CHAPTER 01: INTRODUCTION TO MARKETING

MARKET

Traditionally, the term **'market'** refers to the place where buyers and sellers gather to enter into transactions involving the exchange of goods and service. But in modern marketing sense, the term market has a broader meaning. It refers to a set of actual and potential buyers of a product or service.

MARKETING

Traditionally marketing has been described in terms of its functions or activities. In this respect, marketing has been referred to as performance of business activities that direct the flow of goods and services from producers to consumers. To move the goods and services from producers to consumers, number of activities such as product designing or merchandising, packaging, warehousing, transportation, branding, selling, advertising and pricing are required. All these activities are referred to as marketing activities. It includes many activities that are performed even before goods are actually produced and continue even after the goods have been sold.

In modern times, emphasis is placed on describing marketing as a social process. It is a process whereby people exchange goods and services for money or for something of value to them. Taking the social perspective, **Phillip Kolter has defined marketing** as, "a social process by which individual groups obtain what they need and want through creating offerings and freely exchanging products and services of value with others".

Features of Marketing:

1. **Need and want**: The process of marketing helps individuals and groups in obtaining what they need and want. Thus, the primary reason or motivation for people to engage in the process of marketing is to satisfy some of their needs or wants.

2. **Creating a market offering**: Market offering refers to a complete offer for a product or service, having given features like size, quality, taste, etc; at a certain price; available at a given outlet or location and so on.

3. **Customer value**: The process of marketing facilitates exchange of products and services between the buyers and the sellers. The buyers, however, make buying decisions on their perceptions of the value of the product or service in satisfying their need, in relation to its cost.

4. **<u>Exchange mechanism</u>**: the process of marketing involves exchange of products and services for money or something considered valuable by the people. Exchange refers to the process through which two or more parties come together to obtain the desired product or service from someone, offering the same by giving something in return. For any exchange to take place, it is important that the following conditions are satisfied:

(i) Involvement of at least two parties' viz., the buyer and the seller.

(ii) Each party should be capable of offering something of value to the other. For example, the seller offers a product and the buyer, money.

(iii)Each party should have the ability to communicate and deliver the product or service. No exchange can take place if the buyers and sellers are not able to communicate with each other or if they cannot deliver something of value to the other.

(iv)Each party should have freedom to accept or reject other party's offer.

(v) The parties should be willing to enter into transaction with each other. Thus, the acceptance or rejection of the offer takes place on voluntary basis rather than on the bases of any compulsion.

<u>Marketer:</u>

Marketer refers to any person who takes more active part in the process of exchange. Normally it is the seller who is more active in the exchange process as he/ she analyses the needs of the potential buyers, develops a market offering and persuades the buyers to buy the product.

<u>Marketing management</u>

Marketing management means management of the marketing function. In other words, marketing management refers to planning, organising, directing and control of the activities which facilitate exchange of goods and services between producers and consumers or users of products and services. The focus of marketing management is on achieving desired exchange outcomes with the target markets.

The term marketing has been defined as "the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational goals" by American Management Association.

Philip Kotler has defined Marketing management as the art and science of choosing target markets and getting, keeping and growing customers through creating, delivering and communicating superior customer values of management.

<u>Marketing and selling</u>

1. **<u>Part of the process vs wider term</u>**: Selling is only a part of the process of marketing and is concerned with promoting and transferring possession and ownership of goods from the seller to

the buyer. Marketing is a much wider term consisting of number of activities such as identification of the customer's needs, developing the products to satisfy these needs.

2. **Transfer of title vs satisfying customer needs**: The main focus of selling is on affecting transfer of title and possession of goods from sellers to consumers or users. In contrast, marketing activities put greater thrust on achieving maximum satisfaction of the customer's needs and wants.

3. **Profit through maximizing sales vs. customer satisfaction**: All selling activities are directed at maximizing sales and, thereby, the profits of the firm. In other words, the emphasis is on profit maximization through maximization of sales. Marketing, n the other hand, is concerned with customer satisfaction and thereby increasing profit in the long run.

4. **Start and end of the activities**: Selling activities start after the product has been developed while marketing activities start much before the product is produced and continue even after the product has been sold.

5. **Difference in the emphasis**: In selling, the emphasis is on bending the customer according to the product while in marketing, the attempt is to develop the product and other strategies as per the customer needs.

Importance of Marketing

(1) Marketing Helps in Transfer, Exchange and Movement of Goods: Marketing is very helpful in transfer, exchange and movement of goods. Goods and services are made available to customers through various intermediaries' viz., wholesalers and retailers etc. Marketing is helpful to both producers and consumers.

(2) Marketing Is Helpful In Raising And Maintaining The Standard Of Living Of The Community: Marketing is above all the giving of a standard of living to the community. Paul Mazur states, "Marketing is the delivery of standard of living". Professor Malcolm McNair has further added that "Marketing is the creation and delivery of standard of living to the society".

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

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

(5) Marketing Acts as a Basis for Making Decisions: In modern times marketing has become a very complex and tedious task. Marketing has emerged as new specialized activity along with production.
As a result, producers are depending largely on the mechanism of marketing, to decide what to produce and sell. With the help of marketing techniques a producer can regulate his production accordingly.

Functions of marketing

1. **Gathering and analyzing market information**: One of the important functions of a marketer is to gather and analyse market information. This is necessary to identify the needs of the customers and take various decisions for the successful marketing of the products and services.

2. **Marketing planning**: Another important activity or area of work of a marketer is to develop appropriate marketing plans so that the marketing objectives of the organisation can be achieved.

3. **Product designing and development**: Another important marketing activity or decision area relates to product designing and development. The design of the product contributes to making the product attractive to the target customers.

4. **Standardization and grading**: Standardization refers to producing goods of predetermined specifications, which helps in achieving uniformity and consistency in the output. Standardization ensures the buyers that goods conform to the predetermined standards of quality, price and packaging and reduces the need for inspection, testing and evaluation of the products. Grading is the process of classification of products into different groups, on the basis of some of its important characteristics such as quality, size, etc. Grading ensures that goods belong to a particular quality and helps in realizing higher prices for high quality output.

5. **Packaging and labeling**: Packaging refers to designing the package for the products. Labeling refers to designing the label to be put on the package. Label may vary from a simple tag to complex graphics. Packaging is important not only for protection of the products but also serves as a promotional tool.

6. **Branding**: The important decision areas in respect of branding include deciding the branding strategy; say whether each product will be given a separate brand name or the same brand name will be extended to all products of the company.

7. **Customer support services**: Customer support services prove very effective in bringing repeat sales from the customers and developing brand loyalty for a product.

8. **Pricing of products**: Price of product refers to the amount of money customers have to pay to obtain a product. Price is an important factor affecting the success or failure of a product in the market. The demand for a product or service is related to its price.

9. **Promotion**: Promotion of products and services involves informing the customers about the firm's product, its features, etc. and persuading them to purchase these products. The four important methods of promotion include advertising, Personal Selling, Publicity and Sales Promotion.

10. **Physical distribution**: Managing physical distribution is another very important function in the marketing of goods and services. The two major decision areas under this function include
(a) Decision regarding channels of distribution or the marketing intermediaries
(b) Physical movement of the product from where it is produced to a place where it is required by the customers for their consumption or use.

11. **Transportation**: Transportation involves physical movement of goods from one place to the other. As generally the users of products, particularly consumer products are wide spread and geographically separated from the place these are produced, it is necessary to move them to the place where it is needed for consumption or use.

12. **Storage or warehousing**: Usually there is a time gap between the production or procurement of goods and their sale or use. It may be because of irregular demand for the products.

Goals of Marketing:

1) Creation of Utility: - Marketing has to satisfy various wants of consumers it can create time utility, place utility and possession utility.

- Place Utility: Movement of goods from the producing centers to the consuming centers creates place utility.
- Time Utility: Marketing makes goods available at the time when they are required by the consumer.

- Possession Utility: Marketing through warehousing stores the goods during the time of list availability and supplies the throughout the year to meet the requirement of the consumer.

2) Cost Reduction: Marketing aims at reducing the cost to give the benefit to both the parties i.e. seller and the buyers. Marketing efficiency is based upon the cost of kept distribution. Marketing cost should be minimum as far as possible.

3) Price Stability: Marketing also aims at stabilizing the prices extreme changer or fluctuations in price create confusion in the market i.e. buyer's loss confidence on the manufacturers. Trading becomes very risky bankers and financial institutions may not help traders if prices are constantly fluctuating. Hence, the producers should bear the risk and try to avoid extreme changes in prices.

4) Maximizes life quality: Another goal of marketing is to improve the quality of life. This can be achieved by providing good quality products at reasonable prices.

Approaches to the study of Marketing

1. Product or Commodity Approach: Under the commodity approach the focus is placed on the product or it is an approach on the marketing on commodity wise basis. In other words, the study relates to the flow of a certain commodity and its movement from the original producer right up to the ultimate customer. The subject-matter, under this study, is commodity.

2. Institutional Approach: In the institutional approach, the focus is on the study of institutions-middlemen, wholesalers, retailers, importers, exporters, agencies, warehousing etc., engaged in the marketing during the movement of goods. The approach is also known as middlemen approach. Here, emphasis is given to understand and analyses the functions of institutions, who are discharging their marketing functions.

3. Functional Approach:

The functional approach gives importance on the various functions of marketing. In other words, one concentrates attention on the specialized services or functions performed by marketers. In this approach, marketing splits into many functions-buying, selling, pricing, standardization, storage, transportation, advertising, packing etc. This may be studied one after another. Here each function is studied in detail in order to understand it and analyses the nature, need and importance of each function.

4. Management Approach: This approach is the latest and scientific. It concentrates upon the activities or marketing functions and focuses on the role of decision-making at the level of firm.

This approach is mainly concerned with how managers handle specific problems and situations. It aims through evaluation of current market practices to achieve specific marketing objectives.

5. System Approach: The system approach can be defined as "a set of objects together with the relationships among them and their attributes." Systems focus on interrelations and interconnections among the functions of marketing. The system examines marketing connections (linkage) inside as well as outside the firm. Inside the firm there is a co-ordination of business activities-engineering, production, marketing, price etc.

6. Societal Approach: This approach has been originated recently. The marketing process is regarded as a means by which society meets its own consumption needs. This system gives no importance as to how the business meets the consumer's needs. Therefore, attention is paid to ecological factors (sociological, cultural, legal etc.) and marketing decisions and their impact on the society's well-being.

Recent Trends in Marketing

Retailing: Retailers typically don't manufacture their own items. They purchase goods from a manufacturer or a wholesaler and sell these goods to consumers in small quantities. Retailing is the distribution process of a retailer obtaining goods or services and selling them to customers for use.

