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MARKETING POLICY ANALYSIS

CONTENTS:

BLOCK 1: MARKETING CHALLENGES

BLOCK 2: PRODUCT POLICIES

BLOCK 3: INTEGRATED MARKETING COMMUNICATION

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Content Editing:

Dr. Angana Borah Assistant Professor
Deptt. of Commerce, Gauhati University

Cover Page Design & Type Setting:

Bhaskar Jyoti Goswami GUCDOE
Nishanta Das GUCDOE

BLOCK I : Unit-1
INTRODUCTION TO MARKETING

Unit Structure:

1.1 INTRODUCTION

Social beings knowingly or unknowingly are influenced by marketers to choose a product or service in particular. If you find yourself sitting at a restaurant with a friend and munching onto something that you probably have found it on the restaurant's social media page, just know that you are influenced by the whole marketing team who die-heartedly have been working to create a relation or an exchange process between you and the producer. As customers, we may only focus on the sale part but have you ever thought of what motivated you to make that purchase. At the present situation, where the customers are exposed to products and services of wide range, value and choice, it is an immense task of the marketers to deliver customer value amidst the wide changes and competitions.

The word "marketing" holds different meaning to different people. Some people might think it off as selling whereas for some it is a list of activities starting from pricing, selling, promotion and so on. In true sense, the activities of marketing gets initiated by recognising the human wants, gathering necessary information to design and produce goods and services that fulfils the expectations of buyer and developing relationships with the customers and suppliers. Marketing, therefore, can be termed as the bridge between the producers and the customers.

Hence, it can be said that the term marketing is comprehensive in nature. The function of marketing personnel gets started even before the production commences and continues till the after-sales service. Their main focus lies on satisfying the consumers' needs and wants through an exchange process. It is not an easy task for the marketing personnel as the task must be done at a profit. The personnel have to be aware of challenges such as- what his

competitors are doing and what they are upto in near future, new rules and regulations of the government, and the economy as a whole so that he could make profit for his company.

1.2 OBJECTIVES

This lesson covers the introduction to marketing. Once you thoroughly read the material, you should be able to:

- Know the definition and concept of marketing
- Distinguish between market and marketing
- Basic concepts underlying marketing
- Objectives of Marketing
- Understand the functions of marketing
- Trace the origin of marketing and explain how it has evolved
- The concept and elements of marketing mix

1.3 CONCEPTS OF MARKET AND MARKETING

What comes to your mind when you hear the terms 'market' and 'marketing'? Before getting into detailed meaning of marketing it is important to know the difference between the words "market" and "marketing".

The term '*market*' is derived from Latin word called '*marcatus*' which means trade, merchandise, traffic or place of business. In simple term, market refers to a place where buyers and sellers meet each other in person and make their purchases and sales.

According to *Cornot*, "Market is meant not any particular place in which things are bought and sold, but the whole of any region in which the buyers and sellers are in such free intercourse with one another, that the price of the same goods tends to equality easily and quickly".

According to *Chapman*, the term market refers "not to a place but to a commodity or commodities and buyers and sellers who are in direct competition with one another".

According to *Sen and Das*, "in ordinary language, the term market refers to a certain place at which goods are offered for sale. But in economic theory, the term market does not refer to a place or any region, rather it refers to a commodity or commodities which are bought and sold by a number of buyers and sellers. The criterion by which to judge the existence of a market is the prevalence of one price at a given time. The commodity is bought and sold at one price within a market. If there are two prices for a commodity there will be two markets existing simultaneously."

By analyzing the above definitions, we can say that the term market has several meanings therefore it can be referred to an exchange activity which takes place between buyers and sellers directly or through middlemen, in a place or otherwise, for a price, resulting in physical delivery of ownership of goods.

Now, how marketing performs its role is that it directs the flow of goods and services from producer to consumers to fulfill their needs and wants profitably.

The *American Marketing Association (AMA)* defines marketing as "Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large".

According to *H.L.Hanson*, "Marketing is the process of discovering and translating consumer needs and wants into product and service specification, creating demand for those products and services and then in return expanding this demand."

According to *William J. Stanson*, "Marketing is a total system of business activities designed to plan, price, promote and distribute want- satisfying products to target markets to achieve organizational objectives."

Thus, marketing implies attracting existing and new customers by promising and offering superior value and to retain and grow customers by delivering satisfaction.

The enigma of marketing is that it is one of man's oldest activities and yet it is regarded as the most recent of the business disciplines. Michael J. Baker, Marketing: Theory and Practice, 1st Edn, Macmillan, 1976

'Marketing is so basic that it cannot be considered as separate function. It is the whole business seen from the point of view of its final result, that is, from the customer's point of view'. - Peter Drucker.

1.3.1 CORE CONCEPTS OF MARKETING

Now, we shall be looking at the basic concepts of marketing to understand its meaning.

a. ***Needs:*** The most basic concept underlying marketing is that of human requirements. These include food, clothing, shelter and safety; social needs for belonging and affection; and individual needs for knowledge and self-expression. These needs are inherent in nature; a natural creation.

b. ***Wants***: Human wants are desires for specific satisfaction of needs. Human needs may be few, but wants are numerous. Mostly, wants are shaped and reshaped by our society. The needs pre-exist in the market; it's just the wants that the marketers influence. They introduce products of such kind that the human wants are fulfilled.

c. ***Demands:*** Human beings have a numerous wants but limited resources. When those wants are backed by purchasing power, it becomes a demand. For example, many people can buy a premium range car; but only a few can buy one. In that case, the marketers must see to it how many people are willing and has the ability to buy their products as only wanting a product by a person wouldn't serve their purpose.

d. ***Product:*** A product is something that satisfies a need or want of a person. It can be an object, service, activity, person, place, organization or idea. It should be noted that people do not buy physical objects for their own sake. For example we buy food so that we can satisfy our hunger and not just store it in fridge. The job of a marketer is to sell the service packages built into physical products. If we critically look into a physical product, we can notice that its one importance depends, not so much in owning them, but in using them to satisfy our wants.

e. **Exchange:** Marketing takes place when people decide to satisfy needs and wants through exchange. Exchange is, therefore, the act of obtaining a desired object from someone by offering something in return. Exchange is only one of the many ways people can obtain a desired object. For example, hungry people can find food by hunting, fishing or gathering fruits. They could offer money, another food or a service in return for food. Marketing focuses on this last option. As a means of satisfying needs, exchange has much in its favour, people do not have to depend on others, nor must they possess the skills to produce every necessity for them. They can concentrate on making things they are good at making and trade the needed items made by others. Thus, exchange allows a society to produce much more than it would. However, Kotler (1984) states that for exchange to take place, they must satisfy five conditions, namely: i. there must be, at least, two parties ii. each party has something that may be of value to the other party iii. each party is capable of communication and delivery iv. each party is free to accept or reject the offer; and v. each party believes it is appropriate or desirable to deal with the other party. These five conditions make exchange possible. Whether exchange actually takes place, however, depends on the parties coming to an agreement. If they agree, it is often concluded that the act of exchange has left both of them better off, or at least not worse off. Hence, exchange creates value, just as production creates value. It gives people more consumption possibilities.

f. *Markets:* A market is defined as a set of all actual and potential buyers of a product and service. These buyers share particular needs or wants that can be satisfied through exchange. The size of a market depends on the need of people with common needs, and who have resources to engage in exchange, and are willing to offer these resources in exchange for what they want. To the African, the word 'market', almost invariably, means the market place where buyers and sellers gather to exchange their goods- whether it is a period market as in the rural areas or daily market, mostly found in the urban areas. However, economists often use the term to refer to a collection of buyers and sellers who transact in a particular product class, such as clothing market, electronic market, cattle market, etc.

g. *Marketers:* A marketer is someone seeking a resource from someone else, and willing to offer something of value in exchange. A marketer could be a buyer and/or a seller.

STOP TO CONSIDER

- **Televison Commercials, Billboards, Magazine, Newspaper advertisements, Pop-ups at Social Media- what are they? They are nothing but the marketing instances that we common people come across every day.**

1.3.2 IMPORTANCE OF MARKETING

Marketing is important to the business, consumer as well as the society. This is evident from the following points.

(a) Marketing helps business to keep pace with the changing tastes, fashions, preferences of the customers. It works out primarily because ascertaining consumer needs and wants is a regular phenomenon and improvement in existing products and introduction of new product keeps on taking place. Marketing thus, contributes to providing better products and services to the consumers and improve their standard of living.

(b) Marketing helps in making products available at all places and throughout the year. We are able to get Kashmir shawls and Assam Tea all over India and get seasonal fruits like apple and oranges round the year due to proper warehousing or proper packaging. Thus, marketing creates time and place utilities.

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

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

(e) Marketing also helps the business in meeting competition most effectively.

1.3.3 OBJECTIVES OF MARKETING

Marketing is a force that is ubiquitous in this modern society. It influences customers at every point. Therefore, following are the most significant objectives of marketing-

1) Demand Creation- Marketing creates demand through various ways which is its prime objective. Marketers find out the preferences and tastes of the customers and accordingly produces goods and services to satisfy the needs of the customers. Now-a-days, demand is also being created by letting the customers know about the utility of various goods and services that the marketers produce.

2) Customer Satisfaction- A business without customers would have little reason to exist. So, their demands must be analyzed before offering them any goods or services by the marketing manager. As modern marketing is basically customer-oriented, their satisfaction is of utmost importance.

4) Profit Generation- Sufficient profits must be earned as a result of sale of want satisfying products in order to survive in the market. The department of marketing brings in profit to the business. Moreover, profits are also needed for the growth and diversification of the firm.

5) Creation of Goodwill and Public Image- To build up the public image of a firm over a period is another objective of marketing. The marketing department provides quality products to customers at reasonable prices and thus creates its impact on the customers.

6) Application of new marketing policies- The change in the customer wants and expectations, rapid technological changes and new competitors each day makes the marketing firms adopt new marketing policies for their growth and survival. In order to do that, they are

required to analyse their expenditures and find out ways to make maximum profits by taking up viable and effective policies.

STOP TO CONSIDER

For an effective marketing strategy, four things are to be done by any company-

1. Understand who the customers of their product are.
2. Find out ways to motivate new customers or retain existing customers of their products.
3. Understand the competitors; know them and their strategies to capture the market.
4. Find out the ways required to measure the marketing initiatives undertaken by the company.

1.3.3 FUNCTIONS OF MARKETING

Firms must spend money to create time, place and ownership utilities as discussed earlier. Several studies have been made to measure marketing costs in relation to overall product costs and service costs and most estimates have ranged between 40-60 percent. These costs are not associated with raw materials or any of the other production functions necessary for creating form utility. What then does the consumer receive in return for this proportion of marketing cost? This question is answered by understanding the functions performed by marketing. In the following table, marketing is responsible for the performance of 8 universal functions: buying, selling, transporting, storing, standardizing and grading, financing, risk taking and securing marketing information. Some functions are performed by manufacturers, others by marketing intermediaries like wholesalers and retailers. Buying and selling, the first two functions represent exchange functions. Transporting and storing are physical distribution functions. The final four marketing functions – standardizing and grading, financing, risk taking and securing market information – are often called facilitating functions because they assist the marketer in performing the exchange and physical distribution functions.

Marketing function	Description
A. Exchange functions	
1. Buying	Ensuring that product offerings are available in sufficient quantities to meet customer demands Using advertising, personal selling and sales promotion to match goods and services to customer needs
2. Selling	
B. Physical distribution functions	
3. Transporting	Moving products from their points of production to locations convenient for purchasers

4. Storing	Warehousing products until needed for sale
C. Facilitating functions	
5. Standardizing and grading	Ensuring that product offerings meet established quality and quantity control standards of size, weight and so on
6. Financing	Providing credit for channel members or consumers
7. Risk taking	Dealing with uncertainty about consumer purchases resulting from creation and marketing of goods and services that consumers may purchase in the future
8. Securing marketing information	Collecting information about consumers, competitors and channel members for use in marketing decision making

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CHECK YOUR PROGRESS- I

1. What do you mean by marketing?
2. Define Marketing.
3. Distinguish between market and marketing
4. Describe in detail the importance of marketing.
5. What do understand by market? Highlight the functions of marketing.

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different geographical locations. Each tribe had different access to raw material resources. Some raw materials were scarce in some locations while some other was in abundance. The most fundamental reason for the natural evolution of markets, marketing and trade was this varying access to important raw material resources. The tribes began processing the available raw materials and trading them between them. Adding value by processing raw materials, inventing new products out of raw materials, producing them, distributing them and trading them – such marketing activities evolved slowly.

People developed skills in processing some specific raw material in specific locations (leather, iron, gold, cotton, silk, etc.), through labour specialisation. As early as 1700, the economist Adam Smith gave guidelines to the British government on how to compete in the new global marketplace being created by the Industrial Revolution, emphasising the benefits of labour specialisation., particularly in cotton textiles manufacture. What Adam Smith stated in his famous book, The Wealth of Nations, about 200 years ago is still relevant today. This learning process or specialisation of labour occurs in all organisations and contributes to skill improvement.

The main reason why trading occurs on the demand side is that people like to acquire and use a variety of goods and services rather than live in isolated existence in which they consume only what they produce. Consumption satiation leads people to swap what they have in

excess for something they are short of. People also wanted a variety of products to satiate their desires. Thus trading evolved spontaneously and thrived because of customer needs, wants, desires, and preferences for a variety of products.

Era	Prevailing attitude and approach
Production	- Consumers favor products that are available and highly affordable - Improve production and distribution 'Availability and affordability is what the customer wants'
Product	- Consumers favor products that offer the most quality, performance and innovative features 'A good product will sell itself'
Sales	- Consumers will buy products only if the company promotes/ sells these products 'Creative advertising and selling will overcome consumers' resistance and convince them to buy'
Marketing	- Focuses on needs/ wants of target markets and delivering satisfaction better than competitors 'The consumer is king! Find a need and fill it'
Relationship marketing	- Focuses on needs/ wants of target markets and delivering superior value 'Long-term relationships with customers and other partners lead to success'

The historical evolution of marketing is found to have moved through distinct stages or eras. The major eras are the production era, the product era, the sales era, the marketing era, and the relationship era. The production era was based on the philosophy that good products at affordable price will sell by itself. This philosophy failed and piles of unsold inventory resulted because products did not sell themselves. In the product era, the goal was to build a better mouse trap and it was assumed that buyers will flock the seller who does it. However, a better mousetrap is no guarantee of success and marketing history is full of miserable failures despite better mousetrap designs. Inventing the greatest new product is not enough. That product must also solve a perceived marketplace need. Otherwise, even the best-engineered highest quality product fails. Then the sales era started. Selling was of prime importance in this era and the major concern was to find customers for inventories that went unsold. Next came the marketing era with more importance to identify customer needs and wants prior to producing the product. During the marketing era, marketing moved to the forefront of

business strategy, and satisfying customer needs became the responsibility of everyone in the organisation. Then came the relationship marketing era which stressed customer oriented marketing, value and potential of customer retention and creating long-term relationships by providing reasons to keep existing customers.

1.4.1 MARKETING PHILOSOPHY

According to Prof. Robert F Hartley, Marketing philosophy is "an integration of marketing activities directed towards customer satisfaction". This marketing philosophy has undergone a thoro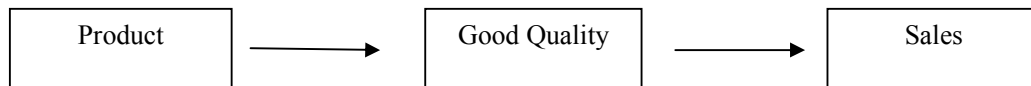ugh and gradual change since the Industrial Revolution. This gradual change can be traced under four periods and are explained below:-

1) Production Orientation Philosophy- This production-oriented marketing concept was built on "Good wine needs no push." This philosophy states that if the product is really good and the price is reasonable, there is no need for special marketing efforts. The assumptions of this concept are:- Anything that can be produced can be sold. The most important task of management is to keep the cost of production down. A firm should produce only certain basic products.

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┌─────────────────┐                      ┌─────────────────┐
│  Good Quality   │   ───────────────▶   │   Good Sales    │
└─────────────────┘                      └─────────────────┘
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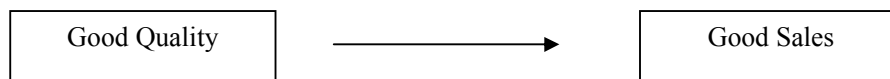
2) Sales Orientation Philosophy- The essence of this philosophy is "Goods are not bought but sold." That means mere making available the best product is not enough; marketing becomes fruitful only when they get into aggressive salesmanship. Effective advertisement, sales promotion and public relations etc are top most important for creating demand. The assumptions of this philosophy are:- Producing the best possible product. Finding the buyer for the product. The management's main task is to convince the buyers through high pressure tactics, if necessary.

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┌──────────┐         ┌──────────────┐         ┌──────────┐
│ Product  │ ──────▶ │ Good Quality │ ──────▶ │  Sales   │
└──────────┘         └──────────────┘         └──────────┘
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FOR EXAMPLE, goods like automobiles are not readily bought by the consumers and they have to be sold only through promotional effort. Hence, the producers have to develop effective promotional effort. Hence, the producers have to develop effective promotional programmes to sell the products. Even in the case of election, several political parties attempt to project their candidates by using various promotional efforts. While, there is nothing illogical about this approach, yes, producer might have to conceal the flaws in the product and hard sell the product. Hence, more often than not, the consumers regret their decision after purchasing the product. Even if they try to force the producers to compensate the loss, it might not be forthcoming.

3) Customer Orientation Philosophy- This philosophy study and understand the needs, wants, desires and values of potential consumers and produce the goods in the light of these findings so that consumer specifications are met totally. Here, the starting point is the customer rather than the product and it also emphasis the role of marketing research. The assumptions of this philosophy:- The firm should produce only that product as desired by the consumer. The management is to integrate all its activities in order to develop programmes to satisfy the consumer wants. The management is to be guided by 'long-range profit goals' rather than 'quick sales.'
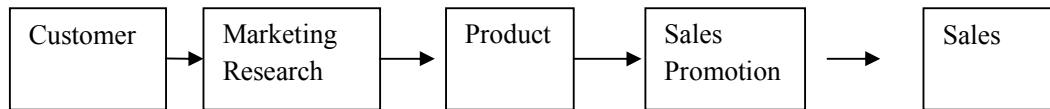
Customer	→	Marketing Research	→	Product	→	Sales Promotion	→	Sales

4) Social Orientation Philosophy- This philosophy cares for not only consumer satisfaction but for consumer welfare or social welfare. Such social welfare speaks of pollution-free environment and quality of human life. For example, an automobile not only fuel efficient but less pollution one. The assumptions of this philosophy are:- The firm is to produce only those products as are wanted by the consumers. The firm is to be guided by long-term profit goals rather than quick sales. The firm should discharge its social responsibilities. The management is to integrate the firm's resources and activities to develop programme to meet these individual consumer and social needs.

Customer	→	Marketing Research	→	R and D	→	Product	→	Sales Promotion	→	Sales
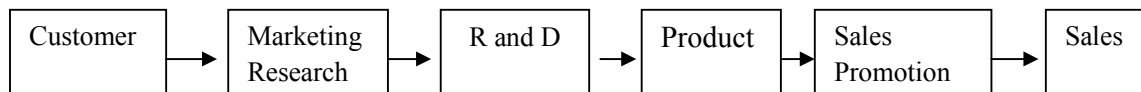
For example, excessive use of ground water resources to produce mineral water and earn money will result in faster depletion of water source. Similarly, use of harmful ingredients in product manufacturing/process, would cause irreparable damage to human beings. Further questionable business practices and unethical actions would bring about a severely damaged social fabric. Another important example is the Bhopal gas tragedy. Years have rolled without little efforts to uplift the victims. Profit maximizing efforts have only helped a small segment of the community and caused impoverishment of the community. Hence, in these days, marketing concept emphasizes that every organization should consciously explore the scope for it to contribute to the social-well being. When firms have started adopting this approach, not only they could substantially increase their sales, the society also benefited from this. Social marketing concept therefore aims at enabling consumers to get maximum satisfaction and contribute to their quality of life, designing product with consumer's interest as an input and ensuring all marketing efforts to have consumer as the focal point.

CHECK YOUR PROGRESS- II

1. Describe the evolution of marketing.
2. What are the different orientations of marketing philosophy?

1.5 THE MARKETING MIX

The sum of the elements of business activity that can be used by a firm to fulfill its marketing strategy is called a marketing mix. It represents the total marketing programme of a business. The marketing manager's job is to convert customer's needs and wants into a product that he/she specifically demands. As customer they would think in terms of availability of the products. So, if we look at the marketing mix from the consumer's view point, we find that-

CONSUMER'S WANTS	COMPANY RESPONSE
To know about the product	Advertising; Personal Selling; Promotion [Information]; Packaging [Label Copy]
To find product acceptable	Advertising; Pricing; Package; Product and Product images
To find product available	Selling; Distribution and Handling; Promotion [Display]
To derive satisfaction from the product	Product [Benefit]; Pricing; Packaging; Servicing

STOP TO CONSIDER

The focus of marketing has changed from emphasizing the product, price, place, and promotion mix to one that emphasizes creating, communicating, delivering, and exchanging value. Value is a function of the benefits an individual receives and consists of the price the consumer paid and the time and effort the person expended making the purchase.

1.5.1 ELEMENTS OF MARKETING MIX

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 system, the product, the price structure, the promotional activities and the distribution system.'

There are certain elements that are referred to as marketing mix whose importance vary with the product but the direction and control of those elements lies under the marketing manager. It was Jerome McCarthy, the well known American Professor of marketing, who first described the marketing mix in terms of the four Ps.

• *Product*: The most basic marketing mix tool and the starting point of all marketing activities is product. It offers the customers certain utilities and also stands for the firm's tangible offer to the market including the product quality, design, variety features, branding, packaging, services, warranties etc. The purpose of this mix is to grow and survive and follow a marketing strategy called product mix.

• *Price*: A critical marketing mix tool is price i.e. the exchange value of a product or service expressed in terms of money. It is one of the crucial and sensitive elements of the marketing mix because any change in price may lead to shift of customer's to competitor's brand. Thus, this mix includes deciding on wholesale and retail prices, discounts, allowances, and credit terms taking into consideration the utility offered by the product.

• *Place*: This marketing mix tool refers to the distribution channels or the route through which a product flows from a producer to a consumer.. It stands for various activities the company undertakes to make the product easily available and accessible to target

customers. It includes deciding on identify, recruit, and link various middlemen and marketing facilitators so that products are efficiently supplied to the target market.

• **Promotion**: The fourth marketing mix tool, stands for the various activities the company undertakes to communicate its products' merits and to persuade potential customers to buy them. This has become indispensable in this competitive market. It, therefore, includes setting up communication and promotion programs consisting of advertising, personal selling, sales promotion, publicity and public relations to promote the products.

CHECK YOUR PROGRESS- III

1. What do you understand by marketing mix?
2. Discuss the elements of marketing mix in detail.
3. Explain why marketing may be thought of as a bridge from producer to consumer.

The significance of elements of the marketing mix will vary from one product to another. It is upto the marketing manager to determine the optimum mix in each specific instance. When a tool is selected for use, a plan must be developed for its implementation. In advertising, for instance, what message is to be delivered through the sell is to be decided first, which media will reach the target market most efficiently, and how much should be spent. All of these variables are under the control of the marketing manager.

1.6 SUMMARY

In the wake of rapid industrialization in the past few decades, the study of marketing has held a great importance for a business and industry. Back in the period of Industrial Revolution, where consumer goods were produced inexpensively and in large quantities, a mass market developed and widespread transportation moved the goods from producer to consumer. Today at the present times, it is the marketing manager's responsibility to understand how the internal and external forces of business work, predict their trends, and adjusts the marketing mix elements accordingly. The marketing department of a company, therefore, is required to analyze the recent developments of market place to allow the firm to capitalize on rising markets.

Thus, we can see that the central idea behind marketing is to deliver customer value where a firm or other entity will create something of value to one or more customers who, in turn, are willing to pay enough (or contribute other forms of value) to make the venture worthwhile considering opportunity costs.

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1.8 MODEL QUESTIONS/ POSSIBLE ANSWERS TO SAQ

a) Define the term marketing.
b) State any four points of the importance of marketing.
c) Do you think marketing and selling are synonymous terms? Give reason.
d) Explain any three objectives of marketing.
e) Describe any four important functions of marketing.
f) What is Grading?
g) Marketing has come a long way from 1880s. Discuss regarding its evolution.
h) Explain the societal concept of marketing.
i) Why is marketing mix important?

1.10   ANSWERS TO CHECK YOUR PROGRESS

a) Marketing is "The activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large."

b) Creating in marketing is a term that involves collaboration with suppliers and customers in order to generate offerings of value to customers.

c) Exchanging is the act of transacting value between a buyer and a seller.

d) Marketing concept is a philosophy underlying that entire marketers do, driven by satisfying customer wants and needs.

e) Production orientation- A belief that the way to compete is a function of product innovation and reducing production costs, as good products appropriately priced sell themselves.

f) Production era- A period beginning with the Industrial Revolution and concluding in the 1920s in which production-orientation thinking dominated the way in which firms competed.

g) Selling orientation- A philosophy that products must be pushed through selling and advertising in order for a firm to compete successfully.

h) Selling era- A period running from the 1920s to post–World War II in which the selling orientation dominated the way firms competed.

i) Marketing Era- From 1950 to at least 1990 (see service-dominant logic era, value era and one-to-one era), the dominant philosophy among businesses is the marketing concept.

j) Value Era- From the 1990s to present, some argue that firms moved into the value era, competing on the basis of value; others contend that the value era is simply an extension of the marketing era and is not a separate era.

k) One-To-One Era- From the 1990s to present, the idea of competing by building relationships with customers one at a time and seeking to serve each customer's needs individually

l) The terms 'marketing' and 'selling' are related but not synonymous. While selling starts after production is over, marketing starts with finding out consumers' needs, wants and preferences. Marketing revolves around the customers, whereas selling revolves around the product. Marketing seeks customers' satisfaction, selling seeks profits.

m) Marketing helps business to keep pace with the changing tastes of the consumers and meeting the threats posed by competitors. It helps in providing better goods and services to the consumers, serves consumers by providing product irrespective of time and place and also by providing a wide range of product in different size, quality, prices etc.

n) Marketing aims to achieve many objectives. It provides better quality products to the customers to fulfill their needs. It also creates demand of the product in the market by using various promotional tools. It helps in creating new customers, maintaining old customers, and generating profit and goodwill for the business.

o) Marketing performs many functions like marketing research, product planning and development, buying and assembling, packaging, standardisation and grading,

branding, pricing the product, promotion of the product, distribution, selling, storage and warehousing and transportation.

UNIT 2: MARKETING CHALLENGES IN A LIBERALIZING AND GLOBALIZING INDIA

UNIT STRUCTURE

1.0 INTRODUCTION

Since, liberalization and globalization, Indian marketing sector has undergone remarkable changes. The strategy to operate in the new economy demands a quick anticipation and response over the emerging customer tastes and preferences by the business. In order to compete with the global market, the Indian firms have to equip themselves with core competencies and technological strengths. Due to the rise in globalization, the Indian market has become more and more liberal and hence as a result is facilitating privatization.

Marketing plays a pivotal role in stimulating demand for goods and services. If 'finance' is termed as the life blood of a business, then 'marketing' could be termed as the 'backbone' of the business. But various factors like rapid changes in customers' needs and expectations, addition of new

products and services in a frequent basis, intense competition in both domestic and global markets, rapid changes in technology, etc are having a great impact on the marketing practices and acting as the basic marketing challenges.

As we know that performance reflects the success or failure of a business. The different parameters in marketing performance includes sales volume, market share and customer satisfaction. But the marketing challenges make it difficult for the marketers to achieve the targeted marketing performances. Some of the ways to overcome these marketing challenges are such as, creation of a learning organization, investing in market research, and re-evaluation of the four P's .

1.1 OBJECTIVES

After going through this unit, you will be able to:

- Discuss about the meaning and characteristics of marketing in India
- Discuss about the marketing environment
- Discuss about the impact of liberalization and globalization on modern marketing system
- Discuss about the marketing challenges in liberalizing and globalizing India

1.2 CONCEPT OF MARKETING:

Meaning:

Marketing could be termed as a management process through which the products and services move from concept to customer.

According to American Marketing Association (A.M.A), "Marketing is the activity, set of institutions, and processes for creating , communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large."

Some characteristics of Indian marketing system:

1) In India there is pre-dominance of private distribution system. The goods and services reach to the customers mostly through private agencies, whether to urban areas or rural areas.

2) There is also dominance of middlemen in Indian market. Some of the important channels of distribution are the wholesalers, retailers and different types of agents who plays an important role in the ultimate placement of the goods and services in the hands of the customers.

3) In India, there is a flow in the whole marketing system. The data and information required for the study of consumer behavior has still not reached the level of expectations.

4) As social responsibility is a trending concept in marketing in today's world, therefore the welfare of the consumers must be given due importance. But the Indian government is lacking behind to meet this requirement.

5) It has been recently observed that both the Government and non- government machineries are actively taking part in sales-promotion mechanisms.

1.3: MARKETING ENVIRONMENT:

Marketing environment consists of the internal and external factors which directly or indirectly affects the organization's decisions related to any kind of marketing activities.

There are two basic components of marketing environment. They are:

1) **Internal factors:** The internal factors are also known as the 'controllable factors'. They are as such;
   a) Firm's mission, vision and objectives
   b) Firm's culture, image and goodwill
   c) Marketing strategies
   d) Managerial skills
   e) Structure and processes
   f) Research, production and finance
   g) Available resources
   h) Human resource department, Operation department, Accounting and Finance department, research and Development department and so on.

2) **External factors:** The external factors are also known as un-controllable factors. It can be further classified into two categories. They are as follows;
   A) Micro-environment:
      a) Public
      b) Market intermediaries
      c) Financiers
      d) Customers
      e) Suppliers
      f) Competitors
   B) Macro-environment:
   a) Demographic factors: Age, sex, location, income, education, occupation, population, etc.
   b) Political factors: Government procedures and policies, government rules and regulations, monetary and fiscal policies, import-export policies, control and state regulations, monopoly and restrictive trade practices, etc.
   c) Economic factors: Economic system, economic stability, nature of trade cycle, gross domestic product, growth in real income, purchasing power, etc
   d) Culture and sub-culture: Values, beliefs and attitudes, traditions, norms, friends, reference groups, peers, etc.
   e) Technological factors: Technical know-how and availability of technology.
   f) Environmental or Natural factors: Climate, availability of raw materials, topography of land, natural resources, etc.

Marketing environment in India:

In the world, India is termed as one of the largest consumer markets. The nature of Indian consumer market is complex and diverse. The diversity of religion, languages, social customs, regional characteristics act as both boon and bane for the marketers. Though the marketers find tremendous scope for a wide variety of products and services, but they often needs to adapt new marketing strategies to suit different tastes and values.

Almost 77 percentage of the population resides in the rural areas in India. But the purchasing power of the rural folks is increasing in an overwhelming way which is highly demanding the marketer's attention. Also, there is a large number of organizational consumers in the country which comprise of large numbers of companies, public sector undertakings, factories and small-scale units, etc. The ability to grab the opportunity and planning a proper marketing strategy can open the doors to the marketers.

1.3: GLOBALIZATION AND LIBERALIZATION IN INDIA:

Meaning:

In Globalization, there is inter-connection of countries, people and businesses around the world as the forces like technology, transportation, media and global finance smoothens the way for goods, services, ideas and people to cross traditional borders and boundaries. It may be described as "the inter-dependence of nations around the globe fostered through free trade."

On the other hand, liberalization of a country means the loosening of government control in a country and when private sector companies start working without or with fewer restrictions and government allows private players to expand for the growth of the country.

Globalization and liberalization have created opportunities for many countries to experience economic growth.

1.3 IMPACT OF GLOBALIZATION AND LIBERALIZATION IN MODERN MARKETING:

Following are some of the major impacts of globalization in modern marketing:

1) Increase in competition:
   Along with the expansion of market, there is also rise in competitions. There are numerous options available for the consumers in today's market which makes it most necessary for the marketer to make his product stand out.
2) Rapid change in technology:
   In order to cope up with the present environment, the marketer has to be competent enough to face the rapid technological changes. Implementation of proper strategy in a cost-effective way by the marketers is acting as a new challenge in the present day environment.
3) Increase in efficiency:

Globalization is also affecting the nature of work. Advanced technologies are replacing the traditional labor which is increasing the efficiency of the work.

Following are some of the major impacts of liberalization in modern marketing:

1) **E-business:** After liberalization, e-business has gained much popularity in the business world. E-business or electronic business is a process that a business organization conducts over computer- mediated network. As everything takes place on the computer screen, therefore there is no requirement of paper flow.

2) **E-commerce:** The scope of e-commerce is broader than e- business. E-commerce encompasses the process of e-purchasing and e- marketing. The four main domain of e-commerce are;
   a) Business to Consumer
   b) Business to Business
   c) Consumer to Consumer
   d) Consumer to Business

3) **Communication procedure:** As liberalization encourages new entrants so unlike domestic marketing, the marketer has to face unfamiliar people, unfamiliar needs and requirements and unfamiliar buying behavior. Hence, the marketer has to be well prepared for this.

4) **Influence of FDI:** The inflow of FDI has greatly influenced the investment pattern in businesses. As India has a good market size, political stability and regulatory environment therefore many experts feels that India could easily attract foreign investments.

5) **Dominance of private sector:** The reform has resulted into the growth of privatization.

6) **Rush of entrepreneurs:** The freedom of entry has encouraged many new entrepreneurs to enter the market and the existing one has gone for expansion.

1.5) MARKETING OPPORTUNITIES AND CHALLENGES IN LIBERALIZING AND GLOBALIZING INDIA:

There is an immensity of change that has taken place in the marketing environment of India due to liberalization and globalization. These massive changes have thrown up a series of marketing challenges for the marketers operating in India. Following are some of the marketing challenges:

1) **Freedom of entrepreneur:**
   - **Opportunity:**
   Due to the entrepreneurial freedom, there is a release in blocked-up growth impulse of Indian business. The entrepreneurs can opt for the business of their choice. Diversification of business has resulted into minimization of risk and maximization of profit opportunities.
   - **Challenge:**
   The entrepreneurial freedom may help the entrepreneurs to enter industries of their choice easily, but it had a negative impact on the existing players of the market. The freedom on

one side lead to de-stabilization, where the markets, market shares and profit came under pressure.

2) **Existing players came under threat:**
   - **Opportunity:**

Liberalization has given golden opportunities to the new entrants. There is no any licensing barrier for someone who wished to start- up a new business. So, anyone can enter any business without any hurdle.

