volume at a low enough cost to result in a profit.

(4) A company ordinarily should seek a market where there are the least and smallest competitors.

TARGETING STRATEGIES

MarketTargeting Strategies - In market segmentation, the sellers identify groups of buyers with different characteristics and wants. In market targeting, the sellers identify special market segments or groups that it intends to serve and satisfy.In a heterogeneous market, the marketer has three targeting options:

I. MASS MARKETING STRATEGY: It is also called as undifferentiated marketing strategy. In this case, the seller introduces only one product. The marketer intends to get many customers by introducing only one product.

Advantages:

- Large number of customers can be served with a single product.
- There are lower costs of production and marketing.
- The marketer can save time and effort in marketing the product.
- It may result in large profits for the marketer.

Disadvantages:

- The marketer may not be able to satisfy the needs and wants of all customers.

- The marketer may find difficult to face competition.
- This strategy is not suitable for certain types of products such as luxury products or premium priced products.
- In the long run, the marketer may lose market share to the competitors.

II. **CONCENTRATION MARKETING STRATEGY:**In this case, a marketer can select one particular market segment and develop best, possibleproduct for that segment.

Advantages:
1. The marketer can easily understand needs and wants of its target buyers.
2. The marketer may enjoy economies of large scale production and distribution.
3. The firm may enjoy brand loyalty from its buyers.
4. This strategy is suitable to new entrants in the markets.

Disadvantages:
a) In the long run, the firm may find it difficult to enter in new segments.
b) There is more marketing risk to concentrate only on one segment. The firm may not be able to spread marketing risks.
c) There may be competition from other new entrants in the market.
d) This strategy may affect the profits of the marketer.

III.**MULTISEGMENT STRATEGY:**It is also known as differentiated marketing strategy. In this case, the marketer caters to several segments of the market. The marketer develops several marketing mixes in order to satisfy the various segments of the market.

Advantages:
1. The firm will be in a position to spread its marketing risks as it caters to several segments.
2. The firm will be able to make optimum use of its production capacity by producing different types of products.
3. The firm is in a position to cater several segments of the market and as such it can earn name and goodwill of large number of buyers in the market.
4. The firm may find it easier to launch new products in the market as it enjoys the goodwill of several segments.

Disadvantages:
I. Promotion costs will be higher as the marketer have to use different media to satisfy various sections or segments.
II. The firm may not be able to achieve economies of large scale in respect of various products.
III. The administrative expenses will be higher.
IV. There may be large inventory costs, as the marketer have to maintain inventory of several products.The marketer may fall into the trap of trying to satisfy everybody and ending up with satisfying nobody.

POSITIONING

Philip Kotler defines positioning as **"the act of designing the company's offering and image to occupy a distinctive place in the mind of the target market."**
Product positioning is a form of marketing that presents the benefits of your product to a particular target audience. Through market research and focus groups, marketers can determine which audience to target based on favorable responses to the product.

Research can also determine which product benefits are the most appealing to them. Knowing this information helps streamline marketing efforts and create effective marketing messages that drive more leads and sales. It also helps differentiate the product or service from the competition in the marketplace.

Product positioning is an important component of any marketing plan, but it doesn't have to be limited to one audience. For example, a productmay have a main target audience and also a secondary audience that is also interested in the product, but perhaps in a different way. Each audience will find the product appealing for different reasons, which is why it's important to tailor marketing messages to focus on the benefits each audience values most.

Examples of Product Positioning

Product positioning can involve a number of different elements. A product can be positioned in a favorable way for a target audience through advertising, the channels advertised through, the product packaging, and even the way the product is priced. For example, market research may have revealed that the product is popular among mothers. What do they like about the product? What should be highlighted about the product to attract them? And where should the product be advertised to reach them? With the answers to these questions, an effective marketing campaign can be created to send benefit-driven messages to the target audience wherever they may be (such as Facebook, where targeted ads can be purchased based on demographics and interests).

Importance of Product Positioning:

To Make Entire Organization Market-oriented: Product positioning is a part of the broader marketing philosophy. It concerns with identifying superior aspects of product and matching them with consumers more effectively than competitions. This philosophy makes the entire organization market oriented.

To Cope with Market Changes: Once the product is positioned successfully doesn't mean the task of manager is over. He has to constantly watch the market. As per new developments in the market place, new competitive advantages should be identified, discovered or developed to suit the changing expectations of the market. It makes the manager active, alert and dynamic.

To Meet Expectation of Buyers: Generally, the advantages to be communicated are decided on the basis of expectations of the target buyers. So, product positioning can help realize consumers' expectations.

To Promote Consumer Goodwill and Loyalty: Systematic product positioning reinforces the company's name, its product and brand. It popularizes the brand. The company can create goodwill and can win customer loyalty.

To Design Promotional Strategy: More meaningful promotional program can be designed. Based on what advantages are to be communicated, appropriate means are selected to promote the product.

To Win Attention and Interest of Consumers: Product positioning signifies those advantages that are significant to consumers. When such benefits are promoted through suitable means of advertising, it definitely catches the interest and attention of consumers.

To Attract Different Types of Consumers: Consumers differ in terms of their expectations from the product. Some want durability; some want unique features; some want novelty; some wants safety; some want low price; and so on. A company, by promoting different types of competitive advantages, can attract different types of buyers.

To Face Competition: This is the fundamental use of product positioning. Company can respond strongly to the competitors. It can improve its competitive strength.

To Introduce New Product Successfully: Product positioning can assist a company in introducing a new product in the market. It can position new and superior advantages of the product and can penetrate the market easily.

To Communicate New and Varied Feature Added Later on: When a company changes qualities and/or features of the existing products, such improvements can be positioned against products offered by the competitors. Product positioning improves competitive strength of a company. Normally, consumers consider product advantages before they buy it. So, product positioning proves superiority of company's offers over competitors. It may also help consumers in choosing the right product.

STEPS INVOLVED IN PRODUCT POSITIONING

1. Identify Competitive Differences: The marketer should identify the competitive differences of his product or service.

2. Analyze the Differences: The marketer must analyze the differences. He must conduct cost-benefit analysis of each and every difference.