Importance of Retailing:

1. **Sales to ultimate consumers of the products:-** The products don't get resold after this transaction. Goods and services sold at this point can be used for various purposes such as for domestic use, household use or for industrial use.

2. **A Convenient form of selling quantity wise:**- The meaning of word retail is to break down the goods in small pieces and reselling them. The goods are bought by the retailer in large quantities from the middleman or manufacturer and bulk is divided into small quantities and sold to consumers as per their requirements.

3. **Convenient place and location:** Retailer stores are generally set up at locations which are convenient for consumers to reach. A retail store can be of various forms such as it could be a small shop, small store, or a multiplex. Goods can be sold through internet and mobile apps as per the convenience of consumers.

Customer relationship Management: CRM is an approach to manage a company's interaction with current and potential customers. It uses data analysis about customers history with a company to improve business relationships with customers, specifically focusing on customer retention and ultimately driving sales growth.

Importance of CRM:

1. **Better service to customers:** CRM provides more avenues for customers to communicate and explain their needs to the organization through numerous contact points. Customers get increased satisfaction and a feeling of being special and important because of the increased personalization of services and customization of goods offered to them.

2. **Customization of Market offerings:** Companies can customize a product or service depending on the data available with the firm. The firm can facilitate customer company interaction through the company contact centre and website. Such interactions help develop customized products.

3. **Reduction in Customer Defection Rate:** CRM Emphasizes on training and development of the employees to become more customers oriented. Due to CRM training and development, employees show care and concern towards the valuable customers; therefore, the customer defection rate may be reduced to a great extent.

4. **Increase and improvement in long-term relationships**: some firms treat their customers as partners. Firms solicit the help of the customers to design new products or to improve their services. If the customer gets involved with the firm, they are more likely to remain with the firm.

Green Marketing: term 'green' is indicative of purity. Green means pure in quality and fair or just in dealing. For example, green advertising means advertising without adverse impact on society. Green message means matured and neutral facts, free from exaggeration or ambiguity. Green marketing is highly debated topic for lay people to highly professional groups. Concept of green marketing concerns with protection of ecological environment. Modern marketing has created a lot of problems.

Importance of Green Marketing:

1. Now, people are insisting pure products – edible items, fruits, and vegetables based on organic farming. The number of people seeking vegetarian food is on rise.
2. Reducing use of plastics and plastic-based products.
3. Increased consumption of herbal products instead of processed products.

4. Recommending use of leaves instead of plastic pieces; jute and cloth bags instead of plastic carrying bags.
5. Increasing use of bio-fertilizers (made of agro-wastes and wormy-composed) instead of chemical fertilizers (i.e. organic farming), and minimum use of pesticides.
6. Worldwide efforts to recycle wastes of consumer and industrial products.

Grey Marketing: A grey market is a market in which goods have been manufactured by or with the consent of the brand owner but are sold outside of the brand owner's approved distribution channels—an activity that can be perfectly legal. It refers to the trade of a commodity through distribution channels that are not authorized by the original manufacturer or trade mark proprietor. Grey market products (grey goods) are products traded outside authorized manufacturer channel.

Relationship Marketing: It is a strategy designed to foster customer loyalty, interaction and long-term engagement. It is designed to developed strong connections with customers by providing them with information directly suited to their needs and interests and by promoting open communication.

Importance of Relationship Marketing:

1. **Relationships with suppliers:** There is a clear evidence that organisations are moving away from a traditionally adversial relationship to one based on mutual support and cooperation. There is increasing awareness of the benefits to be gained by working together to meet the needs of the final consumer.

2. **Relationships with internal markets:** Employees need to feel that they have formed a long-term relationship with the service provider and have a shared understanding of the mission of the organisation. Human resource strategies need to focus on internal markets and specifically on employee retention. The longer employees stay with the company, the more familiar they become with the business, the more they learn, and the more valuable they can be.

3. **Relationship with Referral markets:** Specific strategies need to be devised to reward the referral sources that generate the most business. Although, traditionally, satisfied customers are the key referral source for service organisations, other sources might include suppliers, other agencies dealing with the company, for instance, banks, and in some cases even competitors.

Social Marketing: It is the systematic application of marketing along with other concepts and techniques to achieve specific behavioral goals for a social good. The primary aim of social marketing is 'social Good'.

Applications of Social Marketing:

1. Health Promotion campaigns.
2. Anti-tobacco campaigns.
3. Anti-drug campaigns.
4. Anti-pollution Campaigns.

Advantages of Social Marketing:

1. Promotes consumption of socially desirable products.
2. Promotes health consciousness in people and helps them adopt a healthier lifestyle.
3. It helps in green marketing initiatives.
4. It helps to eradicate social evils that affect the society and quality of life.
5. Social marketing is one of the cheapest ways of marketing.

Chapter 02: Marketing Environment

Introduction

The world economy now a day is increasingly characterized as a service economy. This is primarily due to the increasing importance and share of the service sector in the economies of most developed and developing countries. In fact, the growth of the service sector has long been considered as indicative of a country‘s economic progress.

Economic history tells us that all developing nations have invariably experienced a shift from agriculture to industry and then to the service sector as the main stay of the economy.

Meaning of Market Environment:

The marketing environment refers to all internal and external factors, which directly or indirectly influence the organization’s decisions related to marketing activities. Internal factors are within the control of an organization; whereas, external factors do not fall within its control.

Definition :

According to Philip Kotler, “A company's marketing environment consists of the internal factors & forces, which affect the company's ability to develop & maintain successful transactions & relationships with the company's target customers.”

Features of Marketing Environment

1. Specific and General Forces:

It refers to different forces that affect the marketing environment. Specific forces include those forces, which directly affect the activities of the organization. Examples of specific forces are customers and investors. General forces are those forces, which indirectly affect the organization. Examples of general forces are social, political, legal, and technological factors.

2. Complexity:

It implies that a marketing environment include number of factors, conditions, and influences. The interaction among all these elements makes the marketing environment complex in nature.

3. Vibrancy:

Vibrancy implies the dynamic nature of the marketing environment. A large number of forces outline the marketing environment, which does not remain stable and changes over time. Marketers may have the ability to control some of the forces; however, they fail to control all the forces. However, understanding the vibrant nature of marketing environment may give an opportunity to marketers to gain edge over competitors.

4. Uncertainty:

It implies that market forces are unpredictable in nature. Every marketer tries to predict market forces to make strategies and update their plans. It may be difficult to predict some of the changes, which occurs frequently. For example, customer tastes for clothes change frequently. Thus, fashion industry suffers a great uncertainty. The fashion may live for few days or may be years.

5. Relativity:

It explains the reasons for differences in demand in different countries. The product demand of any particular industry, organization, or product may vary depending upon the country, region, or culture. For example, sarees are the traditional dress of women in India, thus, it is always in demand. However, in any other western country the demand of saree may be zero.

Types of Marketing Environment

1) Micro environment

2) Macro environment

1) **Micro environment -** the micro environment refers to factors affecting firms in a specific sector or industry. These factors can be modified to increase customer satisfaction.

i) . Functional areas of business

a) **Human resource** – HR and marketing are closely associated, HR department provides appropriate personnel for various marketing jobs and plan training programs to improve the employee skills, as well as motivate them.

b) **Financial resources**- Management of financial resources is important for different aspects of marketing activities such as research and development of launching a new product, capacity expansion, implementation of sales promotion etc. Thus it commands an efficient management.

c) **Research and development**- Is in charge of creating new products that is innovation which is very important to stay ahead in competition. It strives in controlling costs and adopting efficient methods of production.

d) **Marketing Mix-** is generally used to denote a particular combination of marketing variables which are controllable by a company. It comprises of four P's- Product, Price, Promotion and Place of distribution which is essential for achieving success.

e) **Suppliers-** are part of supply chain management who supplies the resources needed by the firm to produce its goods and services. A marketer expects good credit terms, timely supply from the suppliers on the other hand suppliers expect prompt payment and good business from the marketers, therefore both marketing firm and suppliers are interdependent.

f) **Marketing intermediaries-** are independent organizations in distribution channel which aids in the process of transferring a product from the producer to the consumer. It includes wholesalers, retailers, agents etc .

g) **Customer**- They is the resource upon which the success of the business depends. Focusing on customers and their experiences is the crux of marketing function. Therefore it is important for marketers to carefully understand all relevant buyer behavior and product usage characteristics.

h) **Share Holders-** are the main group of people who have financial stake in the company. They are interested in companies study business and strong and effective marketing management which can give them higher return on the investment.

i) **Competitors-** is an important part of designing marketing strategies and this involve assessment of the strengths and weakness of current and potential competitors. It helps in assessing marketer's position in the market and improve its products and marketing strategies.

b) Macro environment - The macro environment consists of the societal forces that affect all the sectors in the company's macro environment namely, the demographic, economic, natural, technological, political and cultural forces. These environment forces are beyond the control of a firm, its success will depend to a very large extend on its adaptability to the environment.

a) **Socio-cultural Environment:** The buying and consumption habits of the people, depends on their language, beliefs and values, customs and traditions, tastes and preferences, education etc are the constituents of Socio-economic environment.

b) **Natural Environment:** Difference in geographical conditions between markets may sometimes call for changes in the marketing mix, geographical and ecological factors also influence the location of certain industries, and climate and weather conditions affect the location of certain industries like the cotton textile industry.

c) **Demographical Environment:** it involves study of human population factors like the size, age composition, sex composition etc of the population, family size, educational levels, language, religion etc are all factors which are relevant to business.

d) **Political Environment:** Political and government has close relationship with the economic system and economics policy. Certain changes in government policies such as the industrial policy, traffic policy, fiscal policy etc. may have focused impact on business. In many countries with a view to protecting consumer interests, regulations have become stronger, which will have impact on firm's operation.

e) **Economic Environment:** The economic environment includes those factors that affect consumer purchasing power and spending patterns. Major economic trends include economic system, level of development, sector wise conditions, foreign trade and BOP, economic growth, business cycle etc.

f) **Technological environment** – means the advancements in the field of technology which influences business by new interventions of production and other innovations in techniques to perform business operations and product development

Segmentation, targeting and positioning

SEGMENTATION

According to Rustum Bavar "Market segmentation is the process of sub dividing the market into homogeneous sub section of customers where any sub section may conceivably be selected as a market target to be reached with a distinct market mix."

The process of dividing a market into small homogeneous markets with similar characteristics is called market segmentation.

Need, purpose and benefits of Segmentation-

• **Precise satisfaction of customer needs-** In a common market, needs and expectation of customers differ and it is important for marketing firm to have a comprehensive understanding of customer requirements. Therefore developing a distinct marketing mix would be a solution for the problem.