   - **Challenge:**

The firms which entered an industry under the licensing system after acquiring a license enjoyed assured profits. But because of the entrepreneurial freedom, the new entrants acted as a threat for the existing players because they could no longer enjoy an assured market and profits.

3) **Cut- throat competition in home:**
   - **Opportunity:**

Addition of new members in the world of business without any barrier has lead to enormous expansion of capacity. Both the existing players and new players contributed in capacity expansion.

   - **Challenge:**

The growth of entrepreneurial freedom leads to capacity expansion by existing as well as new players and hence it gave birth to intense competition inside the home market.

4) **Invasion of MNC's:**
   - **Opportunity:**

The liberalized and globalized Indian economy has gained foreign attention and encouraged foreign direct investments which are a positive aspect in the growth of our economy.

   - **Challenge:**

The MNC's establishes or expand their businesses in the country, hence giving a tough competition to the local brands. Therefore, the takeover is also acting as a threat for the local firms.

5) **Price competitive:**
   - **Opportunity:**

There is less interference of government in the pricing policy. The removal of the licensing restrictions has also lead to increase in production by the manufacturers.

- **Challenge:**

It has become compulsory to be price competitive due to the reforms that are taking place. The new buyer's market shall no longer follow the escalations in cost. There is an instant enhancement in supplies in the buyer's market due to liberalization of imports and reduction in import tariffs.

6) **New notion on economic size:**
   - **Opportunity:**

   The enactment of Monopolistic and Restrictive Trade Practice (MRTP Act, 1969) has ensured control of monopolies and prohibit monopolistic and restrictive trade practices. It also ensured that the operation of the economic system does not result in the concentration of economic power in the hands of few.

   - **Challenge:**

   During the licensing policy period, the government determined the economic size for the industry. Licenses were not available for enterprises that had larger capacities, so they had to have smaller capacities. But MRTP provision inhibited setting up of bigger capacities.

7) **Rapid changes in technology:**
   - **Opportunity:**

   Change in technology may be taken as both blessing and curse. The digital transformation has resulted into up gradation of business in many ways. It is only due to upgraded technologies for which the marketer finds it easy to survive in the digitally transformed world.

   - **Challenge:**

   Technology has become a vital factor for the firms with the advent of globalization in India. But along with the advantages, there are certain disadvantages that technology carries. There is a high possibility that the products and the business may suddenly get obsolete due to certain technological change.

8) **New Trade Policy:**
   - Opportunity:

   Globalization of the economy has also given rise to the New Trade Policy. In the New Trade Policy, the Indian business firms get a chance to earn foreign exchanges. This helps to keep the production lines going.
   - Challenge:

In the New Trade Policy, the imports have to be financed by foreign exchange bought from the markets at the market rate. Hence, the firms which are not spenders of foreign exchanges had to suffer loss.

9) Increase in bargaining power of buyers:
   - **Opportunity:**

With the advent of new comers in the business, there is rise in competition. And as a result the buyer's are getting more opportunity to explore a large market and buy the best of all.

   - **Challenge:**
   With increase in competition, there will also be increase in available options and as a result there may be frequent product switching by the customers. Hence, there will be increase in the bargaining power of the buyers.

10) Call for more ethics and social responsibility:
   - **Opportunity:**

The call for practice of more ethics and social responsibility will help in generating good relation between the firm and its consumers. Growth and development of the society will not only help the society at large but also enable the marketers to establish goodwill.

   - **Challenge:**
   The present economic environment has demanded the marketers to take greater responsibilities towards both the society and environment. Higher practice of ethics must be adopted by the marketers in order to survive the present environment or else the marketers will be forced to compliance by legislation or face the consumer outcries.

1.6: SUMMING UP

   ❖ Marketing refers to all the activities a firm undertakes to promote and sell products or services to the customers or consumers. It is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.
   ❖ Some of the important characteristics of Indian marketing system are pre-dominance of private distribution system, dominance of middlemen, flow in the marketing system, lack of social responsibility by the Indian Government, high involvement of government and non- government machineries in sales promotion mechanism, etc.
   ❖ Marketing environment consists of the internal and external factors which directly or indirectly affects the organization's decisions related to any kind of marketing activities.
   ❖ Two basic components of marketing environment are the internal or controllable factors and external or un-controllable factors.
   ❖ Internal factors comprises of firm's mission, vision and objective, firm's culture, image and goodwill, marketing strategies, managerial skills, structure and processes, research, production and finance, available resources, human resource department, operation

department, accounting and finance department, research and development department and so on.

❖ External factors are further classified into two factors, i.e, micro-environment and macro-environment.

❖ Micro environment consists of, public, market intermediaries, financiers, customers, suppliers and competitors.

❖ Macro- environment consists of demographic factors, political factors, economic factors, technological factors, culture and sub-culture and environmental or natural factors.

❖ India is termed as one of the largest consumer markets. The nature of Indian consumer market is complex and diverse. The diversity of religion, languages, social customs, regional characteristics act as both boon and bane for the marketers. Almost 77 percentage of the population resides in the rural areas in India. But the purchasing power of the rural folks is increasing in an overwhelming way which is highly demanding the marketer's attention.

❖ Globalization is the inter-connection of countries, people and businesses around the world as the forces like technology, transportation, media and global finance smoothens the way for goods, services, ideas and people to cross traditional borders and boundaries.

❖ Liberalization of a country means the loosening of government control in a country and when private sector companies start working without or with fewer restrictions and government allows private players to expand for the growth of the country.

❖ Some of the major impacts of globalization in modern marketing are increase in competition, rapid change in technology, increase in efficiency, etc.

❖ Some of the major impacts of liberalization in modern marketing are e- business, e-commerce, change in communication procedure, influence of FDI, dominance of private sector, rush of entrepreneurs, etc.

❖ The important marketing opportunities and challenges that the marketer has to face in the liberalized and globalized India are as follows; freedom of entrepreneur, existing players came under threat, cut- throat competition in home, invasion of MNC's, the marketer has to become price competitive, new notion on economic size, compulsory growth in technological field, New Trade Policy, increase in bargaining powers of buyers and call for more ethics and social responsibility.

1.7: KEY TERMS:

Marketing, marketing environment, globalization, liberalization, marketing opportunities, marketing challenges.

1.8: ANSWERS TO 'CHECK YOUR PROGRESS':

1. Characteristics of Indian marketing system:

   a) Pre-dominance of private distribution system

b) Dominance of middlemen

c) Flow in the marketing system

d) Lack of social responsibility by the Indian Government

e) High involvement of government and non- government machineries in sales promotion mechanism.

2. Two main components of marketing environment:
   a) Internal or controllable factors
   b) External or un-controllable factors.
3. The internal factors of marketing environment comprises of the following:
   a) Firm's mission, vision and objective
   b) Firm's culture, image and goodwill
   c) Marketing strategies
   d) Managerial skills, structure and processes
   e) Research, production and finance
   f) Available resources, human resource department, operation department, accounting and finance department, research and development department.
4. The external factors of marketing environment comprises of the following:
   a) Micro-environment
   b) Macro-environment
5. Micro environment consists of:
   a) Public
   b) Market intermediaries
   c) Financiers
   d) Customers
   e) Suppliers
   f) Competitors.
6. Macro- environment consists of:
   a) Demographic factors
   b) Political factors
   c) Economic factors
   d) Technological factors
   e) Culture and sub-culture
   f) Environmental or natural factors.
7. Some of the major impacts of globalization in modern marketing are:
   a) Increase in competition
   b) Rapid change in technology
   c) Increase in efficiency

8. Some of the major impacts of liberalization in modern marketing are:
   a) Take-over of e- business and e- commerce
   b) Change in communication procedure
   c) Influence of FDI
   d) Dominance of private sector
   e) Rush of entrepreneurs
9. Some of the important marketing opportunities and challenges in the liberalized and globalized India are as follows:
   a) Freedom of entrepreneur
   b) Existing players came under threat
   c) Cut- throat competition in home
   d) Invasion of MNC's
   e) The marketer has to become price competitive
   f) Change in economic size
   g) Compulsory growth in technological field
   h) New Trade Policy.

1.9: QUESTIONS AND EXCERSISE:

A) Short-Answers Questions:

1) What do you understand by the term marketing?

2) State two distinct characteristics of Indian marketing system.

3) What do you understand by marketing environment?

4) Stat the components of marketing environment?

5) Write few lines about the Indian marketing environment.

6) What is globalization?

7) What is liberalization?

8) State two impacts of globalization in modern marketing.

9) State two impacts of liberalization in modern marketing.

10) Mention three challenges faced by the marketers in liberalized and globalized India.

B) Long- Answers Questions:

1) Define marketing. State the characteristics of Indian marketing system.

2) What do you understand by marketing environment? Explain the components of marketing environment.

3) Give a brief overview on Indian marketing environment.

4) What do you mean by globalization and liberalization? Explain the impacts of globalization and liberalization in modern marketing.

5) Discuss about the challenges and opportunities of marketing in liberalized and globalized India.

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UNIT 3: HOLISTIC MARKETING CONCEPT; THE VALUE FRAMEWORK:

UNIT STRUCTURE:

1.0: Introduction

1.1: Objectives

1.2: Marketing Concept:

 1.2.1: Meaning and Factors Influencing Marketing Concept

 1.2.2: Evolution of Marketing Concept

 1.2.3: Marketing Philosophies

1.3: Holistic Marketing Concept

 1.3.1: Meaning

 1.3.2: Components of holistic marketing

 1.3.3: Importance of Holistic Marketing in today's World

1.4: The Value Framework

1.5: Summing Up

1.6: Key Terms

1.7: Answers to 'Check Your Progress'

1.8: Questions and Exercises

1.9: References and Suggested Reading

1.0: INTRODUCTION:

Marketing is a diverse field. Different marketers prefer different marketing approaches. Some marketers may go for viral marketing, while others may prefer brand marketing; some may opt for celebrity marketing or channel marketing and so on. In such an environment, it becomes challenging for the marketers to choose the right approach. The marketing environment is also changing gradually day by day. The traditional marketing approaches are no longer effective with the advent of issues like hyper-competition, social corporate responsibility, hyper-competition and globalization, etc. Also, producer's producing quality product at cheaper and faster rate is quite prevalent in today's marketing situation. This has become possible due to advancement of

technologies. The cut-throat competition in business has forced the marketers to target intangible assets, such as customer relationships, brands, customer service, etc to attract consumers. According to a recent survey, the intangible assets represent 84% of a company's market value today (Source: Internet).

Hence, the rapidly changing marketing environment has developed the concept of holistic marketing, which is based on the premise that "the whole is greater than sum of its parts." Thus, in a holistic concept, all the aspects of business must work together as an inter-connected entity with a common goal. And similarly, under the holistic marketing approach all the departments within the organization work together towards the marketing and sale of the organization's products. The only way for a business to remain relevant and profitable in today's world is by treating 'marketing' as an element which needs to be integrated into each and every aspect of the entire business.

1.1: OBJECTIVES:

After going through this unit, you will be able to:

- Get an overview on the marketing concepts

- Understand the concept of 'holistic marketing'

- Discuss the importance and need of holistic marketing in today's world

- Discuss about the components of holistic marketing

- Understand the value framework of holistic marketing

1.2: MARKETING CONCEPTS:

1.2.1: Meaning of marketing concept and factors influencing marketing concept:

A 'concept' is a philosophy, an attitude, a course of thinking, an idea or a notion relating to any aspect of divine and human creations. The philosophy of an organization in the dynamic realm of marketing is referred to as 'marketing concept'.

Marketing concept "is a customer orientation backed by integrated marketing aimed at generating customer satisfaction, as the key to satisfying organizational goals."

The firms practicing the marketing concept receive the detail information regarding the customers' needs, want and desires from the market itself. Some of the factors influencing marketing concept are as follows:

1) Population growth: Market means 'people' and their various needs, desires and wants. Therefore, increase in population leads to increase in demand for goods

and services.

2) Structure of family: In present day world, 'nuclear family' has taken over the concept of 'joint family'. The nuclear families are based on individual freedom, education, occupational mobility, migration and self-relevance. Hence, there with the increase in family, there is also increase in demand of goods and services.

3) Increase in disposable income: With the increasing income avenues, the purchasing power of the buyer's are also gradually increasing. Therefore, increasing power will ultimately lead to buying action.

4) More discretionary income: The discretionary income is now meant for comfort and luxuries as the people are left with more surplus even after meeting their needs.

5) Technological advancement: The technological advancement has deeply influenced the people with planned obsolescence. It shortens the life of the product that can otherwise last longer.

6) Mass- communication media: Mass- communication media has hastened the speed of change and exchange. Information travels too fast due to the onslaught of mass- communication media. The modern ad has revolutionized the entire marketing process.

7) Easy availability of credit facilities: The modern credit system and plastic money are converting dreams into reality. Credit is acting as the major weapon that makes people to opt for the product which they cannot easily afford.

1.2.2: Evolution of marketing concept:

The origin of marketing management dates back to the pre- historic period when the barter system emerged. The emergence of barter system led to the growth of modern day marketing. During the late 80's in the initial stages of Industrial Revolution, there were no competitions and so producers were able to sell whatever they produced. But with the rise in competition, producers were unable to sell whatever they produced and hence, the product concept emerged, where the firms started to improve their product features. Later, in 1920's selling concept came into being, where producers believed in aggressive selling and promotion of a product or service to create customers. But again with the rise in competition, producers started realizing the value of customers and customer satisfaction, and this led to the emergence of the 'marketing concept'.

1.2.3: Marketing Philosophies:

1. Production Orientation Philosophy: Till 1930s, there prevailed a strong feeling

that whenever a firm has a good product, it results in automatic consumer response and that needed little or no promotional efforts. The assumptions of this concept are:

a) Anything that can be produced can be sold.

b) The most important task of management is to keep the cost of production down

c) A firm should produce only certain basic products.

This concept can be illustrated as under:

GOOD PRODUCT ⟶ SALES

2. Sales Orientation Philosophy: During 1940s, marketers started believing that merely making available the best product is not enough; unless the firms goes for aggressive salesmanship. The assumption of this philosophy are:

a) Producing the best possible product

b) Finding the buyer for the product

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

This concept can be illustrated as under:

PRODUCT ⟶ PROMOTION ⟶

3. Customer Orientation Philosophy:

This philosophy came into existence during 1950's and emphasized that the primary function of a firm is to study and understand the needs, wants, desires and values of potential consumers and produce the goods in the light of these findings so that consumer specifications are met totally. The assumptions are:

a) The firm should produce only that product that is desired by the consumers.

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

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

This concept can be illustrated as under:
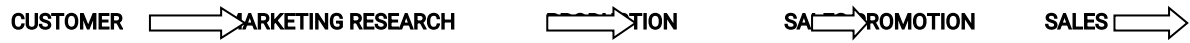
4. Social Orientation Philosophy: During 1970s and 1980s, there has been a further refinement in the marketing concept. This philosophy cares for not only consumer satisfaction but for consumer welfare or social welfare. The assumptions are:

a) The firm is to produce only those products as are wanted by the consumers

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

c) The firm should discharge its social responsibilities.

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

This concept can be illustrated as under:

CUSTOMER → MARKETING → RSEARCH & → PRODUCTION SALES PROMOTION SALES →
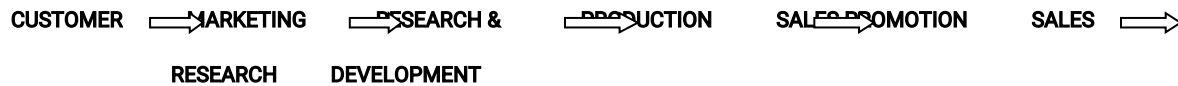RESEARCH DEVELOPMENT

1.3: HOLISTIC MARKETING:

1.3.1: Meaning

Marketers in the 21st century are incrementally recognizing the need for having complete, cohesive and concrete approach that goes beyond the traditional applications of the marketing concept. This gives rise to the need of holistic marketing.

Philip Kotler defines holistic marketing as a concept that is, "based on the development, design, and implementation of marketing programs, processes, and activities that recognize their breadth and interdependencies. Holistic marketing recognizes that 'everything matters' with marketing and that a broad, integrated perspective is necessary to attain the best solution."

The primary concept of holistic marketing is to connect the different platforms to create a singular campaign that transcends multiple target markets.

1.3.2: Components of holistic marketing:

Fig. 1.3.1

Source: Internet

The various components of holistic marketing are as follows:

1) Relationship marketing: The fundamental aim of relationship marketing is to build mutually satisfying long-term relationships with key partners namely, customers, suppliers, distributors and other marketing partners with a view to earn and retain their business. It involves in cultivating the right kind of relationships with the right constituent groups. Hence, marketing should focus not only in Customer Relationship Management (CRM) but also in Partner Relationship Marketing (PRM) too. The final outcome of relationship marketing is the building of unique company asset namely "marketing network".

2) Integrated marketing: The very essence of the marketer's task is to design the marketing activities and assemble fully integrated marketing programme to create, communicate and deliver value for consumers. The integration of different communications channels into a single marketing approach is a unique aspect of holistic marketing that ensures maximum customer satisfaction and process effectiveness.

3) Internal marketing: Internal marketing is the task of hiring, training, and motivating the able employees to serve their customers in an efficient manner. The internal marketing helps in keeping the business process in motion without

hassles.

4) Social responsibility marketing: It is also called as 'humanistic marketing', 'ecological marketing', 'green marketing', 'corporate social marketing' and 'cause related marketing'. The social responsibility marketing calls upon the marketers to build social and ethical considerations in their marketing practices. The holistic marketing is generally performs keeping a broader social framework in mind.

1.3.3: Importance of holistic marketing in today's world:

Following are some of the importance of holistic marketing in today's world:

1) Building brand: The holistic marketing approach focuses on gaining new customers and strengthening the brand value with the existing customers. It also ensures that there is full coordination among the business processes and the marketing process boosts the brand awareness. It allows the consumer to focus on the core values of the business thereby increasing the ability of brand performance.

2) Maintains consistency: the holistic marketing approach helps to maintain consistency by ensuring that a unified message and brand image is sent out through all channels and to all stakeholders. It also ensures that a seamless experience is provided to the customers by integrating all the touch points through which the customers interact with the business. And as a result, the consistency helps in gaining customers confidence and trust.

3) Increase in efficiency and effectiveness: Holistic marketing ensures that all the aspects of the business works together in harmony and achieves together the common goal of the business. When there is coordination, the level of work efficiency increases and also the resources are deployed where they will be most effective.

1.4: THE VALUE-FRAMEWORK:

The holistic marketing framework is a process that helps organization use the holistic marketing approach and the interactions between the organization's various stakeholders and collaborators to create, renew and maintain customer value. It tries to integrate the value exploration, value creation and value delivery activities with the purpose of building long-term, mutually satisfying relationships and co-prosperity among key stake-holders. The success of holistic marketers depends on managing a superior value chain that delivers a high level of product, quality, service and speed.

Fig. 1.4.1

Holistic Marketing Framework
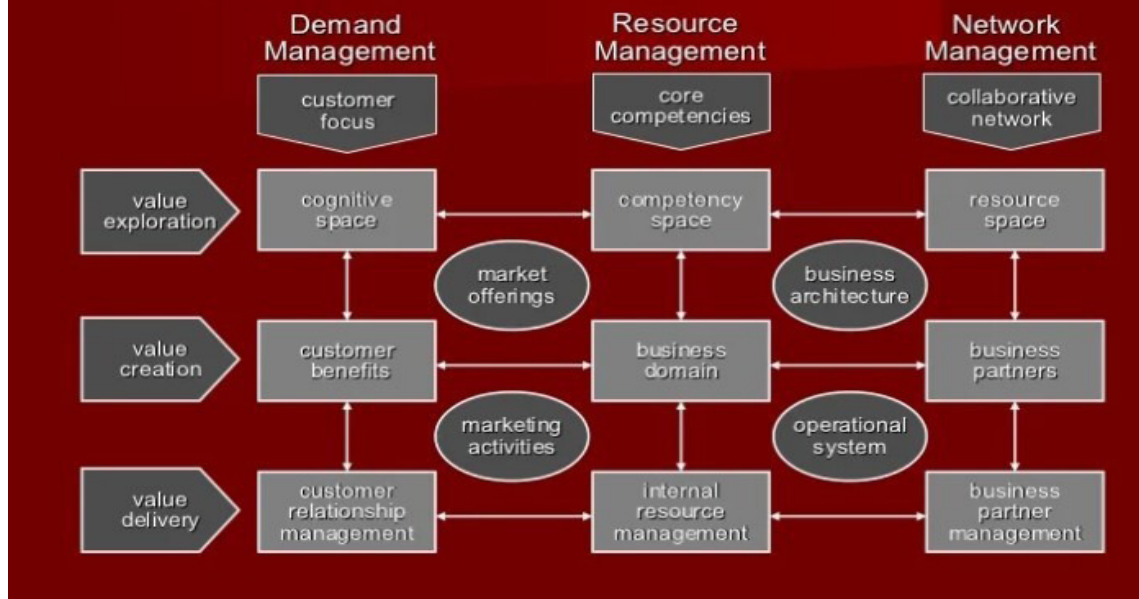
Source: Internet

The holistic marketing framework is comprised of three value based activities, which are;

1) Value exploration: How can a company identify new value opportunities?

2) Value creation: How can a company efficiently create more promising new value offerings?

3) Value delivery: How can a company use its capabilities and infrastructure to deliver the new value offerings more efficiently?

A) Value exploration: Value exploration is the process through which organizations identifies new opportunities for value creation. The companies need a well-defined strategy for value exploration because the values flow within and across markets that are dynamic and competitive. So, in order to develop a well designed value exploration strategy the companies need to understand the relationships and interactions among three spaces:

a) The customer's cognitive space: The customer's cognitive space reflects existing and latent needs and includes dimensions such as the need for participation, stability, freedom and change.

b) The company's competence space: It refers to the organization's capabilities. This can be described in terms of breadth- broad versus focused scope of business; and depth- physical versus knowledge- based capabilities.

c) The collaborator's resource space: this involves horizontal partnerships, where companies choose partners based on their ability to exploit related market opportunities, and vertical partnerships, where companies choose partners based on their ability to serve their value creation.

B) Value creation: The organizations need to develop value creation skills to utilize the opportunity that has been identified during the value exploration stage. The marketers need to:

a) identify new customer benefits from the customer's point of view

b) utilize core competencies from its business domain

c) select and manage business partners from its collaborative networks

There is an emerging need of business realignment in order to maximize core competencies. It involves three steps:

1) to redefine the concept of business

2) to reshape the scope of business

3) to reposition the company's brand identity.

C) Value delivery: Value creation merely is not sufficient, but the companies have to deliver the value to the customers in real sense. This will require huge amount of investment in both infrastructure and capabilities. The organization must attain competency in managing customer relationships, internal resources and business partnership. Customer relationship management helps the company to discover who its customers are, how they behave and what they need or want. It also enables the company to respond quickly and appropriately to different customer opportunities.

1.5) SUMMING –UP:

1. Marketing concept "is a customer orientation backed by integrated marketing aimed at generating customer satisfaction, as the key to satisfying organizational goals."

2. Some of the factors influencing marketing concept are population growth, structure of family, increase in disposable income, more discretionary income,

technological advancement, mass- communication media and easy availability of credit facilities.

3. Following are the marketing philosophies:

   a) Production Orientation Philosophy

   b) Sales Orientation Philosophy

   c) Customer Orientation Philosophy

   d) Social Orientation Philosophy

4. The assumptions of production orientation philosophy are:

   a) Anything that can be produced can be sold.

   b) The most important task of management is to keep the cost of production down

   c) A firm should produce only certain basic products.

5. The assumptions of sales orientation philosophy are:

   a) Producing the best possible product

   b) Finding the buyer for the product

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

6. The assumptions of customer orientation philosophy are:

a) The firm should produce only that product that is desired by the consumers.

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

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

7. The assumptions of social- orientation philosophy are:

   a) The firm is to produce only those products as are wanted by the consumers

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

c) The firm should discharge its social responsibilities.

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

8. Philip Kotler defines holistic marketing as a concept that is, "based on the development, design, and implementation of marketing programs, processes, and activities that recognize their breadth and interdependencies. Holistic marketing recognizes that 'everything matters' with marketing and that a broad, integrated perspective is necessary to attain the best solution." The primary concept of holistic marketing is to connect the different platforms to create a singular campaign that transcends multiple target markets.

9. The various components of holistic marketing are as follows:

   a) Relationship marketing

   b) Integrated marketing

   c) Internal marketing

   d) Social- responsibility marketing

10. Relationship marketing: The fundamental aim of relationship marketing is to build mutually satisfying long-term relationships with key partners namely, customers, suppliers, distributors and other marketing partners with a view to earn and retain their business. It involves in cultivating the right kind of relationships with the right constituent groups.

11. Integrated marketing: The very essence of the marketer's task is to design the marketing activities and assemble fully integrated marketing programme to create, communicate and deliver value for consumers

12. Internal marketing: Internal marketing is the task of hiring, training, and motivating the able employees to serve their customers in an efficient manner.

13. Social responsibility marketing: It is also called as 'humanistic marketing', 'ecological marketing', 'green marketing', 'corporate social marketing' and 'cause related marketing'. The social responsibility marketing calls upon the marketers to build social and ethical considerations in their marketing practices.

14. The importance of holistic marketing in today's world is building of brands, maintaining consistency and increasing the efficiency and effectiveness of a

business firm.

15. The holistic marketing framework is a process that helps organization use the holistic marketing approach and the interactions between the organization's various stakeholders and collaborators to create, renew and maintain customer value. It tries to integrate the value exploration, value creation and value delivery activities with the purpose of building long-term, mutually satisfying relationships and co-prosperity among key stake-holders.

16. The holistic marketing framework is comprised of three value based activities, i.e, value exploration, value creation and value delivery activities.

17. Value exploration is the process through which organizations identifies new opportunities for value creation.

18. In order to develop a well designed value exploration strategy the companies need to understand the relationships and interactions among three spaces , i.e, customer's cognitive space, company's competence space, and collaborator's resource space.

19. The organizations need to develop value creation skills to utilize the opportunity that has been identified during the value exploration stage. The marketers need to:

    a) identify new customer benefits from the customer's point of view

    b) utilize core competencies from its business domain

    c) select and manage business partners from its collaborative networks

20. Value creation merely is not sufficient, but the companies have to deliver the value to the customers in real sense. This will require huge amount of investment in both infrastructure and capabilities.

1.6: KEY TERMS: Marketing concept, holistic marketing, holistic marketing components, value framework

1.7: ANSWERS TO CHECK YOUR PROGRESS:

1) Marketing concept "is a customer orientation backed by integrated marketing aimed at generating customer satisfaction, as the key to satisfying organizational goals."

2) Factors influencing marketing concept are:

    - population growth,

- structure of family,

- increase in disposable income,

- more discretionary income,

- technological advancement,

- mass- communication media, and,

- easy availability of credit facilities.

3) The production concept was based on the idea, "Consumers will favor products that are available and highly affordable."

4) The 'product concept' was based on the idea, "Consumers will favor products that offer the most quality, performance, and innovative features."

5) The 'selling concept' was based on the idea, "Consumers will not buy enough of the firm's products unless it undertakes a large- scale selling and promotion effort."

6) The 'marketing concept' was based on the idea, "Achieving organizational goals depends on knowing the needs and wants of target markets and delivering the desired satisfactions better than competitors do,"

7) Philip Kotler defines holistic marketing as a concept that is, "based on the development, design, and implementation of marketing programs, processes, and activities that recognize their breadth and interdependencies. Holistic marketing recognizes that 'everything matters' with marketing and that a broad, integrated perspective is necessary to attain the best solution."

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   a) Relationship marketing: The fundamental aim of relationship marketing is to build mutually satisfying long-term relationships with key partners namely, customers, suppliers, distributors and other marketing partners with a view to earn and retain their business.

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manner.

    d) Social- responsibility marketing: The social responsibility marketing calls upon the marketers to build social and ethical considerations in their marketing practices.

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- Increase in efficiency and effectiveness: Holistic marketing ensures that all the aspects of the business works together in harmony and achieves together the common goal of the business. When there is coordination, the level of work efficiency increases and also the resources are deployed where they will be most effective.

11) The holistic marketing framework is comprised of three value based activities. They are as follows:

- Value exploration: It is the process through which organizations identifies new opportunities for value creation.

- Value creation: The organizations need to develop value creation skills to utilize the opportunity that has been identified during the value exploration stage.

- Value delivery: Value creation merely is not sufficient, but the companies

have to deliver the value to the customers in real sense. This will require huge amount of investment in both infrastructure and capabilities.

1.8: QUESTIONS AND EXERCISES:

A) Short-Answers Questions:

1) What do you understand by 'marketing concept'?

2) State the marketing philosophies that emerged replacing and supporting one another.

3) What is 'production' orientation? State its implications.

4) What is 'sales' orientation? State its implications.

5) What is 'customer' orientation? State its implications.

6) What is 'social' orientation? State its implications.

7) What is 'holistic' orientation? State its implications.

8) Which marketing concept believes in 'everything matters' in marketing? Why is it important?

9) What do you mean by holistic marketing? Give one example.

10) What are the components of holistic marketing? State the meaning of each component.

11) What do you understand by holistic marketing framework?

12) 'The holistic marketing framework is designed to address three key management questions.' What are they?

B) Long- Answers Questions:

1) What is a marketing concept? Explain the different marketing philosophies.

2) Define 'holistic marketing' with an example. Explain its importance in today's marketing world.

3) Compare and contrast the 'holistic marketing concept' with the earlier marketing concepts or philosophies.

4) Explain briefly the components of holistic marketing.

5) What do you mean by holistic marketing framework? Explain the three value-based activities of the holistic marketing framework with appropriate examples.

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Global Marketing Environment: Measuring Demand and Forecasting

Unit Structure:

1.0 Introduction

Due to liberalization , a business firm   has to encounter global competition and as a result it has to improve its competitiveness and scope which views the entire world as a single market so that the business strategy is based on the dynamics of the global business environment. Global marketing is a specialized skill. There is significantly more to global marketing than simply selling   products and services in the global market. In order to reach customers in every corner of t he globe, one must be able to convince people that the product or service manufacture by the business firm is worth buying. That is where global marketing dominates. Red Bull , the Austrian drinks company is an example of successful global marketing. One of its marketing strategies is to host sports events across the world which has resulted in many Americans, Germans etc thinking it to be a local brand.

1.1. Global Marketing

Globalization means integrating the economy of a country with the World Economy. Global Marketing Environment can be defined as "all the factors and forces inside or outside an organization or company which affects the marketing strategy to build and maintain successful relationship with targeted customs". Global marketing involves the performance of activities designed to plan, price , promote and direct to flow of organizations offerings in more than one country for a profit. In today's business scenario the core task of marketing is endorsing the A firm has to operate within its environment as it do not has a separate

existence from it. Global marketing is one where the entire world is a market place and there is no difference in the products available value philosophy which stresses on value delivery to the consumers .A firm has to operate within its environment as it do not has a separate existence from it. Global marketing is one where the entire world is a market place and there is no difference in the products available globally. For example Apple products can be taken as global marketing products which have uniform phones throughout the world .On the other hand international marketing is country specific and their products are designed to meet local markets only like Mac Donald customizing its menu to satisfy its local demands.

According to Prof M.V.Kulkarni "Global Marketing involves identifying needs, wants and demand of global customers and making the products and services available to them either through own manufacturing or outsourcing and distributing the product/ service at the places convenient for consuming."

1.1.1 Importance of Global Marketing

- It provides a new business opportunity for the business. GlobalMarketing allows to target communities anywhere in the world.

- Global marketing provides information about the new market and receive valuable feedback. to adapt and change according to customers demand.

- It helps to create a brand image in international arena. Branding makes it a lot easier to take advantage of future opportunities because of the milestone achieved in t he global markets.

- To satisfy the global customers , find new global customers and increase sales and market share.

Business is increasingly becoming international or global in its competitive environment content According to Philip Kotler, " A company's marketing environment consists of the internal factors and forces, which affect the company's ability to develop & maintain successful transaction relationships with the company's target customers".

Stop to consider

The practice of marketing today needs new knowledge and skills. Specifically the international exchange of people and products, the rapid development of information technology, the opening of the markets, are some of the factors that has led to

globalization of marketing. Global companies operate in an environment that is complex as well as uncertain.

Self Assessment Questions

1. What is Global marketing?

2. What is the importance of Global Marketing?

Check Your Progress

1. Discuss the significance of Global Marketing ?

1.1.2 Global Marketing Environment- Internal environment-

Business decisions are conditioned by two sets of factors,viz the internal environment(factors internal to the firm) and the external environment(factors external to the firm). The internal factors are regarded as controllable factors as the company have control over these factors such as mission, objectives, human resource ,physical facilities product development etc. The external factors on the other hand are beyond the control of a company such as economic factors, demographic factors, legal factors etc.

So for a business firm, there are two types of marketing environment affecting marketing strategies and overall business decision making :

- The internal environmental actors which have an influence on the strategy and other decisions of the firm includes:

    Culture/ value system The corporate culture represents the orgnization's value system. Culture is often reflected in company's HR policies. The value system of TATA group reflects its social and moral responsibilities towards it consumers,employees, shareholders society and others. Dofasco, one of the world's largest steel producers has the motto" Our product is steel, our strength is people".

    Organisational structure: The organizational structure, the composition of board of directors, are important factors influencing decisions. With the advancement of technology, organizational structure have become flatter and flatter which results in

smaller management hierarchy. In order to become more effective in terms of quality and price, companies have carried out decentralization of the decision making process and downsizing .

Human Resource: Human resource management is influenced not only by domestic external environment but also by international environment. the characteristics of he human resource in terms of skill, quality, morale etc can contribute to the success or failure of an organisation.For example When NAFTA was created in 1994,the nature of work relationship between USA, Canada, Mexico changed. Corporate were forced to become more competitive in respect to HR policies.

Marketing Intermediaries: Marketing Intermediaries are the link between the manufacturer and the ultimate consumers. They include wholesalers, retailers, marketing agencies., distribution companies. A wrong selection of the marketing link may lead to disastrous results.

Stop to consider

It is difference in the marketing environment which makes the global marketing strategy different from the national market. A successful business strategy of one country may be a failure in another market due to the differences in the business environment. In 1973,Procter and Gamble (P&G) ventured into the Japanese market with American managers, American s products and American sales and promotion strategies resulting in huge loss. Eventually P&G adopted Japanese culture for products and marketing strategy resulting to be its second largest foreign market.