3. Selecting Important Differences: The marketer must select the most important differences that would differentiate it from that of the competitor. For example, if marketers of TV sets claim that they provide.

4. Developing Positioning Strategy: The marketer should then make efforts to develop positioning strategy. The marketer may position the brand by following any of the following positioning strategy

- Using specific product feature
- Positioning by Price
- Positioning by Use
- Positioning by Competitor etc.

5. Communicating the Company's Positioning: The marketer should select proper media to communicate the company's positioning. The right media must be selected to communicate the image of the brand.
6. Follow-up of Positioning : The marketer may try to follow up the positioning of the brand. This can be done by undertaking research or by analysing the sales of the brand.

PRODUCT POSITIONING STRATEGIES.

The advertiser can adopt different positioning strategies in order to develop or reinforce a particular image for the brand in the mind of the audience. The various positioning strategies are:

1. Positioning by Product Benefits.

(a) Functional Benefit-Positioning:can be used in the case of technologically superior product by highlighting special features. "The leather that weathers" from Woodlands Shoes.

(b) Emotional Benefit-Positioning:Can be used by exploiting buying motives such as security, health, love and affection, beauty etc. "Beauty Soap of Film Stars" Lux Soap.

(c) Self-expressive Benefit:where style and appearance, of the product (motor-bikes/textiles/garments etc.) can be highlighted in positioning strategy. The advertiser may use high profile personalities or models to endorse the brand.

2. Positioning by Price and Quality .

3. Positioning by Use: The brand can be positioned by associating it with a use or application.

4. Positioning by User Category.

5. Positioning by Product Class.

6. Positioning by Cultural Symbols/Names

UNIT-3
PRODUCT

Introduction:
In simple words, the term, "Product" means an article which satisfies our wants. It is defined as a set of attributes, tangible, intangible & physical assembled in an identified manner.
Philip Kotler, defines the term product as "anything that can be offered to the market for consumption that might satisfy a need".

Features of a Product:
1. It has many utilities
2. It can either be tangible. Ex: soap, or intangible Ex: Insurance policy.
3. It is a combination, package, brand, etc
4. It is purchased because of its satisfying power.

New Product Development:
Introducing a new product is a difficult task, there is no guarantee that the new product developed is accepted in the market; hence, the risk if high. It is better to adopt a scientific approach for the development of new products. The following are the different stages of a new product development:
1. **Idea Generation:** New product development starts with an idea. The idea may come from any source. Ex: Competitors, Newspapers, Government, Research & Development, Department, etc.
2. **Screening Analysis:** Here the company evaluates all ideas. The intention here is to avoid unnecessary expenses by stopping further processing of unwanted ideas, which do not suit the company's requirements. An idea is evaluated with reference to various factors such as consumer needs, investments, profitability, technology, etc.
3. **Concept Testing:** In the stage the concept of the new is tested. The co. evaluates whether the concepts would suit the co., requirements.
4. **Business Analysis:** Here a detail financial analysis is done. It is carried out to find out the financial marketing competitive & manufacturing viability usually, they analysis is done by the experts. The task of the management is this step is to identify the product features, estimate the market demand & the products profitability. Those ideas, which promise more profits with minimum payback are selected.
5. **Product Development:** In this stage, product on paper is converted into a physical product. This is done by the engineering department or by the research & development department. Proper care must be taken while developing the product, so that the new product does not become a waste. For this purpose, research reports, company's budget, product features, etc have to be studied carefully. Undue haste in developing a new product results in the premature death. On the other hand, if the time taken is to long, the company may lose the opportunity to the competitors.
6. **Test Making:** After developing the product, the next stage is to test its commercial viability. This process is known as test making.
   Test marketing is defined as "developing a temporary Marketing Mix & introducing the new product to a market called, the sample market to verify & analyze the market reaction for the new product". This is one of the most important steps because for the first time, the information on the new product acceptance by the market is collected.

While, test marketing, the company changes the Marketing Mix namely, Product, Price, Promotion & Physical Distribution depending upon the test marketing results. If it is accepted, it chooses the best marketing mix for the product, otherwise the project is rejected.

Advantages of Test Marketing:

1. It helps to understand the market reaction to the new product.
2. Customers perception on the marketing mix is understood.
3. It avoids costly error of manufacturing, unwanted products. It reduces, the uncertainties relating to the new product.
4. It helps in developing suitable marketing mix
5. It helps in developing proper marketing strategies.
6. Test marketing also highlights the weakness of the new product, which can be rectified before launching on a large scale.
7. Test marketing gives better coordination between the company, intermediaries & the customers.
8. It also helps to understand the intermediaries view on the new product.
9. It brings down the overall cost of new product development by eliminating wastages.
   It should be remembered that the market chosen for test marketing must be proper in the sense that is should represent the entire country so that biased results are not considered.

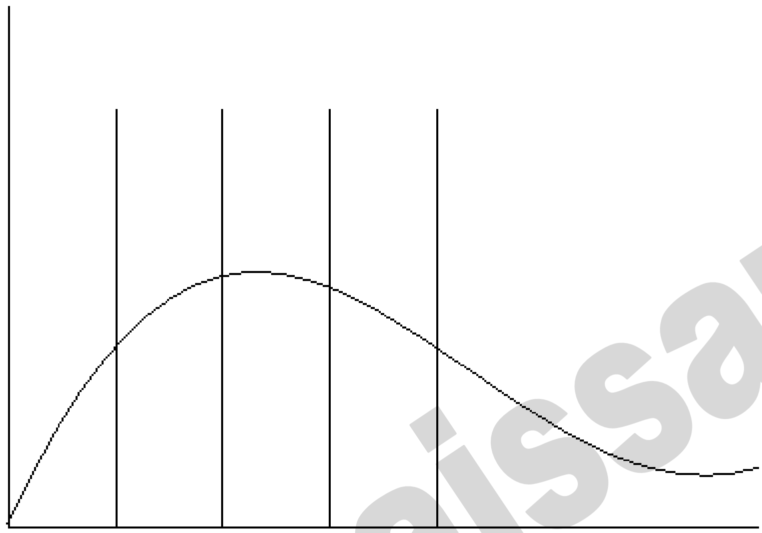
7. **Commercialization:** When once is successful in test marketing, i.e., when the market accepts the new product, it is launched in other markets on a large scale in a wider market is known as commercialization. It is from this stage that a new product is really born from the customer's point of view.