• **Increased profits-** By an effective segmentation strategy a marketing firm can respond more effectively to the wants of potential buyers. This allows the marketing firms to gain the best price in every segments and therefore effectively rising the average price resulting in higher sales volume and profits.

• **Effective allocation of resources-** It helps the companies to tailor their marketing plans and programs according to the needs of different market segments and this leads to effectiveness.

• **To retain customers-** Meeting customer needs by delivering products or services according to their requirements at different phases helps in retaining customer’s loyalty as they do not switch to other brands.

• **Segment leadership**- Strong market leadership helps in achieving economies of scale in production, distribution and marketing channels.

• **Focused marketing communication-** Market segmentation permits to deliver the message to the relevant audience rather than to the mass, thus by segmenting the target customers can be reached more often at a lower cost.

Levels of Segmentation-

(1) **Mass marketing-** It refers to marketing in which a firm decides to ignore market segment differences and treats the entire market as a homogeneous group offering the same marketing mix to all the customers.

(2) **Local marketing-** aimed at targeting the needs and wants of local customer groups in terms of trading areas, neighborhoods etc. It aims at getting closed to customers by offering marketing mix that caters their needs.

(3) **Niche Marketing-** basically means narrowing the target market into well defined market segments or niche that has a unique or specific set of needs.

(4) **One to One marketing-** is also referred as personalized marketing that emphasis on personalized interactions with customers by offering an unique product or marketing program for each customer in the target segment.

(5) **Permission Marketing-** in this marketer obtains concern from the prospective customer to send marketing information about its products. It is different from one to one marketing, as customers prefer to be the part of marketing program.

Steps in segmentation process-

(1) **Profiling of customers-** involves creating a group of customers where the members within the group has similar tastes, preferences, wants etc.

(2) **Identification of segments**- in this the marketer has to select the segment variables such as demographics, lifestyles, income, age and usage behavior for each need based segment and also ensure that segment is distinct and identifiable.

(3) **Evaluating the segment attractiveness-** For a market segment to be effective and attractive I.e. it should be substantial, accessible, actionable, and measurable. Therefore marketer should use these criteria to determine the overall attractiveness of the segment.

(4) **Assessment of segment profitability-** A Marketer has to access the profitability of the segment in long run and short run, which is required for survival.

(5) **Segment positioning-** Segment positioning involves creating a perception about the offerings of the firm and price, based on that segments unique customer needs and characteristics. This will create an impression about the product to the customers.

Target Marketing

A target market is a group of customers at whom the company specifically indents to aim its marketing efforts. "A target market is a process of identifying market segments, targeting one or more of these market segments and developing products and marketing programs to suit each selected segments."

Target marketing Strategies-

(1) **Differentiated or selective marketing-** In this the marketer is very particular about the potential customer to whom the products would be offered unlike in mass marketing. Target marketing strategy targets specific customer groups based on market demographics such as age, gender, income etc.

(2) **Undifferentiated or mass target marketing-** In this strategy the firm ignores segment differences and goes after the whole market with one offer. Under this strategy a marketer offers a single product to the entire market and tries to capture the marketing share. Here as there is mass production benefit of economies of scale results in lower manufacturing cost to the firm and thereby keeping the prices low results in increase sales and that can generate larger profits to the company.

(3) **Single segment marketing/ concentrated marketing-** focuses on use of single market coverage strategy where in a product is developed and marketed for a very well defined specific and narrow customer group.

(4) **Product Specialization-** is effective if the focus of the marketing firm is on single product and its features. In this strategy a firm specializes in one product or product category and capitalizes the expertise in that category.

(5) **Market Specialization-** A firm specializes in a specific market and offers a wide variety in the respective area. A firm attains reputation by establishing its presence and by offering customized marketing programs that not only deliver the needed products but also caters the customer needs.

POSITIONING

Positioning- it is the act of designing the company's image and the value offer so that a segment customer understand and appreciate for what the company stands for in relation to its competitors.

Positioning is an act of creating a distinctive identity in the minds of target customers for marketers' product, brand or organization.

Steps in product positioning-

(1) **Identifying and analyzing the competitors-** the first move in designing product positioning strategy is to identify how competitors are perceived and evaluated by target market. This helps the firm in preparing a unique marketing plan.

(2) **Differentiating from competitors-** to differentiate the firm form competitors a distinctive marketing plan must be prepared to attract the target customers.

(3) **Finalize the marketing mix**- Positioning statement is communicated to target customer by using a marketing mix. This includes several ideas and plans to promote the brand or products.

(4) **Monitoring responses and modify as needed-** marketer has to access and examine the feedback from the customer about the positioning strategy in case of positive response the marketer may continue with the same strategy or else he needs to adopt changes to the positioning strategy.

CONSUMER BEHAVIOR

According to Schiffman and Kanuk, Consumer behavior is "The behavior that consumers display in searching for, purchasing, using, evaluating and disposing of products and services that they expect will satisfy their needs."

Nature and scope of consumer behavior-

(1) **Cognitive Process-** Cognitive is mental process of understanding, acquiring knowledge and includes aspects of awareness, perception, reasoning and judgment. Consumer behavior covers cognition process of an individual and its impact on consumer buying process.

(2) **Interdisciplinary-** Consumer Behavior an interdisciplinary science as it includes subjects like sociological study of groups (group dynamics in buying behavior), anthropological (study of people in relation to their culture) and economic (income and purchasing power). Components and its influences surrounding an individual.

(3) **Psychological perspective-** Consumer behavior also study's psychological components (the study of the individual: individual determinants in buying behavior) affecting an individual like personal motivation and involvement, perception, learning and memory, attitudes, self-concept, personality and its impact on decision making.

(4) **Continuous process-** Consumer behavior is an ongoing process as it doesn't ends at point of sale but continues after purchase.

(5) **Dynamic & interactive-** Consumer behavior is dynamic in nature, meaning it keeps on changing and this makes challenging to study a human mind as it is a big task. Further it interactive in nature as consumer are influenced and respond to -both internal components (attitudes, self – concept and personality) and external environment (sociological, anthropological and economic components).

Process of consumer behavior Analysis:

(1) **Need recognition-** the starting point of buying process is the perceived want or desire. Need recognition is the awareness of the want or a desire or a consumption problem without which a consumer feels dissatisfied.

(2) **Information Search-** consumer interest about the product is indicated in the consumer's willingness to seek further information about the product or services which he feels will satisfy his want. He gets information from relatives, friends, salesman etc.

(3) **Evaluation** – in this stage the consumer assigns relative values or weightages to different product or services based on the accumulated information and judge the relative worth of alternative products or services from the data available.

(4) **Purchase decision-** it is the positive intention of the customer that leads to purchase decision. It is in this stage the exchange process completes.

(5) **Post purchase decision-** In this stage consumer mentally evaluates product, if he feels satisfied then repurchase will happen, or else he may suffer anxiety or regret. This evaluation decides whether the consumer will purchase the product again or not.

Factors influencing the consumer behavior:

(1) **Perception-** the process by which people understand and translate the information about the world around them. Consumer perceives information about products through advertisements, promotion campaigns, offers, opinions and feedback from existing users.

(2) **Attitude**-It is a way a person carries on himself. It is the attitude of the people that creates a mind set to accept or reject.

(3) **Motivation-** Motivation is the willingness of someone to do something that stimulates desire to apply an effort in attaining a goal. In context of consumer behavior motivation drives a consumer to satisfy needs and wants through the purchase and use of products and services.

(4) **Learning-** Learning is an activity of acquiring knowledge through observation, experience and practice that may result in behavioral change. A consumer learns about the different products in the market through various sources to satisfy his needs.

(5) **Personality-** can be described as combination of psychological characteristics that influences and reflects the way a person responds to situation in the environment. Marketers can use the consumer personality as an opportunity to market their offerings by aligning their brands to personality variables such as self confidence, pride, defensiveness, adoptability.

(6) **Age groups**- Purchasing habits fluctuate overtime with every generation and age group and keeping in mind requirement of different age groups marketers have to execute different marketing strategies for different age groups.

(7) **Life style-** refers to way of life of consumers, which includes pattern of living, expressions, hobbies and opinions, affinities and dislikes, taboos and phobias etc. Marketer

should identify similarities in life style, preferences of consumers and develop products and services by aligning relationship between their products and lifestyle of customers.

(8) **Income-** is means in monetary value which a person receives for his work to cover his personal expenditure. Income earned by a customer has direct impact on consumption pattern of consumer any change in income will result in changes in quantity purchase.

External influences-

(1) **Culture-** refers to a set of believes, customs, practices, norms and behavior that exists within a society. Cultural factors intensely influence the way people live and help in determining what, where, how and when consumers buy a firm’s products.

(2) **Sub-culture-** Any culture may further consists different sub culture such as religion, nationality, racial group etc. It is important to understand the sub culture because many consumers identify strongly themselves with their heritage and products that appealed to this aspect of their identities.

(3) **Reference group-** is a set of people who form a standard and perspective in determining attitudes and behavior.

(4) **Opinion leaders-** Opinion leaders refer to a person or organization that influences people behavior and attitude through their competence and knowledge. An opinion leader can be a celebrity, politician, a religious leader or any other person who can influence a person’s buying behavior. A marketer can gain advantage in its marketing communication campaigns and speed up the acceptance of its offerings by using opinion leaders.

(5) **Physical environment-** In most of the situation consumer’s moods and behaviors are strongly influenced by physical surroundings. Physical store environment is critical in buying behavior of a consumer because it directly affects total consumer shopping experience.

(6) **Economic situation-** includes factors such as a consumer personal income, family income and availability of credit, as it influences the purchase quantity.

Chapter 03: Marketing Mix

Marketing Mix

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

Definition:

According to William J, Stanton, “Marketing mix is the term used to describe the combination of the four inputs which constitute the core of a company’s marketing systems – the product, the price structure, the promotional activities and the distribution system.”

Characteristics of Marketing Mix:

1. Marketing mix is the crux of marketing process: Marketing mix involves many crucial decisions relating to each element of the mix. The impact of the mix will be the best when proper weight age is assigned to each element and they are integrated so that the combined effect leads to the best results.

2. Marketing mix has to be reviewed constantly in order to meet the changing requirements: The marketing manager has to constantly review the mix and conditions of the market and make necessary changes in the marketing mix according to changes in the conditions and complexity of the market.

3.Changes in external environment necessitate alterations in the mix: Changes keep on taking place in the external environment. For many industries, the customer is the most fluctuating variable of environment. Customers’ tastes and preferences change very fast. Brand loyalty and purchasing power also change over a period. The marketing manager has to carry out market analysis constantly to make necessary changes in the marketing mix.