The internal environmental factors that are controllable and which have an influence on the strategy and other decisions of the firm includes-Culture- Organisational Structure, Human Resource, Marketing Intermediaries.

Self Assessment Questions

3.What is marketing environment?

4.What forces determine the internal marketing environment?

5. Do you think that the internal environment of a business firm has a role

to play in becoming a global brand? Discuss

1.1.3 Global Marketing Environment-External Environment

External environment consists of micro environment and macro environment The micro environment consists of very close factors of a company that affects company ability to serve customers-

- **Consumers** : Prosperity of any business depends on tapping the opportunities in the environment. The opportunities represents the requirement of the customers. It is essential that the business determines -Who the customers are and the reasons for buying the product, will play a large role in ascertaining the marketing strategy for the products and services. A business must be able to design a successful business strategy resulting in marketing policies ,which provides value to the customers as per their perception.

- **Competitors**: Competitors plays a significant role in the success of a business enterprise. A firm has to adjust its strategic plans according to the behavior of its competitors. They should analyze how their competitors are responding to market changes, kind of tactics employed by them in order to redesign their marketing policies.For example Pantene and sunsilk shampoo are direct competitors.

- **Suppliers:** Suppliers are one of the important component specific to the business. Suppliers have their own bargaining power which can influence the cost of raw materials and other inputs , thereby affecting the profits of the firm. It is also

important to maintain a reliable and uninterrupted source of supply of inputs ensuring smooth production process. Marketing managers must have control on availability of supplies and cost. For example shortage or delay of products in time natural disaster may decrease sales in the short run resulting in consumers dissatisfaction .

Macro environment have a significant impact on the success of marketing activities . therefore it is essential that such factors are considered in depth in course of devising a strategic marketing plan.

Elements of macro – environment of marketing :

The macro environment consists of six different forces. These are Demographic, Economic, Political, Ecological, Socio-cultural and Technological forces. This can be remembered the DESTEP model also called DEPST, helps to remember the different factors environment.

Another , slightly different analysis of the macro environment is referred to as the PESTLE analysis (replaces the Demographic factor by a legal one).

Demographic Environment: Demographic forces relate to people. And business depends on people/consumers. Different factors relating to population such as density, age gender, occupation, religious composition, literacy levels, growth rate etc are studied. Consumer /people are the reason for businesses to exist and consumer are the driving force for the development of the business and the market. Due to rapid growth of population, there occurs changes in overall demographic environment. Apart from the factors mentioned above other aspects such as household patters, regional characteristics, population shifts etc, also need to be studied as they are important components of the demographic environment.

Economic Environment: All business firms heavily depends on the economic environment in which they operate. Economic components are general monetary value, investment rates, exchange rates ,inflation rates fiscal strategies, balance of payments, import duty etc. The financial environment influences a customer's behavior either by expanding his disposable income or by decreasing it.

Political Environment: Political environment has several aspect. Form of Government adopted by the country is one of the aspect. Further, Political stability is essential for

economic growth. Nature and strength of religious , cultural and social organisation, role of media, public policies, influence of pressure groups etc are part of the political environment.

Natural/ Ecological Environment: The very existence of business depends on natural resources. The extent to which a country or a region is endowed with natural resources will have an impact on the functioning of the firm. With the growing shortage of raw materials and the need for renewable resources , along with increasing population and increased involvement of society in ecological issues, companies are now more than ever before need to implement environmental sustainability. Pressures on companies are intensifying all round to formulate environment friendly strategies. Concepts like green marketing , green economy, sustainable resource utilization, conservation of natural resources have to be considered so as to ensure environmental sustainability .

Social Cultural Environment- the socio –cultural environment of a society consists of the influence of culture, social class, beliefs , values family, traditions, social systems in the marketing system. Business who intend to market their products overseas   may be very sensitive to foreign cultures and ignoringsucg differences may result in failure in implementing overseas marketing policies. Socio –cultural environment has three main parts:

Socio Cultural Environment consists of three main parts

 (i) Culture

(ii) Sub culture

(iii)Social Class

Culture/Sub Culture: Culture is the combined result of factors like language, education, religion and upbringing are core cultural values which do not change easily and are known as core cultural values.. Values, practices, consumption habit, lifestyles and buying behavior are some of the secondary cultural values that can be manipulated or amenable to changes. Cultural shifts carry opportunities as well as threats, so it is necessary that close monitoring of cultural environment is done regularly.

Social Class: Any society is comprised of different social class. Each class has its own standards with regard to behavior, lifestyle etc which are called the class norms. Theses norms have a strong impact on the consumption and buying behavior of the class which do

change over time. Hence such changes should be closely observed in light of socio cultural aspect.

Technological Environment: Technological forces are perhaps the most rapidly changing factor in business environment. In the field of business technology is not only leading to many new products , the production process, logistics information processing etc all have been revolutionized by technology. Some of the technological factors are automation, security in terms of cryptography,internet connectivity, cyber security etc.

Legal Environment: Every businesses have to operate within the legal framework of the prevailing legal .The marketing strategies should always take into account the laws prevailing and implications of the legal provisions in their business. Business legislation can be classified into various categories such as corporate affairs, consumer protection,labour legislation, environmental protection ,regulations on distribution and trade practices, regulation on products packaging and prices etc. Legal and regulatory environment acts a determinant of competitiveness of countries as well as individual business firms.

Stop to Consider

Food Consumer product Kellogg company ventured into Indian market in 1994 with cornflakes, wheat flakes at the initial stage. Its products failed because the concept of eating cornflakes as breakfast cereal was an unimaginative idea for the Indian consumers who are used to breakfast palate of being hot and savory.. This made Kellogg's to rethink and innovate with new product appealing to Indian local cultural habits. Kelloggs launched Chocos wheat scoops coated with chocolate which was accepted by Indians which highlighted the concept of adapting , modifying business strategies according to global demand.

The external environment factors are by and large beyond the control of the business firm and are generally regarded as uncontrollable factors. External environment are dived into two categories:

Micro Environment- Customers, Suppliers, Competitors, Marketing Intermediaries.

Macro Environment- Economic Factors, Social factors, Demographic factors, Natural factors, Technological factors ,Legal factors.

Self Assessment Questions

6. What is macro business environment?

7. What is micro business environment ?

8. What are "uncontrollable" environmental factors. Can you control them?

9. Discuss the role of business environment in strategic decisions in global marketing.

10. Differences in economic conditions between markets may call for differences in business strategies. Comment.

Check your progress

4. Discuss the external   business environment.

5. Discuss the role of Demographic environment in global business.

6. Discuss the impact of legal environment in global marketing

1.4 Forecasting and Demand Measurement:

Forecasting and demand measurement (in   relation to marketing) is a tool required to forecast the future of product life. Forecasting and demand measurement assist a business to anticipate prt life span of a product, how long the product can run in the market. In the process of measuring demand and forecasting, a business studies the market behavior, does research based on the market environment so as to exclude survival opportunities for the product.

Demand forecasting is the process of understanding and predicting customer demand in order to make smart decisions regarding profit margins, supply chains operations, profit margins capital expenditure etc. Demand forecasting helps businesses to estimate the total sales and revenue for a future period of time based on historical data. Demand forecasting helps a business to devise their operational strategies based on real/historical data. With the help of historical data such as sales data, the business can ascertain a clear picture of their future demand.

According to Evan J.Douglas, " Demand estimation (forecasting) may be defined as a process of finding values for demand in future time periods".

In the words of Cundiff and Still. "Demand forecasting is an estimate of sales during a specified future period based on proposed marketing plan and a set of particular uncontrollable and competitive forces."

According to Prof.Kotler" the company(sales) forecast is the expected level of a company ales based on a chosen marketing plan and assumed marketing environment."

Proper demand forecasting gives businesses valuable information about their potential with regard to current market as well as other market ,so that managers can make informed decisions about pricing, growth strategies and market potential. In absence of demand forecasting, there is a risk of poor decisions ,which may result in negative effects on supply chain management, customer satisfaction and profitability.

Underestimating demand can be at times bring devastating results. When a company introduces a new product, it launches marketing and sales campaigns to create demand for it. However if the company is not in a position to deliver the products as per the market demand , the competitors can capture the sales. For example Sony's inability to deliver the e-Reader in sufficient numbers made Amazon's Kindle more readily accepted in the market.

Need for Demand Forecasting

Demand forecasting is an important process for businesses It helps to reduce risk in business activities. Some of the reasons for the need of demand forecasting include:-.

- Every Business have predetermined goals to ensures its long time success. With the help of demand forecasting, company's can act proactively thereby adjusting their long term strategy with regard to prospective changes in the business environment.
- Sales forecasting helps for business planning, budgeting and goal setting. If a business can have an idea regarding its potential future sales, it can effectively formulate effective procurement strategy to match supply with customer's demand.
- It provides an insight into upcoming cash flow, resulting in accurate budgeting of suppliers and other operational expenses as well as growth and expansion of the business.
- Anticipating demand means knowing to maintain adequate supply of all resources, to keep operations of the business running efficiently and smoothly during peak periods.

- Demand forecasting also helps the company's to design their staffing and training plans so as to ensure securing key skills for its human resource which may be required for future product iterations.
- With the help of sales forecasting one can identify and rectify any changes in the sales pipeline and also ensure that the performance of the business remains robust throughout the period.

Factors influencing demand forecasting

Demand forecasting is referred as a proactive process that helps in ascertaining what products are needed, where, when and in what quantities. There exists several factors which have an influence on demand which need to be taken into account before forecasting. Some of the common factors that have an influence on demand and forecasting management includes:-

- **Competition Level**: The level of competition determines the process of demand forecasting. In case of a highly competitive market, the existence of number of competitors have an effect on the demand for products. For example ,if a new competitor enters t he market and starts increasing his market share ,the existing business may suffer, whereas if an existing business start losing his customers due to various reasons, other competitors will be in better demand as consumers will make a shift for a better purchase.
- **Types of goods** -different types of goods and services have different demand forecasting. Goods can be producers goods, consumers goods or services. Again goods can be new goods or already established goods. It is very difficult to forecast demand in case of new goods as compared to established goods, whose demand, substitutes and level of competition can be easily ascertained.
- **Types of Demand:**- Types of demand also helps a business in demand forecasting of the product . It helps the firm to estimate the total amount of sales required to be done in a particular period when the goods are brought into t he market for sale. There are eight types of demand in marketing i.e. Negative Demand, Non-existing demand, Latent Demand, Declining demand, Unwholesome demand, Irregular demand , Full demand and Over full demand. Each type of demand is unique in its challenges and effects and hence the business has to make accurate decisions for demand forecasting and managing each of the demand types in the right manner so that the business can scale new heights.

- **Economic Conditions:-** Economic conditions can have a huge impact on demand forecasting. If an economy is witnessing recession, the demand for luxury goods is likely to fall, whereas demand for low priced goods is likely to increase. Further if there is positive development taking place in an economy such as high level of foreign investment, etc the demand forecast of the firms would be definitely encouraging.
- **Level of Technology:** Various technological innovations has powered most of the products of the businesses in the IT sector. Due to rapid change in technology, the existing technology or products becomes obsolete, making the demand forecasting extremely difficult.
- **Price of Goods**: Price act as a major factor that influences demand forecasting process. Usually the demand forecasts of a business is highly affected by change in their pricing policy. Even a slight change in the pricing policy can influence the process of demand forecasting.

Stop to consider

Demand forecasting helps businesses to forecast the total sales and revenue for a future period based on historical data. Demand forecasting helps a business to devise their operational strategies based on real data.

Demand Forecasting helps a business to act proactively in dynamic situation, helps in planning and setting goals and targets , ensuring adequate supply of all resources, deciding the training requirements .

The various factors influencing demand forecasting includes competition level, types of goods, types of demand, level of technology, economic conditions, price of goods.

Self Assessment Questions

11. What do you mean by demand forecasting?
12. What is the need for demand forecasting?
13. What are the various factors influencing demand forecasting.

Check Your Progress

7. What is Demand forecasting? Discuss the various factors influencing Demand Forecasting.

Methods of Demand Forecasting

Demand forecasting helps to identify the needs of both current and future customers thereby facilitating the manufacturers to decide what they should actually produce and deciding the right quantity of products to be produced. Demand forecasting allows firms to gain insight into diverse consumer needs through different forecasting method. There are two methods used in demand forecasting, qualitative and quantative. Qualitative methods are used in traditional forecasting and it involves a lot of experience, intuition and subjectivity. Quantative methods use data and analytical tools for prediction

Some of t he qualitative methods used for forecasting demand includes:-

a) **Surveys of Buyer's choice-** When the company needs to forecast the demand of the consumer for a short period i.e. for a year, then the most appropriate method is to ask the customers directly about what they intend to buy in the forthcoming period. Hence the potential customers are directly interviewed which provides first hand information to the company regarding the choice of the customers. Such buyers choice can be collected by way of

b) **Complete enumeration**- This method takes into consideration.all the potential buyers who are asked about their future purchasing plans.

c) **Sample Survey-** this methodprovides for selection of sample from potential buyers scientifically and only those who are choosen are interviewed for the same.

d) **End use method**- This method is especially used for forecasting the demand of the inputs. Under this method, the final users are identified, the required norms of consumption of the product are fixed, the target levels are estimated to   forecast the future demand of the inputs.

1. **Jury Method/ Executive Opinion Method** : Tthis method is very popular in practice, involves soliciting the opinions of a group of managers on expected future sales and combining them into a sales estimate. It is a judgment method. This method gives due weight age to the experience and judgment of people who are aware of t he firm and the market. The advantage of this method are (i) It is an easy, simple and expeditious method for developing a demand forecast..(ii)It permits consideration of variety of factors like economic

climate, consumer preferences, technological developments etc which can be included in the subjective estimates provided by the experts.(iii) this is the most preferable method when the firm lacks the expertise required for using sophisticated analytical methods or when past records on sales and market are not available.The disadvantages are (i)The estimates or forecast are arrived at by this method are based on "opinions" and not on " facts". Hence it is questionable.(ii)Forecasts worked out by this method are not readily amenable for breaking down into territory wise, month wise forecasts.

2. Delphi Method-This method is used for eliciting the opinions of a group of experts with the help of a mail survey. This method is used for working out a broad based, futuristic estimates.The panel members are asked to react to a checklist of questions, which are significant to t he forecast. Their opinions are analysed , and if t here exists any sharp differences on an issues, interchanges are permitted and the final forecasts are prepared. The advantages of t his method are9i)It is intelligible to users..(ii)It is more accurate and less expensive than the traditional face to face group meetings.(iii) This technique eliminates the "bandwagon"effect of majority opinion(tendency for people to adopt certain behavior, styles or attitudes because others are doing so).The disadvantage of this method are (i)technique is based on opinion hence consensus does not mean it's the correct answer as compared to other techniques.(II)It is time consuming process because sending questionnaires ,waiting for responses and coming to consensus takes long time.

3. **Sales Force Composite Method** : Under this method, the sales forecast is done by the sales force. Each salesman develops the forecast for his respective territory, the territory wise forecasts are consolidated at branch/area /region level and the aggregate of all the forecasts is considered as the corporate forecast.The advantages of t his method are (i) The intimate knowledge and experience of t he sales force in their respective territories can be used effectively.(ii)As the sales agents are responsible for the sales forecast, they will be putting more efforts to achieve the same.(iii)As the responsibility to forecast rest on the shoulders of t he sales agent ,they could be held liable if anything goes wrong. The disadvantages of this method are (i)As the sales agents are not experts in forecasting, they are not in a position to employ the sophisticated forecasting technique effectively and neither they have a

complete data to have a fact- based forecasting.(ii)A times, he sales agent may intentionally give fewer sales forecast ,so that they can fetch more incentives from the management on exceeding the target.

4. **Market Survey Method** This method involves direct interview of t he potential consumers. Its purpose is collecting specific data concerning the market that cannot be gathered from the company's internal records or from external published data. When primary data becomes essential for forecasting, market survey assumes great significance. The main advantage of this method is that it facilitates gathering of original data which is specific to t he problem on hand. The disadvantage of this method are (i) that it is time consuming and expensive.(ii) The reliability of the information generated is dependent on the statistical accuracy of t he survey procedure.

Quantative methods of demand forecasting includes the following:-

1. **Econometrics Model:** This method involves using mathematics to develop equations that help to explain the relationship between different economic agents. The primary objective of econometric analysis is to forecast the future behavior of the economic variables incorporated in this model. Information obtained from this method can show the connection between variables such as inflation exchange rates, GNP , and how changes in such factors affects the performance of the business. The advantage of econometric model are (i)It provides a basis for testing assumptions and also for judging how sensitive the results are to change in assumptions.(ii)This analysis helps in understanding of complex cause effect relationship.the disadvantage of this method are(i) It is an expensive and data demanding method.(ii)In oreder to forecast he behavior of the dependent variable , one has to project the values of independent variable.

2. **Regression analysis method** – this method helps to analyze the relationship between two different variables (independent and dependent). With t he help of this method a relationship is established between the dependent 9quantity demanded) and t he independent variable (income of the consumer, price of related goods etc).

3. **Trend or time series analysis**- this method is based on extensive use of historical data as it assumes past trends will continue and repeat in t he future.this method involves (a) determing the trend of consumption by analyzing past consumption statistics and (b) projecting future consumption by extrapolating the trend.There are four main components of time series analysis which an organisation must take into account viz, trend component, cyclical component,seasonalcomponentand irregular component.

4. **Smoothing Techniques**: smoothing techniques are used to eliminate random variation due to historical demand. This technique helps in identifying demand levels that can be used toestimate future demand. The most coomon method used in smoothing are simple moving average method which is used to calculate the mean of average prices over a period of time and plot these mean prices on a graph which acts as a scale, hereas the weighted average method uses a predetermined number of time periods to calculate the average , which has the same level of importance.

5. **Barometric Methods** : Barometric methods are used to speculate the future trends based on present developments. The basic approach followed in this method preparation of an index of relevant economic indicators and forecast future trends based on the movements shown by t he index. The barometric methods makes the use of following indicators viz, leading indicators that which has already occurred and is considered to predict the future event,coincident indicators which moves simultaneously with the current event and logging indicators which includes events that follow a change.

   Uncertainties in Demand Forecasting:

All though there exist different methods for demand forecasting, these are subject to certain limitations:

- **Unrealistic Assumptions**- Each of the forecasting methods are based on certain assumptions. The tend projection method is based upon the "mutually compensating effects. The assumptions at times may be not realistic and suffer from errors which may result in faulty analysis.

- **Unquantifiable data**- It has been noticed that most of the forecasting methods that are quantitative cannot handle unquantifiable factors which may be of great significance for analysis.
- **Technological changes**- Due to technological changes that has been taking place so frequently, it has been a very unpredictable factor which greatly influences the future prospect of every business.
- **Shift in government policy**: Changes in government policy with regard to granting of license to foreign companies, relaxation of price controls etc may at times have a serious impact on t he market situation, which may be difficult to anticipate .

Stop to consider

Methods of Demand Measurement are of two types.

(i)   Qualitative methods- traditional and subjective

(ii)   Quantitative methods-use of analytical tools for forecasting

Uncertainties exists in demand forecasting due to unrealistic assumptions, technological changes, shift in Government policies., etc.

Self Assessment Questions

14. What are the various methods of demand forecasting?

15. Mention any two qualitative methods of demand forecasting?

16. What is Econometrics method of demand forecasting.

Check your progress

8 Discuss the various methods of Demand Forecasting?

9. Which is the best method of Demand Forecasting? Explain.

Summing Up

- Global marketing involves the activities designed to plan, price, promote and direct the product and services offered to more than one country for a profit.
- A business firm has to operate within its environment as it do not has a separate existence from it. Global marketing is one where the entire world is a market place and there is no difference in the products offered.
- Business decisions are conditioned by two sets of factors, viz the internal environment(factors internal to the firm) and the external environment(factors external to the firm).
- External environment consists of micro environment and macro environment

- The micro environment consists of factors that affects company ability to serve customers.

- The macro environment consists of external forces which influence the marketing strategy   of a business to a great extent.

- Demand forecasting is the process of understanding and predicting customer demand in order to make smart decisions for future sales strategies and earning increased revenue.

- There exist two methods for measuring Demand and Forecasting.viz, Qualitative and Quantitative method.

- Although different methods of measuring demand and forecasting provides proactive support in devising the various marketing policies ,yet such methods are not free from limitations like unrealistic assumptions, unquantifiable data, change in technology etc.

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Relationship of Marketing with Other Functional Areas

Unit Structure:

5.1 Introduction:

The marketing functions of any organization cannot be separated from other relevant areas relating to the organisation as well as its environment. Therefore it's important to see how marketing connects with other functions like research and development, production/ operations/logistics, human resources, IT and customer service within the organization. Obviously all functions within the organization should point towards the customer i.e. they are customer oriented from the warehouseman that packs the order to the customer service team member who answers any queries customer might have.

"Marketing is not only much broader than selling, it is not a specialized activity at all. It encompasses the entire business. It is the whole business seen from the point of view of the final result, that is, from the customer's point of view. Concern and responsibility for marketing must therefore permeate all areas of the enterprise." Peter F. Drucker.

To simplify Peter Drucker's saying marketing can be viewed as a *business philosophy*. Success of any business mostly depends on satisfying customer needs and wants, which cannot be the sole responsibility of the marketing department.

> **Key Points**: Marketing always connects with functional areas like Research, Production, Human

resources, IT and Customer service.

As we have already discussed the conceptualities of relationship of marketing with functional areas and from the above discussion it is very clear that marketing department cannot work in isolation. Rather marketing allows and connects other functions for better efficiency.

5.2 Objectives

1. To establish cordial relationship among departments.
2. To make the system more efficient.
3. To develope a goal oriented approach.
4. To improve customer benefit.
5. To enhance customer benefit.

5.3 Relationship of marketing with different functional areas an organisation

5.3.1 Research and development:

Research and development is the most important function within an organization which generate new ideas, innovations and creativity to develop new products and services. It is a

continuous process for any organisation. Through research and development organisation not only create new product and services but also improve existing products and services continuously. Research and development is such a segment which looks after every department of the organisation to make the organisation more competitive. The primary objectives of research and development are to secure a competitive edge and increase bottom line profitability. Research and development is not generally undertaken in order to generate quick profit but instead for long term benefits. The new information that research development generates can enhance employee commitment and confidence levels. Instead of working on the same procedures, processes, and methods, research and development challenges employees to constantly learn and grow. Research and development is also important for market research and identifying customer needs and wants. Applied research is invaluable for developing new products and services and improving existing one in accordance with customer needs and wants from the above analysis it can be understand that research and development department provide valuable insights to the marketing department and by incorporating those insights marketing department can make their strategies more interesting and significant. In an increasingly competitive global marketplace, competition cannot be overlooked or undervalued. Though research and development activity require a significant cost, still a good research and development team can gain and maintain a competitive edge by boosting sales, increase in profitability, open new and untapped markets, enhance brand and gain in reputation, attract best employees, attract more investors, finding new business partners, access new supply chains etc.

> **Key Points:** Research and development is basically innovating new products and services and also improving existing one through which an organisation can gain competitive edge.

5.3.2 Production/operations/logistics:

As with research and development, the operations, production and logistics functions within business need to work in cooperation with the marketing department. Operations include many other activities such as warehousing, packaging and distribution. Operations also include production and manufacturing, as well as logistics. Production and marketing department should have proper coordination and work closely with each other. Creation of demand is the task of marketing department where fulfilling that demand depends on the timely production of those demand. So there is a possibility of conflict between these

departments. But, in order to increase the organization's performance and progress, the marketing and production functions must communicate with each other. Each function has their different roles. The production function focuses on creating new products, managing the quality and quantity of the products, and arranging deliveries. Marketing function concentrates on satisfying customers and meeting their needs. Therefore, in order to increase profits and fulfill consumers' needs, the organization must collaborate between marketing and production functions and limit the conflicts that might arise between them.

Logistics and marketing might seem to be diametrically opposed to each other. Logistics deal with the handling and delivering of raw material to finished products. Marketing, on the other hand, is a combination of creative activities and the detailed analysis that backs them up. However, these both the departments within any organisation have a symbiotic relationship. As clients, for example, routinely expect production and shipping to be fast and efficient, logistics is an increasingly important component of marketing. Logistics is concerned with getting the product from production to warehousing, to retail and to the ultimate consumer in the most effective and efficient way. Through marketing demand is created in the market and it is the duty of the production and logistic department to timely fulfill the demand. In this competitive era fast movement of goods from one place to another is very much crucial for the success of the organisation. An efficient logistics department can become a marketing instrument. Some companies have logistics systems that are so fast and efficient that they're able to charge lower prices from consumer as compared to the competitor which in turn work as leverage for the organisation. Logistics and marketing are complementary business operations that enable a company to ensure that it can offer the right products to the right customers in the right place. Place is one of the five P's of marketing. Through proper coordination between logistics and marketing, companies can build the highest levels of customer satisfaction by improving customer experience, enhancing customer benefits.

> **Key points:** Operations include many other activities such as warehousing, packaging and distribution. Operations also include production and manufacturing, as well as logistics. Logistic and marketing are complementary business operations that enable a company to ensure that it can offer the right products to the right customers in the right place.

5.3.3 Human resources:

Organisations are managed and run by people, so its utmost important to look after efficient people and this particular task is performed by HR department. Human Resource Management (HRM) is the function within the organization which looks after recruitment and selection, training, development and other concerning areas of professional development of employees. Other related functional responsibilities include well-being, employee motivation, health and safety, performance management system and the knowledge regarding the legal aspects of human resources. So the marketing department must have the association with the HR department for smooth implementation of strategies. The HR department help marketing department with scoping out the job, a person profile, a job description, and advertising the job. The HR departments help to find right marketing personnel through assisting an interview to offering job. HR personnel organise an induction programme for other departments so that new employee can understand their role easily and also become familiar with the organisation. HR department also show the mirror to the employees through performance appraisal to the employees which in turn help in taking corrective measures for the betterment of the organisation. HR professionals also look after various legal aspects of the organisation which help in maintain good industrial relation within and outside of the organisation. Registration of trade mark, brand name, patent etc. requires legal expertise where HR can play a very significant role. These are the different operational functions of HR department which ensure and enhance quality of the organisation.

> **Key Points:** Human Resource Management (HRM) is the function within the organization which looks after recruitment and selection, training, development and other concerning areas of professional development of employees.

5.3.4 IT (websites, intranets and extranets):

Information technology broadly consist of elements such as computer software, information systems, computer hardware (such as the screen you are looking at), and programming languages. In this modern era marketing activities extensively use all the IT elements to transmit information i.e. how to get information, how to process it, how to store the information, and then how to disseminate it again by voice, image or graphics. IT has changed the overall marketing strategies for organisation. Without adopting information technology no organisation can progress in the modern business world. Information Technology plays a vital role in building customer relationship management (CRM). Obviously IT is a huge field but we need to recognise the importance of websites, intranets

and extranets to the marketer. So a website is an electronic object which is placed onto the Internet. Often websites are used by businesses for a number of reasons such as to provide information to customers so that customers can interact, compare and buy a product, more significantly customers start to build a long-term relationship with the marketing company. Likewise organisations are trying to explore different technologies like mobile marketing, social media marketing to attract more and more customers. Information technology is making the life and processes easy and simple for both marketing organisation and customers. But at the same time it has posing challenges also for marketing organisation because customers are becoming more demanding and want quick solution. Hence, companies need to deploy competitive IT professionals and also funds to make the system effective. The IT department and marketing department need to understand each other's merits and limitations before finalizing any strategy. Retaining and making customer loyal towards organisation is tougher than attracting a customer. In this regard a proper coordination is utmost important to achieve the goal of the organisation.

> **Key words:** Websites are used by businesses for a number of reasons such as to provide information to customers so that customers can interact, compare and buy a product, more significantly customers start to build a long-term relationship with the marketing company. Information technology is making the life and processes easy and simple for both marketing organisation and customers.

5.3.5 Customer service provision:

Customer service provision is part of the customer relationship management (CRM) which refers to the principles, practices, and guidelines that an organisation follows when interacting with its customers. From the organisations point of view, this entire relationship encompasses direct interactions with customers, such as sales and service-related processes, forecasting, and the analysis of customer trends and behaviours. Ultimately, CRM serves to enhance the customer's overall experience.

Marketing spend money in the market and drive customers into their places of business. Attracting a customer through marketing is one function and retaining the customer is another aspect of the business. Since the evolution of social media customer relationship has become a continuous and round the clock activity for any organisation. Retaining a customer and making that customer loyal towards the brands of the company is very much important and crucial for organisation to attain competitive edge. To achieve this particular objective

organisation need to understand customers' expectation and accordingly should provide training to their customer service team. Positive customer experiences improve customers' likelihood to return to a specific brand and increase the probability they will spend more. A positive experience improves the customer's overall satisfaction with the brand in question. Customer service provision is very much integrated into marketing. Customer service takes into consideration the needs of the customer as the central driver. So customer service function revolves around a series of activities which are designed to facilitate the exchange process by making sure that customers are satisfied. The first step in ensuring your customers satisfaction is to have a positive end-to-end experience with the brand and to shift internal structures to enable marketing and customer service teams to communicate and collaborate more effectively. Marketing and customer service may work together to achieve mutual goals and solve problem for the customers through following steps-

> Social media customer support.

> Creating content for customers.

> Understanding customer expectation.

> Unified messaging.

> Customer loyalty programme.

> Sharing customer stories.

> Shared goals.

> Product marketing.

> **Key word**: Relationship encompasses direct interactions with customers, such as sales and service-related processes, forecasting, and the analysis of customer trends and behaviours. Customer service takes into consideration the needs of the customer as the central driver. So customer service function revolves around a series of activities which are designed to facilitate the exchange process by making sure that customers are satisfied.

5.3.6 Finance department:

The marketing department will need to work closely with the finance department to ensure that, there is an adequate budget to meet the needs for research, promotion and distribution and advertising its products and services. For promotion, advertising etc. marketing department requires huge funds to create a strong appeal among customers. On the other hand finance department need to ensure that all the business operates within its financial capabilities. They will want all departments to work within their allocated budgets and must

have knowledge about companies' financial capabilities. While a business must be able to market its product, it must also be able to manage the related costs. This is the foundation of the relationship between marketing and finance.

Like all departments, marketing may wish to overspend if profitable marketing opportunities emerge over the year. The marketing department is likely to concentrate on sales volume and building market share, while the finance department may be more focused on cash flow, covering costs and paying back investment as quickly as possible.

To make this relationship work, the marketing department takes the responsibility of managing and developing the growth of a business while the finance department works closely with marketing to monitor trends in the business as well as manage the efficiency of marketing initiatives. In this competitive era marketing activities require finance more than ever. From a marketing perspective, by adopting following three ways relationship with the finance department can be improved for overall improvement of the organisation:

Communication is the key: The perception is that marketing is always going to ask for more funds to improve its performance and finance is always considering financial health of the organisation before allocating more funds. Hence, it is desirable to conduct regular meetings between the two departments to negotiate and discuss expenses and budgets in alignment to company goals.

Share the success: When Finance sees a large expense, without significant reason and knowing such requirements, they want to curtail the budget. That's their job. Those in marketing must take the time to discuss the reason for such requirements and explain the issue, why the funds are needed and how it will benefit the business. Both departments need to adopt collective bargaining to arrive at a meaningful solution.

Think alike: Marketing department, need to go through a proper research before finalising and presenting the project cost to the finance department. At the same time finance department also need to look at the project from the benefit point of view before deducting the project cost. This will make the negotiation process a lot faster and easier.

> **Key words**: the marketing department takes the responsibility of managing and developing the growth of a business while the finance department works closely with marketing to monitor trends in the business as well as manage the efficiency of

marketing initiatives.

Let us sum up: Marketing department requires assistance from all other departments in an organisation. Active cooperation with all departments make marketing department successful. From the above discussions it is clear that departments like research and development, production and logistic, information technology, human resources, finances are indispensable parts for the smooth functioning of marketing department. Marketing progressively work to attract and acquire customer where research and development helps with creativity and innovativeness. Production and logistic provide right product at right place at right time. Human resources can help by providing competitive manpower and information technology guarantees new age technologies to serve customers. Customer service or customer relationship builds long term relationship with customers and last but not least finance is known as life blood of all business activities. For successful implementation of all strategies finance department must sanction the budgeted projects. Hence, a comprehensive inter departmental communication is must be in place for attaining the overall goal of the organisation.

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5.5 Questions:

1. Define relationship of marketing with other functional areas?
2. What are the objectives of relationship of marketing with other functional areas?

3. How research and development helps an organisation?
4. Why coordination is necessary between marketing and production and logistic department?
5. Can marketing operate without the help of information and technology? Discuss in detail.
6. Discuss the relationship of marketing with HR department of an organisation?
7. What way marketing and customer relationship can benefit each other?
8. Discuss in detail the role of finance department in enhancing marketing capabilities of an organisation?

UNIT-1

PRODUCT POLICIES AND PRODUCT DIFFERENTIATION, CHALLENGES IN NEW PRODUCT DEVELOPMENT

Contents

1.1   Introduction

1.2   Objectives

1.3   Product- Meaning and Importance

1.4   Product Policy- Meaning, types of product policies

1.5 Product Planning and Development-Meaning, features, process of Product Planning and Development

1.6 Product Mix

1.7 Product Line

1.8 Product Branding

1.9Product packaging

1.10Summing up

1.11 References and suggested readings

1.12 Model questions

1.1 Introduction

Marketing

Marketing has emerged as a powerful institution and an important discipline of learning in the modern world. It is not a one way process. It has become essentials for all types of organisation.

Marketing process is a process of setting goals, planning and controlling the market environment and leading the execution of any products to be sold in the market. Over the years marketing cycle has gone for many changes. In any business organisation marketing is considered to be the most important.

It is indeed not easy to give a precise definition of marketing. It differs from person to person. In a nutshell, Marketing can be defined as an art as it involves application of skills and it also termed as a science as it contains a systematic body of knowledge based on experiments and observation.

Philip Kotler: Marketing is the science and art of exploring, creating, and delivering value to satisfy the needs of a target market at a profit. Marketing identifies unfulfilled needs and desires. It defines, measures and quantifies the size of the identified market and the profit potential."

There are various aspects of marketing . The biggest challenge for any business looking to enter into a new market includes the following: 1.Availability 2. Affordability 3. Acceptability 4. Awareness.