PRODUCT LIFE CYCLE

Product also has various stages of life as human beings. From the time a product is introduced, till it is withdrawn from the market, it goes through 5 stages. Analysis of these stages for the purpose of repositioning the product in the market is called Product Life Cycle management. The following are the stages in a product life cycle.

I. Introduction Stage
II. The Growth Stage
III. The Maturity Stage
IV. The Saturation Stage
V. The Decline Stage

The above stages can be shown in the following graph:



Life Cycle Stages

I. **Introduction Stages:** In this stage, a new product is introduced on a large scale for the first time. Market reacts slowly to the introduction. In other words, consumers take time to accept the new product. Initially, the company may suffer losses, sales improves gradually. Most of the products fail in this stage itself.
Following are the characteristics of this stage:
a. Consumers do not have the knowledge of the product
b. Consumers may or may not be strongly in need of the new product.
c. If there is a need for the product, the company gets readymade demand. Otherwise, it increases slowly.
d. Sales are minimum
e. The competition is less, in fact the company, which introduces new product is called as a Market Pioneer.
f. The cost of it is very high because the company spends money heavily on Research & Development, Sales, Promotion, etc.

II. **Marketing Strategies during the Introduction Stage:** A company has to prepare the policies very carefully in the stages because it has a great impact on the image of a new product. Even a minor mistake results in the premature death of a product.
The following are the strategies that the company may adopt in this stage:
a. It may spend heavily on promotion & fix high price. This meets two objectives.
Firstly, heavy promotion creates large demand & high price, brings immediate profits. This strategy also helps to create brand preference in the minds of the consumer. It is normally followed when there is a great need for the product, when the product belongs to the richer class & when products are consumer specialties.
b. This second strategy is to fix high price but to spend less on promotion. This is preferred when the product has limited market, in which people have knowledge about the product & the competition is completely absent.

c. Another strategy is to charge low price & spend heavily on promotion. This is preferable when consumers are sensitive to the price & market is wide enough. This strategy brings good returns in the long run.
d. The company may charge low price & spends less on promotion. This is preferable when the consumers are informed about the product, market is very large & there is no competition for the time being.
   In the introduction stage, the competitors are very cautious. They do not enter the market immediately. They study the strategies of a company & watch the reaction of the consumers. This helps them to find out the defects of the company's strategy.

III. **Growth Stage:** It is called the market acceptance stage. Following are its features:
a. Consumers & traders accept the product
b. Sales & profit increase
c. More competitions enter the market
d. The focus of competition is on the brand rather than the product
e. Competitors may introduce new features to the product
f. Distribution network increase
g. The price will be reduced marginally.

Marketing Strategies in the Growth Stage:
a. The company tries to impress upon the consumers that its brand is superior
b. It may introduce new models or improve the quality
c. It may enter new market & sell its products with new distribution channels
d. To attract more buyers, it may reduce the price.

IV. **Maturity Stage:** This stage indicates the capacity to face the competition, sales increases at a decreasing rate. Competition becomes severe. It is reflected in various ways such as offering discounts, modifying products etc.

Marketing Strategies during Maturity Period/Stage: In this stage, the manufactures have to take responsibility to promote his product. This strategy aims at creating brand loyalty.

V. **Saturation Stage:** This is the stage when the sales reach the peak point. Competition intensifies further & profit begins to decline. Small competitors may withdraw from the market because of their incapability to face the competition.

Marketing Strategies: This is the stage where the marketing manager must try to reposition his product. Most of the strategies in this stage are offensive in nature. Each manufacture tries to cut down his competitor's market share by aggressive promotion policy. The objective of marketing in this stage is to retain the present sales level.

VI. **Decline Stage:** For all products, sales invariably declines as new products enter the market. In this stage, there is a sharp decline in the profits, cost increases & market share comes down. Most of the manufactures withdraw from the market. Some may reduce production & concentrate only on a limited market

Marketing Strategies: This stage offers one of the greatest challenge to the marketing manager. He has to decide whether or not to continue with the product. The main task of marketing manager is to revitalize the demand instead of discontinuing the product immediately. It is better to withdraw gradually. Those channels of distribution, which are costly & unproductive maybe removed. In the meantime, the weak points of the marketing mix maybe identified & altered as required.

Reasons for the Failure of New Product:

1. Poor marketing research
2. Not using the up-to-date technology
3. High price or to costly products
4. Poor design
5. Inefficient marketing
6. Non-cooperation from the middlemen
7. Improper promotional techniques
8. Improper timing of introduction of the new product.

UNIT-4
PRODUCT PLANNING & PRICING STRATEGIES

Introduction:
Product planning is that part of marketing, which is concerned with determining the products to be offered, deleted & diversification.

Objectives of Product Planning:
Product planning is one of the most important functions of a marketing manager. The following are its objectives:
1. To offer products based upon customer needs.
2. To diversify, to capitalize on the company's strength.
3. To utilize the available resources more profitability.
4. To decide on the elimination of non-profitable products.
5. To change the features of the product as per the changes in the market.
6. For long-term survival.

Components of Product Planning:
1. Product Innovation
2. Product Diversification
3. Product Development
4. Product Standardization
5. Product Elimination
6. Product Mix & Product Line

1. **Product Innovation:** Innovation is a part of continuous improvement. In the absence of innovation, products become stale & hence die in the market. Innovation is required to keep up with the phase of changing market needs. According to Drucker, "Innovation will change customer's wants, create new ones, extinguish old ones & create new ways of satisfying wants."
2. **Product Diversification:** When a manufacturer offers more products in different areas, it is referred as product diversification. In fact, when a manufacturer diversification. Diversification normally involves business in a new area. Eg: ITC entering into hotel business, sony entering into film production business.
3. **Product Development:** It involves introducing a new product either by replacing the existing one or innovating a completely new product. It can either be brand extension or line extension. Company must be careful while developing new products because research shows that 92% of them fall in the market. Another danger of product development is cannibalization.
4. **Product Standardization:** It implies a limitation of types of products in a given class. It gives uniformity in terms of quality, economy, convenience & Value. Eg: Each model of T.V. gives a different standard. Standardization promises a minimum level of performance & hence is used as a benchmark for quality.
5. **Product Elimination:** This involves an emotional decision of withdrawing the existing product line. Decision must be carefully taken based upon current market share, future prospects etc. The

product elimination involves reviewing the present product portfolio, analyze their profitability & then decide on discontinuance of a product.