4. Changes taking place within the firm also necessitate changes in marketing mix: Changes within the firm may take place due to technological changes, changes in the product line or changes in the size and scale of operation. Such changes call for similar changes in the marketing mix.

5. Applicable to business and non-business organization: Marketing mix is applicable not only to business organizations but also to non-business organizations, such as clubs and educational institutions. For instance, an educational institution is expected to provide the right courses (product), charge the right fees (price), promote the institution and the courses, and provide the courses at the right place.

Elements of Marketing Mix

The elements of marketing mix are often called the four P's of marketing.

1. **Product:** Goods manufactured by organizations for the end-users are called products. Products can be of two types - Tangible Product and Intangible Product (Services) an individual can see, touch and feel tangible products as compared to intangible products. A product in a market place is something which a seller sells to the buyers in exchange of money.

2. **Price:** The money which a buyer pays for a product is called as price of the product. The price of a product is indirectly proportional to its availability in the market. Lesser its availability, more would be its price and vice a versa. Retail stores which stock unique products (not available at any other store) quote a higher price from the buyers.

3. **Place:** Place refers to the location where the products are available and can be sold or purchased. Buyers can purchase products either from physical markets or from virtual markets. In a physical market, buyers and sellers can physically meet and interact with each other whereas in a virtual market buyers and sellers meet through internet.

4. **Promotion:** Promotion refers to the various strategies and ideas implemented by the marketers to make the end - users aware of their brand. Promotion includes various techniques employed to promote and make a brand popular amongst the masses.

Product

Meaning:

Product refers to a physical product or a service or an idea which a consumer needs and for which they are ready to pay. Physical products include tangible goods such as grocery items and garments. Services are intangible products which are offered and purchased by consumers.

Definition:

According to 'Philip Kotler', "Anything that can be offered to a market that might satisfy a want or need in retail merchandise" .

Classification of Products:

Based on whether products are for immediate consumption or for future processing they are classified as:

1. **Consumer Products: -** These are meant for personal and non – business use. Consumer products include convenience products, shopping products, and speciality products.

2. **Industrial products: -** These are primarily purchased for further processing or for use in producing other goods. Ex: Capital goods, raw materials, components parts etc.

3. **Durable products:** Are those tangible products that last longer or they do not get exhausted even after ‘repeated use’. Ex” Kitchen equipment.

4. **Non – Durable Products:** are those which get exhausted with a single or few uses, Ex: eatable products, soaps, paper etc.

5. **Services: -** According to Philip Kotler “A service is any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything and these are intangible, frequently inseparable and vary in quality over time”.

6. **Convenience goods: -** these products are consumer products and services that the consumer usually buys frequently, immediately and with a minimum of comparison and buying effort ex: News papers.

7. **Shopping goods:** these are less frequently purchased consumer products and services. Consumers usually buy these items only after comparing styles, suitability, price and quality. Ex: furniture, clothing etc.

8. **Safety goods: -** These are consumer products and services with unique characteristics or brand identification for which a significant group of buyers are willing to make a special purchase effort. Ex: Jewellery, diamonds etc.

Product Mix in Marketing

Product mix, also known as product assortment, is the total number of product lines that a company offers to its customers. The product lines may range from one to many and the company may have many products under the same product line as well. All of these product lines when grouped together form the product mix of the company.

Product Line:

A group of products that are closely related in some way having the similar characteristics forms a product line. Ex: HUL’S, Godrej’s and P&G’s range of soaps and detergents forms a product line.

New Product development:

Organizational set up has to be conducive to support new product development. Foremost companies must allocate funds for research and development, the conventional way is the percent of sales technique. Others chose to allow employees dedicate a certain amount of work time on new product development. Companies next have to organize the process of development.

This can be done by product managers with new product development experience or by cross functional team with members chosen from various departments having the knack of developing new products.

The following are steps involved in new product development:

1. Idea generation

2. Screening of ideas

3. Business analysis

4. Product development in laboratory

5. Test marketing

6. Commercial production

Stages of product development

1. The 1st stage is idea generation that is the search for new products. Companies pay a particular focus on customer needs and demands to decide on the new product. Idea generation can also be done by studying competitor‘s product. Companies try to learn why competitor‘s product ticks with consumer or what more customers want from that product. Companies also look at top management for idea generation. For example, Steve Jobs of Apple is known to participate actively in an idea generation. Research groups comprising of scientist, patent holders, colleges and universities also serve as the base for idea generation.

2. The 2nd stage is idea screening. Not all new ideas proposed can be converted into products. Companies list ideas into three categories promising ideas, marginal ideas and rejects. Promising ideas are further process by screening committee to be ready for the next stage. Screening should avoid the error where good ideas are dropped due to bias towards the idea generator. Another commonly occurring error is encouragement to a commercially unviable idea. Therefore, extra precautions are necessary during the screening process.

3. The 3rd stage begins when ideas move into the development process. Here a product idea is converted into several product concepts. Out of several product concepts, the one which looks fit is then placed against competitors to finalize marketing and positioning strategy. Product concept is introduced to a focus group of customer in a form of proto-type to understand their reaction.

4. The 4th stage involves developing of marketing strategy for new product. The marketing strategy involves evaluation of market size, product demand, growth potential, profit estimate in first few years. Further marketing strategy plan is developed with the launch of product, selection of distribution channel and budgetary requirements for the 1st year.

5. The 5th stage involves the development of the business model around the new product. Business models start with estimation of sales, frequency of purchase, and nature of business. Next estimation of cost and expense involve in production and distribution of new product. In that basis profit estimations are reached. Discounted cash flow and other methods are used to understand feasibility of new product.

6. The 6th stage involves the actual production of new product. Here more than one possible product are created, from proto-type to finalized products are produced. Decisions are taken from operation point of view whether is technically and commercially feasible to continue production. If analysis is showing cost not within the estimate then project is abandoned.

7. The 7th stage involves market testing of new product. The new product is ready with brand name, packaging, price to capture space in consumer‘s mind.

8. The 8th stage involves launching of product across target market backed by a proper marketing and strategy plan. This stage is called commercialization phase.

9. Introduction of new product is part of survival technique for any firm. And with very high failure rate companies have to follow a scientific process to create new market offerings.

Reasons for failure of a new product

1. Launching an imitative product which is not so different from the existing products.

2. Low or inconsistent product quality.

3. Target customers are too small in numbers that do not meet the sales volume expectations needed to break even.

4. The company does not have MARKET access. It is unable to get TRADE distribution or cannot sell directly due to lack of sufficient resources.

5. Launching the product too early before the MARKET is ready or launching too late when the peak period has already passed; such poor timing play detrimental roles on the new product.

6. Weak MARKETING strategy that does not take proper care of competitive alternatives in the MARKET, can also be a reason for failure.

7. Poor advertising, due to which target customers are not aware of the full benefit or existence of the product can also lead to failure.

8. Poor market research before developing the new product is also a major reason, but many a times the entrepreneurs cannot be blamed for that solely. Lack of resources and incomplete information might push the entrepreneurs into being unable to conduct in depth market research.

Product Life Cycle (PLC)

A new product passes through set of stages known as product life cycle. Product life cycle applies to both brand and category of products. Its time period vary from product to product. Modern product life cycles are becoming shorter and shorter as products in mature stages are being renewed by market segmentation and product differentiation.

Companies always attempt to maximize the profit and revenues over the entire life cycle of a product. In order to achieving the desired level of profit, the introduction of the new product at the proper time is crucial. If new product is appealing to consumer and no stiff competition is out there, company can charge high prices and earn high profits.

Product life cycle comprises four stages:

1. Introduction stage

2. Growth stage

3. Maturity stage

4. Decline stage

1. Introduction stage

Product is introduced in the market with intention to build a clear identity and heavy promotion is done for maximum awareness. Before actual offering of the product to customers, product passes through product development, involves prototype and market tests.

Companies incur more costs in this phase and also bear additional cost for distribution. On the other hand, there are a few customers at this stage, means low sales volume. So, during introductory stage company‘s profits shows a negative figure because of huge cost but low sales volume. At introduction stage, the company core focus is on establishing a market and arising demand for the product.

2. Growth Stage

In this stage, company‘s sales and profits starts increasing and competition also begin to increase. The product becomes well recognized at this stage and some of the buyers repeat the purchase patterns. During this stage, firms focus on brand preference and gaining market share. It is market acceptance stage. But due to competition, company invest more in advertisement to convince customers so profits may decline near the end of growth stage.

3.Maturity stage

At maturity stage, brand awareness is strong so sale continues to grow but at a declining rate as compared to past. At this stage, there are more competitors with the same products. So, companies defend the market share and extending product life cycle, rather than making the profits, By offering sales promotions to encourage retailer to give more shelf space to the product than that of competitors. At this stage usually loyal customers make purchases.

4. Decline stage

Decline in sales, change in trends and unfavourable economic conditions explains decline stage. At this stage market becomes saturated so sales declines. It may also be due technical obsolescence or customer taste has been changed. At declining stage, marketing mix decisions depends on company’s strategy. For example, if company want to harvest, the product will remain same and price will be reduced. In case of liquidation, supply will be reduced dramatically.

Brand

The American Marketing Association (AMA) defines a brand as a "name, term, sign, symbol or design, or a combination of them intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of other sellers.

Therefore it makes sense to understand that branding is not about getting your target market to choose you over the competition, but it is about getting your prospects to see you as the only one that provides a solution to their problem.

The objectives that a good brand will achieve include:

- Delivers the message clearly
- Confirms your credibility
- Connects your target prospects emotionally
- Motivates the buyer

Advantages of Brands

1. Enhances Product Recognition

Brands provide multiple sensory stimuli to enhance customer recognition. For example, a brand can be visually recognizable from its packaging, logo, shape, etc. It can also be recognizable via sound, such as hearing the name on a radio advertisement or talking with someone who mentions the product.

2. Helps Build Brand Loyalty

Customers who are frequent and enthusiastic purchasers of a particular brand are likely to become Brand Loyal. Cultivating brand loyalty among customers is the ultimate reward for successful MARKETERS since these customers are far less likely to be enticed to switch to other brands compared to non-loyal customers.

3. Helps with Product Positioning

Well-developed and promoted brands make product positioning efforts more effective. The result is that upon exposure to a brand (e.g., hearing it, seeing it) customers conjure up mental images or feelings of the benefits they receive from using that brand. The reverse is even better. When customers associate benefits with a particular brand, the brand may have attained a significant competitive advantage.

4. Aids in Introduction of New Products

Firms that establish a successful brand can extend the brand by adding new products under the same ―family brand. Such branding may allow companies to introduce new products more easily since the brand is already recognized within the MARKET.