Stop to Consider

- *Market and marketing are two different terms ..*

- *Marketing is both arts as well as a science.*

1.2 Objectives

This unit is an attempt to understand the process involved in marketing with regard to Products and the various policies adopted by business firm for successfully managing a business . After going through this unit you will be able to learn:

- The meaning of Product
- The meaning and importance of Product and its policies
- The concept of Product differentiation and strategy formulation
- The challenges involved in initiating product differentiation
-

1.3 Product

Product can be defined as any goods or services which has some utility and the capacity to be used by a consumer. All the goods cannot be termed as a Product in business if they don't possess any utility. Product can be either in physical form such as goods as well as it can be a process in case of services.

Importance of product

1. Product is the Core attraction of all Marketing Activities in a marketing environment.

Marketing activities includes actions such as advertising, sales promotion distribution, buying, selling etc. It is the product which is purchased, sold, advertised, distributed etc.

2. Marketing Planning starts with Product

To any business firm and marketer, products are the main component through which market starts.Marketing planning is normally carried out based on the nature, quality and the demand of the product.

3. Product is the Keycomponent for the success and failure of market

Product is the key to market success. It is the duty of the marketing manager to emphasizes and insists on the need of the product for having success in the business.

4. Core of Consumption and Satisfaction

From the consumers' point of view, the product is the Centre of their consumption and satisfaction. It is the element of modern marketing concept.Marketing management has to take various policy decisions so as to provide better consumption, benefits utilities and satisfaction to the consumers in case the product is not upto the demand of the consumers.

Check Your Progress

1. Product planning is the function of a Sales manager.(True or False)
2. The product concept of marketing dealt with the profit motive.(Correct/incorrect).

1.4 Product Policy

Product Policy is concerned with defining the type, volume and timing of products a company offers for sale. The product policies are general rules set up by the management itself in making product decisions. Good product policies are the basis on which the right products are produced and marketed successfully**.**

Objectives of Product Policy:
Product policy of any business firm has the following important objectives:

1. Survival

   The primary objective of a business firm is to stay in the market profitably so that the business is able to face the challenges and survive in the long run.

2. Growth

   Any product policy of a business firm are based on the long term goals of the the company. The policies are defined in such a way that it is targeted to have a good growth in the long run in the market.

3. Flexibility

   Another important objective of a product policy is to make the policies as flexible as possible so as to meet the changing needs of the customers, government policies ,global changes in technology and economy.

4. Economies of scale

   The business firms must make ultimate utilisation of resources available. The firms must also develop plans and policies to create economies of scale and improve profits.

Self Asking Questions

1.Define Product planning. How is it different from product development?

2. Critically examine the importance of a product in a product policy planning.

Types of Product Policy Decision

Any business marketer must keep in mind certain product policy decision while introducing a product. A product policy generally involves four basic decisions. The following are the various product policy decisions:

1. **Individual Product decision:**

    i)Product attributes: It refers to the product's quality, style,features and design. If a product maintains quality the manufacturer can give the customers assured quality product in the long run. A well featured product helps in differentiating the product from other products. Style of a product helps to bring the attention of the customers towards the product.

    ii) Product branding: Brand name is essential for a product. It helps the customers in differentiating the product from the other products in the market. Branding facilitates the marketers in building customer brand consciousness.

    iii)Product Packaging: Packaging helps in making the product more attractive and it lays the outer cover for the product. Packaging helps in providing relevant information like knowledge about the product, quality, quantity,price etc.

    iv) Product Labelling: Labelling can be defined as the information of the product provided to the customers relating to the producers name, date of manufacture, expiry date, MRP, place of manufacturing etc.

2. **Product line decision:** Product line means those products which are closely related to each other . Product line concept is followed by the producer when there is the presence of excess production capacity. The product line may be short or it may be long product line depending on the profit. There are basically two ways of adopting Product line:

    a) Product line stretching: It can be defined as the addition of a new product by stretching the product line by upward, downward or in both ways.

    b) Product line filling: It can be defined as the addition of a new product when the producer add a new product within the existing range of products**.**

3. **Product mix decision:** It refers to those decisions which deals with the adding of a new product or eliminating any existing product from the product mix, adding a new product line etc.

Stop to Consider

1. **Product policies are generally the regulations set up by the management while making product decisions.**
2. **There are generally four types of product policy decisions.**

1.5Product Planning and Development

Product Planning means an attempt to create the product in line with market needs. The planning and development of new products , though a vital necessity for all enterprises, constitute a costly process. They involve risks and hazards also.

Product Planning has been defined by the American Marketing Association as "the act of making out and supervising the search, screening , development and commercialisation of new products; the modification of existing lines; and the discontinuance of marginal or unprofitable items."

New product planning constitutes a very lengthy and complex process and includes the following changes:

- The varieties of goods or services offered by a marketer

- The volume of products, or different lines, which a company offers in various categories

- The level of quality or the acceptable levels to various classes of consumers

Competitive benefits may be achieved by making changes in the package, color, size, quality, innovation of a product.In a nutshell, the product is the soul and heart of all marketing activities.

Product planning means an attempt to establish the product in line with market needs. The planning and development of new products, though a vital necessity for all progressive enterprises, constitute a costly process. They involve risks and hazards also.

In order to minimise the risk, a few important steps need to be followed in a new product planning and development. These are as follows:

Exploration:

The initial step is the generation of new ideas. Ideas which relates to new products or development of old products or processes may come arise from:

(a) internal sources which includes salesmen, non-marketing employees, middle managers and top management,

(b) external sources which includes customers, distributors, advertising agencies, laboratories, private research centres, trade associations, government agencies.

Certain techniques have also been developed in the recent years which are useful in developing ideas. Among them are gap analysis, attribute listing and brain storming, forced relationships, morphological analysis, problem identification and synectics.

Gap Analysis:

Gap analysis attempts to look out for gaps in the market where there is a combination of unsatisfied consumer demand and opportunities for a new product.

Attribute Listing:

Attribute listing consists in preparing a list of the attributes of a product and formulating methods to modify them in order to check if a new combination of attributes can be evolved for the improvement of the product.

Brain Storming:

Brain storming in a formal group exercise like a stormy meeting of about six to eight creative personnel specially convened to stimulate new ideas.

Forced Relationships:

In this case several objects are listed and each product is taken into consideration in relation to every other object.

Need/Problem Identification:

Need or problem identification develops within the consumer. Consumers are asked about needs, problems and ideas. The various problems are rated for their seriousness, incidence and cost of remedying to determine which product improvements to make.

1.6 Product Line:

The product line is a collection of products which are closely related either because it satisfies a class of need or are used together or sold to the particular customer groups or marketed through the specific outlets or fall within given price ranges.

According to Stanton, A broad group of products intended for essentially similar uses and possessing similar physical characteristics constitutes a product line. For example, Bajaj Electricals turns out fans, electric lamps, cables, electric irons, heaters, transformers and so on.

The important advantages are:

(a) It provides for full utilization of capacity with regard to production.

(b) It facilitates entry into new items without having to bear extra marketing expenses.

(c) It enables the marketer to consolidate his advertising and promotional strategy.

(d) It facilitates consumer satisfaction.

(e) It enhances the profit earning capacity of the company.

(h) It lessens the probability of risk.

Product Line Decisions:

The decision with regard to adding a new product is similar to other managerial

decisions. Taking decision of the product line depends upon a number of factors:

(a) Company's objectives

(b) Specialization of the product

(c) Product influences

(d) Elimination of unsought goods

(e) Marketing strategy

(f) Buying habits of the customers

(g) Changes in market demand

(h) The distribution net-work

(i) The company's cost involved

1. 7 Product Mix:

It is a broad term which refers to the total assortment of different commodities marketed by a firm. It is, however, treated as a composite. According to Stanton, "The product mix is the full list of products offered for sale by a company". It may range from one or two product lines to a combination of several product lines or groups.

Characteristics:

There are four principal characteristics:

(a) Length:

Length of the product mix refers to the total number of items in its product mix.

(b) Depth:

Depth refers to average number of items sold by a company within a single product line.

(c) Width:

Width is judged by the number of different product lines dealt with by a company.

(d) Consistency:

Consistency means how many product lines are closely related in production requirements, distribution process, end use, etc.

Advantages:

1 Availability of moreproducts mean unlimited choice for customers and thereby more consumer satisfaction levels.

2. The maintaining costs in the sales force are reduced if more and more products are distributed through the one outlet..

3. Advertising of a variety of products is likely to yield better outcome.

4. Production of any products with slightest of changes results in reduction of cost per unit of production.

Factors Influencing Change in Product Mix:

Product mix is affected by several factors and particularly changes in the product may be due to the following factors:

(a) Goodwill of the company

(b) Attitude of the competitors

(c) Financial position of the business

(d) Change in planning and development

(e) The purchasing capacity of consumers

(f) The change in demand of a product

(g) The introduction of substitute products.

(h) Advertisingstrategy and channel of distribution

Stop To Consider

1. **Product line is one line of similar products sold within a company.**

2. **Product mix is the combined total of all the product lines sold in a company.**

Check your Progress

1. A product line is a subset of ………………….

2. There may be various product lines in a company but only one Product mix.(True or False)

Self-Asking questions

1.What is a Product line?How do product lines work? Explain the benefits of a product line.

1.8 Product Branding:

Branding is an important element in product strategy. Developing a branded product requires a great deal of long term investment spending, covering the advertising, promotion and packaging aspects. Branding is the process of identifying the name of the manufacturer with the product. The essence of branding is identification of particular product from amongst the competitor's products.

According to American Marketing Associations:

i. Brand is a name, term, symbol or design or a combination of them which is intended to identify the goods or services of one seller or a group of sellers and to differentiate them from those of competitors.

ii. Brand name may be in the form of words, letters or numbers which may be localised.

iii. A brand mark is that of a brand which appears in the form of a symbol or design or distinctive colouring or lettering.

In short, brand name refers to the product, trade name refers to the company, trade mark refers to the brand name with legal protection. In certain cases, brand name and trade name are combined. Trade mark should be registered with the authorities specified under the relevant law.

Branding Objectives:

The core aim of branding is to create an image about the product which is associated with the brand. A powerful brand name is said to have consumer demand. This is evident when a certain group of customers demand that brand and refuse a substitute product even if the price is lower. Customers want brand names to help them identify quality differences and shop more efficiently.

Types of Brands:

(i) According to their origin or nature, brand names may be classified as follows:

(a) Symbols— H.M.V's dog

(b) Letters — I.T.C for India Tobacco Company

(c) Name of the founder or family — Tata Steel

(d) Company name — IBM Computers

(e) Words having some relation to the product — quick fix (Resin)

(f) Words or figures which have no relation to the product — 501 Bar Soap

(g) Words which have originated as brand names — Aspirin

(ii) Brand may also be classified as:

(a) Family brand — A firm adopts for a variety of products, i. e. Johnson and Johnson

(b) Individual brand — A firm adopts for each of its products

(c) Combination device — Products have individual name and company brand e.g. Tata's

Taj.

Basic Requirements of Branding:

(a) There must be enough and more demand for the product.

(b) There must be more and more supply of the product.

(c) The quality of the products should be always given preference.

(d) There should be effective distribution of the product.

(e) The product should be distinctive as compared to other branded products.

Characteristics of a Good Brand:

A good brand should possess the following characteristics:

(a) A brand should suggest a few benefits about the product such as its use, quality, content and mode of action.

(b) The brand should be neither descriptive nor deceptive.

(c) The name should be easy to pronounce, spell and remember.

(d) A brand name should be short and simple.

(e) A brand name should be distinctive.

(f) A brand name should be versatile so that it can be applied to new products.

(e) A brand name should be adaptable to any advertising medium.

(f) A brand name should be capable of being registered and protected legally.

(g) A brand name should be selective so that it can be suited to the specific market.

(h) It should not be obscene or offensive.

(k) A brand should not resemble other brand name.

Advantages:

A brand is advantageous both for consumers and manufacturers.

(i) To the Consumers:

(a) Consumers find it easy to identify the product from its competitors.

(b) Producers look to maintain quality throughout so that consumers get quality goods.

(c) Consumers are protected as the brand identifies the firm.

(d) Branding ensures reliability, standardization and quality.

(e) It saves time of the customers while shopping.

(ii) To the Manufacturer

(a) It works like a cumulative force, promotes repeat sales and stabilizes the sales volume.

(b) It establishes an image of the product and the company.

(c) It helps in introducing the new products.

(d) It enables a manufacturer to eliminate middlemen.

(e) It assists him in withstanding price competition.

(f) It helps in reducing selling cost.

(g) It distinguishes products from rival firms.

Disadvantages:

The disadvantages of branding are:

(a) The product price tends to go up.

(b) It involves heavy expenditure and sustained effort to establish a brand.

(c) It imparts a sort of rigidity to the product.

(d) Manufacturers taking advantages of the popularity may reduce the quality gradually.

(e) The selection of a proper brand name also creates problems.

Product Categories:

Products are generally categorised into consumer and industrial goods. The category of consumer goods is still too broad to formulate specific market strategy.

So consumer goods may be further subdivided into:

(a) Convenience goods,

(b) Shopping goods,

(c) Speciality goods, and

(d) Impulse goods.

(a) Convenience Goods:

Convenience goods are those goods which are brought with the maximum of convenience such as ready availability and satisfaction of immediate and frequent requirements, low unit price and more or less standard quality and uniform price.

(b) Shopping Goods:

Shopping goods are those goods which are bought by consumers after some shopping, i.e., making comparisons about their price, style and suitability in general in a number of shops.

(c) Speciality Goods:

Speciality goods are those goods to get which significant number of consumers is habitually willing to make special purchasing efforts. Examples of speciality goods are home appliances, wrist watches, automobiles, etc.

(d) Impulse Goods:

Impulse goods are those goods that are purchased by the consumers on the basis of sudden emotions or impulses.

On the basis of benefits provided to the users, consumer goods may also be divided into:

(a) Durable goods, and

(b) non-durable goods.

Durable goods are all those goods that last long or they can be used again and again. In the process of consumption, they suffer some depreciation. Examples are: motor car, furniture, clothing, etc. Non-durable goods are those goods which cannot be used for long. They get exhausted after one or few uses. Examples are food items, medicines, toiletries, etc.

Industrial Goods:

Goods which are used for production or used in producing other products are industrial goods. The industrial goods are further classified into:

(a) Raw Materials:

Raw materials are the basic materials entering physically into the final products. Examples are raw cotton, raw jute, oil seeds, etc.

(b) Fabricated Materials:

Materials of this category will enter physically into the final products, but some type of processing is already undergone. Examples are leather, yarn, bricks, etc.

(c) Component Parts:

Such type of parts are already undergone some processing and more or less the parts can be called as final products, that is, assembly of several component parts makes the final products. The components are visible in the final product such as tyres, speedometer, spark plugs and spare parts.

(d) Installation:

Machines, buildings, equipment's, etc. do not enter into final products and are durable for a long period. They are essential for production. Examples are gas, power installation, etc.

(e) Accessories:

They are light machines or tools which are used for the operation of a business. They are not used for manufacturing a product. Examples are hand tools, type-writers, calculators, etc.

Stop to Consider

1. Branding includes methods and techniques like use of logos, jingles, taglines etc.

2. Brand gives image to the product and differentiate from the competitors.

Check Your Progress

1. **Define brand name. Is trademark and brand synonyms?**
2. **Labelling means providing information regarding the product.(Yes /No)**

Self-Asking Questions

1. **What are the advantages and limitations of branding a product?**

1.9 Product Packaging:

Packaging is an important tool for face lifting of a product. Packaging is intended to protect, identify, differentiate, improve handling, convenience, and promote the sale of the product. Package, therefore, has become virtually a part of the product. The package has been rightly described as the 'silent salesman.'

According to Louis C. Baril, "Packaging may be defined as the protection of materials for all kinds of means of containers so designed as to prevent damage to contents by outside influences". Stanton defines packaging "as the general group of activities in product planning which involve designing and producing the container or wrapper for a product". According to the Indian Institute of Packaging, "It is the embracing function of package selection, manufacture, filling and handling."

Kinds of Materials Used for Packaging:

The following materials are generally used for packaging:

(i)	Paper —	Soap
(ii)	Tin —	Biscuits
(iii)	Plastic —	Oil
(iv)	Glass —	Medicine
(v)	Card Board —	Fragile articles
(vi)	Straw Baskets —	Vegetables
(vii)	Gunny Bags —	Grains
(viii)	Wooden Boxes —	Apple
(ix)	China Jars —	Products need protection against light

(x)	Earthenware —	Liquor

Functions of Packaging:

The following are the important functions of packaging:

1. Protection:

The packaging is intended to give protection to the product against the following:

(a) Damage by machine handling

(b) Product loss from spilling and evaporation

(c) Pilferage

(d) Contamination

(e) Moisture

(f) Heat

(g) Light exposure

(h) Insect or fungus attack

(i) Rain

(j) Chemical transformation

(k) Loss of freshness

2. Convenience:

(a) Convenience of storage in warehouses, shops and house-shelves

(b) Convenience in use

(c) Convenience in handling

(d) Convenience in opening

3. Identity of the Product, Firm and Brand:

Package helps to identify the products, through colour, lettering, size, shape, material and text.

4. Package acts as the Carrier of Message:

It provides product information. Wherever possible some message or information is printed or embossed on the package.

5. Re-use or Scrap:

Packages are prepared in such a way that can be used for storing other articles. Some packages are so designed that refills can be bought at an economic price and the same product

can be used in the original container. Even if the package cannot be re-used very well, it can be used as a scrap.

6. Reduces Transport Cost:

The most important factor in packaging is the cost. Bulky cotton or fabrics are compressed into bales. By the use of light weight and at the same time strong materials for packing, transport cost can be reduced. So package must be strong enough to undertake the strain of the journey.

7. Product Differentiation:

Products with narrow differences can be differentiated easily with the help of packing. Washing soaps like 555, Rin, Wheel, Henko, etc. can be identified only with the help of the wrapper. Changing the package is the easiest and inexpensive way to practice product differentiation.

8. Sales Promotion:

The use of package provides the product a prestige. Attractive package induces sales. Package provides an extra attraction to affluent buyers who may buy the product just to get its special package.

Characteristics of a Good Package:

The package to be effective should have the following characteristics:

1. Attract attention

2. Clean and sanitary

3. Establish identity

4. Develop and sustain interest

5. Convenient to handle

6. Enhance the image of the product

7. Instil itself in the memory of the consumer.

1.10 Summing Up

The present chapter explains the role of marketing in a business. In today's business environment, marketing has become an integral part. It is rightly said that without marketing no business can succeed. It is rightly defined that product planning is an inseparable part of every product's implementation. It allows for safe product development as it helps to measure possible threats and risks. The stages of product development is a long process but it is designed to save wasted time and resources. Products are of different types based on the needs and demands of the public.

Product development is a chronological order of steps which includes generation of ideas, screening, making designs, development and marketing of newly produced product or services.

Product mix usually helps to examine in which direction the business is heading and the information accumulated by product mix helps the management to determine which path to follow.

Branding is basically more than just a design, logo etc. Branding is important to create loyal customers.

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1.12 Model Questions

1. What do you mean by Marketing? State its characteristics.

2. "Branding is important to target the consumers". In the light of the statement , bring out the importance of Branding.

3. Explain the Product policy involved in a marketing cycle.

4. What do you understand by Product Planning and Product Development?

5. Differentiate between product planning and product development.

6. Explain the concept of product mix.

7. State the factors influencing the product policy.

8. What is a product? What are the different categories of products?.

9. What are the pre requisites of a good package? Bring out the recent trends of packaging.

10. Define packaging? What are the important functions of packaging products?

Unit 2
Branding Strategies and packaging, Role of Brands, Brand Equity, Brand Loyalty

Contents

2.1. Introduction

Branding is a marketing approach that involves creating a distinguishing name, image, or logo for a product in order to capture buyers' attention. Its goal is to give a product a distinct identity that distinguishes it from other companies' offerings. It also aims to cultivate client trust and loyalty for the product. It not only generates a positive impression of the product in the minds of customers, but it also creates expectations for the brand. Companies use branding as a marketing tactic to raise awareness of their products among their customers. A brand name is used to market all consumer-packaged goods. That is a fact that shows the inextricable link between packaging and branding, but not necessarily its strategic reach. Packaging, on the other hand, has a lot of potential as a brand-builder and should always be considered as part of a brand strategy. And, while packaging has been defined in a variety of ways in this and other publications, a brand definition may be necessary.

2.2. Objectives:

This unit is an attempt to analyse the ideas of Brand strategies. After going through this unit, you will be able: -

> ➢ To understand the meaning and nature of branding and its strategy.

> ➢ To understand the meaning and the role of packaging.
> ➢ To understand the deeper meaning of brand equity and brand loyalty.

2.3 Branding Strategy

"Branding is endowing products and services with the power of a brand" (Kotler & Keller, 2015)

Branding is the process of building and shaping a brand in the minds of consumers to give a meaning to a specific organisation, company, products, or services. It's a method used by businesses to help customers immediately recognise and experience their brand, as well as giving them a reason to choose their products over the competition's, by defining what the brand is and isn't. The goal is to attract and maintain loyal customers and other stakeholders by consistently delivering a product that meets the brand's promises.Branding is a marketing strategy that allows customers to distinguish your company's products or services from those of competitors. Branding frequently entails the creation of features such as a logo, mission statement, and design that are consistent across all marketing communication channels. A branding strategy (also known as a brand development strategy) is a long-term plan for achieving a set of long-term goals that lead to people recognising and preferring your brand. The brand's objective, its promises to customers, and how these are presented are all part of a successful branding strategy.

A branding strategy is not your logo, colour combinations, or website, despite the fact that these creative components are essential to a successful branding strategy. All of the intangible components that create brand awareness, brand equity, and brand sentiment over time are fundamental to a branding strategy.

2.4. What makes a brand strategy successful?

The core purpose of a good branding strategy is to let the world know that the brand exists, what it stands for, and what distinguishes it. A branding strategy is a flexible, long-term approach that must be re-evaluated over time based on its effectiveness (or lack thereof). The success of a brand development strategy isn't always easy to determine. Intangible, difficult-to-quantify characteristics are typical in branding campaigns, therefore it's vital to determine how success will be measured from the start.

Every organisation will take a different method to measuring success, but all will incorporate the same aspects in their strategy. The first stage in developing an effective brand strategy is to answer the following questions:

i.   How do you figure out who your prospective customers are? - Who will the brand benefit? How do these customers feel now, and how do they want to feel in the future?
ii. How do you find out who your competitors are and how they are providing what your potential customers want?
iii. What methods do you use to engage potential customers?To fulfil its objectives, what personality and tone of voice would your brand need?

2.5. Types of Branding Strategies

Depending on the target demographic, sector, budget, and marketing initiatives, there are numerous sorts of branding that might offer value to your firm. Here are seven different sorts of branding methods that might help your company establish brand equity.

1. **Personal Branding:** Personal branding refers to branding that is applied to a single person rather than a company as a whole. This kind of branding is frequently used to create a person's personality, character, or job as a brand.This type of branding is frequently used by celebrities, politicians, thought leaders, and athletes to show the best version of themselves to the public.
   Seth Godin, an entrepreneur and author of more than 20 marketing books, for example, has established himself as a business and marketing specialist. Seth has developed a distinct personal brand, and many people now associate him with his concise blog articles that focus on a single concept at a time. Because of the strength of his personal brand, people prefer to hear from Seth Godin rather than a company or organisation.

2. **Corporate Branding:** Corporate branding is a corporate value and philosophy that a company develops to market itself to the outside world and its own workers.In each point of interaction with prospective consumers, existing customers, and past customers, effective corporate brands often seek to display the company's mission, personality, and basic values.Nike's basic principles and mission, for example, can be recognised across all of its platforms and goods. "To deliver inspiration and innovation to every athlete in the world," says Nike's mission statement. In addition to their well-known swoosh check mark emblem, the company's slogan is "Just do it."Nike portrays itself as a brand for athletes, sports lovers, and everyone who is passionate about fitness as a business brand. They also state unequivocally that everyone can be an athlete.

3. **Product Branding:**This is one of the most common types of branding. The goal of product branding is to make a single product stand out and be remembered. Symbols or graphics are an important aspect of product branding since they help customers quickly recognise your goods.Monster Energy products, for example, have distinct packaging and emblems that set them apart from Red Bull energy drinks.

4. **Service Branding:**The customer's needs are leveraged through service branding. Companies that employ service branding aim to give world-class service to their clients. They want to add value to their consumers by providing exceptional customer service.Chick-fil-A, for example, is noted for its great customer service, which has become synonymous with the company's name.

5. **Online Branding:**The term "online branding," sometimes known as "internet branding," refers to the process of a company positioning itself as a participant in the online marketplace. A company's website, social media platforms, blogs, and other online material all fall under this category of branding.In today's market, almost all businesses use some form of online or internet branding.

6. **Co-Branding:** Co-branding is a type of branding that brings together businesses. Co-branding is a marketing collaboration between two or more companies. This allows businesses to have a beneficial impact on one another, which could lead to one strengthening its business, spreading brand awareness, and breaking into new markets. Frito Lay and Taco Bell, for example, collaborated to create the Doritos Locos Taco, which appealed to both populations.

STOP TO CONSIDER

A brand is a name, picture, design, or symbol, or a combination of those elements, that a seller uses to distinguish and differentiate its offerings from those of competitors. Branding is a series of activities aimed at creating a brand and positioning it in the minds of consumers in comparison to other brands. The brand under which a new item will be sold is a crucial decision that organizations must

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Self-Asking Questions:

1. What brands do you admire?
   ……………………………………………………………………………………………
2. What are your core values and attributes your brand should express?
   ……………………………………………………………………………………………
3. What makes a brand strategy successful?
   ……………………………………………………………………………………………

2.6. Packaging

"Packing is the preparation of product or commodity for proper storage and/or transportation. It may entail blocking, bracing, cushioning, marking, sealing, strapping, weather proofing, wrapping, etc." – Business Dictionary.

The wrapping or bottling of products to protect them from damage during transportation and storage is referred to as packaging. It aids in identifying, defining, and advertising a product while keeping it safe and marketable. Packing refers to the process of packing or wrapping things in order to make them look appealing while also ensuring their safety, i.e. (a) holding the contents together and (b) protecting the product as it travels via distribution channels. Packaging refers to "all actions involved in designing and producing a product's container or wrapping."

Recently, the terms 'packaging' and 'packing' have been used interchangeably to refer to both 'packing' and 'packaging.' 'Packaging' used to refer to a retail or consumer container, whereas 'packing' referred to a transport container. Consumer packaging has a lot of marketing implications, but logistics-wise, transport containers are more crucial. The wrapping or bottling of products to protect them from damage during transportation and storage is referred to as packaging. It aids in identifying, defining, and advertising a product

while keeping it safe and marketable. Different kinds of products need different kinds of packaging, for example, liquid products are packed in barrels and bottles; whereas, solid products are wrapped. The organizations use special containers for fragile products, such as glassware.

Although the phrases packing and packaging are sometimes used interchangeably, there is a distinction between the two. Packaging refers to the act of covering a product to protect it from damage, leakage, dust, pollution, and contamination. Chocolates wrapped in thin sheets, milk packaged in sachets, and so forth are examples.

Packing entails placing all of the packages in a large box, container, chest, or crate for storage, transportation, and handling. Furthermore, in the current setting, the functions of packing and packaging have gone beyond the basic requirements of product protection.

2.7. The objectives of packaging

The most essential reasons for the importance of packaging are:

1. **To Provide Physical Protection:**Material packaging ensures that they are protected from vibration, temperature, shock, compression, and quality degradation, among other things. Theft, leakage, pilferage, breakage, dust, dampness, bright light, and other factors are all protected by packaging and packaging.
2. **To Convey Message:**A manufacturer has a lot of information about their product that they want to share with their customers. Information about the raw materials utilised, the sort of manufacturing technique employed, usage instructions, and the use-by date should all be provided to users. Such information is printed on the packets by the manufacturers.
3. **To Enable Marketing:**Marketing relies heavily on packaging and packaging. Sellers employ good packaging and packaging, as well as beautiful labelling, to offer their items to potential purchasers. The shape, size, colour, and appearance, among other things, are all intended to entice potential purchasers.
4. **To Provide Portion Control:**To monitor consumption in the medicinal and pharmaceutical fields, specific amounts of components are required. Medicine tablets are separated into packaging that are more appropriate for individual use. It also aids in inventory management.
5. **To Enable Product Identification:**A product's identity is determined by its packing and packaging. This is accomplished by using effective colour, form, and graphic design to create a unique and distinct package. In today's environment of fierce rivalry and product clutter, such identification and differentiation are critical.
6. **To Enhance Profits:**Because consumers are willing to pay a greater price for packaged goods, profit margins will be bigger. Furthermore, packed items lower the cost of handling, shipping, and distribution, as well as waste, resulting in higher profitability.
7. **To Provide Convenience:**Handling, display, opening, distribution, transit, storage, sale, use, reuse, and disposal are all made easier by packing and packaging. This can

be seen in packages with easy-to-carry handles, soft squeezed tubes, metallic containers, and strategically placed nozzles, among other things.

8. **To Provide Containment or Agglomeration:**For the sake of efficiency and economy, little objects are usually packaged together in one packaging. A single bag of 1000 marbles, for example, requires less physical handling than 1000 individual marbles. Containment is required for liquids, powders, and granular solids, among other things.

2.8. Aspects relating to Packaging

Packaging is an important component in developing a marketing plan for a product in the worldwide market. The promotional and protective features of packaging should be considered.

1. **Promotional Aspect of Packaging:**A product's packaging is crucial in promoting it in international markets. With the introduction of self-service kiosks and supermarkets, a product's packaging acts as a "silent salesman." Many of the salesman's tasks can be performed by it. When there are no salespeople to market the goods in stores, the packaging on the shelf must draw the consumer's attention, describe the product's and producer's features, exude confidence, and leave a positive overall impression. Because it conveys and portrays numerous attributes of the product as well as the producer, good packaging leads to increased consumer approval.

2. **Protectional Aspect of Packaging:**The second key feature of packaging is the protection it provides to the product. Consumer packaging is designed to make it easier for consumers to use and store their products.It protects the product from:

    i. Adulteration and pilferage - Unless repackaged, it cannot be contaminated with any other product.
    ii. Product loss — If oil, petroleum products, and other products are left exposed, they will be lost.
    iii. Contamination by dirt or dust, such as clothing or food.
    iv. Moisture increases or loss, for example, in cement or sugar; (e) Chemical change.
    v. Insect assault, such as a moth in woollen clothing.

If we are able to produce and bring about retail packs for a significant number of exportable commodities, it is predicted that good packaging boosts the unit value realisation by nearly three times. It also increases the product's popularity.

3. **Transport Packaging Protection during Transit:**In international marketing, the primary function of transport packaging is to guarantee that commodities arrive safely in the hands of consumers. The fact that the products are secure is no reason for ignoring the risk of damage or theft while in transit. Regardless matter whether the items are insured or not, good packing is required.Packaging modifications are required to avoid this. Improved packing is required to reduce transit losses caused by environmental dangers such as climate, moisture, and other factors, as well as to improve handling and delivery times. The materials used in packing should protect the items from the negative effects of moisture, gas, light, air, and other factors so that the properties of the goods, such as shape, weight, stability, fragility, stiffness, surface finish, and durability, are preserved. As a result, packaging is critical for storage, preservation, protection, and delivery.

The sort of packaging that ensures that the items are delivered to the overseas buyer in good condition will vary depending on a number of circumstances, including:
    i.   The product,
    ii.   The poor of destination,
    iii.   The length of the journey,
    iv.   The climate of the place of delivery and destination,
    v.   The food and measure to which the goods are subjected during the voyage,
    vi.   The loss of the importing and exporting countries regarding packaging of goods,
    vii.   Mode of handling the goods, and so on.

In many cases, the packing requirements are spelled out in the contract, so the exporter doesn't have to worry about them. He is required to follow the contract's terms and conditions. Even if the importer has not stipulated any packing requirements, it is the exporter's primary responsibility to supply transportation packaging of the type that will assure the shipment's safe arrival in merchantable condition while adhering to the aforementioned parameters.

4. **Legal Provisions:**The obligatory requirements governing the packaging of imported goods have a significant impact on the packaging of items. The majority of developed countries have adopted detailed legislation on the types of bulk and consumer containers, particularly for food commodities. Exports of food goods to the United States, for example, must comply with the provisions of the United States Foods and Drugs Act in every way.

2.9. Functions of Packaging
The packaging has the following functions:
1. **Protection and Preservation:** Packaging's primary purpose is to protect and maintain the contents during transit from the maker to the final consumer. The handling process causes the majority of the damage. The higher the demand for protection, the more frequently products are handled throughout the distribution process. Damaged items must be replaced since they might result in financial loss and annoyance for both the seller and the buyer.

2. **Containment:**Packaging's containment role makes a significant contribution to environmental protection. A better package helps to keep the product's quality and reachability in the consumer's fingers without spilling. It improves the company's image.

3. **Communication:**The communication of the product is one of the most important functions of packaging. A package must clearly state what it is selling. When dealing with worldwide trade and several languages, the usage of unambiguous and easily understood symbols on the distribution package is critical. It aids in proper consumer communication about the product, how to utilise it, and other useful information.

4. **Convenience:** Properly packed goods take up less room, and simple techniques for removing items from a pack while keeping the rest intact could be proposed.

5. **Economy:** The package offers a variety of economies to both producers and consumers. Quantity loss is avoided, and so monetary loss is avoided as well. It allows customers to communicate with one another.

6. **Self-service Promotion:** The product must be capable of completing several of the sales responsibilities. It must draw attention, describe the features of the items, instil consumer confidence, and leave a positive overall impression. With the help of effective packaging, a product's prestige can be preserved. Good packaging is capable of projecting the product's as well as the manufacturer's qualities.

STOP TO CONSIDER

The wrapping or bottling of products to protect them from damage during transportation and storage is referred to as packaging. It aids in identifying, defining, and advertising a product while keeping it safe and marketable.Liquid products are packaged in barrels and bottles, whereas solid products are wrapped. Fragile objects, such as glassware, are transported in special containers by the organisations.

Self-Asking Questions:

1. Are packing peanuts recyclable?
   …………………………………………………………………………………………….
2. How can companies protect products in transit?
   …………………………………………………………………………………………..
3. What are the various aspects relating to the packaging?
   …………………………………………………………………………………………..