6. **Product Mix & Product Line:** Product line is defined as a group of products offered by a company which belongs to same family of products or similar to each other or substitutes. Eg: Product line of ponds for personal care products includes cold creams, talcum powders, etc.
   Product Mix is defined as combination of product lines offered by a company. Eg: Product mix of Bajaj includes two wheelers, home appliances, electrical appliances, financial products etc.

Product Portfolio Planning:

A product mix & line of a company put together forms product portfolio of a company. It can be explained in terms of product width, product depth * the product consistency. Product width explains the number of product lines that a company offers, whereas product indicates the number of products in each line & product consistency indicates the closeness of items of range of products.

PRICING

Price of a product is "its" value expressed in terms of money which the consumers are expected to pay. Form the seller's point of view, it is return on the exchange & in economic terms, it is the value of satisfaction.

Importance of Price:

Price is a key factor, which affects a company's operation. It plays an important role at all levels of activities of a company. It influences the wages to be paid, the rent, interest & profits. It helps in proper allocation of resources by controlling the price, the demand & supply factor may easily be adjusted.

Objectives of Pricing:

I. **To increase the profit:** this is the most common objective. A company may fix the price with the aim of earning certain percentage of profits
II. **Market Share Objective:** some companies fix the price with a view to capture new market or to, increase or maintain the existing market share. The objective here is to either avoid competition or to meet it.
III. **To Stabilize the Price:** This is usually followed in the oligopoly market by the market leaders. The objective here is to avoid the price war & fluctuations in price.
IV. **To Recover Cost:** To get back the cost incurred as early as possible, is another objective of pricing. It is for this reason that different prices are set for cash & credit sales for the same product.
V. **Penetration Objective:** The objective of penetration pricing is to fix a low-price so as to enter the new market.
VI. **To Maintain the Product Image:** In this case, the objective is to fix a higher price to create a perception that the product is of superior quality. This is called market skimming strategy.

Factors Influencing the Price Determination:

The decision to fix the price is influenced by many factors which are controllable & uncontrollable. They are:

a. Product Characteristics.

b. Demand Characteristics.
c. Manufacturer's Objectives.
d. Cost of the Product.
e. Economic Condition.
f. Government Regulation.

1. **Product Characteristics:**
    1. **Product Life Cycle:** A product manufacturer charges the price depending upon the stages of the life cycle of the product. Eg: If he has introduced a new product, he may charge a lower price & increase it when it enters the growth stage.
    2. **Perishability:** According to the general principle, other things being equal, if a product is perishable, the price will be lower because it has to be sold as early as possible.
    3. **Product Substitution:** If there is a substitute in the market, then the price will be either equal to or lower than the price of the substitute, because if the price is more that the substitute, people may purchase the substitute product only.

2. **Demand Characteristics:** It is one of the most important factors influencing the price. The company must forecast demand for its products & its elasticity before fixing the price. Demand estimation helps a company to prepare sales & the expected price, the consumers are willing to pay. The expected price of the market is the influencing factor here. According to the general principle, the final price fixed must neither be lower nor higher than the expected price.

3. **Manufacturer's Objective:** If the manufacturer wants to increase the market share, he has to fix the competitive price. In other words, he has to offer more discounts etc. On the other hand, if his objective is to increase profits, he may fix a higher price.

4. **Cost of the Product:** Most of the companies fix the price on the basis of cost. Accordingly, selling price is equal to total cost plus profit. Total cost includes manufacturer's cost, administrative cost & selling cost.

5. **Economics Condition:** According to the general economic theory, price will not be lower during the depression & higher during the inflationary period. The company has no control over this factor because it is the result of general condition prevailing in the entire country.

6. Government Policy / Regulation: If government thinks necessary, it may fix minimum price for a product. If it wants to discourage consumptions, it may increase the price & reduce it to encourage consumption.

Pricing Policies & Pricing Methods or Determination or the Price:

1. **Cost Plus Pricing:** In this method, the cost of manufacturing a product serves as the basis to fix the price, the desired profit is added to the cost & the final price is fixed. Most of the companies follow this method. Following are various methods of cost + pricing.

a. **Price Based on the Total Cost:** Here a percentage of profit is added to the cost to calculate the selling price. It is usually followed by the whole sellers & the retailers. For industries such as construction, printing, repair shops, etc. this method is more suitable.
b. **Price Based on the Marginal Cost:** It is the method of pricing where the price is fixed to recover the marginal cost only. Marginal cost is the extra cost incurred to produce extra units. Hence, this method is suitable only when pricing decisions are to be taken to expand the market to accept the export orders etc.
c. **Break Even Pricing:** Under this method, the price is fixed first to recover the total cost incurred to produces the product. It is fixed in such a manner that the company neither earns profit nor does it suffer losses. This method is suitable during depression when there is acute competition, when a new product is to be introduced or when the product enters the declining stage of its life.

Advantages of Cost + Pricing:

i) This method is simple & hence price can be easily determined.
ii) Companies, which cannot estimate the demand may follow this method.
iii) It is suitable for long-term pricing policies

Dis-advantages of Cost + Pricing:

i) It neglects the demand factor of the product
ii) It is difficult to determine the exact cost.