5. Builds Brand Equity

Strong brands can lead to FINANCIAL advantages through the concept of Brand Equity in which the brand itself becomes valuable. Such gains can be realized through the out-right sale of a brand or through licensing arrangements.

Elements of Brand

Branding is made up of innumerable elements few of which are –

- **Name:** The name which we use to identify the product with.
- **Logo**: A symbol or other design adopted by the business to identify its brand.
- **Colour:** A colour mostly used by the business in its marketing messages to describe or complement the brand.
- **Vision:** The group of goals or objective behind the brand that help guide its activities and its future.
- **Message:** the value proposition of the brand which it conveys through the brand personality to set the brand positioning.
- **Shape:** Either the distinct shape of the offering or the shape of the packaging.
- **Aroma:** The distinct smell which the user experiences before, during, or after he uses the offering.
- **Graphics:** The uniform and distinct aesthetics used in the marketing messages.
- **Sound:** The sound used in the marketing messages to reinforce your brand identity.

Limitations of Branding:

1. Discourages from Trying other Products

Brand loyalty discourages the consumer from trying out other new brands which possibly be more satisfying.

2. Leads to Monopoly

It leads to some kind of monopoly known as brand Monopoly. It is created by gradually creating brand loyalty and image of the product and the manufacturer in the minds of consumers.

3. Create Confusion

Consumers are often confused in in product selection on account of the methods of plethora offered in the market. The situation becomes all the more difficult when all the brands carry as Assurance of similar quality and value satisfaction.

4. Commands Premium

The popularity of brands renders them out of the common man's reach because they command premium prices, such as Hercules Cycles, Crompton fans, etc.

5. Substandard Goods

When the brand name becomes popular, manufacturers sometimes place in inferior and standard goods in the market.

6. Imposes Responsibility

Brand imposes responsibility for maintaining consistent quality and delivering proclaimed value satisfaction

PACKAGING

Packaging is defined in the regulations as "all products made of any materials of any nature to be used for the containment, protection, handling, delivery and preservation of goods from the producer to the user or consumer."

Packaging is the process of enclosing, or containing the product in bottles, plastic bags, wrappers, lubes, paper cartoons and boxes etc. For the purpose of displaying useful information regarding the product, its contents, weight, size, price, constituents, usage necessary instruction about the usage and storing the product must be recorded on the package. Package reduces the risk of wastage, spoilage, leakage, meltage and evaporation etc. in the process of transportation and storage.

Function of Packaging

1. Protection

The fundamental functions of packaging is to protect it from sun, rain, moisture, insects and atmospheric contracts etc. packaging maintain the product fresh and enhances its life. So, we use air-tight containers for certain products.

2. Easy identification

Every producer has its own distinct packaging, different from other with respect to design, size, color and other specification packaging helps-us in the easy identification and immediate picking up of the product.

3. Convenience

Packaging provides convenience in the transportation and storage of the product. It is convenient for the consumers to use these products. Packaging of Tropicana Real and Frooti Juices facilitates their consumption. Packaging, no doubt helps us in the safe and convenient handling and storing of the product.

4. Sales promotion

It is rightly said that packaging works as silent, salesman. It catches the attention of customers, who pick up the product, go through its description and are induced to purchase the product. Self-service is becoming more and more common in the field of shopping, where the customer picks up the product himself and makes its payment on the counter. Packaging in these circumstances promotes the sales.

5. Innovative ideas

The producers sometime develop innovative ideas about packaging which promotes their sales. For examples, shampoo, tomato ketchup, surf, sugar, milk, oil etc., are sold in small pouches. In addition to the above functions packaging facilities branding of the product. Empty packages have their resale value for customers. Packaging builds image of the product and its producers. The effective packaging is the source of prestige to its producers.

Packaging continues to be more important in the modern growing completion, open, and display of the product and self-service of the customers.

Pricing

The term Price refers to money value or Exchange value of product or service in the market. Pricing Policy refers to the policy of setting the price of products and services by the management after taking in to account of various internal and external factors, forces and its own business objectives.

Objectives

1. Survival in the market.

2. Rate of growth & Sales maximization.

3. Prevents competition.

4. Making money.

5. Market share.

Factor affecting pricing decision

(A) Internal Factors:

1. Organisational Factors: Pricing decisions occur on two levels in the organisation. Overall price strategy is dealt with by top executives. They determine the basic ranges that the product falls into in terms of market segments. The actual mechanics of pricing are dealt with at lower levels in the firm and focus on individual product strategies. Usually, some combination of production and marketing specialists are involved in choosing the price.

2. Marketing Mix: Marketing experts view price as only one of the many important elements of the marketing mix. A shift in any one of the elements has an immediate effect on the other three—Production, Promotion and Distribution. In some industries, a firm may use price reduction as a marketing technique. Other firms may raise prices as a deliberate strategy to build a high-prestige product line. In either case, the effort will not succeed unless the price change is combined with a total marketing strategy that supports it. A firm that raises its prices may add a more impressive looking package and may begin a new advertising campaign.

3.Product Differentiation: The price of the product also depends upon the characteristics of the product. In order to attract the customers, different characteristics are added to the product, such as quality, size, colour, attractive package, alternative uses etc. Generally, customers pay more prices for the product which is of the new style, fashion, better package.

4. Cost of the Product: Cost and price of a product are closely related. The most important factor is the cost of production. In deciding to market a product, a firm may try to decide what prices are realistic, considering current demand and competition in the market. The product ultimately goes to the public and their capacity to pay will fix the cost, otherwise product would be flapped in the market.

5. Objectives of the Firm: A firm may have various objectives and pricing contributes its share in achieving such goals. Firms may pursue a variety of value-oriented objectives, such as maximizing sales revenue, maximizing market share, maximizing customer volume, minimizing customer volume, maintaining an image, maintaining stable price etc. Pricing policy should be established only after proper considerations of the objectives of the firm.

6.Channels of distribution: The cost of distribution and the channel of distribution is also a good determinant of pricing policy. It must be considered if the product will be supplied directly to the final consumer or has to pass through the various channels of distribution. For a product that has to pass through the wholesaler, to the retailer and then to the final consumer, the profit of these middle men must be considered, so that the final price set by the retailer will not affect demand negatively. For some product, producer may need to set standard cost to control for any form hyper price setting by the whole seller or the retailer .

(B) External Factors:

1. Demand: The market demand for a product or service obviously has a big impact on pricing. Since demand is affected by factors like, number and size of competitors, the prospective buyers, their capacity and willingness to pay, their preference etc. are taken into account while fixing the price. A firm can determine the expected price in a few test-markets by trying different prices in different markets and comparing the results with a controlled market in which price is not altered. If the demand of the product is inelastic, high prices may be fixed. On the other hand, if demand is elastic, the firm should not fix high prices, rather it should fix lower prices than that of the competitors.

2.Competition: Competitive conditions affect the pricing decisions. Competition is a crucial factor in price determination. A firm can fix the price equal to or lower than that of the competitors, provided the quality of product, in no case, be lower than that of the competitors.

3.Suppliers: Suppliers of raw materials and other goods can have a significant effect on the price of a product. If the price of cotton goes up, the increase is passed on by suppliers to manufacturers. Manufacturers, in turn, pass it on to consumers. Sometimes, however, when a manufacturer appears to be making large profits on a particular product, suppliers will attempt to make profits by charging more for their supplies. In other words, the price of a finished product is intimately linked up with the price of the raw materials. Scarcity or abundance of the raw materials also determines pricing.

4. Economic Conditions: The inflationary or deflationary tendency affects pricing. In recession period, the prices are reduced to a sizeable extent to maintain the level of turnover. On the other hand, the prices are increased in boom period to cover the increasing cost of production and distribution. To meet the changes in demand, price etc.

5. Macroeconomic trends: The macroeconomic trends of the country must also be put into consideration when pricing decisions are made. In an unstable economy, where cost of living increases, without a change in the income of the people, an increase in the price of a product may affect demand for that product, so also when there is an increase in the income of the people, increase in the price of a product may not necessarily affect the demand for that product at that point in time.

6.Market segment: When a producer knows his customers, he will be able to set his prices accurately. The market segment must be carefully identified and the amount they will be willing to pay for the product identified. For the producers of cars, there are different models for different set of people, thus producing varieties for different set of people. There are some products which are mainly for the elites, while some are for the masses.

7.Consumer behaviour and perception: Consumers attitude and perception about the product must be considered, when making pricing decisions. The company should consider if an increase in price will lead to an increase or a decrease in demand, and vice versa.

8. Buyers: The various consumers and businesses that buy a company’s products or services may have an influence in the pricing decision. Their nature and behaviour for the purchase of a particular product, brand or service etc. affect pricing when their number is large.

9. Government:

Price discretion is also affected by the price-control by the government through enactment of legislation, when it is thought proper to arrest the inflationary trend in prices of certain products. The prices cannot be fixed higher, as government keeps a close watch on pricing in the private sector. The marketers obviously can exercise substantial control over the internal factors, while they have little, if any, control over the external ones.

Methods of Pricing

Pricing method or strategy refers to a technique adopted by a firm to fix the price of the product in the market. It indicates the way in which price is determined after taking in to account of all relevant factors and forces in to confederation.

1. **Cost Plus Pricing:-** This is a common pricing method used by business firm as per this method; the selling price of a product includes the cost of the product & an estimated amount of price. In short, total cost (TC) per unit plus desired profit per unit.

2. **Rate of Return Pricing:-** If a firm desires to achieve a certain rate of return on capital, it may adopt rate of return pricing. As per this method the management fixes The selling price required to produce a given rate of return on capital employed.

3. **Skim Pricing Method:- (High Price Policy):-** Under this method, the product is priced at a very high price in initial stage. The manufacturer introducing a new product may adopt this pricing strategy so that the demand for the product is immediately know & investment made in the product are quickly realized.

4. **Penetrative Pricing:- (Low Pricing Policy) :-**The product is priced at a very low price in the initial stage to the product popular is called penetrative pricing.

5. **Price leadership pattern pricing:-** The may be defined as the pricing pattern in which one firm in the industry initiates price charges & other firms follow it. The firm initiating the price charge is called the price leader & those following it, are called price followers. This type of pricing is followed in the case of steel, cement, fertilizers etc.

6. **Psychological pricing:-** Under this method the product is priced on the basis of the psychology of consumers. In this method, where instead of putting Rs.100/- for a product it puts Rs.99/- only to make the prospective buyers think that it is relatively cheaper.

7. **Single price policy or one price policy:-** This policy may be defined as one in which all buyers regardless of their class, size, conditions of purchase are charged a similar price. As per this policy there is no question of bargaining. Eg: newspaper, magazines etc.