2.10. Brand Role

A brand is a product or service that allows a company to distinguish itself from the competition. The role of brand is crucial for the organisation since it converts into long-term

loyalty and higher margins. The role of brand can be categorised broadly into following headings:

1. **Role of Brand for the consumer:**

i. **Assist in Identifying the product:**It assists in identifying the product's source of manufacture while also assigning accountability for the branded product to an entity. Because brands reflect the product's initiator or inventor, they naturally project the identity of the producer and marketer.

ii. **Assigning Responsibility to Product Makers**: Brands provide consumers the authority to assign responsibility to a specific distributor or manufacturer. Above all, brands must make a strong impression in order to win over customers.

iii. **Risk Reducer:** When purchasing and using things, a customer may face a wide range of problems, including physical, financial, functional, social, psychological, and time-related concerns. Brands can assist in reducing the risks associated with product selection. They can be utilised as an effective risk management tool by organisations conducting business if the risks have serious long-term repercussions.

iv. **Search Cost Reduction:** Branding helps consumers save money by reducing the amount of time they spend researching different products. At both the internal and external levels, i.e., in terms of evaluating other accessible possibilities in the market, brands assist in decreasing these expenses.

v. **Promise, Bond, or Deal with Product Maker:** A brand and a customer have a relationship that can be described as a "bond" or "commitment." Consumers who are loyal and dedicated to a brand have an implicit perception of the brand's actions. They anticipate that a specific degree of performance, an appropriate product pricing, and appropriate advertising and distribution efforts will result in large utility. Consumers will continue to purchase a specific brand as long as they are pleased with the services and benefits offered by that brand.

vi. **Symbolic Device:** A brand can serve as an illustrative device that allows customers to express themselves. Due to their identification with a specific class or type of people, a few unique brands imply different characteristics or ideals. Consumers can communicate to society as a whole or to themselves about the type of personality they have or hope to have in the future by using these brands.

vii. **Better Experience:**Customer experience with similar brand products enables them to swiftly determine whether they want to proceed with their purchase decision or not, making their decision easier.

viii. **Gives quality assurance:**Brands bring a certain amount of quality assurance with them.

ix. **Brands serve as identification markers:**Brands' most basic function is to inform the buyer about the product they are purchasing. In other words, they enable customers to recognise and identify things when they see them. This also permits customers to make purchases that have previously satisfied them.

2. Role of Brand for Manufacturers:

i. **Means of Identification to Simplify Handling or Tracing:** Essentially, trademarks provide the role of recognising, making it easier to handle and track down products inside an organisation. It makes inventory management easier and aids in the keeping of accounting records.

ii. **Methods of Legally Protecting Unique Features:** Brands provide legitimate security to a corporation. Brands protect the unique appearance and features of items. A brand assists a corporation in maintaining its intellectual property rights while also providing legal status to the brand owner.

iii. **Quality Factor Signal to Satisfied Customers:** Brands that communicate about the product's level of quality encourage regular and satisfied customers to buy it again. This promise ensures the company's demand probability and certainty. Due to the barriers generated by client loyalty, new entrants or other competitors find it difficult to break into the market.

iv. **Methods of Endowing Products with Unique Associations:** Branding endows a product with unique qualities, associations, or reputation. As a result, it contributes to the product's uniqueness.

v. **Competitive Advantage Source:** Branding is a competitive advantage source. In general, competitors may copy product designs or production/manufacturing procedures. However, recreating the same product experience or positioning in the minds of consumers that was generated through branding initiatives is difficult.

vi. **Sources of Financial Returns:** The concept of branding could be beneficial in terms of generating financial returns. Because of this feature, branding receives a lot of attention from upper management. Intangible assets and goodwill, for example, account for a large amount of a given FMCG company's corporate value. Only a small percentage of a company's value is reflected by tangible assets. In this case, branding is responsible for almost 70% of the intangible assets.

vii. **Brand generates profits:** Strong brands yield better profits while posing a lesser risk, The primary function of a brand is to produce profit. It is the single most important source of brand value creation. There will be no further benefits generated by the brand if there is no profit. Neither on the consumer nor the business side.

viii. **Brands are legally binding contracts**: Brands serve as identifiers for customers and as legal instruments for businesses. That is, in addition to providing visual distinction, trademarks also represent legal ownership and safeguard intellectual properties from copycats through emulation and other infringements.

ix. **Brands attract and retain talent:** Brands do not only communicate to customers; they also speak to a wide range of stakeholders. Employees are one example of people who live and breathe the brand.

x. **Brands serve as a behavioural guide:** Finally, trademarks serve as a compass for the entire organization's behaviour. From the executive team at the top to the front-line staff at the bottom, everyone is involved.

2.11. Brand Equity

Brand equity refers to the amount of power a brand name has in the minds of consumers, as well as the benefit of having a well-known and well-recognized brand. Organizations build brand equity by providing great experiences that encourage customers to choose them over competitors that sell identical goods. This is accomplished through raising awareness through marketing that relate to target-consumer values, following through on promises and qualifications when customers use the product, and focusing on loyalty and retention.When compared to a generic alternative, brand equity refers to a value premium that a company generates from a product with a distinctive name. Companies can build brand equity by making their products distinctive, easily recognisable, and superior in quality and reliability. Brand equity is also aided by mass marketing campaigns. Customers are more likely to stick with the brand instead of switching to a competitor if you give loyalty incentives like points that can be traded for discounts or a free product on their birthday. Customers easily pay a high price for a company's products when it has favourable brand equity, even if they could buy the same thing for less from a competitor. Customers, in effect, pay a higher price to do business with a company they recognise and respect. Because the company with brand equity does not have to pay more to create and sell the goods than its competitors, the difference in price goes to their profit margin. Because of the company's brand equity, it may earn a higher profit on each transaction. The two main tenets of brand equity are awareness and experience:

1. **Brand Recognition:** Can customers quickly recognise the company? Even for a new product, the messaging and graphics surrounding your brand should be consistent so that consumers can always recognise it. What values do customers associate with the company? Perhaps they consider issues like sustainability, quality, or family-friendliness.
2. **Brand Experience:** How have the brand's first-hand experiences gone? This could indicate that the product worked as expected, that interactions with brand representatives and customer service staff were pleasant and helpful, and that loyalty programmes were beneficial

2.12. Importance of Brand Equity

1. A company's brand equity is a valuable asset:Because it has a firm footing in the industry, Brand Equity is one of the company's most valuable assets, and it can be leased, sold, or licenced to other companies in the market. It leads to an increase in the company's goodwill.

2. Premium Price:According to market norms, the corporation can charge more for its products and services than they are worth. The business is in a position to charge a premium to customers.

3. **Increased market share is a result of strong brand equity:**Because of customer loyalty and affinity for the brand and its offers, having a solid and strong Brand Equity boosts the company's market share.

4. **Launch a new product or service line:**Due to the strong heritage that the company has established for its existing line of products and services, it is easier to present the new line of offerings to the same target market and group, as well as to unexplored markets and customers.

STOP TO CONSIDER

Brand equity refers to the value a company gains from its name recognition when compared to a generic equivalent.Brand equity has three basic components: consumer perception, negative or positive effects, and the resulting value.Brand equity has a direct impact on sales volume and a company's profitability because consumers gravitate toward products and services with great reputations.Often, companies in the same industry or sector compete on brand equity.

Self-Asking Questions:

1. What is the role of a good brand?

   …………………………………………………………………………………………….

2. Explain brand equity with the help of an example.

   …………………………………………………………………………………………….

3. Why brand equity is important for successful businessmen?

   …………………………………………………………………………………………….

2.13. Brand Loyalty

Consumers' positive associations with a product or brand are referred to as brand loyalty. Customers that show brand loyalty are committed to a product or service, as seen by their repeated purchases despite attempts by competitors to entice them away. Corporations spend a lot of money on customer service and marketing in order to build and sustain brand loyalty for a well-known product. Despite Pepsi's products and marketing efforts, the Coca-Cola Company is an iconic brand that has resulted in customers expressing brand loyalty over time.Brand loyalty is a pattern of consumer behaviour in which customers become emotionally attached to a particular brand or product and purchase it repeatedly over time. Brand loyalty is defined as a consumer's emotionally charged decision to purchase a particular brand over and over again. The consumer believes that the brand has the traits that will suit their needs, and the brand identifies with the consumer on a personal level.

Customers who are loyal to a brand will purchase it regardless of convenience or price. These devoted clients have found a product that satisfies their requirements, and they have no desire to try another brand. The majority of well-known brand-name products compete in a crowded market with new and old products, many of which are scarcely

distinct. As a result, businesses use a variety of strategies to build and retain brand loyalty. They spend their advertising money on messages that are targeted at a market segment that comprises both loyal consumers and people who might become loyal customers.

Brand loyalty aids in the development of a strong client base, which can then be used to outperform competitors and get the competitive advantage needed to flourish in the marketplace. Customers that have high brand loyalty make repeated purchases of a company's products and services, regardless of price or convenience changes. Customers who are loyal to a particular brand are less likely to be influenced by competitors' marketing efforts, increasing the likelihood that they will continue to use the company's products and services. Businesses that have developed a strong brand loyalty have the ability to grow their consumer base. Customers who are loyal to the company may become brand ambassadors. This is because delighted customers will spread brand knowledge, resulting in cost-free promotion for the company.

2.14. Ways to Build Brand Loyalty

A few pointers to ensure that the casual consumer becomes a die-hard fan that recalls the brand name, logo, and mission and returns for more are:

1. **Connect with your consumers:** By connecting with the customers, the businessmen may foster a sense of belonging and community among the users. To get the users excited and involved, the businessmen must share brand's new and exciting advancements, as well as news and opinions in the space. Today the businessmen can utilise social media to keep clients up to date on new trends, special offers, and discounts, as well as company's next steps. The more like a dialogue it feels, the better.

   Users are more likely to create good associations if the businessmen encourage them to become brand enthusiasts and make them feel involved in the firm. Customers who are engaged are happy and devoted customers. Customer loyalty is all about attracting, nurturing, and retaining the consumers that are the lifeblood of your company.

2. **Make sure your brand is consistent:** Building loyalty requires consistency. Customers should have the same experience with the brand every time they connect with it. Customers want to know that we'll keep our commitments all of the time, not just when it's convenient for us. In truth, if we consistently produce good products and services across our company, if we say what we mean and mean what we say, if we under promise and over deliver, our organisation has the ability to not just grow but to achieve remarkable heights. It won't ensure success, but it will lay the groundwork for us to do more and will usually set us apart from our rivals.

3. **Invest in an eye-catching logo design:** Colours symbolise the brand's personality and give visual expression to the emotion, mood, or role you want to induce with the brand.With that in mind, be careful while selecting your colour pallet. The colour red, for example, which appears in Youtube's logo, makes viewers feel engaged, emotional, and enthusiastic about the company.

4. **Focus on what your brand does best:**Customers want to be able to relate to the company's mission and values. One must ensure that their customers comprehend what they do and believe that it is something they have been missing their entire lives and can no longer live without now that they have found it. That implies businessmen should focus on just one thing until it completely covers the screen. Nike, for example, makes a variety of clothing and sporting equipment, including tube socks, yoga trousers, dumbbells, and water bottles.

5. **Make your customers come back:**Users are more likely to return to website they've previously used and had a positive experience with. Users, on the other hand, aren't always paying attention - even if they got what they wanted from your site, and even if they bookmarked it and expected to return, they won't always remember. When there are 2.9 billion Google searches every day, you must seize every opportunity to stand out.Creating programmes that reward brand loyalty or offering discounts or coupons are two options for encouraging customers to return to your site.

6. **Turn to influencers to promote your brand:** Celebrities promoting a brand's product or service (think Kim Kardashian's Instagram product endorsements) is one approach for firms to generate loyalty. Turning to influencers on social media channels, on the other hand, may be a safer choice when it comes to increasing customer engagement and brand loyalty.Celebrities are more expensive, and they risk ruining the brand's reputation if they do something immoral. Consider Lance Armstrong's relationship with Nike: he made them look good while winning seven Tours de France, but when his doping scandal broke, Nike took on some of his tarnish.

> **STOP TO CONSIDER**
> Repeat purchases of a product reflect brand loyalty, even when the buyer has a variety of competing options.Brand loyalty is nurtured through marketing activities.When consumer trends change, but the product does not, brand loyalty might fade.Customers that are brand loyal adhere to a brand regardless of price.While the internet provides a plethora of options, it also creates a fresh chance for businesses to improve their image and form meaningful relationships with clients.

Self-Asking Questions:

1. What is brand loyalty?
   …………………………………………………………………………………..
2. How brand loyalty can be built?
   …………………………………………………………………………………..

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BLOCK II : Unit-3

Brand Awareness, Brand Association, Selection, Creation and Maintaining Association

Unit Structure:

3.1 Introduction

A brand is an intangible market offering in the form of name, term, symbol, logo or any other character that guides customer to identify and differentiate products or services.Brand is one of the significant aspects in marketing. The repetitive usage of particular brand creates lasting impression on customer psychology. For example; Colgate, Surf excel etc. The brand awareness and association are two important considerations in branding decision.

3.2 Objectives

    i.   To understand brand awareness and brand association
    ii.   To learn selection, creation and maintaining association

3.3 Brand Awareness and Brand Association

    The prime goal of business is to maximise sales and revenue. To achieve that goal company strives to attract customer to buy the product and service and encourage frequent purchases. Brand awareness refers the extent to which consumers are acquainted with a brand or its products. It is defined as the ability of the buyer to identify the brand in detail to take buying decision. Brand awareness influences consumer purchasing decision. The level of brand awareness determines brand success in the market. Brand awareness is a spectrum that ranges from a shaky notion that the brand is known to a firm belief that it is the only one in the product category. The impact of brand awareness on brand equity will be determined by the setting as well as the level of awareness attained.
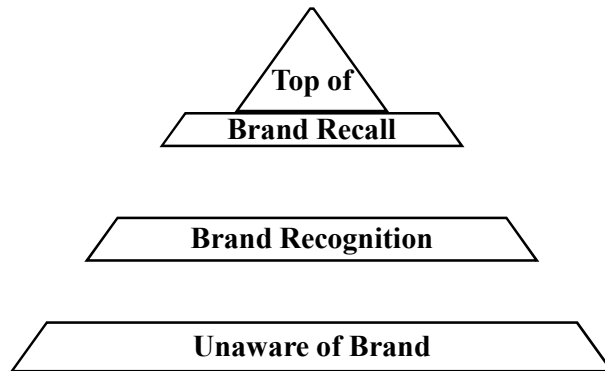
Figure-1: Awareness Pyramid

The lowest level of awareness is brand recognition. It is the minimal level of brand awareness. It's especially crucial when a customer selects a brand at the point - of - purchase.Brand recall is the next step. The "unaided recall" task is based on asking a person to name a brand in a product class; unlike the recognition test, the respondent is not aided by having the names provided. Unaided recall is far more difficult than recognition and is linked to a better brand position. When using aided recall, a person may recall far more items than when using unaided recall.In an unaided recall challenge, the first-named brand achieves top-of-mind awareness, a unique position. It is, in a true sense, ahead of the competition in a person's thoughts.

A customer's mental association between brand and a concept, picture, emotions, experience, people, passion, or action is known as a brand association. This link can be immediately beneficial or negative, and it has a significant impact on purchasing decisions.It is deeper psychological attachment which arises into consumer mind due to repetitive use.

Brand associations are divided into three categories i.e. attributes, benefits, and attitudes. Attributes are the descriptive characteristics that define a brand, such as what a customer believes the brand is or has, and what is involved in purchasing or consuming it. The personal value customers place on brand attributes, or what they believe the brand can achieve for them, is referred to as benefits. Consumers' overall impressions of a brand are referred to as brand attitudes.

Stop To Consider

- Brand awareness refers the extent to which consumers are acquainted with a brand or its products.
- Awareness pyramid consists of unaware of brand, brand recognition, brand recall, and top of mind.
- Brand Association is a customer's mental association between brand and a concept, picture, emotions, experience, people, passion, or action.
- Brand associations are divided into three categories- Attributes, Benefits, and Attitudes.

3.3.1 Creating and Maintaining Brand Awareness

How do you build favourable brand awareness over time, increasing the likelihood of future purchases of your product? The value of your brand's first impression cannot be overstated. Beyond that, there are all of the potential future impressions of your brand. You must evaluate and be aware of how your product value becomes known to the consumer, as well as the need of consistency, when selecting how you will go about establishing brand awareness:

a. Messages: The message of the consumer's experience with a brand should be constant. The impressions you want to leave on customers and prospects should be consistent across all channels, settings, and promotional efforts.

b. Images: In order to raise brand awareness, the images you present should be consistent. It's critical to be consistent with your image utilisation in order to increase recognition and positive impressions.

c. Slogans and Taglines: Slogans and taglines should be the same across all channels and materials. Consistency is crucial in presenting a message that enhances brand awareness in an ordered and identifiable manner.

The importance of consistency cannot be overstated. It creates an image in the mind of the customer that they can link with your products in the future. For example, if the materials you distribute, the setup of your sale table, the packaging of your product, and the logo and slogan are not all reasonably comparable, consistently consistent, and consistently recognised over time, your brand is unlikely to succeed. Developing a successful brand that generates maximum benefits requires creating brand awareness through a collaborative, well-developed overall image.

It is critical to continue working on the challenges and initiatives listed above. Keep a close eye on how customers react to items, packaging, displays, and messages. Look for strategies to enhance the image you're attempting to convey. Request feedback from your customers. Make an effort to keep a regular presence in the market. Customers can anticipate to find you at a specific location and at specific times.

Check Your Progress

Question 1. How to create and maintain brand awareness?

Ans: When deciding how to go about developing brand recognition, the company must analyse and be aware of how product value is communicated to consumers, as well as the requirement for consistency. The message conveyed by a customer's interaction with a brand should be consistent. To boost awareness and pleasant impressions, it's vital to be consistent with your image usage. All channels and materials should use the same slogans and taglines. In order to offer a message that promotes brand awareness in an orderly and recognised manner, consistency is essential.

3.4 Selection, Creation and Maintaining Association

3.4.1Selection of Association

All aspects of the marketing effort will be driven by the associations chosen. The significance is especially crucial when it comes to a new product or service. Associations must promote competitive advantages that are both sustainable and convincing.The set of associations that already exist complicates the positioning decision for an established brand. As a result, it's important to think about which relationships should be diminished or deleted, as well as which should be formed or strengthened. The decision is based on an economic analysis of the market response to the associations, as well as the associated investment and marginal cost. Essentially, a position must be created that will attract a worthwhile market—which could be a little portion of a huge market or a large portion of a small market—at a cost that would result in attractive returns over a reasonable time period. Of course, forecasting the sales and cost components which will be associated to any particular positioning decision is difficult. There are three factors to think about when considering the positioning decision.

Brand Positioning Decision
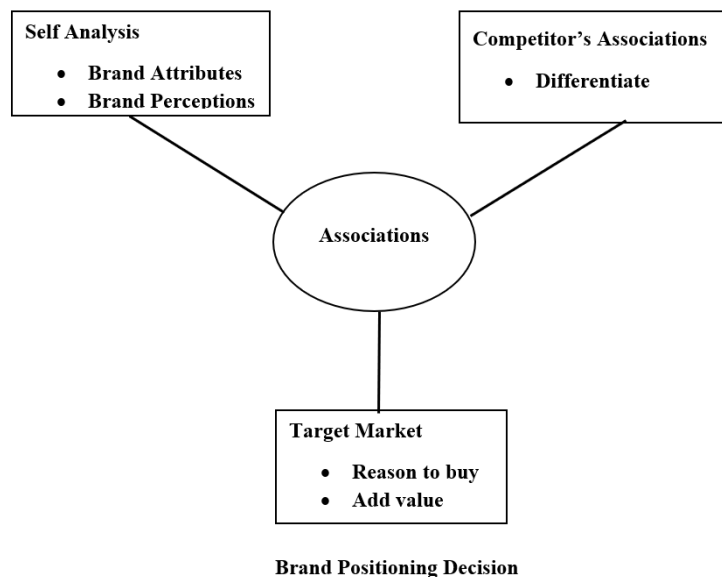
a. **Self Analysis:** Before positioning a brand, it's critical to undertake in-home blind taste or in-office use tests to confirm that the brand can deliver on its promises and is compatible with the desired image. It's a waste of time to construct a viewpoint that's distinct from what the brand stands for. It is also strategically harmful because it will erode the brand's core equity: consumers will be wary of future claims. Brand perceptions can be more important than physical product perceptions, especially if they are based on a name or previous promotion. As a result, it's critical to understand the nature and strength of current organisations. Existing associations, especially strong ones, are notoriously difficult to change. Rather of changing or neutralising current associations, it is preferable to build on them or even establish new ones.

b. **Competitor's Associations:** Knowing your competitors' affiliations is a second important factor to consider when deciding where to place yourself. It is critical for

most brands in most circumstances to build associations that indicate areas of differentiation from competitors. There is no incentive for customers to choose your brand over another, or even to notice it, if it is undifferentiated. The single best predictor of both new-product success and ability to attract awareness, according to studies of new-product debuts, is having a point of distinction. Being a "me too" entry is a catastrophic mistake. It is less crucial to be unique when your brand is the leading brand with a monopoly on distribution channels. In fact, competitors that are thought to be comparable to you are likely to lose out due to a lack of your brand recognition and distribution.

c. **Target Market:** The target market is the third dimension of study. The goal is to create associations that build or strengthen brand characteristics and traits, provide a point of differentiation, and elicit a response from the target market. Being unique will help you stand out, but a position that provides a reason to buy or adds value to the product will be even more powerful.

An association that gives people a reason to buy. One of the functions of an association is to provide people a reason to buy a certain brand. The reason-to-buy must be persuasive enough to entice purchasers to purchase. Some associations, including attribute associations, fail because customers don't value them—or, worse, find them distracting or insulting. Focus groups, one-on-one interviews, surveys, and/or market testing can be used to establish the value of an association offering a reason-to-buy to customers.

An association that Adds Value. An association might "hit" indirectly by building an association that provides value rather than openly presenting a reason to buy. The organisation does not have to come up with a rational justification to buy that can be clearly articulated. Rather, it can be the linkage of a feeling with the brand and the experience of using it. Advertising, offering a virtual use experience, or demonstrating that others share that feeling throughout the use experience can all help to establish the link. In any instance, the feeling adds worth, even if it is subconscious in the sense that a person may have difficulties verbalising it.

Check Your Progress
Question 1. What are the three factors of brand positioning decision?
Ans: While taking positioning decision, there are three factors need to consider. Firstly, self analysis which includes attributes and perceptions. Secondly, knowing competitor's association and thirdly, target market.

3.4.2 Creation of Association

Anything associated with the brand creates associations. Of course, a brand image is built on the characteristics and benefits of a product or service, as well as its packaging and distribution channel. Furthermore, the brand's name, emblem, and tagline are crucial positioning elements. Certainly, the advertising campaign has a direct impact. Other techniques to the formation of associationsshould be addressed. Such as promotion and

publicity, are both visible and significant. Others, which are more subtle and nuanced, necessitate a comprehension of the signals that customers use to construct their perceptions.

Identifying and Managing Signals

Customers are prone to discounting or dismissing true information. Worse, they often lack the motivation and aptitude to digest it, so they are never truly exposed to it. They cope by relying on signs or signals—one feature or relationship can infer the presence of others.

For example, a health-conscious consumer may not be ready or able to digest the nutritional information on a cereal box. Instead, the customer seeks for signals that allow them to build impressions without having to process data in detail. The presence of oat bran, or 100 percent of average daily nutritional requirements, or the absence of sugar, for example, could be indicators of a nutritious cereal. Thus, while the presence of the oat bran may not be significant to some consumers, it does suggest that the producer is interested about making the food healthy. It's crucial to understand which associations should be formed.

Understanding Unanticipated Signal

Sometimes features that are important to the client and are promoted as product advantages by the company turn out to have negative connotations, resulting in unforeseen signals of unfavourable associations. It's crucial to understand how brand associations are interpreted, which can be subtle at times. A sales campaign gives you a short-term incentive to buy something. Promotions that just provide a discount or rebate are the most likely to cheapen the brand and hence have a negative impact on its image. There are ways to use promotions to boost rather than detract from brand equity. A crucial is to include a brand-equity component in the criteria for generating promotions, as well as a constraint that no campaign will be authorised that will harm the brand's equity.

Stop to Consider
- Anything associated with the brand creates association.
- Customers are prone to discounting or dismissing true information.
- It's crucial to understand which associations should be formed.

3.4.3 Maintaining Association

In the face of demands on the marketing programme as well as external pressures, it is sometimes more difficult to maintain associations than it is to form them. The following are some of the guidelines: (a) be constant over time, (b) be consistent over the marketing program, and (c) manage disasters to minimise their damage.

(a)To be constant over time - Changing associations is undoubtedly possible, and it may even seem desirable at times. However, it should be noted that such a process is

frequently wasted, in addition to being difficult and costly. In many ways, the set of connections is the culmination of all of the brand's marketing efforts. The brand is likely to be strong if the advertising, marketing, and packaging have all supported a consistent positioning approach throughout time. In many ways, the set of connections is the culmination of all of the brand's marketing efforts. The brand is likely to be strong if the advertising, marketing, and packaging have all supported a consistent positioning approach throughout time. Stick with the advertising if it's working. When an advertiser becomes dissatisfied with a positioning strategy and the advertising employed to accomplish it, he or she may contemplate changing it. However, just like a person's personality or image, a brand's personality or image evolves through time, and the importance of consistency over time cannot be overstated.

(b) To be consistent over the marketing program –One of the risks of making changes is that a modification in the marketing programme or product line that makes perfect sense on its own can have an adverse effect on the company. Changes near the margin can be tolerated, while inconsistencies in an image are usually harder to cope with. The customer will have to change his or her perceptions to fix the problem.Managers are frequently under immense pressure to produce short-term outcomes, even at the sacrifice of corporate assets such as brand equity. Promotional activity and different distribution methods pose specific dangers.

(c) To manage disasters to minimise their damage - A disaster impacting a brand's image, and hence its equity, causes the most significant damage. Clearly, all businesses are subject to both accidents and those who seek to profit from ill luck. However, both disasters and the rapacity of corporate vultures can be mitigated. The greatest way to deal with a disaster is to avoid it in the first place. To this aim, it's helpful to think about the worst scenarios for what can happen if a product is misused or a campaign is misunderstood. Action can be taken to limit the likelihood of such incidents once scenarios are in place. A second line of defence is to recognise a problem early and take action before it becomes a major issue.

Check Your Progress

Question 1. How does the association can be maintained?

Ans: The brand association can be maintained through consistent association over time, constant marketing programme and managing disaster to minimise damage. If the advertising, marketing, and packaging have all backed a consistent positioning approach over time, the brand is likely to be strong.One of the pitfalls of making changes is that a perfectly reasonable adjustment in a marketing programme or product line can have a negative impact on the firm.The most substantial damage is caused by a calamity that affects a brand's image, and thus its equity. The best way to deal with a disaster is to prevent one from occurring in the first place. Once scenarios are in place, action can be made to reduce the likelihood of such situations. A second line of defence is to spot a problem early on and address it before it becomes a serious problem.

3.5 Summing Up

The degree to which people are familiar with a brand or its products is referred to as brand awareness. Unaware of the brand, brand recognition, brand recall, and top of mind make up the awareness pyramid. A customer's mental association between a brand and a concept, visual, emotion, experience, people, passion, or action is known as brand association. Attributes, Benefits, and Attitudes are the three types of brand associations. The selection, creation and maintaining association is important consideration. Identifying and managing signals and understanding unanticipated signal is vital in creation of association. For maintaining association, it should be constant over time,consistent over the marketing program, and manage disasters to minimise their damage.

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3.7 Model Questions

1. Write note on brand awareness and association.
2. Discuss about selection, creation and maintaining brand association.

BLOCK III : Unit-1

Importance of Integrated Marketing Communication, Developing Effective Communication

Unit Structure:

1.1 Introduction

Within the context of marketing, we see that marketing communication plays an important role in the dissemination of information. Marketing communication is a term used in a broader sense for promotional strategy. So, it is more of a planned promotional communication.

1.2.Objectives

- In this lesson, you will be exposed to the relevance of Marketing Communication.
- You will understand the relevance of Integrated Marketing Communication and its broad concept.
- Exposure to Integrated Marketing Communication is a step forward in understanding advertising.
- You will be briefly exposed to the important tools of Integrated Marketing Communication.

- Also, you shall be explained the considerable steps in the designing of effective marketing communication.

1.3. Definition of Marketing Communication

A standard definition of communication is the transmission of a message from a sender to a receiver.

Marketing communications, then, are those messages that deal with buyer-seller relationships.

Marketing communication is a broader term than promotional strategy, for it includes words of mouth and other forms of unsystematic communication. A planned promotional strategy, however, is certainly the most important part of marketing communication.

In the 1970s, marketing became a key ingredient in marketing strategy. The product communicates a distinct image such as respectability, conservation, or youthfulness. The brand name suggests various physical and psychological attributes of the product. The package may carry the message that the manufacturer of the product cares about the consumer or that he or she is saying – Take it or leave it.

The price is taken by consumers as a significant index of quality. Even retail stores may be said to communicate noticeable brand images and personalities. Thus, all the vital elements of the marketing mix can help or hinder communication and eventually the sales effort.

STOP TO CONSIDER
Marketing expert Philips Kotler wrote in "Marketing Management" (2014) as follows: "Modern marketing must not only find a way to develop a better product, a more attractive price but also communicate most effectively to target customers. The company must know how to integrate communications tools to present to existing and potential customers because individual communication is unlikely to lead to success."

1.4.Tools of Marketing Communication:

Within this, we have the following tools-

- Advertising: Which is any paid form of non-personal communication of ideas, products, and services by an identified sponsor.
- Sales Promotion: Short-term direct inducement to encourage sales of products and services.
- Publicity: Non-personal stimulation of demand for a product/service or business organization as a whole by putting commercially significant news in media to create a favorable image. The sponsor does not pay it for.
- Personal selling: For making sales, a salesman interacts orally with the buyer or buyers in the form of a sales presentation.
- Public Relations: Marketers engage in public Relations to develop a favorable image of their organizations in the eyes of the public – public at large, customers, suppliers, government, media, competitors, shareholders, employees, and the society.

So how does one go about it? Following are the key areas as to how marketing is an integral part of advertising.

- Objective setting: What is the objective of your advertising plan? Look towards your product or service. Also, look towards what is it that you want to achieve. Is it a new product or an existing one? Would you like to see more people buying your product? Do you want to measure the effectiveness of your advertising campaign?

Some of the objectives could be:

- Increasing Awareness
- Increasing Sales
- Sales promotion offer
- PR exercise for a piece of negative news about the brand
- Fighting competitor's claims
- Introducing changes in the product offering

SELF- ASSESSMENT QUESTION
- What is the role of communication in the marketing function?   - As a marketer, which tools of marketing communication would you consider and on what basis?

Understanding the Target Audience: Read the following brief of a Brand and identify the customer group they are looking at.

"The beer-drinkers in the country are much younger than the average beer-drinker elsewhere in the world. This makes them more likely to carry the brand with them for a lifetime. Also, as the target audience becomes younger, a light beer like Foster's Light Ice is expected to attract first-time drinkers, since it is much milder than any of the other beers in the country. Even if one accounts for the fact that the strong beer market is growing fast in India, we expect that at times when consumers of our product shift to stronger beers, they will restrict themselves to the Foster's brand because of the association they have with it and the positive connotations from the Foster's name.

A lot of new variants promise to gain prominence, but mainly in niche urban segments. The sophisticated consumer who drinks beer for the experience and not to get drunk will lap up ice beer or light beer. In urban centers, apart from first-time users, we are also targeting women, who like 'the times they are a-changing,' are entering the market for beer. Essentially, women shy away from beer consumption because it is associated with calories, and has traditionally been a buddy drink, associated with pot-bellied men sitting at bars and shooting darts.

Our product however is light both in color and body, and mild in flavor. It is highly carbonated with low bitterness and no aftertaste. It has fewer calories and lowers alcohol content. It thus moves away from the traditional psychographics of the sector and toward the more up-market, college/ office going youth, male or female, with aspirations, who sees himself as both physically and mentally fit, has an attitude of self-confidence and nurtures the belief that 'he/ she can change the world'."

You would be able to understand the consumer base that the brand is intending to target. So, we focus on the fact that age, income, and sex play an important part but also the lifestyles and the psychographic profile of the consumer base which are an integral aspect in the determination of the target audience.

So come to think of it, advertising plays an important role in the overall marketing program. Some of the basic tools by which a marketing program could be made are:
- Product or services can be developed or refined.

- A wider distribution coverage could be made.
- Pricing could be another important decision.

Integrated Marketing Communication is what we must focus on. So what is IMC?

STOP TO CONSIDER
The concept of integrated marketing communication (IMC) was introduced in the 1980s (Schultz and Schultz, p. 19) and has since changed the way communicators and marketers interact and conduct business. The **American Marketing Association** defines IMC as "a planning process designed to assure that all brand contacts received by a customer or prospect for a product, service, or organization are relevant to that person and consistent over time."

1.5. Concept of Integrated Marketing Communication:

The concept of marketing communications planning recognizes the added value of a comprehensive plan that evaluates the strategic roles of a variety of communication disciplines. In other words, the message and approaches of general advertising, direct response, sales promotion, public relations, and personal selling efforts are combined to provide clarity, consistency, and maximum communications impact.

IMC, thus, calls for a "big picture" approach to planning marketing and promotion programs and coordinating the various communication functions. It requires firms to develop a total marketing communications strategy that recognizes the total of a firm's marketing activities, not just advertising, communicating to its customers. Consumers' perceptions of a firm and/ or brands are a synthesis of the messages they receive from various sources. These include media advertisement, price, direct marketing efforts, publicity, and sales promotions, as well as interactions with salespeople and other customer-contact employees.

In a global economy with international markets and instantaneous communications, no aspect of marketing can be studied in a vacuum or isolation if one expects to be accurate and relevant. Marketing tools, used as planned business-building techniques are more likely to facilitate the attainment of organizational goals than current "silo" approaches.

Advertising is but a part of this integrated marketing communication.

In this cluttered and fragmented media environment, only advertising in traditional media (or a mix of one or two other promotional tools) does not enable marketers to reach their target market. Thus, integrated marketing communications (IMC) are required. IMC involves strategic synchronization of various forms of persuasive communication programs with customers and prospects over time. The goal of IMC is to convey a company's marketing messages in a consistent and coherent manner through different promotional channels. The utmost task for IMC is ensuring consistency in messages and executions so that the target audience is able to connect any execution to the brand in the end.

1.6. Tools of Integrated Marketing Communication

One of the tools within IMC is Director Database Marketing.

This involves not just direct mail but also telemarketing & direct response advertising on T.V and radio and other media, in which the ad aims to generate an action response (eg. Call center number).