2. **Pricing Based Upon Competition:** Competition based pricing is defined as a method where a company tries to maintain its price on par with its competitors. It is suitable when the competition is serve & the product in the market is homogenous. This price is also called the going rate price. The company cannot take risk of either increasing the price or decreasing it. Following are some of the methods based upon competition:
    a. Pricing Above the Competition: It is usually followed by well-recognized manufacturers to take advantage of their goodwill. The margin of profits is too high. This method is useful to attract upper class & upper middle class consumers.
    b. Pricing Below Competition Level: This type of pricing is followed by the wholesalers & the retailers. They offer various kinds of discounts to attract consumers. Even established companies follow this method to maintain or to increase their sales during the off season.

3. **Pricing Based on Markets:** Depending upon the market of product, the manufacturers may fix the price for their products. In a perfect market, he has to go for the expected price in the market. It is also called the market price or going rate price. In case of monopoly, he is free to fix the price & can effectively practice the price discrimination policy.
   In oligopoly where there are few sellers, the price is fixed by the largest seller called the market leader & others follow him. If price is above this level, he loses sales considerably & if he reduces it, sales may not increase because competitors immediately react & reduce their price also.

UNIT- 5
PRODUCT PROMOTION OR PROMOTIONAL STRATEGIES AND PHYSICAL DISTRIBUTION AND STRATEGIES

It is the duty of the manufacturers to know about & accept their products & price for this purpose, they have to communicate with, persuade, & motivate them. To achieve this, they use promotional strategies. Promotion is the means through which a company meets its prospective customers.

Meaning of Promotion: Promotion is a part of an organization marketing mix that is used to inform & persuade the market regarding its products & services.

Promotion Mix: It is a combination of personal selling, advertising, sales promotion, publicity & public relations that helps an organization to meet its marketing objectives.

Communication Process in Marketing: Companies to be successful must communicate effectively. Effective communication is one which is received by the receiver in its original meaning as sent by the sender. In marketing, effective communication must be capable of making the consumers understand what the company is going to say. Following are the steps in communication process:

i) **Identifying the Target Market:** It is concerned in finding out to whom the message is being prepared. For each group of consumers or distributors a different message is required. Identifying the target, market helps a company to ascertain tastes, preferences etc of the consumers.
ii) **Determine the communication Objective:** After analyzing target market & their characteristics, the next step is to find out what is desired from the communication, to attract the target market.
iii) **Designing the Message:** While designing the message, the marketing manager must understand what to communicate & to whom to communicate. The message must be prepared in such a way that it reaches the target market effectively.
iv) **Selecting Communication Channels:** A company can use two types of channels of communications, namely personal & non-personal.

Personal channel refers to communicating directly with the target market through salesmen	Non-personal channels are also called indirect channel & they include newspapers, TV, publicity, etc.

v) **Allocating of Promotional Budget:** Here the amount is to be spent to promote the product is fixed. Decision is also taken on the amount to be spent on various media.
vi) **Deciding on the Promotion Mix:** Here money is allocated to various tools of promotion. Before deciding, the marketing managers have to analyze the nature & impact on the market of each kind of production.

Factors Affecting the Selection of Promotion Mix:

1. **Type of the market:** Promotion of industrial products requires a different strategy from the promotion of consumer products. Eg: Personal selling is the major tool of promotion for industrial products, whereas advertising is a major tool for consumer product.
2. **Product Life Cycle:** A product requires different kinds of promotion in different stages of its life. In the introduction stage, advertising & publicity are used. In the growth state, all means of

promotion are given due importance. In the maturity stage, personal selling is used mostly & in the decline stage, it is the sales promotion which is the most influencing factor.

3. **Push & Pull Strategy:** Push strategy refers to the manufacturer using the sales force to push the sales. He promotes the product aggressively to the wholesalers. Wholesalers promote to retailers & retailers aggressively promote to the consumers. This is can be illustrated as follow:

Push Strategy

Promotes To

Manufacturers → Wholesalers → Retailers → Consumers

In case of pull strategy, manufacturer using heavy advertisement, publicity etc. promotes directly to the consumers. Consumers ask the retailers for the products. Feeling the demand, retailers force the wholesalers to sell/supply the product & wholesalers come to the manufacturer finally. It can be illustrated as below:

Promotes to

Manufacturers ← Wholesalers ← Retailers ← Consumers

The main advantages of pull strategy is that the manufacturers need not depend upon the wholesalers & retailers to sell his product & also this method helps him to create brand loyalty.

4. **Buyer's Attitude:**Eg: If buyers are positive in action, promotion aims at reminding them about the availability of the product.

Tools of Promotion

1. **Advertising:** The word "**Advertise**" has been derived from the word "**Ad**" which means "**Turn**" & "**Verto**" meaning "**towards**". Hence the term advertising means to turn the attention towards something.

   Definition: According to the **Philip Kotler**, "Advertising consists of non-personal or one way form of communication conducted through paid media under clear sponsorship."

   Objectives of Advertising: The main objective of advertising may be explained in the **"AIDAS"** formula, where **A=Attract the attention, I=Create interest (read), D=Desire (like), A=Action (act), S=Satisfaction.**

   In other words, a god advertisement must attract the consumers, create interest in them, make them to desire the product & finally they should buy the product. The other objectives are:
   1. To bring to the notice of consumers, the product, the features, uses etc.
   2. To make an immediate sale.
   3. To build demand in case of a new product.
   4. To build the brand recognition
   5. To increase market share
   6. To build overall image of the company
   7. To reach new market.

Factors Affecting the Media Selection:

1. **The objective of Advertising:**Eg: If immediate action is required radio, tv, newspapers, etc, may be used.
2. **The Geographical Factors:** The geographical factors such as circulation of the media, required coverage, etc.
3. **Nature of the message:**Eg: If the advertisement is just to inform people about something, only signboards can be used.
4. **Cost of the Media:**Eg: Newspapers are the cheapest medium, whereas TV is costliest.
5. The financial resources available.
6. The nature of the product
7. The nature of the consumers
8. Power of the media to reach the target market.

Kinds of Advertising Media or Media or Advertising:

i. **Press Publicity or the Print Media:**

1. **Newspapers:** Newspapers are useful to advertise all types of product. They are more flexible & cheaper. In case of products, which are to be sold quickly or within a limited period, this is the most useful media. Before selecting a particular newspaper, the advertiser must take into account its circulation, readers, cost, etc.