PHYSICAL DISTRIBUTION

The prime of object of production is its consumption. The movement of product from producer to consumer is an important function of marketing. It is the obligation of the producer to make goods available at right place, at right time right price and in right quantity.

The process of making goods available to the consumer needs effective channel of distribution. Therefore, the path taken by the goods in its movement is termed as channel of distribution. The goods may be sent to the consumer directly or indirectly through middlemen. A channel of distribution or trade channel is defined as the path or route along which goods move from producers or manufacturers to ultimate consumers or industrial users.

channels of distribution are broadly divided into four types:-

- **Producer-Customer:-** This is the simplest and shortest channel in which no middlemen is involved and producers directly sell their products to the consumers. It is fast and economical channel of distribution. Under it, the producer or entrepreneur performs all the marketing activities himself and has full control over distribution. A producer may sell directly to consumers through door-to-door salesmen, direct mail or through his own retail stores. Big firms adopt this channel to cut distribution costs and to sell industrial products of high value. Small producers and producers of perishable commodities also sell directly to local consumers.

- **Producer-Retailer-Customer: -** This channel of distribution involves only one middlemen called 'retailer'. Under it, the producer sells his product to big retailers (or retailers who buy goods in large quantities) who in turn sell to the ultimate consumers. This channel relieves the manufacturer from burden of selling the goods himself and at the same time gives him control over the process of distribution. This is often suited for distribution of consumer durables and products of high value.

- **Producer-Wholesaler-Retailer-Customer: -** This is the most common and traditional channel of distribution. Under it, two middlemen i.e. wholesalers and retailers are involved. Here, the producer sells his product to wholesalers, who in turn sell it to retailers and finally they sell the product to the ultimate consumers. This channel is suitable for the producers having limited finance, narrow product line and who needed expert services and promotional support of wholesalers. This is mostly used for the products with widely scattered market.

• **Producer-Agent-Wholesaler-Retailer-Customer: -** This is the longest channel of distribution in which three middlemen are involved. This is used when the producer wants to be fully relieved of the problem of distribution and thus hands over his entire output to the selling agents. The agents distribute the product among a few wholesalers. Each wholesaler distributes the product among a number of retailers who finally sell it to the ultimate consumers. This channel is suitable for wider distribution of various industrial products.

Factors affecting physical distribution

1. **Market Related Factors:** Since the channels of distribution operate in the market. The market related factors are very important. There are several forces in the market which dictate the choice of channels of distribution.

a. Customers:

The ultimate purpose of any channel of distribution is to distribute the goods to the customers. Therefore the requirements and the nature of the customers should be considered while deciding the channel of distribution. If the customers are widely scattered the channels must be in a position to reach them out effectively.

b. Competition:

One has to consider the channels of distribution arranged by the competitors. This choice represents the wisdom and experience of the competitors. It also means that the competitors have been successful in using such channels over the long run. A company can adopt such channels of distribution if found suitable to itself.

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

a. Perishability:

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

b. <u>Price of the Product:</u>

The products of a lower price have a long chain of distributors. As against it, the products having higher price have a smaller chain. Very often, the producer himself has to sell the products to the consumers directly.

c. <u>Size and Weight:</u>

The size and weight of the products too affect the selection of the middlemen. Generally, heavy industrial goods are distributed by the producers themselves to the industrial consumers.

d. **<u>Goods Made to Order:</u>** The products that are manufactured as per the orders of the customers could be sold directly and the standardized items could be sold off only by the middlemen.

e. **<u>After-Sales Service:</u>** The products regarding which the after-sales service is to be provided could be sold off either personally or through the authorized agents.

f. **<u>Nature of the Product:</u>** Consumer goods are purchased by a larger number of people, in smaller quantities and more frequently. Therefore such goods require longer channels of distribution which have a wide range. The presence of retailers is a must. Industrial goods on the other hand are purchased in larger quantities by a smaller number of purchasers and less frequently.

3. <u>Company Factors:</u>

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

a. **<u>Company's Financial Strength:</u>** A financially strong company can design its own channel of distribution because of its financial strength. It can negotiate with people and establish an altogether new channel of distribution. A company which is not financially strong has to settle down for existing channels of distribution because establishing a new channel of distribution requires huge amounts of money.

b. **<u>The Extent of Control Desired:</u>** Control desired in this context means the ability of the company to exercise control over the channels of distribution in matters like resale price maintenance, territory restrictions etc. Longer the channel, lesser will be the control.

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

d. **Company's Marketing Policies**: Every company will have policies regarding marketing and these policies will also lay down norms relating to channels of distribution and these policies will also have a strong influence on the choice of channels of distribution.

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

f. **Channel Related Factors:** The channels of distribution choosing should be appropriate from the view point of the company. These channels must be examined and then a proper choice must be made.

Promotion

Promotion is one of the market mix elements, and a term used frequently in marketing. The specification of five promotional mix or promotional plan. These elements are personal selling, advertising, sales promotion, direct marketing, and publicity. A promotional mix specifies how much attention to pay to each of the five subcategories, and how much money to budget for each.

Objectives:

1. To Stimulate Demand:

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

2. To Inform Consumers:

Promotion is aimed at informing consumers about features, qualities, performance, price, and availability of firm's products. Market promotion is also a valuable means to inform consumers the changes made in the existing products and introduction of new products. In the same way, market promotion, by various tools of market communication, is used for communicating the special offers, price concession, utility of products, and incentives offered by the company.

3. To Persuade Consumers:

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

4. To Promote a New Product:

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

5. To Face Competition:

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

6. To Create or Improve Image:

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

PERSONAL SELLING

Personal selling is widely practiced and old method included in promotion mix. Here the sellers meet perspective customers, talk with them face to face and give information about goods or services.

Roles and importance of personal selling

In the present competitive environment of business, effective selling of goods or services has become very difficult and challenging task for any business firm. Personal selling plays a dynamic role as well as decisive role in selling. It occupies an important place in promotion mix. Personal selling may be very effective means in selling goods or services by giving good impression to the perspective customers.

1. Dynamic role

As the salespersons meet and have direct conversation with perspective customers, they know about their needs, wants, interests, attitude etc. Salespersons can present their sales according to the needs and wants of the customers. The salespersons change their presentation with the changes taken place in the attitude and behaviour of individual customers. Dynamic and flexible behaviour of the sellers help to increase sales.

2. Focus on prospective customers

Personal selling method focuses on prospective customers. In advertisement, more cost needs to communicate message and information to non-prospective customers. But in personal selling, prospective customers are identified then efforts to sell goods or services to them. In this method sales can be made at minimum cost, less efforts and less time.

3. Actual sale

Personal selling is a such technique of demand creation from which actual sales become possible. Other techniques are only directed towards prospective customers.

4. Channel of communication

Seller pays two-way roles in communication process. He communicates information about features, quality, utility, price etc. of the products to customers. In the same way, he identifies the needs, wants, interest, change in fashion etc. of customers and communicates to producer. So, a seller is a medium of communication.

5. Social relations

Sellers establish social and living relationship with customers. As a result, this helps to develop positive attitude of customers towards the firm. Sellers plays supplementary roles to achieve the goal of continuous existence by maintaining close relationship with the customers.

ADVERTISING

Advertising is a form of mass communication. It involves a process of transmission of information by the manufacturer or a seller of a product or service to modify or stimulate the behaviour of the buyer to buy a particular product.

According to Wheeler, "Advertising is any form of paid non-personal presentation of ideas, goods or services for the purpose of inducting people to buy."

The main features of advertise are as under:

1. It is directed towards increasing the sales of business.

2. Advertising is a paid form of publicity

3. It is non-personal. They are directed at a mass audience and nor at the individual as is in the case of personal selling.

4. Advertisement are identifiable with their sponsor of originator which is not always the case with publicity or propaganda.

Objective / Functions of advertising

The purpose of advertising is nothing but to sell something -a product, a service or an idea. The real objective of advertising is effective communication between producers and consumers. The following are the main objectives of advertising:

1. Preparing Ground for New Product

New product needs introduction because potential customers have never used such product earlier and the advertisement prepare a ground for that new product.

2. Creation of Demand

The main objective of the advertisement is to create a favorable climate for maintaining of improving sales. Customers are to be reminded about the product and the brand. It may induce new customers to buy the product by informing them its qualities since it is possible that some of the customers may change their brands.

3. Facing the Competition

Another important objective of the advertisement is to face to competition. Under competitive conditions, advertisement helps to build up brand image and brand loyalty and when customers have developed brand loyalty, becomes difficult for the middlemen to change it.

4. Creating or Enhancing Goodwill:

Large scale advertising is often undertaken with the objective of creating or enhancing the goodwill of the advertising company. This, in turn, increases the market receptiveness of the company's product and helps the salesmen to win customers easily.

5. Informing the Changes to the Customers

Whenever changes are made in the prices, channels of distribution or in the product by way of any improvement in quality, size, weight, brand, packing, etc., they must be informed to the public by the producer through advertisement.

Benefits of Advertisement

1. It increases sales volume by creating attraction towards the product

2. It helps easy introduction of new products into the markets by the same manufacturer.

3. It helps to create an image and reputation not only of the products but also of the producer or advertiser. In this way, it creates goodwill for the manufacturer.

4. It provides an opportunity to the customers to compare the merits and demerits of various substitute products.

5. This is perhaps the only medium through which consumers could know the varied and new uses of the product.

6. Modern advertisements are highly informative.

7. It creates a highly responsive market and thereby quickens the turnover that results in lower inventory.

8. Selling cost per unit is reduced because of increased sale volume. Consequently, product overheads are also reduced due to mass production and sale.

9. Advertising gives the employees a feeling of pride in their jobs and to be in the service of such a concern of repute. It, thus inspires the executives and worker to improve their efficiency.

10. Advertising is necessary to meet the competition in the market and to survive.

Chapter 04: Digital Marketing

Digital marketing is a broad term that includes all marketing channels and methods you can use to promote products or services on the Internet but also on electronic devices such as TVs, mobile phones and electronic billboards.

Meaning:

Digital marketing refers to the marketing of goods and/or services using digital channels, which in most cases means via the Internet or online.

Definition:

“Digital marketing is embodied by an extensive selection of service, product and brand marketing tactics, which mainly use the Internet as a core promotional medium, in addition to mobile and traditional TV and radio.”

Features of Digital marketing

- **User Friendly** - providing a lot of information shouldn't be synonymous with overwhelming your audience. We carefully carve the site to find the balance between providing a lot of content, and presenting that content in an easy-to-digest format.

- **Search Engine friendly** - More than one billion searches conducted each day on Google alone, it's more important than ever that your site be easy for search engines to find, crawl, and index. Our SEO team continuously work round the clock to make our CMS search engine friendly but by all means, we always optimize for the user experience first, and the search robots second.