The second important tool within the context of IMC is Sales Promotion. They are of two types:

- Consumer promotion (coupons, samplings, premiums, sweepstakes, low-cost financing deals, and rebates)
- Trade promotions (allowances for featuring the product in retail advertising, display, and merchandising allowances, and the like)

These are used to get the consumer to try or to repurchase the brand and to get the retail trade to carry and to 'push' the brand. Retails in turn use promotions to clear their inventory of slow-moving, out-of-season, shelf-unstable products (such as fresh produce). Price cuts, displays, frequent shopper programs, and so on are a few of the sales promotions done by the retailers.

So how does it play a role with IMC or advertising? There are 3 ways in which it plays a role:

- It is a key element in inducing trial or repurchase in many communication programs in which advertising creates awareness and favorable attitudes but fails to spur action.

The action comes about due to the limited duration of the program so the consumer must act quickly. The consumer may perceive this as a value-for-money purchase.

- In many retail outlets, the companies can make out through scanners as to which brands are moving fast off the retail shelves and also try to understand as to which shelf does not receive many sales so that they could reduce the hiring or the display of merchandise from the shelf. This is done to be cost-effective.

- To keep the brand equity of the brand intact, especially for high-involvement products and 'feeling' products, the advertising and sales promotion efforts must complement each other.

SELF-ASSESSMENT

1. _____ can be defined as the way by which organizations attempt to inform, convince and remind customers indirectly or directly about the brands and products they offer.

a) Marketing communications
b) Marketing plans
c) Marketing strategies
d) None of the above

2. Any paid type of non-personal promotion and presentation of goods, services or ideas by an identified sponsor is

a) Sales promotion
b) Direct marketing
c) Events and experiences
d) Advertising

1.7.Other Action related Marketing Communications:

Retail Advertising

The retails so that the consumer can see the product and buy it are those that provide the consumer with lots of information. So listing the size, color, and prices of various shirts in a

store make a buyer more action inductive. Appropriate behavioral aspects are used in the case of durables and automobiles. The advertisement used here must create a strong sense of desire, curiosity, and urgency to get the reader or viewer to make the store visit.

Cooperative Advertising

Here a manufacturer offers retailers an advertising program for the latter to run. The program may include a suggested advertising format, materials to be used to create actual advertisements, and money to pay a portion of the cost. Certain merchandise quantity is also suggested for the retailer to stock and perhaps display. There are 3 types of co-op advertising:

1. Vertical: When the upstream manufacturer or service provider pays for a downstream retailer's ad.
2. Horizontal: When local dealers in a geographic area pool money for advertising.
3. Ingredient producer co-op: When the producer of an ingredient pays part of an ad run by the user product.

This type of communication intends to stimulate short-term sales. The advertising is specific to the product, the place as to which it can be purchased, and the price. To maintain the brand image and to reinforce the company's leverage with the retailers are important long-term considerations. The need should also be to expand the distribution coverage by allowing allowances to the retailers.

Reminder, point-of-Purchase and Specialist Advertising

Reminder ads serve to stimulate immediate purchase and/ or use to counter the inroads of competitors. It is reminding the consumer about its existence. 'Shelf talkers' or point of purchase materials placed in stores at or near the place where the brand is on display. You might have seen sachets of shampoos hanging right in front of the shop and they hit you on the face that could be taken as the point of purchase material. Here the product itself acts as the material. top-of-the-mind awareness is the basis of the reminder and point of purchase material. Specialist advertising is useful in circumstances when certain free products like diaries, pens, and calendars bearing the name of the manufacturer are given to the consumers for greater brand awareness. Pepsi and Coca-Cola often paint the entire shop with their logo, this is to remind the consumer of their existence in that area.

Personal Selling

Personal selling involves individual, face-to-face communication, in contrast to the impersonal mass communication involved in advertising. Effective personal selling is quite often, the most important and effective element in retail communication.

Publicity

Two factors distinguish publicity from advertising – cost and control. When a newspaper, magazine, TV, or radio features a retailer's store, personnel, product, or events and the retailer does not have to pay for it, the retailer receives publicity. The retailer cannot, however, control the time, direction, or content of the message.

Word-of-mouth

Retailers cannot directly control what customers say to friends about their stores, services, and products. However, they should be aware of this channel of information because

potential customers often rely on what customers of a store say about it. Unfair treatment of one customer can create an ever-widening web, as more people are told about that customer's experience. Fortunately, fair treatment and real value are also discussed among customers, although positive aspects may not have as much influence as negative ones do. The point is, customers are going to talk about how they are treated in a store.

Packaging

Proper product packaging protects the product as well as provides a message that facilitates its sale. Unfortunately, in most cases, retailers purchase products already packaged and, therefore, have little control over the communication on the package. However, the retailer should always consider the image and message projected by packaging as a part of the total communication mix. The retailer does 'package' many goods with paper and plastic bags, boxes, and wrapping paper. Such packaging, carefully designed, can prove to be an effective yet inexpensive element within the complete communication program.

Merchandising and in Store Advertising

Of late it has made a lot of inroads in outlets. With Bennetons with their color scheme on various shelves, Raymond's with their window display play a major role in attracting the consumer base. This is so because most decisions about brands are made when you enter a particular shop. So the use of displays, signs, and positioning of the particular brand in the store is an important decision-making exercise.

Industrial Marketing

A business-to-business deal, which requires a sales representative to make the sales call, here, the additional information provided by him with the help of certain pamphlets and brochures are the key tones for advertising. The telemarketers can handle the calls made once the pamphlets and brochures are effective enough for eliciting a response. Often toll-free numbers are provided in the pamphlets and brochures.

Integrated marketing communication with the help of another tool namely Public Relations, is important to accommodate complex buying decisions. The key to the success lies in the effective monitoring of the various tools used to avoid dilution to the plan by anyone. One important impact of IMC is greater consistency to their communication including media waste. In addition, we must answer the following so that the marketing communication is successful:

- What are the target audience and their behavioral pattern?
- What are the media that the target audience normally comes in touch with?
- What behavior or attitudes do we want to affect?
- What are the communication goals?
- What is the best marketing program(s)?
- How should we allocate the budget?
- Who is responsible for the programs?
- How will we measure the degree of success of each part?

The answer to the following would indeed give us a fair amount of idea as to which plan could be the most effective.

SELF-ASSESSMENT

1. Numerous forms of short-term incentives to promote trial or buying of a service of product is

a) Sales promotion

b) Direct marketing

c) Events and experiences

d) Advertising

2. Company sponsored programs and activities planned to create special brand related interactions is

a) Sales promotion

b) Direct marketing

c) Events and experiences

d) Advertising

3. Several programs planned to protect or promote a company's image or its products is known as

a) Sales promotion

b) Direct marketing

c) Events and experiences

d) Public relations and publicity

4. The use of email, fax, internet or telephone to communicate with specific prospects and customers is

a) Sales promotion

b) Direct marketing

c) Personal selling

d) Advertising

5. The face-to-face interaction with prospective buyers for the objective of answering questions, procuring orders and making presentations is

a) Interactive marketing

b) Direct marketing

c) Personal selling

d) Word-of-mouth marketing

1.8. Designing an integrated marketing communications plan

Most integrated marketing communications strategies are focused on using the same thematic message across a host of promotions. The idea behind your message remains consistent regardless of whether you're using magazine ads, company websites, or blogs. The strategic nature of these plans means that a lot of research and careful consideration is involved. Here are just some of the steps you might need to cover when building your integrated marketing communications plan.

Step 1: Understanding your audience

Identifying, and understanding your target market is crucial to creating any successful marketing plan. You might begin by conducting a customer analysis to get a deeper look into your target market. Alternatively, you could consider building a range of buyer personas that help to inform your marketing campaigns.

Remember to look at demographical features like income, age, gender, geographical location, and educational level, and psychographic features like attitude, interest, and behavior. The more you learn about your audience, the more prepared you'll be to create a comprehensive integrated marketing plan.

Step 2: Define your identity and goals

Once you know exactly who your customer is, you'll be able to use that information to adapt and improve your brand identity. Creating a unique identity, and positioning your brand is crucial to distinguish your product or service from the competition. Your identity will also help you to create a consistent "image", from your logo to your messaging, photography, and even color usage.

You can also make changes to your marketing strategies based on the goals you're striving for as a business. Knowing your specific goals will help you to choose which communication channels you should integrate to get the best results. For instance, if your goal is to get more customer engagement, you might focus on delivering more people to your customer service pages.

Step 3: Pick the right channels

Remember, not all your customers can be found in a magazine or on Facebook. Most of the time, you'll find that you'll get better coverage of your target market if you can connect with your customers from different platforms, and that's what integrated marketing communications are all about. Your analysis of your customers will have given you the information you need to start thinking about where your consumers spend most of their time.

Wherever you choose to market yourself, make sure that you have enough manpower and planning to keep on top of the specifics. Ensure that your team understands exactly which voice and imagery to use with a comprehensive branding guide. Usually, your platforms will include:

· Social media.

· Sales promotions.

· Content marketing.

· Offline advertising.

Step 4: Review your plan

Finally, review your integrated communications plan carefully before you decide to put it into action. Reviewing with various members of your team will help you to gain a different perspective on the various elements that you'll need to think about during each branding

effort. Keep in mind that your plans will often evolve and change with your brand, so you will need to create a new strategy every time you're integrating a new marketing campaign. During your integrated campaigns, you'll also need to ensure that you have methods in place to track your results. Putting the correct attribution and analytics methods in place can help you to better understand how you're achieving results and conversions so that you can drive up sales, and optimize your efforts for the future.

POINTS TO CONSIDER

Here are some examples of integrated marketing communications:

1. Uber launched an integrated marketing campaign which uses integrated marketing communications that is solely based on the theme of togetherness. A multi-platform campaign was rolled out with Facebook and YouTube as primary channels and television for broader air coverage and radio for the audience while commuting.

2. Coca Cola launched Open Happiness campaign through a very catchy TV commercial. Apart from the TVC, the company ensured that other communication channels like social media, print, online ads, OOH etc. were also used effectively. This shows the overall use of IMC channels to capture people across media channels.

1.9.Some final integrated marketing communications advice

Integrated marketing communications plans are one of the easiest and most effective ways to upgrade your communications strategies. With the right plan in place, you can simplify your campaigns, while improving their ability to make a real impact on your target audience. Remember, to get the most out of your integrated marketing communications:

- **Always appeal to emotions:** Try to find ways that you can make your message more personal and engaging to your customers. Address your audience directly, and stay away from anything that strays too far from your brand image.
- **Merge internal and external brand building:** Developing your brand is one of the most important things any company can do. It's just as important for your employees to understand your brand as it is for your customers. Remember, every time you launch a new campaign, connect with your employees and make sure they understand your company image.

- **Measure everything:** Whenever possible, put a metrics system in place that helps you to see which tactics work, and which aren't worth the budget. It's far smarter to focus your energy on a few high-quality marketing techniques, then spread your resources across failing strategies.

- **Do your research:** Always create marketing strategies that can delight and engage your audience. If you're not sure how to give your customers the best experience with your new integrated marketing communications strategy, do your research. Check out what competitors are doing, or speak to your audience through social media.

- **Write and design well:** Remember, effective communication is everything. Whether you're building an attractive website campaign or writing for a blog post, everything from your words, to your graphics needs to be attractive. Making use of the best possible design strategies will help to capture the reader's attention, while your words help to move them along the sales funnel.

Although integrated marketing communications may be nothing new, they're still essential in today's world. There are now more marketing channels to choose from than ever before, and integrated marketing strategies can help to pull all the different strands of your messaging together to ensure that your communications aren't disjointed or confusing. Integrated marketing communications require us to pay attention to each detail of our branding efforts. That means that every marketing initiative we engage in is consistent – regardless of the channel or medium.

1.10. Conclusion:

In simple terms, integrated marketing is the holistic approach to communications. It's about making sure that you're consistent in your appearance both online and offline. Whether you do this with the help of an integrated marketing agency in London, or you seek out guidance online, IMC is crucial to any modern strategy.

After all, consistency is key to any brand. Without it, your customers are less likely to understand your message, trust your company, or buy your product. Integrated marketing overcomes those problems, and optimizes each of your campaigns for a stronger bottom line.

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1.13. Model Questions:

a. Define Integrated Marketing Communication. Who is responsible for its advent? Point out some of the importance of IMC?

b. Explain briefly the different tools available for Integrated Marketing Communication. Explain them with relevant examples in the present day business context.

c. What are the limitation of Integrated Marketing Communication depending on the geographical differences? What steps can a marketer take to bridge the same?

d. Explain the steps involved in the exercise of smooth IMC?

e. What are the pre- requisites a marketer may take for proper implementation of a integrated marketing communication programme?

BLOCK III : Unit-2

Managing Mass Communication: Advertising, Sales Promotion

1.1 Introduction:

Promotion is the fourth element of marketing mix. It is very important to make people aware about the availability of products and services. The elements of promotion mix are- personnel selling, sales promotion, advertising, publicity and public relation. Company can use different techniques of promotion based on products and services. This unit covers two elements of promotion mix- advertising and sales promotion.Advertising is a marketing tool that involves in paying for a slot to promote a product, service.The goal of advertising is to reach people to motivate them or convinced them to be willing to pay for a company's products or services and persuade them to buy them. Sales promotion is another component of promotion mix. Sales promotion helps in increase in sales volume of the product of a company. Different sales promotion methods are used by company to increase their sales volume. Sales promotions are used to motivated purchasing behaviour of customers and to turn the prospective customers in actual customers.

1.2 Objective: This unit is an attempt to analyses the ideas of Advertising and sales promotion. After going through this unit, you will be able to-

- Explain the concept of Advertising and role of Advertising in Indian economy.

- Understand the functions and importance of Advertising.
- Explain the types of Advertising and different technique of advertising budget.
- Understand the concept of sales promotion and its objectives.
- Discuss different sales promotion techniques.

1.3 Concept of Advertising:

 Advertising is a marketing tool that involves in paying for a slot to promote a product, service or a cause. The promotional messages are calledAdvertisements and in short these are known as Ads. The goal of advertising is to reach people to motivate them or convinced them to be willing to pay for a company's products or services and persuade them to buy them. Companies do not only run ads, some of them are run by Government of a state or by Central Government, to deliver a social message or awareness among the people at large in the interest of public, in recent time Ads that are sending messages directly or indirectly on COVID are few of the latest examples of Ads run by Government. It is typically designed to make consumers more aware of people, places or products. But in some cases, the advertising plays a very important role in delivering a public service such as campaign to make people aware of the dangers of smoking or alcohol use.

1.4 Role of Advertising in National Economy:

Advertising plays a vital role in boosting the economy by helping to introduce new products faster and more effectively to consumers by helping them in choosing a product or service and that leads to increase in the expenditure by consumer and that contributes in the GDP of the country. It also saves consumers money by encouraging competition that helps in the reduction of pricing pressures. It contributes to the economy directly by creating jobs in the advertising industry but also indirectly it creates demand and provides information about other products and services.

Stop to consider
- Advertising is a marketing tool that involves in paying for a slot to promote a product, service or a cause. .The goal of advertising is to reach people to motivate them or convinced them to be willing to pay for a company's products or services and persuade them to buy them.
- Advertising plays a vital role in boosting the economy by helping to introduce new products faster and more effectively to consumers by helping them in choosing a product or service and that leads to increase in the expenditure by consumer and that contributes in the GDP of the country.

Check your progress
Question 1- Write the meaning of advertising.
Question 2- State two characteristics of advertising.

1.5 Functions of Advertising:

It has become a necessary marketing activity in the present era of Large-scale production and highly competitive market. It plays a great role in educating the people about new products and services and their uses. It enables the people to widen their knowledge and information. Advertising has helped people to a great extent in the adoptions of new way of life and moving away from old styles and habits. Advertisement, certainly helped in the betterment of the standard of living of the society. Few of the functions performs by Advertising are below viz.

1.5.1 Sales Promotion: It promotes the idea of selling of goods and services by educating and convincing the people to buy them. A quality Advertisement campaign helps in attracting the customers and generating higher sales, that leads to more profit for the organisation. Different sales promotion techniques are used by organisation to attract the buyers, such as discounts, coupons, samples, money refunds etc.

1.5.2 Launching of New Products: New products can be introduced in the market with the help of Advertising. Advertising can help in introducing a business enterprise or its products and services to the public.Quick publicity can be achieved with the help of Advertising in the market and it can influence the buyer in their buying behaviour, resulting in higher sales.

1.5.3 Support to Production System: Advertisement encourages business enterprises to produce in large scale. with a good advertisement campaign business enterprise can sell their products and services on a large-scale in the market. Higher volume of production will lead to reduction in the cost of production hence more profits will be generated. With more production economical use of resources is possible.

1.5.4 Higher Standard of living: It creates awareness among people by educating the people about the products and their uses. Aadvertising has helped people to a great extent in the adoptions of new ways of life and moving away from old styles and habits. Advertisement makes people aware about the availability of new product in the market and offer people to choose the best alternative available in the market, which increases the standard of living of people in the society.

1.5.5 Bettter Image in public: It focus on the product and its utility. Advertisement builds up relationship between the product and the customers. Advertising enables a business to communicate its achievements and its efforts to satisfy the customers' needs to the public, thus goodwill and reputation of the business is increased. Advertisement should publish correct and authentic information to the public for creating a positive brand image in the society.

1.5.6 Support to Media: Advertising is an important source of revenue to bothprint and digital media. Newspapers, magazine, producers of T.V. programmes are using advertisement to sustain themselves. It is also creating a great opportunity for employment, because large numbers of people are directly or indirectly engaged in the field of media.

1.6 Importance of Advertising:

In today's era of competition Advertising is playing a vital role. It is an important aspect of our economic and social life, almost all new products and services are introduced to public through Advertising. A sizeable people are being employed by the Advertising sectors. Manufacturers produced goods to satisfy the needs of customers, it helps in promoting the products and stimulates desires, persuades and create demands among customers.Thus, Advertising is tool for increasing sales for manufacturers and distributers.

Few of importance of Advertisement are discussed below:

1.6.1 Importance of Advertisement for the customers:

Advertising plays a very important role in customers life. Advertisement is a promotional tool for making Customers aware about the availability of the product in the market. Customers will not able to know about the existence of the product If the advertisement of the product is not done.Advertising provides option to the people by educating people about the product and its usage thus, helps people find the best products for themselves and their family. When the people are aware about the various available product, they can compare the product and choose the best product which suits their needs. Advertising creates competition in the market and customers can get the best quality product at reasonable price. Through advertising prospective buyers can be turned into actual buyer. Customers can compare the features of product, price, quality etc of various brands and can choose the best product. Thus, advertising is important for the customers. For example, in case of shampoo, there are multiple brands which promises to be the best. Customers can compare the products and can choose the best product available in the market. Head n Shoulder promisesto remove dandruff, customer can compare it with other products of different Brands and will choose the product that suits their need and then customer will go for the product.

1.6.2 Advertising for the Manufacturer and distributor:

1. Advertising helps in increasing sales. As it creates awareness about existence of the product it will enhance the sales.
2. Advertising helps producers or the companies to know their competitors and plan accordingly to face competition effectively.
3. In introducing or launching a new product in the market, advertising will make a focus for the product. Advertising helps making people aware of the new product so that the consumers can choose the best product available in the market and use it.
4. Advertising helps in creating goodwill for the company and with good advertisement customers loyalty can be achieved after reaching a mature age.
5. The demand for the product keeps on coming with the help of advertising and demand and supply become long -lasting process.

1.6.3 Advertising for the society:

Along with manufacturer, customer and distributor, advertisement is also important for society.Advertisement has helped in the betterment of the standard of living of the society. Aadvertising has helped people to a great extent in the adoptions of new ways of life and moving away from old styles and habits. Advertisement makes people aware about the availability of new product in the market and offer people to choose the best alternative available in the market, which increases the standard of living of people in the society. Advertisement should publish correct and authentic information to the public for creating a positive brand image in the society. Thus, advertising plays a very important role in society.

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Stop to consider

Functions of Advertising
a) Sales Promotion
b) Launching of New Products
c) Support to Production System
d) higher Standard of living
e)Better Image in public
f) Support to Media

Importance of Advertising

a)Advertisement is a promotional tool for making Customers aware about the availability of the product in the market. Advertising provides option to the people by educating people about the product and its usage thus, helps people find the best products for themselves and their family.

b) Advertising helps in increasing sales. As it creates awareness about existence of the product it will enhance the sales. Advertising helps producers or the companies to know their competitors and plan accordingly to face competition effectively.

c) Advertisement has helped in the betterment of the standard of living of the society. Aadvertising has helped people to a great extent in the adoptions of new ways of life and moving away from old styles and habits.

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1.7 Types of Advertising:

1.7.1 Commercial and Non-Commercial Advertisement:

Most common example of Commercial Advertising is that of billboards, magazines, newspapers etc. Advertisers'sole intention is to persuades the people in developing curiosity in purchasing any products or services. Itsmain aim is to increase the revenue.Advertising creates desires for the product specifically in introducing a new products or services. As long as customers desires are not fulfilled, there is always need of advertising to make awareness about existence of other available products.Advertisementsis a solution to various questions related to day-to-day life of a customer regarding food habits, buying the best product, travelling decision etc.

Every immediate need may not be fulfilled by commercial Advertisement, it helps in creating a brand name, recognising it and making it popular among customers Branding helps in easy identification of the product and creates a positive mindset among customers while purchasing the product. Commercial Advertising is used by the Companies as a promotional tool to allure the customers and making them realise how convenient their life would be by using their products and services they have launched in the market.

To achieve the objective of commercial advertising, Companies make use of various techniques that easily connect with consumer such as a mascot, catchline, or slogan etc. These techniques help the customers to remember the product and buy it when the needs arise in the future. Though this advertising may not increase sales volume it creates impact in the mind of consumers for frequent buying and creates a positive image. Television, magazines, hoardings, internet, printing on various vehicle shows Commercial Advertising.

Various institution such as non- profit organisation, political organisation sponsored Non-commercial Advertisements. The important goals of these advertisings are– awareness creation, funds raising, and influence purchasing

behaviour ofconsumer. Itinfluences consumers to keep opinion on neutral issue and can be persuaded to change mindset in taking decisions. This type of advertisement try to influence opinion of public on the burning issues such as empowerment of women, rural development, child labour, consumer rights and responsibilities, global warming, environmental issues etc. the aim of non-commercial advertising is not same with commercial Advertising, but to provide authentic information and create awareness among consumers on social issues. Few goals of Non-commercial Advertisements are highlighted below-

- Stimulate queries for information.
- Popularize a social cause and induce behavioural change.
- Conservation of resources and reduce their wastage.
- Promote sharing, Unity, brotherhood.
- Communicate political viewpoint to gain votes.
- Improve public attitude towards an issue.

1.7.2 Television Advertising:

It is similar to radio advertising in the sense of relaying a specific sales pitch in a limited amount of time. Most television ads are either 30 or 60 seconds in duration, long enough to give the viewers a direct and concise information or create a specific opinion of the product or service, but not long enough to lose the viewer's attention. Television commercials are generally placed at strategic breaks during the main programming and the few minutes until the beginning of the next hour's programme.

Increasing numbers of faithful viewers scattered across every continent, the medium of television is considered by many marketing experts to be the ultimate platform for targeted advertising. A single 30 or 60 second television commercial broadcast during an event such as the IPL or the Olympics can easily reach the eyes and ears of billions of potential customers. While comparing with other modes of advertising, Television advertising is moreexpensive but it found to be more successful in connecting with the target audience Concurrently.

While advertising in television both videoand audioplays a significant role. Images of a happy family gathering around a dinner table can enhance the appeal of a new line of packaged food, MDH for spices is a very common sight as advertise. for example. An attractive man surrounded by beautiful models can suggest the sex appeal of a new cologne such as AXE, Layer Shot as well.

1.7.3 Radio Advertising:

Radio Advertising is one of the simple and old media tools for commercial Advertising, it was first Broadcasted in the year 1927 in India. It's a popular media for the rural people of India, even illiterate people can easily understand the Advertisement on radio.It is a fantastic way to grow business, it helps in brand awareness and generate sales. Radio advertising is a media of advertisingfor products or services awareness. Commercial radio stations are paid by the Advertisers for broad casting their products and services for the targeted audience.

Like print and online advertising, Radio Advertising offers multiple options to the businesses for Advertising the products and services. Widely known types of radio Advertisements are discussed below:

- **Live reads** –live reads are kind of Advertisement where a Radio Jockey reads out the Advertisement, this is an effective radio advertising as the listeners are already used to the voice of the RJ, hence people can be easily persuading to buy the products or services. It also helps in creating a very popular campaign for the product.
- **Sponsorships -**onecan sponsor news, competitions, sports, or any kind of the regular programming on the radio station. Few example, Engagement, reaching audience for an event, Radio Jingles, Story Telling, Personified Commercial, Straight Read "like reading an add from newspaper etc.

1.7.4 Print Advertising:

Print advertising is the oldest form of Advertisement with a very wide coverage of area with physically printed media that has a huge customer base since 18thcentury. Various types of newspapers, magazines, brochures, or direct mail are printed in hard copy and are used in Print advertising.

There are mainly four types of popular print advertising, namely

- Newspaper –It is considered as a very effective marketing tool for spreading awareness among the people. It conveys the message directly and that is why is an extremely effective marketing tool. Most of the vivid newspaper readers are very active and engage with paper, it is cheaper compared with other medium of advertisement. Impact from newspaper Advertising lasts for a longer period.
- Magazine - Magazine ads can give a brand its centre stage in popular publications across an immediate area or the United States. It has more durability than newspaper, it usually prints for weekly, monthly or quarterly. It specifically targets the young people of the society.

- Direct Mail - If we do proper research, we can target a specific demographic in direct mail. We can also measure our result using a variety of methods. Direct mail is very cheap and very target based, It targets individual to individual.
- Brochures -Even in a technology-driven world, few marketing tools put us in direct touch with our audience as well as brochures. They hold lots of information that we can distribute to hundreds of people in a single sitting. Brochures are very popular and very affordable ways to familiarise the businesses among the people.

1.7.5 Emotional Advertisement:

We human considers ourselves as modern and logical but all our decisions specifically the instinctive and subconscious region of our brains are directly dependent on our emotions. Emotion is such a strong force. It's powerful in many ways because it can influence a decision and urge people to act. That's why it has been an effective marketing technique to inspire people to take specific actions and reach business milestones. When we leave an emotional impact on our audience, our brand and our content will stick in their hearts and minds.

Customers who have an emotional relationship with a brand have a higher lifetime value and will likely recommend the company to their friends and family. This only means that when customers are emotional connected with brands, they'll reward with their loyalty and even advocacy. Few examples of Emotional advertisement are Desh ka Namakh "Tata Salt", JK super Cement 'Desh ka rakshak" Gharek, Maukaek, isliye Cement bhiDesh ka No. 1 "Ultra tech Cement", and there are multiple new ads with Patriotism.

Stop to consider

Types of advertising-
- • Commercial and Non-Commercial Advertisement:
- • Television Advertising
- • Radio Advertising
- • Print Advertising
- Emotional Advertising

Check your progress
Question 5. What do you mean by commercial and non-commercial Advertising?

1.8 Advertising Budget

An advertising budget is an amount by a company allocated for the promotionof its goods and services. Promotional activities include conducting a market survey, getting advertisement creatives made and printed, promotion by way of print media, digital media and social media, running ad campaigns etc. Advertising is a part of the sales and marketing effort. The advertising budget of a business is typically a subset of the larger sales budget and, within that, the marketing budget. In order to keep the advertising budget in line with promotional and marketing goals, emphasised should be onthe target consumer, Type of media to reach the target consumer, What is required to get the target consumer to purchase the product, advertising expenditures and the impact of advertising campaigns on product or service purchases.while making advertising budget some factors should be taken into account such as-types of advertising campaign, target audience, media types, advertising objectives, size of market, product life cycle, frequency of advertising, intensity of competition.

1.9Method of advertising budget-In order to keep the advertising budget in line with promotional and marketing goals, emphasised should be on the target consumer, type of media to reach the target consumer, what is required to get the target consumer to purchase the product, advertising expenditures and the impact of advertising campaigns on product or service purchases.Advertising budget is important for making the advertising more effective and make economic use of it.

1. Affordable Method- it is a simple method of determining advertising budget. Financial budget is allocated to advertising but it less emphasised on advertising objectives or goals.Under this method, after meeting all the expenses allocation for budget is made. Advertising budget is treated as the residual decision. While making decision for advertising budget the

availability of fund influence it. Thus, a company's capacity to afford in advertising isan important criterion for budget allocation.

2. Arbitary Allocation Method- under this method allocation in budget is done on the basis of importance felt by decision makers. There is no systematic technique of allocating funds. It lacks systematic thinking. The decision maker set the funds for advertising budget.

3. Competitive Parity Method- under this method, competitor's allocation on budget decides the expenditure on budget. Competitive stability can be achieved through this method. The competitive parity is a common strategy that is used by companies which don't want to be out-advertised by the competition. The competitor advertising is a benchmark for allocating company's budget on advertising. Company with same amount of money may not bring the same result. The advertising activities of competitor's and advertising budget setting cost are considered as benchmark for allocating budget. Competitor's advertising strategy influence while setting advertising budget of the company. For example, if the close competitors spend 5% of net sales, the company will spendeither more or less or the equal for advertising. The assumptionis that "competitors or leaders are always right." This method should be applied with proper care else may leads towards misappropriation of funds. There is difference in company's goals, sales volume, financial condition, administration, goodwill, public image, promotional tools among various companies. This method should not be used blindly as it suffers from various limitations. Company's can take advertising strategy of competitors as a a base but as there is difference in characteristics of companies, it should not be used without proper evaluation. The factors influencing internal and external environment should be taken into account while deciding advertising budget for the company.

4Objective and Task Method- under this method, budget decision and objectives of sales are closely connected. To determine the advertising budget total cost of activities in operation is considered. Past and future sales forecast is not considered for for making budget. Generally, large scale company uses this budget allocation method.There is a strong correlation between objectives of marketing and spending on advertising. It is one of the effective budgets for a company as it is scientifically set. While allocating funds for the advertising both internal and external environment and requirement of the company is taken into account. While developing promotional budget with the help of this method, a manager put emphasised on factors like- establishing certain objectives, activities which are necessary to achieve the objectives and forecasting the cost for performing the activities. Thus, the total cost of these activities is the proposed fund for advertising budget. The objectives are achieved by the establishing the relationship between the objectives and task

to be performed. Thus, the total cost of different activities forms the Advertising budget to be used to achieve marketing objectives of the company.

5. Percentage of Sales method: A company's advertising budget is prepared on the basis of its Turnover for a given period. this method the budget of advertisement decided directly with the sales for the period. If in a year the total sales value is Rs 30 lacs and say an average of 10% is expenditure for the Advertisement then for the current year the budgeted expenditure is Rs 3 lacs for the Advertisement. Under this method the percentage for allocation of the budget for advertisement is taken from past figures, past percentages of advertisement are taken as base for preparing the current Advertisement budget. It is always based on percentage to the sales of the company, hence the name Percentage of Sales Method.

Few advantages are highlighted below:

(a) It is strictly based on Sales value. Therefore, cost of advertising can be adjusted with the profits for the period. It pleases the financial management.

(b) Promotional Advertisement costs, selling price of products, and profits per unit can be prepared as Advertisement cost is fixed on percentage basis based on past figures that inspire Marketing Managers to act accordingly.

(c) It maintains competitive uniformity across companies. All the companies follow the same percentage on advertisement cost to sales volume.

Few disadvantages are highlighted below:

(a) Due to lack of scientific basis or particular set of guidelines, it is not always easy to decide the Advertisement cost on the appropriate percentage to sales.

(b) Long-term forecasting of sales is difficult so simultaneously finding out the advertisement cost to sales is also difficult, so all companies are not well versed in forecasting their sales volume.

(c) This method only focus on increasing volume of sales and other objectives of advertising are neglected and doesnot consider.

(d) While deciding the advertising budget product life cycle stages are not given much importance.

(e) This method is rigid and difficult to change.

Stop to consider

Method of advertising budget-

- Affordable Method- it is a simple method of determining advertising budget. Financial budget is allocated to advertising but it less emphasised on advertising objectives or goals..Under this method, after meeting all the expenses allocation for budget is made
- Arbitary Allocation Method- under this method allocation in budget is done on the basis of importance felt by decision makers
- Competitive parity method- under this method, competitor's allocation on budget decides the expenditure on budget. Competitive stability can be achieved through this method. The competitive parity is a common strategy that is used by companies which don't want to be out-advertised by the competition.
- Objective and Task Method- under this method, budget decision and objectives of sales are closely connected. To determine the advertising budget total cost of activities in operation is considered.While developing promotional budget with the help of this method, a manager put emphasised on factors like- establishing certain objectives, activities which are necessary to achieve the objectives and forecasting the cost for performing the activities. Thus, the total cost of these activities is the proposed fund for advertising budget.
- Percentage of Sales Method - A company's advertising budget is prepared on the basis of its Turnover for a given period. In this method the budget of advertisement decided directly with the sales for the period.

Check your progress

Question 8. What do you mean by advertising budget?

Question 9. Explain various methods of advertising budget.

Self asking questions

Question 3:Which method of advertising budget will bring more success to the company. Give your answer with various methods of advertising with merits and demerits.

1.10 Sales Promotion- It is a component of promotion mix. Sales promotion helps in increase in sales volume of the product of a company. Different sales promotion methods are used by company to increase their sales volume. Sales promotions are used to motivated purchasing behaviour of customers and to turn the prospective customers in actual customers. While introducing a new product sales promotion can be used as promotion techniques to increase demand and gram attention of customers. Along with creation of demand of new product, sales promotion increase brand awareness of the products.

1.11 Objectives of Sales Promotion-

The objective of sales promotion is to create and increase demand of a product and services. It is important to understand the goals of sales promotion to create effective strategy for promotion.   Organisation can use different strategy for different target group. Sales promotion increases the sales of the product and more profit is generated.

1. Launch a new product. If a company wants to introduce a new product in the market, sales promotion can be used for attracting customers. Sales promotion can also be used for reaching to the new target market. For Example, a company wants to expand their business in different places and wants to add new products for reaching new market segment, then sales promotion is an important marketing promotional tool. If a coffee shop introduce new bakery items, they can attract new customers by offering complementary cookie, discounts, coupons etc.

2. Attract new clients. This objective should be focused on long-term goal since it helps the business to expand and grow. Through sales promotion potential customers can be turned into actual customers and even the competitor's customers are attracted by offering various gifts, coupons, free sample, buy one get one offer, discounts, rebates etc. the company should try to offer more benefits than their competitors for retaining the customers. potential customers are likely to be competitors' customers, so evaluating the benefits of their products and offering something more is always appreciated.