Advantages:

1. It reaches almost all places, hence the exposure is maximum.
2. As newspapers are published daily, continuous publicity is possible.
3. They are more flexible, economical, & convenient.
4. Advertising may be changed according to the requirements.

Disadvantages:

1. The life of advertisement is very short
2. It becomes a waste if the readers do not go through the advertisement.
3. It becomes a waste if there is no market for the product advertising in the place of circulation.

2. **Magazines:** Magazines are read leisurely & they are more attractive. Magazines may be either general meant for general readers. Eg: India Today or specific that is specially meant for a particular group, Eg: Business India, Women's Era etc.

Advantages

1. The quality of advertisement is better because of the better design, print, color, & quality othe paper.
2. The advertisement reaches the target market.
3. Almost all advertisements are read because their number will be limited, they are more attractive & readers have enough time to go through them.

Disadvantages:

1. It is not flexible
2. It is comparatively costlier
3. As it is published periodically, urgent messages cannot be advertised.

2. **Direct Mail Advantages:**
   This method is more popular in case of mail order business. The advertiser maintains a list of prospective customers & the advertisement is dispatched to them directly by post. Advertisement may be in the form of circulars, leaflets, broachers, catalogues, etc.

Advantages:
1. The advertiser can reach any part of the country & convey his message directly to the customer
2. It tries to build personal contact as the message is addressed to the customer himself.
3. The message can be altered according to the requirements.
4. It reaches the target market.

Disadvantages:
1. It is very difficult to prepare the list of prospective customers
2. In case of products, which need personal attention inspection before & after sales services, it cannot be used.

3. **Outdoor Advertising:**
   This is the oldest form of advertising; it is suitable to promote products that need a wide appeal. Messages are exhibited at busy streets & places. They are primarily meant for the moving population. Outdoor advertising helps the advertiser to remind the people of his product frequently. Posters, Paintings, Electronic Signboards, Sky Writing, etc. are the various forms of outdoor advertising.

Advantages:
1. It attracts the attention of the people
2. It is flexible & comparatively cheaper
3. It has mass appeal
4. It is useful to promote the brand name.

Disadvantages:
1. The message is limited
2. It is difficult to find out the impact of advertisement
3. It is not primary form of advertising
4. At the best, it supplements other methods.

4. **The Broadcast Media:**
   1. **Radio:** In our country, radio as a means of advertising was first used in 1927, at present it is one of most effective tools of advertising. In almost all countries, sponsored commercial programs are very popular:
      Advantages:
      1. Its coverage is wide
      2. It reaches even the illiterate consumers.

3. It is more flexible, in the sense that the advertiser can broadcast the messages at the language he wants it.
4. The changes of being heard are more because advertisements are broadcasted in between various popular programs.
5. Advertisements are effective because they are recreational in nature.
6. For emergency announcement, this is the most suitable media.

Disadvantages:

1. As it reaches general consumers, advertisement expenditure may become unproductive.
2. Its life is extremely short
3. It is more expensive.

2. **Television:** Being one of the important instruction in the field of marketing it has occupied position. Most manufacturers prefer this medium because it has both audio & visual effect. It is suitable for consumer shopping & specialty goods & all types of industrial goods.

Advantages:

1. It is the only medium, which appeals to both eye & ears.
2. Creativity may be achieved
3. It is more life than any other medium.
4. It is more flexible, i.e., advertisement can be telecasted when programs relate to a particular group are telecasted. Eg: Manufactures of toys may telecast their advertisement when children's programs are being telecasted.

Disadvantages:

1. Because of too many advertisements, consumers may lose interest in them.
2. The life is extremely short
3. It is the costliest form of advertisement.

3. **Cinema:** It is one of the most popular media in our country. It attracts a wide audience. The main advantage is that almost all advertisements are looked at & read by the people. Cinema advertisement may be in the form of slides, animation, documentaries, etc.
The main disadvantage is that its life is very short, in other words, when once the cinema begins people may forget all advertisements.

4. Online Advertising or Interest Advertising: One of the features of E-marketing is online advertising. Its popularity is increasing of late as it reaches the target market directly; scrolls, banners, etc are some of the forms of online advertising.

5. Advertising on Mobiles: The advent of mobile phones has changed the nature of advertising drastically. People advertise directly to mobile phone users through messages (SMS). This method of marketing is referred to as vital marketing.

Exhibition, fairs, demonstration, window display etc are other forms of advertisements.

Criticisms of Advertising:
1. It is considered as an unproductive expenditure.
2. It forces the people to purchase those products, which are not within reach.
3. It increase the cost of the product
4. It makes people to become slaves of a particular brand.
5. Most advertisements mislead the people
6. Most advertisements are unethical & immortal
7. It is used as a tool to deceive people
8. They make false claims & omit certain things intentionally.

The above points prove that advertisement is a mere waste. But a deeper analysis proves otherwise, it facilitates production & consumption functions. As its results are intangible, it cannot be considered as a wasteful expenditure. It stimulates competition & helps the people to get the better products at reasonable price.

SALES PROMOTION

Introduction: Sales promotion is one of the most loosely used terms in marketing. According to some authors, sales promotion is a broader term which includes all activities such as advertising, personal selling, publicity etc to capture the market. Another school of thought feels that it is a combination of various activities intended to stimulate & to supplement personal selling & advertising.
Definition: According to **American Marketing Association**, Sales Promotion is "A group of activities other than advertising, personal selling, & publicity that stimulates consumer purchasing & dealer's effectiveness. Eg: Discounts, Samples, Exhibition, etc.

Importance & Objectives of Sales Promotion:
Following are the reasons for the increased importance of sales promotion:
1. Shorter life cycle of a product
2. Heavy competition
3. Now producers have to capture the market as quickly as possible.
4. To push the product during the off season or dull period.

Objectives of Sales Promotion:
1. To improve the marketing performances of the middlemen (Push Strategy)
2. To increase demand at the consumer level (Push Strategy)
3. To supplement advertising & salesmanship
4. To make consumers to buy a new product or to encourage them to use more quantity of the existing product.
5. To attract new customers
6. To become the market leader
7. To encourage the use of other products of the same manufacturer
8. To create & maintain interest at the level of middleman.