- **Optimized for lead generation** - You can't convert leads if you can't attract and gather their information first. Our CMS incentive visitors to provide their information with access to relevant and engaging content which meets their specific needs per their stage in the buying process.

- **Informative** - Our in-house content team helps to create incredible content for our client's site that serves the informational needs of leads, prospects, and customers. Through unique and valuable content, you have the potential to reach more people in each of those groups.

- **Good research and analytics -** Every good digital marketing strategy is going to start with good research and analytics it has lots of analytical tools for its disposal. Google analytics use the Demographics information to understand your core audience.

- **Responsive Website -** Having a responsive website ensure that your customers are getting the same web experience from you, no matter what device they are viewing. A responsive site not only covers you on Google's "Mobilegeddon" algorithm change, but keeps your online presence seamless to any user and is easy to manage on one content management system.

Digital marketing processes:

1. **Research:** At this stage, you Research about business, target customers, product / service, competition. At this stage, you will research 4 sets of information:

A. About Business B. About The Product That You Want To Market

C. About Online Competition D. About Your Target Customers

2. **Create:** At this stage, you create your Digital Marketing Goals, Digital Marketing Strategy, Digital Marketing Plan & Primary Digital Identities (website / blog/ app).

3.**Promote:** At this stage, you start promoting your primary digital identities through various digital marketing channels like search engines, display networks, e commerce portals, social media, emails, messaging & affiliate programs.

4.**Analyze:** At this stage, you look the various analytics including the most important analytics i.e. Website / Blog / App analytics & compare them with your goals. You also understand where changes must be made in order to bridge the gap between goals & actual's.

5.**Optimize:** At this stage, based on analysis & observations, you start making changes (fine tuning). The changes could be in your primary digital identities or digital marketing channels. Changes are also referred to content & design of you identities & promotional communication.

Advantages of Digital Marketing

- **Global reach** - a website allows you to find new markets and trade globally for only a small investment.
- **Lower cost** - a properly planned and well targeted digital marketing campaign can reach the right customers at a much lower cost than traditional marketing methods.
- **Traceable, measurable results** - measuring your online marketing with web analytics and other online metric tools makes it easier to establish how effective your campaign has been. You can obtain detailed information about how customers use your website or respond to your advertising.

- **Personalisation** - if your customer database is linked to your website, then whenever someone visits the site, you can greet them with targeted offers. The more they buy from you, the more you can refine your customer profile and market effectively to them.

- **Openness** - by getting involved with social media and managing it carefully, you can build customer loyalty and create a reputation for being easy to engage with.

- **Social currency** - digital marketing lets you create engaging campaigns using content marketing tactics. This content (images, videos, articles) can gain social currency - being passed from user to user and becoming viral.

- **Easy to Measure:** Internet everything can be determined, in this way it's less complex for the associations to know immediately if their technique is working or not, what association or client is eager about their things, from what spots or countries are they, and so on.

- **Brand Development** – Presence on the Internet can help the improvement of the organization from any provincial market to across the nation and overall commercial centres simultaneously, giving practically boundless development

Disadvantages of Digital Marketing

- **Skills and training** – You will need to ensure that your staffs have the right knowledge and expertise to carry out digital marketing with success. Tools, platforms and trends change rapidly and it's vital that you keep up-to-date.

- **Time consuming** – tasks such as optimising online advertising campaigns and creating marketing content can take up a lot of time. It's important to measure your results to ensure a return-on-investment.

- **High competition** – while you can reach a global audience with digital marketing, you are also up against global competition. It can be a challenge to stand out against competitors and to grab attention among the many messages aimed at consumers online.

- **Complaints and feedback** – any negative feedback or criticism of your brand is can be visible to your audience through social media and review websites. Carrying out effective customer service online can be challenging. Negative comments or failure to respond effectively can damage your brand reputation.

- **Security and privacy issues** – there are a number of legal considerations around collecting and using customer data for digital marketing purposes. Take care to comply with the rules regarding privacy and data protection.

E – MARKETING

Meaning:

E-Marketing (Electronic Marketing) are also known as Internet Marketing, Web Marketing, or Online Marketing. E-marketing is the process of marketing a product or service using the Internet. E marketing not only includes marketing on the Internet, but also includes marketing done via e-mail and wireless media. It uses a range of technologies to help connect businesses to their customers.

Advantages of E-Marketing:

1. **Low Cost:** Sending out e-mail newsletters is very cost effective. There are a lot of free options such as Mail chimp that a lot of start-ups take advantage of. There are tons of them, you just have to look and find the best email marketing tool for yourself.

2. **Ease:** Learning how to send and crate an email marketing campaign is fairly straight forward and there isn't a huge learning curve for your email marketing strategy for small business.

3. **Personalization:** One of the benefits of email marketing platforms is that you can start segmenting your customers and creating different lists. This allows you to send different messages to different customers, e.g. gift ideas for him to your female customers and gift ideas for her to your male customers.

3. **Immediate response:** Emails have traditionally received a high click through rate than other mediums and also a higher conversion rate. This allows marketers to receive a high ROI from their email marketing strategy for small business and their efforts.

4. **Tracking:** Using email marketing platforms makes the whole campaign very traceable from how many emails were opened, through to each individual link click, through to who opened your email and who didn't. So, email marketing tracking is very easy and insightful.

5. **Viral:** Emails make it easy for people to press forward and send it to their friends on their contact list. This allows your message to spread virally, which means that one of the benefits of email marketing strategy for small business is also its great coverage opportunities.

6. **Testing:** Just like many other online marketing methods the speed to deployment and the flexibility of email marketing strategy for small business allows you to constantly test strategies and content with your customers. By splitting your database into 2 different lists and sending each a different message you can study the open and click through rates to Gage which message resonated with your customers more. This is also called A/B testing.

Disadvantages of E- Marketing:

1. **Branded a spammer:** This can occur if you send emails too often with content that doesn't add value to your audience. In addition, some people are too lazy to unsubscribe so they will continue throwing your emails into the trash and will avoid buying from your company passively. Make sure you always aim to get clear feedback and activity from your subscriber base to ensure this does not build up.

2. **Burning out your list:** People will regularly unsubscribe, but you can learn from this by keeping an eye on the % of unsubscribe and also ask them to give you a reason before they finalize their subscription cancellation. This can give you a valuable feedback that will help you improve your emails and reduce the unsubscribe rate avoiding one of the most frequently occurring disadvantages of email marketing.

3. **Breaking the law:** Be aware that due to spammers there are very strict laws around the world and it is easy to break them. Know the regulations around spam in the countries you are dealing with and make sure you don't break them. In Australia you can have a read of the Spam Act and prevent these disadvantages of email marketing from happening to you.

4. **Alienating readers:** Don't try and sell to your customers all the time. This can get frustrating for your audience and cause them to unsubscribe or be disengaged. A lot of businesses found better success at sending helpful emails such as "10 quick recipes for you to try at home" vs. "Buy our product XYZ now it's on special."

5. **Delivery issues:** People **often change email addresses** and spam filters are getting increasingly selective on what emails get let through to the inbox. This is one of the disadvantages of email marketing and can create issues for your email since it may be undeliverable or may never make it to the eyes of your customer. To combat this remembers to ask your customers to keep their emails updated and also learn how spam filters work so you don't do anything that violates their rules.

6. **Design issues:** One of the disadvantages of email marketing is also that different screen sizes and other factors can affect the way your email is displayed on the screen. Be sure to test it on various resolutions to check that all the content is visible.

7. **Keeping them engaged:** I'm sure we've all experienced annoyance after receiving emails from a company or brand. This is usually because the content is no longer relevant to us. Make sure this does not happen to your database by sending emails in an appropriate time space (not too often) and with really important messages. The better you segment your database, the better you will be at tailoring relevant messages to individuals.

Mobile Marketing:

Meaning

Mobile marketing is promotional activity designed for delivery to cell phones, smart phones and other handheld devices, usually as a component of a multi-channel campaign.

Features

- **location-based service (LBS):** which involves detecting the area the user is connecting from (reallocation) and sending marketing messages for businesses in that area.

- **Augmented reality:** mobile campaigns, which overlay the user's phone display with location-specific information about businesses and products.

- **2D barcodes:** which are barcodes that scan vertically as well as horizontally to include much more information, a mobile user can scan barcodes in the environment to access associated information.

- **GPS messaging:** This involves location-specific messages that the user picks up when he comes into range.

PROS OF MOBILE MARKETING :

➢ **Instant Results:** Users always carry their mobile phones with them. Most of the time, the user has his mobile phone on as well, which means, he or she receives the message at the very moment it is sent. Even if it is in standby mode, the message is received as soon as the user turns on his mobile device. Hence, mobile marketing techniques are always almost instant.

➢ **Easy to work with:** Drawing out content for mobile devices, whether it is text, images or video is simpler and less expensive as compared with the same for desktops or laptops. The mobile medium also makes easier to issue promotions and marketing incentive services to the user. Further, the user can keep the virtual information with him and carry it around till the time he needs to use it.

➢ **Convenient to use:** Since the screen size of a mobile phone is small, it limits the scope of content that can be displayed. This makes it convenient for the creators of the content, who can keep it basic and simple. Also, simpler content will adapt itself better to various mobile platforms.

➢ **Direct marketing:** The mobile platform interacts directly with users on their mobile phones. This allows for personalized interaction to a large extent. Using this benefit, marketers can even start a direct dialogue with the user, getting instant feedback via SMS.

- **Tracking user response:** User response can be tracked almost instantaneously. This helps the mobile marketer better understand and analyze user behaviour, thus improving their own standards of service.

- **Huge viral potential:** Since mobile content can be easily shared among users, mobile marketing can have huge viral benefits. Users invariably share good information and offers with their friends and family, so companies get a lot more exposure with no extra effort.

- **Micro blogging benefits:** Mobile users are increasingly using micro blogging platforms like Twitter from their mobile phones. This micro blogging feature can be very highly beneficial to the marketer.

- **Mobile payment:** The latest mobile payment facility is very convenient for the users today. Here, users are offered a secure online payment environment, which works via advanced mobile Web systems. This means that the user does not need to cough up physical currency each time he wants to make a mobile purchase or pay a bill online.

Cons of mobile marketing

• Platforms too diverse

Mobile devices do not have any particular standard, as compared to PCs and laptops. Mobile phones come in many shapes and sizes, so screen size is never constant. Besides, mobile platforms vastly differ from each other, using different OS' and browsers. Hence creating one campaign for all of them can get difficult.

• Privacy issues

Mobile marketers need to understand and respect the fact that users would like their privacy online. So they should only indulge in promotional activity if they have the user's permission for it.