3. Stay competitive. Continuous evaluation and analysis the characteristics of products and   services   are   important   for   reaching   the   target   market   more effectively. Competitors products and services must be analysed and critically examined to offer better product and services to the customers.

4. Make existing customers buy more- sales promotion increases sales by creating demand for the product. If a customer is satisfied with a particular product it becomes easy for the company to retain them by offering some extra benefits. Customers loyalty can be increased through various techniques of sales promotion. Brand loyalty is automatically achieved if existing customers are retained by the company with the satisfied products.

5. Offer during the off-season- in case of seasonal products like swimwear, tents, air conditioners, refrigerators are necessary during summer season. The needs can be

created by offering various sales promotion techniques such as discounts, "1+1=3" campaigns, free gifts etc. it is important that while deciding the sales promotion techniques type of product and its utilities must be considered as an important factor.

6. Clearance campaigns- This technique is generally used before summer and winter season. When new collection arrives distributors create space for the new arrival by clearing the old stock. Old collections are cleared by selling at low price and space for new collection is created.

Stop to consider

Sales Promotion- It is a component of promotion mix. Sales promotion helps in increase in sales volume of the product of a company. Different sales promotion methods are used by company to increase their sales volume.

Objectives of Sales Promotion-

- Launch a new product
- Attract new clients
- Stay competitive
- Make existing customers buy more
- Offer during the off-season
- Clearance campaigns

Check your progress

Question 10. Explain the meaning of sales promotion.

Question 11. Discuss various objectives of sales promotion.

1.12 Sales Promotion Techniques:

1. Discounts. This is the oldest technique of sales promotion. Companies irrespective of their size use this technique to increase sales throughout the year. It is very popular among consumers and distributors as it provide relief to both the parties. Sellers clear the old stock at the arrival of new stock. To attract the customers, sellers offer discounts for the old stock. One important thing should be given due importance that discounts rate should be in normal range, sometimes too much discounts can create suspicion among the customers.

2. Time-limited offers. This is another popular technique of sales promotion. When there is time limit of an offer a sense of fear for loosing the product is created in the mind of customers. A need of urgency is created by the company and try to influence the purchasing behaviour of customers. For example, MYNTRA is a shopping site, that offer discounts for a limited period to create urgency of buying the product. To make customers more aware about this method different media is used, which will increase sales volume and leads towards more site traffic.

3. Seasonal promotions- - in case of seasonal products like swimwear, tents, air conditioners, refrigerators are necessary during summer season. The needs can be created by offering various sales promotion techniques . there is need to use seasonal promotion for off season sales. Social media is a strong tool for campaigning in now a days.

4. "1+1=3"- "Buy one get one offer" and "Buy 2 and get the other one for free" are popular marketing promotional technique. This kind of advertising campaign will help in reducing the product price and buy more product at the same cost. Various distributors specially retailers can increase sales and clear the old stock with new stock.

5. Holiday promotions- during different festivals like Christmas, New Year's Eve, International Women's Day, and Valentine's Day there is tendency to increase sales . People enjoys gifting their friends and family during festivals, which will increase sales for the company. Holiday campaign can be launched in advance, advertising can be done through various media channels. This will help you increase brand awareness and site traffic.

6. Gifts- this technique is helpful for new business or in case of launching new product. This technique is effective in reaching mass media and building brand awareness. Companies use different kind of gifts for different products. For example, a company has launched a new service and offered free trial for one month, then advertising campaign was made that who spend Rs 1000 will receive a gifts.

7. Contests- These are lucky draw style sales promotional technique where some random phone number of buyers or random name of buyers gets chosen and big discount or free of cost goods are provided by the shopping mall. The audience can create a slogan for a brand, a new message for advertising, design, or share creative ideas on how to use a product in an attractive way.

8. Reward points – this technique is more applicable for buyer who purchase on a regular basis. To give honour for brand loyalty companies offer rewards points to Customers. As much as customers will buy they will get more rewards points and can avail the benefits in their next purchase. If they don't want to use the rewards points it keeps on adding against the name of customers. When reward points are used customers get some cash benefits, but there is a condition of spending minimum amount of money for availing the benefits of rewards points.

9. Special prices- generally special price is fixed for a single day and marketers campaign it to increase sales. Single day fixed price are very popular among enthusiast buyers and this technique of sales promotion is commonly used by shopping malls specially weekends are targetd. This single day discounted price attract the customers and that's lead to increase in sales. For example shopping mall like Vishal offer this fixed day price on every Sunday. Messages are sent to the registered mobile numbers of buyers and try to persuades the customers to buy the products by creating demand for it.

10. First-purchase coupons- while introducing new product, companies can use this technique to attract new customers in the market. For example , a coffee shop is launced in the town and to attract the customers for a period of time coupon can be offered to attract new customers for the first time. It will create word of mouth promotion and will increase the sales. When special offer is offered customers feel comfortable to purchase it. A welcome E- mail can be sent to the new visitor to get the discounted offer.

11. Mobile couponing: Under this technique, coupons are send to customers on registered mobile numbers via SMS. To avail the discount, a customer needs to show the coupon code in the mobile phones and can get the benefits.

12. Bonus-pack deal:Acustomer has to pay less for the product than the printed original price. For example, customer pay for one cup of coffee and get free candy, which gives some positive emotions and makes them come back in the future.

13. Coupons: You can sell coffee for the original price and give a coupon, which will make the next purchase 5% cheaper.

1.13 Sales promotion planning guidelines-

Sales promotion is an integral part of the marketing mix. Sales promotion should be used as an effective tool in creating brand recognition. There is need to develop understanding of consumer dynamics: who are the customers, what characteristics do they possess and what are their specific needs from our product category. Other important consideration should be taken into account is that nature of purchasing profile; why customers buy the products or why they purchase the product of customers

Stop to consider

Sales Promotion Techniques:

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Self-asking question

Question 4: if a company launched a new product in the market, which technique of sales promotion will be effective?

1.14 summary:

 The unit highlighted the concept of advertising with its importance in the national economy. Promotion mix are important tool for attracting the customers and creating need for the product and services. Advertising and sales promotion are two important tool of promotion mix. Various techniques for advertising budget is used for making advertising more effective and optimum utilisation of resources. Sales promotion helps in increasing sales of the product and various sales promotion techniques are used for changing purchasing behaviour of customers.

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1.16 Model Questions:

a. what do you mean by advertising?

b. what do you mean by sales promotion?

c. what do you mean by advertising budget? Explain varous methods of advertising budget with merits and demerits..

d. explain various techniques of sales promotion.

e)Discuss the various meduia use for advertising product

f) Explain the guidelines used for setting effective sales promotion

1.17 Answer to check your progress:

1. Ans: Advertising is a marketing tool that involves in paying for a slot to promote a product, service or a cause. The promotional messages are calledAdvertisements and in short these are known as Ads. The goal of advertising is to reach people to motivate them or convinced them to be willing to pay for a company's products or services and persuade them to buy them.

2. Ans. A. It promotes the idea of selling of goods and services by educating and convincing the people to buy them.

B. Advertisement has helped in the betterment of the standard of living of the society. Advertisement should publish correct and authentic information to the public for creating a positive brand image in the society.

3. Ans. A. **Sales Promotion:**It promotes the idea of selling of goods and services by educating and convincing the people to buy them. A quality Advertisement campaign helps in attracting the customers and generating higher sales, that leads to more profit for the organisation. Different sales promotion techniques are used by organisation to attract the buyers, such as discounts, coupons, samples, money refunds etc.

B. **Launching of New Products:** New products can be introduced in the market with the help of Advertising. Advertising can help in introducing a business enterprise or its products and services to the public. Quick publicity can be achieved with the help of Advertising in the market and it can influence the buyer in their buying behaviour, resulting in higher sales.

C. **Support to Production System:** Advertisement encourages business enterprises to produce in large scale . with a good advertisement campaign business enterprises can sell their products and services on a large-scale in the market . Higher volume of production will lead to reduction in the cost of production hence more profits will be generated. With more production economical use of resources is possible.

D. **Higher Standard of living:**It creates awareness among people by educating the people about the products and their uses. Aadvertising has helped people to a great extent in the adoptions of new ways of life and moving away from old styles and habits. Advertisement makes people aware about the availability of new product in the market and offer people to choose the best alternative available in the market, which increases the standard of living of people in the society.

4. Ans. Importance of Advertising for the Manufacturer:

- Advertising helps in increasing sales. As it creates awareness about existence of the product it will enhance the sales.
- Advertising helps producers or the companies to know their competitors and plan accordingly to face competition effectively.
- In introducing or launching a new product in the market, advertising will make a focus for the product. Advertising helps making people aware of the new product so that the consumers can choose the best product available in the market and use it.

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in developing curiosity in purchasing any products or services. Its main aim is to increase the revenue. Advertising creates desires for the product specifically in introducing a new products or services. As long as customers desires are not fulfilled, there is always need of advertising to make awareness about existence of other available products. Advertisements is a solution to various questions related to day-to-day life of a customer regarding food habits, buying the best product, travelling decision etc.

Various institution such as non- profit organisation, political organisation sponsored Non-commercial Advertisements. The important goals of these advertisings are – awareness creation, funds raising, and influence purchasing behaviour of consumer. It influences consumers to keep opinion on neutral issue and can be persuaded to change mindset in taking decisions. This type of advertisement try to influence opinion of public on the burning issues such as empowerment of women, rural development, child labour, consumer rights and responsibilities, global warming, environmental issues etc. the aim of non-commercial advertising is not same with commercial Advertising, but to provide authentic information and create awareness among consumers on social issues.

6. Ans. Some examples of print media are- newspaper, magazines, Broachers etc.

7. Ans. Emotion is such a strong force. It's powerful in many ways because it can influence a decision and urge people to act. That's why it has been an effective marketing technique to inspire people to take specific actions and reach business milestones. When we leave an emotional impact on our audience, our brand and our content will stick in their hearts and minds.

 Customers who have an emotional relationship with a brand have a higher lifetime value and will likely recommend the company to their friends and family. This only means that when customers are emotional connected with brands, they'll reward with their loyalty and even advocacy. Few examples of Emotional advertisement are Desh ka Namakh "Tata Salt", JK super Cement 'Desh ka rakshak" Gharek, Maukaek, isliye Cement bhiDesh ka No. 1 "Ultra tech Cement", and there are multiple new ads with Patriotism.

8 Ans- An advertising budget is an amount by a company allocated for the promotion of its goods and services. Promotional activities include conducting a market survey, getting advertisement creatives made and printed, promotion by way of print media, digital media and social media, running ad campaigns etc. Advertising is a part of the sales and marketing effort. The advertising budget of a business is typically a subset of the larger sales budget and, within that, the marketing budget. In order to keep the advertising budget in line with promotional and marketing goals, emphasised should be on the target consumer, type of media to reach the target consumer, What is required to get the target consumer to

purchase the product, advertising expenditures and the impact of advertising campaigns on product or service purchases.

9. Ans. Affordable Method- it is a simple method of determining advertising budget. Financial budget is allocated to advertising but it less emphasised on advertising objectives or goals. Under this method, after meeting all the expenses allocation for budget is made

- Arbitary Allocation Method- under this method allocation in budget is done on the basis of importance felt by decision makers
- Competitive parity method- under this method, competitor's allocation on budget decides the expenditure on budget. Competitive stability can be achieved through this method. The competitive parity is a common strategy that is used by companies which don't want to be out-advertised by the competition.
- Objective and Task Method- under this method, budget decision and objectives of sales are closely connected. To determine the advertising budget total cost of activities in operation is considered.
- Percentage of Sales Method- A company's advertising budget is prepared on the basis of its Turnover for a given period. In this method the budget of advertisement decided directly with the sales for the period.

10Ans - It is a component of promotion mix. Sales promotion helps in increase in sales volume of the product of a company. Different sales promotion methods are used by company to increase their sales volume. Sales promotions are used to motivated purchasing behaviour of customers and to turn the prospective customers in actual customers. While introducing a new product sales promotion can be used as promotion techniques to increase demand and gram attention of customers. Along with creation of demand of new product, sales promotion increase brand awareness of the products.

11 Ans-Launch a new product. If a company wants to introduce a new product in the market, sales promotion can be used for attracting customers. Sales promotion can also be used for reaching to the new target market. For Example, a company wants to expand their business in different places and wants to add new products for reaching new market segment, then sales promotion is an important marketing promotional tool. If a coffee shop introduces new bakery items, they can attract new customers by offering complementary cookie, discounts, coupons etc.

Attract new clients. This objective should be focused on long-term goal since it helps the business to expand and grow. Through sales promotion potential customers can be turned into actual customers and even the competitor's customers are attracted by offering various gifts, coupons, free sample, buy one get one offer, discounts, rebates etc. the company should try to offer more benefits

than their competitors for retaining the customers. potential customers are likely to be competitors' customers, so evaluating the benefits of their products and offering something more is always appreciated.

Stay competitive. Continuous evaluation and analysis the characteristics of products and services are important for reaching the target market more effectively. Competitors' products and services must be analysed and critically examined to offer better product and services to the customers.

Make existing customers buy more- sales promotion increases sales by creating demand for the product. If a customer is satisfied with a particular product it becomes easy for the company to retain them by offering some extra benefits. Customer's loyalty can be increased through various techniques of sales promotion. Brand loyalty is automatically achieved if existing customers are retained by the company with the satisfied products.

BLOCK III : Unit-3

Managing Mass Communication: Events and Public Relation, Personal Selling

Unit Structure:

1.1 Introduction-Masscommunication is a way of targeting large number of target audience. In marketing mass communication plays an important role in influencing and persuading the prospective customers. Events, public relation, personal selling are important tool of mass communication. Mass communication covers different modes of media such as print media, radio, television, digital media, social media etc. company sponsor various events for communicating positive brand image of the product and company in the mind of large group of people.A company has constructive relationship with different groups such as customers, suppliers, distributors or agents etc.Various programmes are adapted by companies to manage long term relationship with key publics. Again, personal selling can play an important role in converting prospecting customers into actual customers.. Face to face communication is more effective form of communication as customer can clear their doubts

about the product or service. In personal selling customer can set the visual effects of the product

1.2 Objectives-This unit is an attempt to analyse the ideas of Managing Mass Communication: Events and Public relation, personal selling. After going through this unit, you willbe able to-

- Meaning of Events and objectives, Types of Events
- Meaning of Public Relation, objectives, Importance of Public Relation in marketing Tools of Public Relation
- Meaning of Personal Selling, Characteristics of personal selling, Steps in Personal Selling

1.3 Meaning of Events-

The Accepted Practices Exchange Industry Glossary of TERMS (APEX, 2005) defines an event as, ''An organized occasion such as a meeting, convention, exhibition, special event, gala dinner, etc. An event is often composed of several different yet related functions.'' Goldblatt (2005) focuses on special events as,"a unique moment in time, celebrated with ceremony and ritual to satisfy specific needs.''Bowdin (2006) notes that the term 'event' has been used, ''to describe specific rituals, presentations, performances or celebrations that are consciously planned and created to mark special occasions and/or to achieve particular social, cultural or corporate goals and objectives.'' Companies sponsor events for exposure of brands and influence purchasing attitudes of customers. Various events such as sports activity, trade fairs, exhibitions, seminars, conferences are organised by the company to create positive image among target customers. Company can make people aware about brand by organising events. Sponsoring events increase brand awareness. Company should specific about the outcome to be achieved before sponsoring events. Company's objectives must be related to the events. Event strategy must be developed to achieve objectives in time. Company should ensure that aims of events should build connection with people. Customers should make aware about the goal of company by sponsoring events. For example,Tata group will replace Chinese mobile manufacturer "VIVO" as the title sponsor of the Indian Premier League (IPL) for 2022 and 2023 seasons.

1.4 Objectives of Events – Philip Kotler (2004) defined event as 'occurrences designed to communicate particular messages to target audiences. Company sponsors different events for different reasons. Some of these are explained below-

1. To Influence target market- Events are organised in different places where Prospective customers can be influence psychology, culturally, demographically and from different social values.

2. To Enhance company image- Companies sponsor events to get the attention they needed to improve their Brand image and to be present in across social media platforms.

3. To Increase product name-Companies sponsor events to get more exposure to their newly launch products, by sponsoring events they make sure that the newly launch products or

services are very noticeable, in order to get as much attention as they can gather from the prospective buyers.

4. To Increase promotional activities-company can sponsor various programmes in television or radio to promote the brand name. Target audience become more popular with the product.

5. To Emphasise on social issue- Various non profits events and charities are organised by organisation to give emphasise on social issues.

1.5 Categorisation of Events-

Events can be classified on the basis of their size, type and context, which are discussed below:

1. On the basis of context:

i. Family events- Family members, relatives, friends meet together for celebrating an occasion such as, birthday, marriage reception, wedding anniversary etc.

ii. Community events- A particular community celebrate particular occasions like Eid, Holi, Diwali etc.

iii. Business events-Particular business group get together to celebrate an occasion. For example, Engineers Association celebrating the World Engineers Day.

iv. Public events- Public meetings are organised like, rallies against corruption, Protest for social justice.

v. Campaigns for social welfare such as World Environment Day, HIV/AIDS awareness programme, awareness for Water saving.

vi. Fairs and Exhibitions like, India International Trade Fair, Book Fairs, Handloom exhibition etc.

2.On the basis of nature of event —

i. social events like birthday party, ring ceremony, marriageanniversary, etc.

ii. Education and career events like education fair, job fair, quiz contest, etc.

iii. Sports events like Olympics, Cricket/ Football World Cup, Australian Open, etc.

iv. Entertainment events like music concerts, award functions, beauty pageant etc.

v. Political events like politicalrally, political functions etc.

vi. Religious events like religious festivals, Holi, Dussehra etc.

Measuring High Performance Sponsoring Programme- This Executive Brief outline 10 factors IEG has identified that are critical to the strategic, organizational and process-related issues of sponsorship measurement today. They are:

1. Measure Outcomes, not Outputs - Reporting that 200,000 people attended an event may reveal the popularity of the event, but not how your brand fared. Some good examples of how to turn outputs into outcomes are provided in the table below.

"Output"	"Outcome"
200 clients entertained	Who were they, what happened as a result and how does their post-event behaviour compare to similar targets who were not entertained?
5,000 people sampled	How many were qualified and what is the conversion rate between sampling and future behaviour?
P-O-P displays 19% more	Cost per sale decreased from $x to $y or value of additional effective sales or profits
New distribution outlets	Estimated value of the channel

Propensity to purchase rose 8%	Every percentage point increase yields an x% sales increase or ability to increase price by y%
100 employees participated	Retention rate of employees who participate in sponsorships vs. those who do not and cost savings derived from lowering turnover among 100 staff
Shifts in brand loyalty	Premium price that can be charged
Data capture	Lower cost per acquisition
Increased sales of additional Services	Value that can be captured by comparing increase to additional services bought by customers of same demographic not impacted by the sponsorship
Recruited 20 agents	Cost to hiring via a recruiter

2. Define and Benchmark Objectives on the Front End- Defining objectives at the beginning of a sponsorship identifies which indicators to track, as well as which need to be benchmarked before programs are developed and implemented.

3. Measure Return for Each Objective Against Pro-Rated Share of Rights and Activation Fees- Sponsorships typically have multiple objectives. For best results, every objective should be measured individually, using quantifiable data. To measure results by objective and get an accurate picture of a sponsorship's true performance, IEG recommends allocating a portion of the total rights to each objective.

4. Measure Behaviour- IEG analysts have identified these best practices in measuring behaviour:

• Compare sales for the period surrounding the sponsorship to the same period in prior years

• Measure sales in the event market against similar markets with no sponsorship

• Compare sales shifts at participating retailers or on-premise accounts vs. those not participating

- Compare usage levels among fans of the sponsored property to non-fans in the same demographic

- Tie sales offer directly to the sponsored property, e.g., ticket discount with proof of purchase

5. Apply the Assumptions and Ratios Used by Other Departments within Your Company- Using statistics provided by the sales department means sales managers will be more likely to accept your estimate as a true measure of incremental revenue.

6. Research the Emotional Identities of Your Customers and Measure the Results- Favourable purchase intentions toward sponsor products and services are strongest when such intentions are perceived as important to other of Emotional Connections

7. Identify Group Norms- Favourable purchase intentions toward sponsor products and services are strongest when such intentions are perceived as important to other members of group.

8. Include Cost Savings in your ROI Calculations- Cost savings are more than a calculation of how much money you saved by cutting sponsorship expenses.

9. Slice the Data- sponsorship does not work equally well with all consumers. It works best with those who are most committed, either to the property being sponsored or to the brand. In the case of the former, sponsorship can bring in new customers. In the case of the latter, it builds loyalty and repeat sales.

10. Capture Normative Data - Most of our clients need a comparative, across-the-board analysis of their sponsorship investments, as well as an evaluation of individual programs. to gain full value from your research, make better use of data capture. Conducting exit polls only allows you to determine whether the brand communications have been seen and what effect they had on brand perception. Most value is gained by using this data to start a dialogue with your audience post-sponsorship.

Source: "Measuring High Performance Sponsorship Programs," IEG Executive brief, IEG Sponsorship consulting, WWW.Sponshorship.COM, 2009

1.6 Meaning of Public Relation-

A company is related with large number of groups of public. A company has constructive relationship with different groups such as customers, suppliers, distributors or agents etc. public means group of individuals which constitute actual or potential customers and that group helps in achieving the objectives of the company by enhancing the ability of the company. Public relation means the relationship with these interested groups for promoting the products. Various programmes are adapted by companies to manage long term relationship with key publics. In this competitive age every company have public relation department which try to build goodwill of the company by monitoring the purchasing behaviour of public and furnish valuable information. Mainly five functions are performed by public relation department- maintaining press relation, make the publicity of the product,

maintain corporate communication, deal with Governments', legislation and counselling by building good image of company's position.

        H. Frazier More and Bertrand R. Cranfield defined public relation as, '' The management function that evaluates public attitudes, identifies the policies and procedures of an individual organisation without the public interest, and executes a programme to earn public understanding and acceptance''. Public relation is an important tool of promotion. Public relation and advertisement are considered as same, though they are supplement each other but there is difference between two. Public relation is a way of market communication for delivery good image of company and product to the public. This department is a link between larger group of public and organisation and can help in framing strategy and policies for better mobilisation of resources, increasing productivity by maintaining good labour relation and better understanding of customer's needs. Public relation department is in direct contact with other functional departments and helps in effective functioning of organisation by building good brand image.

1.7 Objective of Public Relation- Lesly has identified following objectives-

- Presenting favourable image with benefits.
- Product or service promotion
- Detecting and dealing with its publics.
- Goodwill of suppliers.
- Ability to attract the best personnel.
- Overcoming misconceptions and prejudices.
- Goodwill of customers.
- Goodwill of government.
- Educating the public.
- Goodwill of employees or members.
- Goodwill of stakeholders and constituents.
- Goodwill of dealers and to attract other dealers.
- Formulating and guiding policies.
- Directing the course of changes.
- Fostering the viability of the society in which the organisation functions.

1.8 Importance of Public Relation in marketing- Public relation helps in maintaining goodmarketing relationship with customers. Good public relation helps in creating new market and to develop existing market. Public relation will satisfy customers' needs and maintain long term relationship between the company and public. Effective positive programmes are developed for maintaining good public relation and conveying brand messages of the product. Public relation focus on creating and spreading awareness about the product among large numbers of people. It also increases brand credibility and create good reputation of the company. Promotion of brand creates trust in the mind of target customers and develop credibility among public. Good public image and reputation of product and company can be built up through maintaining public relation among group of people. Public relation is comparatively less expensive among all the tools of mass

communication and is important popular method of mass communication. Attention of public can be earned by public relation and it is a long- term process that creates long term relationship with the public. Once, the relationship is created the sales can be increased and positive image can be created among public.

1.9 Tools of Public Relation-

Public Relation Tools
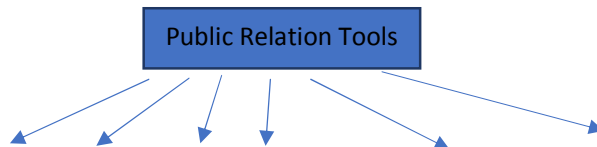
Employee Relation Programme

*Publication*News *Events* Press Releases*CommunityRelation Programme*

1. Publication- Companies can use various published materials to target and influence audience. Publications use annual reports, articles, magazines, broachers, newsletters etc.

2. Events- Various information about the company and products can be shared and informed among target audience by arranging different kinds of events such as exhibition, trade fairs, conference, seminars, sports activities etc.

3. News- News about company and its products characteristics are created and broadcast to gain attention of targeted public.

4. Press Release- Company make press release among audience to make people aware about the product and brand image of the company. Different media houses are invited for making press release to reach the target market.

5. Community Relation Programme- Customer's loyalty can be built by maintaining good relationship with different stakeholders of the community. By contributing for the welfare of the community, company can make good public image for the long term.

6. Employee Relation Programme- Good employee relationship can build positive image of the company in the mind of target audience.

Public relation will satisfy customers' needs and maintain long term relationship between the company and public. Effective positive programmes are developed for maintaining good public relation and conveying brand messages of the product. Public relation focus on creating and spreading awareness about the product among large numbers of people.

- Tools of Public Relation- Publication, Events, News, Press Release, Community Relation Programme, Employee Relation Programme.

Check your Progress
Question 3. Write the objectives of public relation.
Question 4. Explain the tools of public relation.

Self-Asking Questions
Question 1- How public relation will help in creating good public image in the society?

1.10 Meaning of Personal Selling-

Selling is a process of persuading a prospective buyer for purchasing products or services. Without selling customer can't get the product from manufacturer. Selling is an art of assisting customer to influence their purchasing behaviour and convert prospective customer into actual customer. As per American Marketing Association, "Personal Selling is the oral presentation in a conversation with one or more ProspectivePurchaser for the purpose of making sale; it is the ability to persuade the people to buy goods and services at a profit to the seller and benefit to the buyer." Personal selling is an element of promotion mix, where direct face to face communication is conducted between seller and customers. Face to face communication is more effective form of communication as customer can clear their doubts about the product or service. In personal selling customer can set the visual effects of the product. The customer can clear doubts about the products and uses. Personal selling helps in oral presentation of products and services and convincing customers to purchase the products. It is one of the oldest forms of promotion and easy method to sale the product when two-way communication is conducted between customer and seller and try to create demandand try to influence purchasing behaviour. The concept of personal selling has been evolved from door to door selling. Some people use personal selling advertising and sales promotion interchangeably but these are not same. There is difference in characteristics and uses of these techniques. At the same time large numbers of customers can be targeted and customised products or services can be delivered. All phrase- pre transactional, transactional and post transactional are involved in personal selling. The aim of personal selling is to make customer aware about the product and to convince them about quality, uses. Personal selling increases sales of the product or services.

1.11 Characteristics of personal selling-

Following are the characteristics of personal selling-

1. Personal Form- Under personal selling the salesperson is in direct contact with the prospective buyers. There is two- way communication between salesperson and prospective buyers and personal contact is established**.**

2. **Oral Conversation**- The salesperson has oral conversation with the targeted customers. He gives presentation of the products in details such as quality, colour, features, uses, design etc.

3. **Solution to Queries**- The salesperson is in direct contact with the customers so he can immediately clear the doubts of all the queries. Various objections regarding the product can be resolved by the salesperson as he has face to face communication with the prospective buyers.

4. **long term relationship with customers**- Selling is a creative art. long term relationship is built between the customers and company. Salesperson try to create needs and desires for the product by the customers and try to influence the attitude of the prospective.

5.**Actual Sale**- Salesperson try to convert the conversation into actual sale. The physical action takes place in the form of immediate purchasing and convert the prospective customer into actual customer. Apart from sharing information, salesperson try to make actual sales/

1.12 Steps in Personal Selling-

The skill of sales personal plays an important role in promotion. Selling is an art. Now a days, in the age of complicated companies have to spend huge amount in recruitment, selection and training for managing customers and to convert the prospective customers into actual purchasers. The steps in personal selling are illustrated below-

Prospecting

⬇

Pre- Approach

⬇

Presentation and Demonstration

⬇

Overcoming Objections

⬇

Closing

⬇

Follow up and Maintenance

Prospective- This is the first step in personal selling where qualified prospective buyers are identified. Salespersons are expected to invest their time in selling. It is the art of salesperson to identify prospects and discovering needs and preference of customers. Different ways can be used to identify prospects such as- Acquaintance references, Direct Mail, Cold Calling, Personal Observation Method, Company's Records, Newspaper, Trade and Exhibition etc.

Pre- Approach- After identifying the prospects, next stage is to discover the needs, preference, social status, buying styles. The salesperson should understand the purchasing process of customers like who, why, where, when, how so that the mode of communicating can be set. The salesperson set call objectives, gather information, plan necessary tool to sales and make immediate sales. The best contact approach should be chosen for making effective sales strategy. It is necessary to plan its time so that optimum time is used for business of the company.Time should be used more productively and quantitatively and sales person has to be more organisedto reduce wastage of time. Sales person has direct contact and two-way communication with prospective buyers and try to make best use of opportunities to convince prospective buyers into purchase the product. The aim of the salesperson is to influence the prospective buyer and persuading to buy the product.

Presentation and Demonstration- After identifying the needs and preferences and knowing the purchasing and knowing the purchasing behaviour of prospective buyer, next presentation and demonstration of products are important. Salesperson should explain the features, benefits, value of products etc. salesperson should clear all the customers queries satisfactorily. Products should not be compared with the competitors and should focus on strong points of their own products and weak point of competitor's product. Proper presentation will create positive impression in the mind of prospective buyer which will increase sale.

Demonstration is a live exercise where buyer get confidence for making purchasing decision. Salesperson should make best possible manner to show special features of the products. It makes an impact on the senses of the customers. Demonstration emphasised on unique features and do's and don'ts about the product. False information should not be provided as it will create bad image about the products and company.

Overcoming Objection- Sales person faces various objections from prospective buyers while sales presentation. Objection is important for selling the product. There are basically two types of resistance- psychological resistance and logical resistance. Psychological resistance is because of predetermined ideas, not giving up, resistance to interference, preference for establishing brands etc. logical resistance might be like objections to the price, features of product and company and schedule of delivery. Some other types of objections are quality, payment mode, after sales service or time of buying the product. The sales person should be confident and professional so that all necessary information about the product is provided to the buyers. While approaching prospective buyers' types of products, behaviour of buyers should be kept in mind. In spite of objection, the salesperson should be optimistic and try to influence the behaviour of purchaser. An environment should be created by salesperson where prospects are free to raise objections. Salesperson's patient plays important

role and should attentively listen the objection. The sales person should reduce the objections through positive spirit.

Closing- Under this step the buyer takes physical action. If the purchaser doesnot take place, sales persons' effort goes waste. The buying behaviour, attitude of the prospects plays important role in closing the process. There is always a try from the salesperson to close the conversion by taking purchasing orders. The salesperson tries to convince the prospects that it will be great deal for him and there will be lose for the buyer if he doesn't buy it immediately. In some cases, the salesperson can offer various financial incentives or gifts to influence the purchasing. The sales person may use various remarks such as, '' please trust me you will not get a better deal'', '' I request you sir, this product will be best suited to you'' which may hit sentiments of buyer. When a product is demonstrated and clarifying the objections, sales person can ask some question such as, '' Shall I book for you?'' '' Which colour and size would suit you?'' etc. to persuade the purchasing behaviour. If the buyer needs more clarification and some more financial help, it is advisable to make contact with senior person for ending the closing approach on a positive note.

Follow up and Maintenance- To make customers satisfied follow up and maintenance are necessary. Various terms and conditions about the purchasing of the product should be informed to the customers. Cognitive dissonance should be reduced by ensuring timely delivery, proper installation and buyer's interest should be fulfilled. After sales also the salesperson should follow up the process and should try to make customers highly satisfied. co- ordination should be developed and long -term supplier- customer relationship should be developed.

STOP TO CONSIDER

- As per American Marketing Association, "selling is the personal or impersonal process of assisting and or persuading a prospective customer to buy a commodity or a service or to act favourably upon an idea that has commercial significance to the seller''
- **Characteristics of personal selling-**
  a) Personal Form
  b) Oral Conversation
  c) Solution to Queries
  d) long term relationship with customers
  e) Actual Sale
- **Steps in Personal Selling-**

Prospecting

Pre- Approach

Presentation and Demonstration

Overcoming Objections
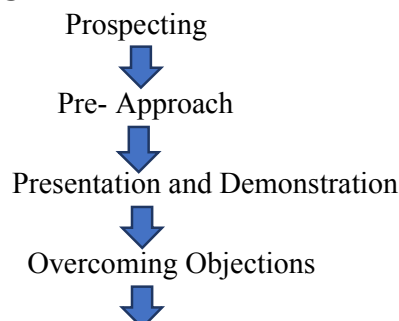
Closing
⬇
Follow up and Maintenance

Check Your Progress

Question 5. Write three characteristics of Personal selling.

Question 6. Explain the steps in the process of Personal Selling.

Self-Asking Question

Question 2 Give your view on requirement of skill by a salesman to make personal selling effective.

1.13 Summing Up- Mass communication covers different modes of media such as print media, radio, television, digital media, social media etc. company sponsor various events for communicating positive brand image of the product and company in the mind of large group of people. Sponsoring Events, maintaining public relation, Personal selling are tools of promoting products and services and communicating with target audience. Company can increase their sales adapting various modes of mass communication. In this competitive age every company have public relation department which try to build goodwill of the company by monitoring the purchasing behaviour of public and furnish valuable information. Through mass communicationat the same time large numbers of customers can be targeted and customised products or services can be delivered.

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1.15 Model Questions-

1. Explain the importance of sponsoring events by the company.

2. State and explain various qualities required by an ideal salesman to become successful salesman.

3. Discuss the importance of public relation in marketing.

4. Explain the steps in the process of Personal Selling.

5. write the differences between public relation and personal selling.

1.16 Answer to check your progress-

1. Answer-   Philip Kotler (2004) defined event as 'occurrences designed to communicate particular messages to target audiences. Company sponsors different events for different reasons.

2. Answer-

a. To influence target market-

b. To enhance company image-

c.To increase product name-

d. To increase promotional activities-

e. To emphasise on social issue-

3. Answer- Objective of Public Relation-

- Presenting favourable image with benefits.
- Product or service promotion
- Detecting and dealing with its publics.
- Goodwill of suppliers.
- Ability to attract the best personnel.
- Overcoming misconceptions and prejudices.
- Goodwill of customers.
- Goodwill of government.
- Educating the public.

4. Answer.

1. Publication- Companies can use various published materials to target and influence audience. Publications use annual reports, articles, magazines, broachers, newsletters etc.