Methods of Sales Promotion:

1. **Sales Promotion Aims At Consumers:** In this case promotion activities are carried on to include consumers to buy the product i.e, being promoted. Following are some of the methods of promoting products at consumer level:
   a. **Discount Coupons:** Usually this method is followed by the manufacturers of consumer shopping goods such as textiles, household articles, etc. Consumers will be allowed to avail discounts on their purchase when they surrender their coupons to the seller.
   b. **Free Samples:** Manufacturers may distribute samples of their product free of cost. This method is most effective to promote consumers necessities & convenient goods. Eg: Newspapers, Medicines, etc.
   c. **Consumers Contest:** A contest may be conducted to attract consumers from various parts. Some manufacturers restrict the contest only to those who purchase their product.
   d. **Points to Purchase Display (POP):** Under this method products that are being offered to be sold are demonstrated near the important selling centers. Eg: Vehicles, TV, etc.
   e. **Trade Shows & Exhibition:** These are conducted to attract the attention of consumers to remind them of the product available in the market.

   Other methods include distribution of its gifts & complements, lucky draws for consumers, etc.

2. **Sales Promotion Directed at Middlemen:** These are the programs intended to increase the interests of the middlemen to push the sales. Some of the promotional methods are:
   a. Advertisement Allowance: In this case, manufacturers compensate retailers for displaying their products.
   b. Premium cards given to increase sales during the off season. Eg: purchase 5 soaps & get 1 free.
   c. Wholesalers & agents distribute free samples to retailers in order to test the market reactions.
   d. Some manufacturers agree to receive back the goods if they are not sold within a specified period.
   e. Trace associations may conduct trade fairs, exhibitions, etc, for the distributors.
      This helps them to understand the later development in the field of marketing & to have good contact with others in the same field.
   f. Many manufacturers hold a get-together function for their dealers. This is popularly know as dealer's convention. This helps in the development of informal organisation among the dealers.
   g. Some manufacturers the follow the policy of dealers contest. The dealer who achieves maximum sales is given prizes.
   h. Some company offers higher allowances to the dealer when they achieve higher sales target.

Personal Selling or Salesmanship:
It is defined "Art of winning the buyer's confidence for seller's house & goods, thereby winning a regular & permanent customer."

Importance of Personal Selling:
The successful salesman creates a group of satisfied customers. He is considered to be the mirror of the company. Importance of salesmanship can be summarized by the following functions performed by a salesman.

1. To introduce new products to the market
2. To maintain the present customers group & to discover new customers.
3. To help the customers in deciding what to buy & what not to buy
4. To give firsthand information about the market to the manufacturer.
5. To act as a link between the producers & consumers.

Qualities of a Good Salesman:
It is very difficult to identify to identify all characteristics that make a good salesman. Taking into account who were successful in their job, psychologist have underlined the following basic qualities of a good salesman:
1. Physical Requirements: A good salesman must have a pleasing personality, He must be able to influence others.
2. Hunger for Money & Status: A contented salesman is always a liability to the co0mpany. Hunger for money & status forces a salesman to sell more so that he earns more.
3. Self-confidence: A successful salesman believes himself & has a high self-esteem. Self-confidence helps him to meet people to different types & different situations
4. Tendency to Compete with others: Competition not only improves morale, but also motivates a salesperson to sell more.

The other Qualities are:
1. He must be courageous, dependable, honest, courteous, cheerful & patient.
2. He should posses a pleasing personality.
3. He should have complete information about the product that he sells.
4. He should know the details of his company & its competitors.
5. He should have knowledge about the today's market, product he is selling.

Suitability: Personal selling is more suitable in the following cases:
1. When the market is limited
2. When efficient middlemen are not available
3. When a new product has to be introduced
4. When a product requires demonstration. Eg: Vacuum cleaner.
5. When a product requires personal attention before & after sales services.
6. When purchases are infrequent but valuable. Eg: Industrial goods.

Sales Management:
In simple words sales management refers to the overall management of sales. It is defined as planning, directing & controlling of selling activities of the company. It includes recruiting, selecting, training, equipping, assigning, supervising, paying & motivating the sales forces of the company.

Responsibility of Sales Management:
- Analysis the market thoroughly.
- To study the consumer's psychology
- Careful analysis of the competitor's behaviour
- To make sure that the right product is offered & sold
- To find out whether the company can expand the market or introduce a new product.

- To establish sales target.
- To frame sales policies
- To co-ordinate selling activities.
- To plan the advertising campaign to develop sales promotion strategies.
- To study market fluctuations
- To conduct efficient market reservation.

Channels of Distribution (Physical Distribution)

Introduction:
One of the important problems of marketing is the distribution of goods & services to the right place, person & the right time. Manufacturers often find it difficult to decide about the effective distribution system. The channel of distributions refers to the group of intermediaries, which perform the distribution functions.

Definition:
According to Philip Kotler, "The distribution is the set of all firms & individuals that assist in the transferring the little of goods & services as they move from producers to customers."
It is also defined as "The root through which goods move from the place of production of the place of consumption."

Functions of the Channels:
- Channels of distribution helps, the goods & services to move from the place of production to the place of consumption, hence they create place utility.
- Goods are brought by the channels when they are needed. Hence they create time utility.
- A channel reduces complexity in the distribution system
- Inclusion of channel reduces the financial burden of the producers
- They provide various services such as standardization, grading, etc.
- They supply the market information to the producers
- They help producers in promoting their sales.

Types of Channels
- **Zero-level channel (producer to consumer):** It is also called as direct marketing or direct selling. This channel consists of the producer who directly sells his products to the ultimate consumers. This is the shortest, simplest, & cheapest form of distribution. Producers are benefited by increased profit, whereas consumers are benefited by reduced price. This is possible because it eliminates the middleman completely. With the development of sophisticated & efficient retailing like supermarkets, chain-stores, automatic selling machine are financially sound follow this channel of distribution. For products like jewelry & industrial goods like machinery, this is the best channel.
- **One-Level Channel (Producers → Retailers → Consumers or producers → Wholesalers → Consumers):** This is a short channel where the manufacturer may himself perform some of the wholesaler. This is considered to be the best channel as it eliminates some of the marketing intermediaries & at the same time gets advantages of inclusion of retailers.