• Navigation on a mobile phone

The mobile phone usually comes with a small screen and no mouse. This means that navigation on a mobile phone may get difficult for the user, even if it has a touch screen. In such a case, most ads may go untouched, as the user may find it too tedious to look in detail through each one of them.

Chapter 05: Service Marketing

Introduction

The world economy now a day is increasingly characterized as a service economy. This is primarily due to the increasing importance and share of the service sector in the economies of most developed and developing countries. In fact, the growth of the service sector has long been considered as indicative of a country‘s economic progress.

Economic history tells us that all developing nations have invariably experienced a shift from agriculture to industry and then to the service sector as the main stay of the economy.

This shift has also brought about a change in the definition of goods and services themselves. No longer are goods considered separate from services. Rather, services now increasingly represent an integral part of the product and this interconnectedness of goods and services is represented on a goods-services continuum.

In the past, a service was considered as a service performed without expecting any returns (Social Service), however over the years it has been commercialized. In the present context a service is an activity performed by a person to another for a charge.

Services include a wide range varying from education, transportation, hospitality, finance, real estate, accounting, banking, insurance, taxation, consultancy, health care etc.

Meaning of Service

A service is an activity or benefit that one party can offer to another which is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product. Thus, services here we mean the invisible, perishable, intangible activity without which people cannot manage.

Definition of Service:

The American Marketing Association defines services as - ―Activities, benefits and satisfactions which are offered for sale or are provided in connection with the sale of goods.

Characteristics of a service are:

1. Intangibility:

Services are intangible and do not have a physical existence. Hence services cannot be touched, held, tasted or smelt. This is most defining feature of a service and that which primarily differentiates it from a product. Also, it poses a unique challenge to those engaged in marketing a service as they need to attach tangible attributes to an otherwise intangible offering.

2. Heterogeneity/Variability:

Given the very nature of services, each service offering is unique and cannot be exactly repeated even by the same service provider. While products can be mass produced and be homogenous the same is not true of services. eg: All burgers of a particular flavor at McDonalds are almost identical. However, the same is not true of the service rendered by the same counter staff consecutively to two customers.

3. Perishability:

Services cannot be stored, saved, returned or resold once they have been used. Once rendered to a customer the service is completely consumed and cannot be delivered to another customer. eg: A customer dissatisfied with the services of a barber cannot return the service of the haircut that was rendered to him. At the most he may decide not to visit that particular barber in the future.

4. Inseparability/Simultaneity of production and consumption:

This refers to the fact that services are generated and consumed within the same time frame. Eg: a haircut is delivered to and consumed by a customer simultaneously unlike, say, a takeaway burger which the customer may consume even after a few hours of purchase. Moreover, it is very difficult to separate a service from the service provider. Eg: the barber is necessarily a part of the service of a haircut that he is delivering to his customer.

5. Ownership

Lack of ownership is a basic difference between a service industry and a product industry because a customer may only have access to or use of a facility (e.g. a hotel room, a credit card). Payment is for the use of, access to or hire of items. With the sale of a tangible good, barring restrictions imposed say by a hire purchase scheme, the buyer has full use of the product.

Classification of Services

Services span a large number of areas in the present context. Every day a new service is being introduced. Though it is really difficult to classify all the services, the following classifications have been accepted.

1. On the basis of end user

a) Consumer services

These are directly provided to the end users like hair dressing, laundry, package holiday, counseling etc.

b) Business to business services

These are provided to business like consultancy, marketing research, advertising etc.

2. On the basis of tangibility

a) Tangible Services

These are services which are connected to the period to which the products are purchased from seller like Televisions, Laptops, cars etc.

c) Intangible Services

These are services which do not provide consumers with any tangible products. Example: consultancy and massage centres.

3. On the basis of specialization

a) Professional Services
These are services which can be provided only by sufficiently qualified and experienced persons. Example: Counselling, Audit, Legal services, Health care etc**.**

b) Non Professional Services
These are services which can be provided even by persons not possessing any educational or professional qualifications. Example: Domestic servants, gardening, painting etc.

4. On the basis of profit orientation
a) Commercial services
These are the services offered for on business lines with an intention of earning profit. Example: Private banking, beauty parlours etc.

b) Social Services
These are the services offered without any intension of earning profit. These are provided with the intention of serving the society and therefore also called social services. Example: Services rendered by orphanages, Charitable trust etc.

5.On the basis of labour intensiveness

a) People based services
These are services which involves human labour of a high degree. These services are actually provided by human beings. Example: Repairs of auto mobiles, catering, Security services.

b) Equipment based services
These are services where certain equipment plays a dominant role. The role played by labourers is either minimal or totally absent. Example: ATM‘s, Self-activating machines etc.

6. On the basis of contact
a) High contact service
These are services where the contact or the interaction between the service provider and the service consumer is very high. The service cannot be provided the absence of such contact or interaction.

b) Low contact service
These are services where the contact or interaction between the service provider and the service consumer is very low. The service can be provided even without such a contact or interaction. Example: Tailoring, diagnostic services etc.

Difference between Goods and Services

Given below are the fundamental differences between physical goods and services:

Sl.No	Goods	Services
1	Goods are tangible	Services are partially tangible and mostly intangible
2	The production of goods does not require customer involvement.	The generation of services requires some degree of customer involvement.
3	Homogenous	Heterogeneous
4	Goods have different degrees of perishability.	Services are perishable
5	Goods can be manufactured with high level of uniformity.	Services are highly variable.
6	Production and distribution are separation from their consumption	Production, distribution and consumption are simultaneous processes
7	Goods can be stored	Services Cannot be stored
8	Transfer of ownership is possible	Transfer of ownership is not possible
9	Goods can be resoled	Services cannot be resold
10	Pricing of goods is easy	Pricing of services is not easy

SERVICE MARKETING MIX

1. **Product:** In case of services, the product ‘is intangible, heterogeneous and perishable. Moreover, its production and consumption are inseparable. Hence, there is scope for customizing the offering as per customer requirements and the actual customer encounter therefore assumes particular significance. However, too much customization would compromise the standard delivery of the service and adversely affect its quality. Hence particular care has to be taken in designing the service offering.

2. **Pricing:** Pricing of services is tougher than pricing of goods. While the latter can be priced easily by taking into account the raw material costs, in case of services attendant costs - such as labour and overhead costs - also need to be factored in. Thus a restaurant not only has to charge for the cost of the food served but also has to calculate a price for the ambience provided. The final price for the service is then arrived at by including a mark-up for an adequate profit margin .

3. **Place:** Since service delivery is concurrent with its production and cannot be stored or transported, the location of the service product assumes importance. Service providers have to give special thought to where the service would be provided. Thus, a fine dine restaurant is better

located in a busy, upscale market as against on the outskirts of a city. Similarly, a holiday resort is better situated in the countryside away from the rush and noise of a city.

4. **Promotion:** Since a service offering can be easily replicated promotion becomes crucial in differentiating a service offering in the mind of the consumer. Thus, service providers offering identical services such as airlines or banks and insurance companies invest heavily in advertising their services. This is crucial in attracting customers in a segment where the services providers have nearly identical offerings.

5. **People:** People are a defining factor in a service delivery process, since a service is inseparable from the person providing it. Thus, a restaurant is known as much for its food as for the service provided by its staff. The same is true of banks and department stores. Consequently, customer service training for staff has become a top priority for many organizations today.

6. **Process:** The process of service delivery is crucial since it ensures that the same standard of service is repeatedly delivered to the customers. Therefore, most companies have a service blue print which provides the details of the service delivery process, often going down to even defining the service script and the greeting phrases to be used by the service staff.

7. **Physical Evidence:** Since services are intangible in nature most service providers strive to incorporate certain tangible elements into their offering to enhance customer experience. Thus, there are hair salons that have well designed waiting areas often with magazines and plush sofas for patrons to read and relax while they await their turn. Similarly, restaurants invest heavily in their interior design and decorations to offer a tangible and unique experience to their guests.

GROWTH OF SERVICE SECTOR

As already discussed, services are inherently intangible, are consumed simultaneously at the time of their production, cannot be stored, saved or resold once they have been used and service offerings are unique and cannot be exactly repeated even by the same service provider. Marketing of services is a relatively new phenomenon in the domain of marketing, having gained in importance as a discipline only towards the end of the 20th century.

Services marketing first came to the fore in the 1980‘s when the debate started on whether marketing of services was significantly different from that of products so as to be classified as a separate discipline. Prior to this, services were considered just an aid to the production and marketing of goods and hence were not deemed as having separate relevance of their own. The 1980‘s however saw a shift in this thinking.

As the service sector started to grow in importance and emerged as a significant employer and contributor to the GDP, academics and marketing practitioners began to look at the marketing of services in a new light. Empirical research was conducted which brought to light the specific distinguishing characteristics of services. By the mid 1990‘s, Services Marketing was firmly entrenched as a significant sub discipline of marketing with its own empirical research and data and growing significance in the increasingly service sector dominated economies of the new millennium. New areas of study opened up in the field and were the subject of extensive empirical research giving rise to concepts such as - the product-service spectrum, relationship marketing, franchising of services, customer retention etc.

REASONS FOR THE GROWTH OF SERVICES IN INDIA:

In recent times the service sector is increasing at a very fast pace. After the liberalization in the year 1991, the contribution of service sector is continuously increasing in the growth of our economy. However, agriculture is still dominating the Indian economy. Service sector are growing not only in volume but also in sophistication and complexity.

1. Demographic

The considerable increase in Life Expectancy indicated an expanding market in the age group over 55 years- this has created a new market for health care, leisure and tourism. There has been a movement of population from rural to urban areas and a shift from city to the suburbs. This gives rise to the need for infrastructure and support service.

2. Economic

Globalizing the business activity had created greater demand for services such as communication, transport and information services. The growth of large firms has brought about greater dependence on special service providers like market research and advertising agencies.

3. Political & Legal

Liberalisation and privatisation has opened up the service industry. Many countries continue to strengthen consumer protection laws to improve public security and to protect environment. International trade and transactions have given scope for the development of tourism, hotel industry and Legal services.

4. Social

Nuclear families and working women mean more discretionary income, more time for travel and entertainment and also need for child care services. The super market culture, the departmental store culture, the fast food culture are all gaining grounds.

5. Technological

Recent development in computer science and information Technology has brought about convergence of various technologies like Telecommunication, Entertainment and Data transmission. Multimedia, Advertising, data processing, e-business services are consequence of information technology explosion.

6. Increasing Specialization

High complexity of product requiring skilled specialists and need for use of expert knowledge to meet competition. The organizations have now no option but to promote specialization since this helps them in making possible cost effectiveness. Expert professionals like the management consultant, legal advisors, financial experts etc., play an important role in managing an organization structure