In case of perishable goods, this is the best channel. When there is large scale promotion, inelastic demand & when manufactures are financially sound this channel is preferred.

- **Two-Level Channel (Manufactures→ Wholesalers→ Retailers→Consumers):** This is the traditional channel. It is more useful in the case of buyers, sellers, & manufactures who operate in small scale. The manufacturer sells his products in large quantities to a wholesaler who in turn sells in small quantities to retailers & finally retailers sell to ultimate consumers. Products which have low unit value & which are purchased frequently may be distributed through this channel.
- **Three Level Channel (Manufactures→ Wholesalers→ Agents →Retailers Consumers):** In this method manufactures appoint agent such as consignees to sell their products. It is preferable for exporters or MNCs.

Factors Affecting the Selection of Channel

Selection of a particular channel depends on various factors. They are:

- **Market Factors:**
  - **Nature of the market:** When manufacturer produce consumer goods, the channel will be lengthy because the market will be large & spread throughout the country. Moreover, demand may be inelastic. In case of industrial goods, he can sell directly because buyers are concentrated in few places.
  - Number of Companies: In case if buyers are limited in number, the manufacturer can directly sell to them. If consumers are scattered the manufacturers should go for larger channel.
- **Product Factor:**
  - **Unit Value of the Product:** Lower the value of the product longer will be the channel. Eg: Matchboxes, salt, etc.
  - **Perishability:** In case of perishable products, the shortest channel should be used because they should be sold as quickly as possible. Eg: Fruits, Vegetables, Milk, etc.
  - **Nature of Product:** If the product is highly technical in nature, the manufacturer sells it to the buyers. Eg: Computers, because such products require before & after sales services, which wholesalers, & retailers cannot provide. In case of consumer goods, which are technical in nature he may appoint sales agent. Eg: Motor Vehicle, TV, etc.
- **Company Factors:**
  - **Finance:** If the company is financially sound, it can sell its products directly to its consumers by maintaining its own warehouse, retail shops, etc.
  - **Management Capability:** If the management is capable of handling the distribution function efficiently, it can prefer a shorter channel.

Methods of Distribution:

- **Intensive Distribution:** It is a method of selling whereby a manufacturer distributes his products through a large number of retailers & in, as many places as possible. In this case, retailers control the distribution system. Usually, consumer's necessities are sold through this system.
- **Selective Distribution:** In this case, manufacturer sells their products through few retailers. Even though this method is suitable to sell all products, it is usually followed in case of industrial goods & consumer shopping & luxury goods. Ex: Motor vehicle.

- **Exclusive Method of Distribution:** In this case, the manufacturer sells his products only through a particular wholesaler or retailer. In other words, the manufacturer gives him the exclusive rights to distribute the products such a distributor is usually prohibited in dealing to the competitor's product.

Types of Channel Members:
A channel includes many middlemen. The term middlemen mean those individuals or institutions, which assists a producer in the transfer of ownership of goods to consumers. Following are some of the various kinds of middlemen:

- **Agents:** These are the middlemen assist the buyers & the sellers in buying & selling of the goods without taking the ownership.
- **Brokers:** These are the agents whose main function is to bring into contact between buyers & sellers. Their powers are limited as they cannot fix price, terms of sale, etc.
- **Wholesalers:** The wholesaler is a middleman who buys from the producer directly & sells it to the retailers on a small scale for the purpose of resale.

Discount House: It is a kind of retail business dealing with consumer durables competing on the basis of price appeal with low margin & minimum consumer services.

Elimination of Middlemen or are middlemen necessary in the channels:
The channels of distribution are the means through which goods are passed on to consumers. In the process thy look on various marketing functions like financing, transportation, grading, standardization, risk-bearing, etc. to perform these functions they have to incur losses. Hence, the services of middlemen will have to be paid either by the manufacturer or the consumer. Many manufacturers are trying to eliminate middlemen and have opted for direct selling because of improvement in retail techniques like automatic selling machines, telemarketing etc. It should be noted that even though Manufacturers can eliminate middlemen, they can't eliminate their functions. In other words functions performed by them must be taken over by the producers if the goods are to be maid available in the market.

Manufacturers try to eliminate middlemen to perform the functions of middlemen at the lowest possible cost and to serve the consumer best.

Arguments in Favor of Middlemen:

- If there were no Middlemen, it would have been difficult for the producers and consumers to meet personally to buy and sell. Hence inclusion of middlemen reduces the complexities of the distribution function.
- Many producers do not have the resources to sell their products directly to the consumers.
- They perform some of the important marketing functions like standardization, grading, transportation, warehousing, etc this makes producers concentrate on their production activities.
- It is the Middlemen who help in stabilizing the prices
- It brings down the cost of production of some of the functions of the producers as they are taken over by the middlemen.

- As they purchase on large scale they also bring down the storage cost
- They provide important marketing information to the producers.
- They create place and time utilities.

Arguments in Against of Middlemen:

7. They are considered as parasites who for one reason or another prevent the direct contact between producers and consumers. This mistakes producers ignorant of consumer's grievances which result in customer dissatisfaction which may bring down the sale.
8. Middlemen also manipulate the economy. This misleads both the consumers and producers.
9. Middlemen are also referred to as cost escalators. In other words, they unnecessarily increase the price of the product.
10. They often dictate the terms of marketing. In fact, the term 'Black Market' was the creation of middle men.
11. They are also referred to as fair weather Friends. In other words, they only sell those products which gives them maximum profits. They go on changing their Loyalties depending on the profitability.
12. In practice they do not perform any marketing function. They simply transfer ownership without shouldering any responsibility. To conclude, it can be said that many manufacturers regard middlemen as Evils. But, all of them can't eliminate middlemen. Hence they are considered as necessary Evil.