2. Events- Various information about the company and products can be shared and informed among target audience by arranging different kinds of events such as exhibition, trade fairs, conference, seminars, sports activities etc.

3. News- News about company and its products characteristics are created and broadcast to gain attention of targeted public.

4. Press Release- Company make press release among audience to make people aware about the product and brand image of the company. Different media houses are invited for making press release to reach the target market.

5. Community Relation Programme- Customer's loyalty can be built by maintaining good relationship with different stakeholders of the community. By contributing for the welfare of the community, company can make good public image for the long term.

6. Employee Relation Programme- Good employee relationship can build positive image of the company in the mind of target audience.

5. Answer- Following are the characteristics of personal selling-

1**.** Personal Form- Under personal selling the salesperson is in direct contact with the prospective buyers. There is two- way communication between salesperson and prospective buyers and personal contact is established**.**

2. Oral Conversation- The salesperson has oral conversation with the targeted customers. He gives presentation of the products in details such as quality, colour, features, uses, design etc.

3. Solution to Queries- The salesperson is in direct contact with the customers so he can immediately clear the doubts of all the queries. Various objections regarding the product can be resolved by the salesperson as he has face to face communication with the prospective buyers.

6. Answer- The steps in the process of personal selling are discussed below-

Prospective- This is the first step in personal selling where qualified prospective buyers are identified. Salespersons are expected to invest their time in selling. It is the art of salesperson to identify prospects and discovering needs and preference of customers. Different ways can be used to identify prospects such as- Acquaintance references, Direct Mail, Cold Calling, Personal Observation Method, Company's Records, Newspaper, Trade and Exhibition etc.

Pre- Approach- After identifying the prospects, next stage is to discover the needs, preference, social status, buying styles. The salesperson should understand the purchasing process of customers like who, why, where, when, how so that the mode of communicating can be set. The salesperson set call objectives, gather information, plan necessary tool to sales and make immediate sales. The best contact approach should be chosen for making effective sales strategy. It is necessary to plan its time so that optimum time is used for business of the company. Time should be used more productively and quantitatively and sales person has to be more organised to reduce wastage of time. Sales person has direct contact and two-way communication with prospective buyers and try to make best use of opportunities to convince prospective buyers into purchase the product. The aim of the salesperson is to influence the prospective buyer and persuading to buy the product.

Presentation and Demonstration- After identifying the needs and preferences and knowing the purchasing and knowing the purchasing behaviour of prospective buyer, next presentation and demonstration of products are important. Salesperson should explain the features, benefits, value of products etc. salesperson should clear all the customers queries satisfactorily. Products should not be compared with the competitors and should focus on strong points of their own products and weak point of competitor's product. Proper

presentation will create positive impression in the mind of prospective buyer which will increase sale.

Demonstration is a live exercise where buyer get confidence for making purchasing decision. Salesperson should make best possible manner to show special features of the products. It makes an impact on the senses of the customers. Demonstration emphasised on unique features and do's and don'ts about the product. False information should not be provided as it will create bad image about the products and company.

Overcoming Objection- Sales person faces various objections from prospective buyers while sales presentation. Objection is important for selling the product. There are basically two types of resistance- psychological resistance and logical resistance. Psychological resistance is because of predetermined ideas, not giving up, resistance to interference, preference for establishing brands etc. logical resistance might be like objections to the price, features of product and company and schedule of delivery. Some other types of objections are quality, payment mode, after sales service or time of buying the product. The sales person should be confident and professional so that all necessary information about the product is provided to the buyers. While approaching prospective buyers' types of products, behaviour of buyers should be kept in mind. In spite of objection, the salesperson should be optimistic and try to influence the behaviour of purchaser. An environment should be created by salesperson where prospects are free to raise objections. Salesperson's patient plays important role and should attentively listen the objection. The sales person should reduce the objections through positive spirit.

Closing- Under this step the buyer takes physical action. If the purchaser does not take place, sales persons' effort goes waste. The buying behaviour, attitude of the prospects plays important role in closing the process. There is always a try from the salesperson to close the conversion by taking purchasing orders. The salesperson tries to convince the prospects that it will be great deal for him and there will be lose for the buyer if he doesn't buy it immediately. In some cases, the salesperson can offer various financial incentives or gifts to influence the purchasing. The sales person may use various remarks such as, '' please trust me you will not get a better deal'', '' I request you sir, this product will be best suited to you'' which may hit sentiments of buyer. When a product is demonstrated and clarifying the objections, sales person can ask some question such as, '' Shall I book for you?'' '' Which colour and size would suit you?'' etc. to persuade the purchasing behaviour. If the buyer needs more clarification and some more financial help, it is advisable to make contact with senior person for ending the closing approach on a positive note.

Follow up and Maintenance- To make customers satisfied follow up and maintenance are necessary. Various terms and conditions about the purchasing of the product should be informed to the customers. Cognitive dissonance should be reduced by ensuring timely delivery, proper installation and buyer's interest should be fulfilled. After sales also the salesperson should follow up the process and should try to make customers highly satisfied. co- ordination should be developed and long -term supplier- customer relationship should be developed.

BLOCK IV : Unit-1
PRICE SETTING

Unit Structure:

1.1: Introduction

1.2: Objectives

1.3: Meaning of Pricing

1.4: Significance of Pricing

1.5: Pricing Objectives

1.6: Factors influencing Pricing Decision

1.7: Price Sensitivity

1.8: Pricing Methods

        1.8.1 Cost based pricing;
        1.8.2 Demand based pricing;
        1.8.3 Competition-oriented pricing;
        1.8.4 Product line pricing;
        1.8.5 Tender pricing;
        1.8.6 Affordability pricing;
        1.8.7 Differential pricing
        1.8.8 Undefined Pricing Method

1.9: Adapting the Price

        1.9.1 Price Adaptation Strategies

1.10: Responding to price change.

1.11: Summing Up

1.12: Key Terms

1.13: Suggested Readings

1.1 INTRODUCTION

Pricing is the core of marketing and pricing strategy overwhelmingly influences the marketing policy analysis. A company has to earn revenue to stay in business and the company earns revenues by charging price for its products or services. Thus, the existence of a business unit depends on its pricing strategy. Pricing is the most crucial element in marketing mix. Price is the weapon or the instrument through which the product or the service reaches its ultimate user or the ultimate beneficiary.

Arriving at a correct price enables the manufacturer to earn profit and to stay in the competition. Pricing has a psychological impact on the consumer. The task of fixing the price

is very carefully handled keeping the consideration of cost condition and the interest of consumers, marketers and the society as well.

Along with pricing, distribution of products and delivery of services are becoming more and more integral to the process of modern day marketing to create and to win customers. The emergence of relationship marketing and for that matter one to one marketing accordedhighest priority to consumers and consolidated the integration of pricing and delivery. The entire unit deals on these crucial issues of marketing.

1.2 OBJECTIVES

After going through this unit you will be able to know:

- Concept and importance of pricing.
- Objectives and factors affecting pricing decision.
- Pricing strategies.
- Price adaptation

1.3 MEANING OF PRICING

Price is the value charges for a given product or service. It is the amount of money received by a manufacturer for its products. It is the amount charged for a given service by the provider. Price is the monetary sacrifice made by a customer for a product obtained or service availed.

Conceptually, price can be formulated as under:

$$\text{PRICE} = \frac{\text{Quantity of money received by a seller}}{\text{Quantity of goods \& services received by the buyer}}$$

Price is related with value offered and value received and the problems of pricing is to measure the value offered and value received. Value is both relative and multidimensional. Product quality or service quality, firm's image, brand image are the common attributes of value. As such, customer's perception plays a significant role in pricing.

1.4 SIGNIFICANCE OF PRICING

Price is perhaps the most significant element in marketing mix and it is the only element that generates revenue and all other elements involving cost. In the words of Martin Bell: "Price is a dangerous and explosive marketing force. It must be used with caution. The damage done by improper pricing may completely destroy the effectiveness of the rest of a well-conceived marketing strategy. As a marketing weapon, pricing is the "big gun". It should be triggered exclusively by those thoroughly familiar with its possibilities and

dangers…Therefore, all marketing planners should be equipped to make correct pricing decision."

Price and the volume of sales determine organization's profitability. Price has a direct bearing on demand and in turn reflects in profit. It may be expressed as under:

Profit= (Price*Quantity sold) - Total Cost.

Price is assuming greater role in product distinctiveness but technological advancement and universalisation of technology diminishes product differentiation. The products are more and more standardized. Resultantly, products are differentiated through price and firms are increasingly involved in price war.

In present day trend of competition and inter-firm rivalry, firms are to be very careful in pricing decision. Any attempt to win customers through irrational price-cut and higher spending on marketing may prove self-defeating.

Customer's value perception and the readiness of the customers to pay the price corresponding to the value perceived added further impetus to pricing. High value perception enables the firm to charge more and to augment revenue and at the sametime restrict the firm to charge higher price beyond value perceived to avoid marketing failure.

Pricing is of paramount importance in deciding the firm's policy on product, distribution and promotion. Price-profit relationship offer the leverage to work-out product policy, distribution strategy and promotion programmed. Successful pricing strategy allows the firm to release fund for other elements of marketing mix.

Pricing is a risky-decision. Any mistake in pricing decision may endanger firm's profitability, growth and future existence. Marketing managers realize the marketing objectives through proper pricing policies. Therefore, fixing correct price is a matter of judgment as well.

Looking beyond a firm's territory, pricing has assumed far greater role in controlling inflation, overcoming recession, directing government regulation, restricting unwanted & unhealthy consumption and many other issues of macro-economic environment.

1.5 PRICING OBJECTIVES

Pricing objectives are the goals a firm wants to achieve through its pricing decision. The objectives are to be consistent with the overall mission and purposes of the organization. The following are the common pricing objectives:

a) Maximizing current profit and higher return on investment through stimulating demand and adopting pricing options.

b) Increasing market-share is another objective of pricing. Price is the instrument through which market is penetrated and a firm can make in-roads into other firm's territory.

c) Facing competition and exploiting competitive position is the most important objective of pricing. Competitive bidding or price cutting is a common strategy adapted while pricing. It is cautiously done not to invite losses. It is a long term strategy and referred as "Extinction pricing" to eliminate competition. Competition through price-route is customary marketing practice.

d) Appreciating the price-profit relationship, the price is fixed anticipating a given volume of turnover and a percentage thereof to fetch profit. Thus, earning a consideration of past performance and marketing experience is a leading objective of pricing.

e) Survival in a competitive market is also a pricing objective. Firms are found to be offering heavy discount on products entering the maturity stage to retain customers and to fight against substitute products.

f) In the context of a firm producing number of products at different stages of product life-cycle, the firm has to adapt a pricing strategy to achieve the objective of maximization of profit on product line or lines.

g) The importance of price and pricing strategy are so over whelming that image building, confidence building and overcoming the emerging challenges may also be considered as the objectives of pricing.

1.6 FACTORS INFLUENCING PRICING DECISION

Pricing decisions are neither arbitrary nor philosophical. It can't be a matter of trial and error. Pricing decisions are crucial to the existence and growth of the concerned firm. Factors that influence pricing decisions are economic and non-economic and maybe both qualitative and quantitative which can be categorized into internal and external factors.

External factors are:

- Market demand.
- Buyer's perception.
- Level and the intensity of competition.
- Price-elasticity of the product in question.
- Competitor's price.
- Government regulation on pricing.
- Bargaining power of the major customers.
- Bargaining power of the major suppliers.
- Overall economic condition.
- Understanding among competitors.
- Social perception.
- Hike in pay-structure and higher disposable income.
- Government policy initiative and programs undertaken.

Internal factors are:

- Cost of the product including overhead cost of distribution.
- Nature of the product and its durability.
- Distinctiveness of the product.
- The stage of the product in its life cycle.
- The use of the product.
- Corporate and marketing objectives of the firm.
- Pricing objectives of the firm.
- Public image sought by the firm.
- Overall marketing strategy of the firm.
- Competitive advantage of the firm.
- Privileges enjoyed by firm, if any
- Hidden intention and future strategy of the firm.
- Product combination, if any, while buying.

1.7 PRICE SENSITIVITY

The demand varies along price line of a given product at a point of time in a given market. This variation is not uniform and there are factors on which sensitivity to price changes. Thomas T Nagle in his book, 'The Strategy and tactics of pricing' has identified nine such factors of price sensitivity as stated below:

a) **Unique-Value Effect**: Buyers are less price-sensitive when the product is more unique.
b) **Substitute-Awareness Effect**: Buyers are less price-sensitive when they are less aware of substitutes.
c) **Difficult-Comparison Effect**: Buyers are less price-sensitive when they cannot easily compare the quality of substitutes.
d) **Total-Expenditure Effect**: Buyers are less price-sensitive the lower the expenditure is to their income.
e) **End-Benefit Effect**: Buyers are less price-sensitive the less the expenditure is to the total cost of the end product.
f) **Shared-Cost Effect**: Buyers are less price-sensitive when part of the total cost is borne by another party.
g) **Sunk-Investment Effect**: Buyers are less price-sensitive when the product is used in conjunction with assets previously bought.
h) **Price-Quality Effect**: Buyers are less price-sensitive when the product is assumed to have more quality, prestige or exclusiveness.
i) **Inventory Effect**: Buyers are less price-sensitive when they can't store the product.

1.8 PRICING METHODS

Cost, demand and competition are the three primary considerations that influence the method of pricing to be adapted by a manufacturing organization. The broad categories of pricing methods are:

- Cost based pricing;
- Demand based pricing;
- Competition-oriented pricing;
- Product line pricing;
- Tender pricing;
- Affordability pricing;
- Differential pricing;

1.8.1 COST BASED PRICING

Under cost based pricing methods, pricing may be termed as Cost plus pricing, full cost pricing, target pricing and marginal cost pricing. Under cost plus pricing, the selling price of the product is fixed by adding a fixed margin or mark-up to its cost. Hence, it is also known as mark-up pricing. This method is over simplified. It does not take into consideration the demand condition and the intensity of competition.

Under full cost pricing, variable and fixed cost per unit and a profit margin is added to the cost. It is called full cost for adding all costs from each unit sold. It estimates a given volume of production and sales to fix the cost per unit. There is a process of absorption in the form of overhead to include all costs and hence, it is also known as absorption cost pricing.

Under target price, price is fixed to fetch a given volume of return. A target amount of return is added to the cost on per unit basis. The target amount is fixed keeping in mind a reasonable return on investment.

As the name implies, price is fixed taking into account all the direct variable costs under marginal cost pricing. A portion of fixed cost may be added to the cost while fixing price depending upon the market trend. Thus, marginal cost pricing is flexible and address the demand factor as well. The element of flexibility enables the firm to recover the fixed cost against chosen products on selected customers and can vary the price to suit the demand condition at a given point of time.

1.**8.2 DEMAND-BASED PRICING**

Demand based pricing methods include skimming price, penetration price and what the traffic can bear price. Here, price is fixed by adjusting it to the demand condition. A high price is charged when the intensity of demand is high and the low price is charged when the intensity of demand is low.

Skimming price refers to a strategy of skimming the market through high price as long as the opportunity exists and subsequently settles down for a lower price. High price is charged in the introductory stage of a product. This strategy works where the price quality perception is high and the customers feel proud in having such a product usually considered as 'High Technology Product'. The firm following or adopting this strategy reaches break-even point easily and earn maximum profit so long skimming continues.

Penetration price is opposed to skimming price and low prices are charged to overcome competition (through price route)in order to attain market share or market penetration. Penetration strategy works in a large competitive market where customer's loyalty towards existing product is more a matter of habit or convenience rather than any specific preference to the product. Penetration strategy is mostly pursued as an entry strategy in an intensive competitive market and where price-quality perception is low.

What the traffic car bear is a pricing strategy where the seller fixes the maximum price that the customers are willing to pay for a given product at a given market under the given circumstances. It is a method known for its frequency of adjustments with a possibility of error in judgment and often been opposed by the buyers until the price is lowered to the level what the traffic car really bear.

1.8.3 COMPETITION ORIENTED PRICING

Market is always fierce and competitive and shows no money on price and quality. As such competitor's price is the reference, price around which the price is fixed and the firm avails the option of premium pricing, discount pricing or going rate pricing.

Premium price is the price fixed above the competitor's price to avail the benefit of product distinctiveness,if any, and temporary market advantages. Discount price is the price fixed below the competitor's price to snatch customers from competitor's basket to increase market share. Going rate price is the parity that prevails in the market or the price stabilized in the competitive market. It is also known as 'Follow the Crowd'. In oligopoly market, there is no price bar within the industry. Leader's price prevails in the market. It is based on the presumption that all the firms are operating at the same level of efficiency.

There is another form of competition oriented pricing is the 'Sealed Bid pricing' which is discussed under tender pricing.

1.8.4 PRODUCT LINE PRICING

When a firm produces group of products related to suitable product lines, product line pricing is followed. In reference to a single line product, price of each related product is not optimally fixed instead optimal price for the product line is fixed. There are number of product line pricing strategies that are mentioned here under with appropriate illustrations.

In a restaurant individual items are differently charged but if ordered together in a pack a lower rate is charged for a **buffet meal** (Thali). Similarly, season ticket for a music or theatre festival is charged less compared to price charged for each day programmes added together. This price is known as price-bundling. We can experience the same while buying a packet of assorted biscuits or chocolates. This method evens out (equalize) the demand for individual product of a related product line and maximizes the profit.

When a firm produces variety of products substitutable one for the other with different features, a **premium price** is charged for the product positioned at the top being the premium model meant for higher income group of customers. Firms producing ceiling fans or color television charge premium prices for their premium brands. Private educational institutions have also started charging higher fees for their respective flagship programmes.

Where the consumers perceive quality from the price variation of the competing product/brand or model, the firm charges different prices for the different brands of the same product line and it is known as **image pricing** usually followed in clothes, personal-care products.

In the era of relationship marketing, a special price is offered to regular customers buying one of the products of a firm to retain them and to build their loyalty to the products and the firm and this price is known as '**Captive Price'**.

Demand generation is the critical task of marketing and for that matter a firm may change a price much lower than the normal price to induce potential customers and once induced customers would buy other products as well to recover the loss and to earn surplus. It is called '**Loss Leader Price'**. Charging a lesser price for a cup of coffee or ice-cream in a retail outlet illustrates the impact of loss tender price.

Waiving processing fee while offering bank loan or offering complementary break-fast while booking hotel-room, sharing insurance fee while buying a car are the common examples of **complementary pricing strategy** followed to generate demand that is why product line pricing is also called product line promotion pricing   .

1.8.5 TENDER PRICING

As already referred tender price is a competition oriented pricing and also known as '**Sealed-Bid Pricing'**. It is followed in a specific job contract or purchase of products or

services purchased by government agencies or business houses narrating the details as specifically sought in the quotation. The price is offered in a sealed envelope. The party that offers the least price is usually accepted and the contract is awarded with the conditions laid–down. It is an age old practice in government organizations and the reliability of the party in question is a major consideration besides minimum price.

1.8.6 AFFORDABILITY PRICING

Selection of target customers or target beneficiaries in respect to certain products or services to meet their basic needs is also a consideration while fixing price. It is a price dependent on the affordability of the target beneficiary and independent of costs. It is possible because of government support in the form of subsidy or otherwise under declared policy. This method of pricing is also known as social welfare pricing. Goods falling under public distribution system are priced under this method.

1.8.7 DIFFERENTIAL PRICING

Depending upon class of customers, market territory, scale of purchase, retail outlet and different prices are charged for the same product and hence called differential pricing.

1.8.8 UNDEFINED PRICING METHOD

Under the prevailing circumstances we are experiencing pricing methods which can't be defined under the methods already discussed. We see cost to cost pricing or substantially discounted pricing or special offer pricing or unique opportunity pricing for selected products for a brief or given period at specific outlet besides off season or pre-festive pricing. Liquidity needs of the firm, stock clearance, withdrawal of the products from the market, change in customer's preferences, pre-empting the arrival of new brands or new technology products are the common arguments forwarded to justify such pricing.

Though prohibited under the Competition Act 2002, treating it as an abuse of dominant position, under the recent surge of online marketing predatory pricing in disguise nomenclature is going on in full swing.

Predatory pricing under the Act means the sale of goods or provision of services at a price which is below the cost, as may be determined by regulations of production of the goods or provision of services with a view to reduce competition or eliminate the competitors.

We also come across the inflection price point or magic price to reach new customer segment and new pricing techniques such as sachets, EMI and pay as you use to capture value.

1.9 ADAPTING THE PRICE

Business being dynamic, business policies and strategies are also flexible. There can't be rigid perception and practices in business. Marketing and for that matter pricing is no exception. There are endless variations in price other than the pricing strategies already stated. This variation in price is called price adaptation.

Philosophically speaking, business and business organizations require moving along with people, time, situation and overall business development. Accordingly, the price of a product or service charged differently depending upon a variety of considerations. Charging prices differently to generate demand, to create customers, to build customer loyalty, to retain customers or to attract new customers in the adaptation process.

The practice of adaptation process is to vary prices and can be illustrated as under:

- The variation of price from market to market.
- The variation of price from market to sub-market
- The variation of price from sub-market to sub-market
- The variation of price from customer to customer
- The variation of price from time to time
- The variation of price from season to season
- The variation of price on volume of purchase
- The variation of price on stages of product life-cycle
- The variation of price on trade classification
- The variation of price on hidden intent

The above price adaptation process is neither exhaustive nor complete. There is early–bird price, special price, supportive price, promotional price, one–time price, maiden-order price and many more adaptation prices may emerge.

1.9.1 PRICE ADAPTATION STRATEGIES:

The price-adaptation process is generalized and has assumed the following strategies as mentioned below:

- Promotional pricing
- Geographical pricing
- Discounted pricing
- Discriminating pricing
- Product-mix pricing

Promotional Price: Promotional price is the price charged at the time of introducing a product or launching a service. It is the price-affecting while commencing a new business or while entering into a virgin market. It is also the concessional price offered to a maiden customer or first–time customer.

Geographical Price: Geographical pricing a deliberate pricing strategy to floor price differential in geographically isolated market or country. It may be premium price in one market, discounted price in another market and penetration price in a third territory. Company any prefer geographical pricing to utilize production capacity and to derive the benefit of economics of sale and at the same time it may open up at the gate to explore business opportunities in a new horizon.

Discounted Price: As the name implies, discounted price is the price discounted at variable price to secure cash payment, early payment, given or hire volume of trade and which may also vary from customer to customer, product to product, market to market and season to season as well.

Discriminatory Price: It is the different price charged for the same product or service at a given point of time. It is done to accommodate different customer segments (students, children, well to do, etc). In addition to that; customization process, marketing location, preferred time, better ambience and business revelation enable or empower the management to enable the management to discriminate prices.

Product-mix price: It is the price of a product, where the product is part of a product-mix. Being adapted strategically to accommodate a variety of considerations that are differently termed in the name of price bundling, premium pricing, image pricing, loss-leader pricing, captive pricing ,etc. as already discussed under **4.1.8.4.**

   The launching of jio 4G with one year of free subscription price differentials in Border States, pricing in combo pack, deep discount in pricing, buy one get one free, price deception and various forms of product-mix pricing are the leading examples of price adaptation.

 The fundamental issue in pricing is cost revenue equation and in the course of price adaptation, this equation alters and the profit per unit changes and at times may be negative due to strategic considerations. Decision making in price making is very critical and the key personnel in the company assumes the responsibility of taking such decision keeping in mind the long term sustainable interest of the concerned organization.

1.10 RESPONDING TO PRICE CHANGE

 Manufacturer or service provider varies prices of their products following variation in input cost ,overall cost structure, introduction of new technology, innovation, market

constraints, competitor's role, change in public policy, revised pricing policy of the concerned organization and as a matter of price adaptation process as well.

In an era of open and free competition and constantly changing market dynamics, pricing strategy has been assuming more and more strategic significance. Companies are initiating either price cuts or raising prices. Price cut is purely a strategic decision. The decision to go for price cut is based on the premise of economies of scale. Increased production to the extent of capacity utilization will lower the cost and fetch higher revenue, provided the volume of business increases accordingly to the optimum level of production.

Companies may also go for price cut to add competitive advantage and thereby to win over competitors. Deciding market share in the face of tough completion also influence the company to resort to price cut. However this aggressive pricing adaptation in all likelihood may invite price wars. Deeper understanding of market mobility, ability to foresee the future and the capacity to sustain pressure are the key considerations to adapt such a high risk policy. Another reason to go for price cut is the desire to dominate the market through lower cost. However, it will only be possible for those companies that can produce at lower costs than their competitors on the strength of technological edge and larger volume of production. All in all, a company going for price cut has to be aware of price quality perception, shift in customer's loyalty and cash reserve. If the price-quality perception is high, lower price cannot influence the market. Similarly, where customer's loyalty is strong, price reduction cannot attract customers and finally if the competitors also start cutting their prices, the company will not be able to sustain the pressure unless cash reserve is strong enough to stay long.

While price cut is selective, restricted and very carefully resorted, price rise on the contrary is more regular and undertaken at an interval of time. Price rise is considered natural and the arguments that vouch for price rise are the following:
1. Cost Inflation
2. Anticipatory cost
3. Cost escalation
4. Product Innovation and the causes emerged from company manifestation.

There are tacit ways of raising prices depending upon increasing demand and favorable macroeconomic parameters in tune with economic growth and expected revenue generation through delayed declaration of price at the time of delivery only or withdrawal of free offer, related products and services or discontinuation of additional discount.

However, in a keenly competitive market where customers are highly price sensitive, the company may adopt the following measures keeping the price constant to retain customers:
- Reducing the quantity of the product
- Removing orreducing post sale services

- Lowering the quality of packaging materials
- Using less expensive ingredients
- And introducing new economy model

Finally, understanding customers and the competitor's reaction is very crucial to decide any change in price whether upward or downward. If the customers view price-cut as a quality deterioration of faulty product, no company will assume the risk. On the other hand, when the customers view price-rise as quality up-gradation of product of higher value it would be worth assuming the risk of price-rise. Anticipating competitor's reaction is very difficult unless the company is privy of inside information. If the product is homogenous and the numbers of competitors are small, an increase in price would be a huge challenge and would require integrated marketing communications and effective marketing plan.

STOP TO CONSIDER

Price is the value charged for a given product and the most significant element in marketing mix. Price is the instrument to earn revenue and pricing is a risky decision. Revenue generation and to win in the battle of competition are the two most important objectives of pricing. There are external factors like demand, perception, competition, bargaining power of customers and suppliers and internal factors like cost, nature, distinctiveness of product influence pricing decision. Though demand varies along price lines, price is less sensitive in nine specific situations (Price sensitivity 4.1.7). Pricing methods are based on cost, demand, competition, product line and affordability. Price is also adapted from market to market, customer to customer and from time to time to suit market dynamics through promotional, geographical, discounted, discriminatory and product-mix pricing. There are occasions to both price-cut and price-rise.

CHECK YOUR PROGRESS

Q 1. State the meaning and significance of pricing
Q 2. What are the objectives of pricing? Mention the factors that influence pricing decision.
Q 3. State the various methods of pricing.
Q 4. How are price adapted? Outline the process of such adaptation.
Q 5. Discuss critically price cuts and price rise and the issues associated with such changes in price.

1.11 SUMMING UP

- Pricing is the coreof marketing strategy. It influences marketing mix in all dimensions. A firm or a manufacturer reaches its customers essentially through pricing. Delivery being the prime consideration of a modern business organization, pricing is studied together with distribution and delivery of services.

- Price is the value charged for a given product or service. It is the only element that generates revenue and thereby influences profitability of the firm. Pricing perception and price distinctiveness of the product are assuming greater significance in today's competitive market.

- It is through pricing a firm pursues its overall mission. Higher return, increasing market share, overcoming competition, customer relation, image building etc are the broad objectives of pricing.

- Pricing decision is taken after detail consideration of both external and internal factors. Market trend, competition demand and supply condition, government policy are the major external factors that influence pricing decision. Cost condition, pricing objectives, the stage of product life cycle, image building intention are the internal consideration while pricing.

- Demand is always sensitive to price and therefore understanding price sensitivity ease pricing decision. It is good to know how uniqueness, awareness, quality, level of expenditure and the level of cost burden influence price sensitivity.

- Pricing is a very critical task. How a manufacturer fixes the price of its products is not uniform in method and practices. As such, there are various methods of pricing and their applicability differs from product to product, market to market and the destiny pursued.

- There are cost-based pricing where costs and a fixed margin of return are added together. However, understanding fixed and variable cost is necessary to follow this pricing strategy.

- Demand based pricing and competition oriented pricing explored different pricing method where price varies depending upon market condition, buyer's behavior, intensity of competition and the availability of substitutes besides price-quality perception.

- The strategy of selling group of products together to maximize overall profit and to generate demand and thereby to create and retain customers various product line pricing methods are evolved.

- Society is always plural and Inequality inevitable. As such, pricing strategies have been devised to accommodate under privileged customers through affordable pricing and on the contrary differential pricing is a strategy which enable the firm to entertain n large scale buyers and at the same time affluent customers.
- Price fixed varies from market to market, customer to customer and from time suited to market realities is termed as price adaptation.
- Promotional, geographical, discounted, discriminatory and product-mix pricing are the strategies of price adaptation.
- In response to price adaptation, company may revisit its own pricing policy and resort to either price cut or price rise. Price cut is initiated to increase market share, to dominate the market and thereby to add competitive advantage to win over competitors.
- Price rise is inevitable, and resorted at an interval of time due to cost inflation, anticipatory cost, cost escalation and product innovation.

1.12 KEY TERMS

- **Skimming price** – High priced charged during the introductory stage of a product is called skimming price.
- **Penetration price** – Low priced charged to overcome competition and to attain market share is called penetration price.
- **Sealed Bid price** – Competitive price offered for a specific job or against job quotation in sealed envelope is called sealed bid price.
- **Price bundling** – Price charged for a set of related products in a pack is called price bundling.
- **Captive price** – Special price offered to regular customers of a firm to retain them and to build their loyalty is called captive price.
- **Loss leader price** – Lesser price charged to induce potential buyers to enter the retail outlet is called loss leader price.
- **Predatory price** – Price charged below the cost to eliminate competitors by the dominant firm is called predatory price.
- **Magic price** – Price substantially lowered to embrace new customer segment is called magic price and also known as 'Inflection price point'.
- **Extinction price-** Price that aims to extinguish competition is extinction price and it is long term customary marketing strategy.
- **Follow the crowd price-** In an oligopoly market leader's price prevails and others follow the same and as such known as follow the crowd price.

1.13 SUGGESTED READINGS

1. Philip Kotler, Marketing Management, Prentice Hall of India Pvt. Ltd., New Delhi
2. V.S.Ramaswamy&S.Namakumari, Marketing Management, McGraw Hill Education (India) Pvt. Ltd., New Delhi

3. Arun Kumar &N.Namakumari, Marketing Management, Vikas Publishing House Pvt. Ltd., New Delhi

4. RajanSaxena,Marketing Management, Tata McGraw Hill Publishing Company Ltd., New Delhi

5. Dr. C.B.Gupta& Dr. N. Rajan Nair, Marketing Management, Sultan Chand & Sons, New Delhi

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MARKETING CHANNELS

Unit Structure:

2.1: Introduction

      Marketing channel is traditionally viewed as a network of flows which include physical flow, title flow, payment flow, information flow and promotion flow. But it also requires to view marketing channel as value flow as well as value is transferred and added from supplier of inputs to customers. Producers rely considerably on marketing channels to generate and to satisfy customers. Marketing channels may create product differentiation and no more be called as 'Dark Continent' in marketing.Marketing channels are how manufacturers reach customers. There are three types of marketing channels: communication, distribution and service channels. Communication channels deliver marketing messages to potential customers. Distribution channels are the delivery method for products. Service channels aid companies in carrying out business transactions. Functions of marketing channels are becoming more and more challenging. Exploring internet and mobile communication technologies, customers are increasingly aware, informed and demand pull range of services at a competitive price. As such channels are to function very efficiently and must include complementary services to drive home cost-advantage and profit maxim.

2.2: Objectives:

After going through this unit you will be able to know-

- The meaning and definition of Marketing Channel
- The channel structure
- The channel level and channel selection
- The marketing channel functions.

2.3: MEANING AND DEFINITION OF MARKETING CHANNEL

Goods produced are to reach customers or end users. Producers and users are isolated and there is a gap. Producers are concentrated in few centers and customers are scattered. Production is carried on continuously but purchases are made by the customers at an interval. There is also a time gap between production and final disposal. Therefore, we need institutional arrangement to bridge the gap and there should be value addition during the process of journey from producers to customers. This process has necessitated the need and the emergence of the marketing channel.

According to Philip Kotler, "marketing channels are set of interdependent organization involved in the process of making product or service available for use or consumption." Therefore N. Beckman and William Davidson described marketing channel as "group of intermediaries from first owner to the last owner who take title to a product during the marketing process."

Marketing channel is traditionally viewed as a network of flows which include physical flow, title flow, payment flow, information flow and promotion flow. But it also requires to view marketing channel as value flow as well as value is transferred and added from supplier of inputs to customers. Producers rely considerably on marketing channels to generate and to satisfy customers. Marketing channels may create product differentiation and no more be called as 'Dark Continent' in marketing.

STOP TO CONSIDER

Goods produced are to reach customers. Customers being scattered, the need of marketing channels arises to bridge the gap. Marketing channel is viewed as a network to flow goods, title, information, promotion, and value as well. There are multiple marketing intermediaries operating between manufactures and customers. They are performing series of functions including marketing stability, risk diffusion, financing and innovation. Functions of marketing channels are becoming more challenging and the task of distribution is assuming greater importance.

CHECK YOUR PROGRESS

1. What is Marketing Channel?
2. What constitutes marketing channel network?1

2.3.1: CHANNEL STRUCTURE AND TYPES

Marketing channels are how manufacturers reach customers. There are *three types of marketing channels:* communication, distribution and service channels. Communication channels deliver marketing messages to potential customers. Distribution channels are the

delivery method for products. Service channels aid companies in carrying out business transactions.

Customers are more informed today and wish to be informed as much as possible to build perception. Accordingly, communication channel needs to be well articulated to generate more and more responses and actions thereof. Delivery of goods needs to be safe, speedy, economic and handy as well. Therefore, delivery channels are to be designed very carefully. Customers in general while choosing the product are also equally concerned about delivery mechanism these days. Emergence and the growing popularity of digital marketing is also adding new impetus for delivery channel. Delivery of goods is no more a follow up action. Product manufacturing and delivery of the same are now integrated to yield desired market response. Service channels helps in completing the transaction. It has to be fast, swift and hassle free to attract and to create customers. Thus, service channel is assuming vital importance in adding customer base and the competitive advantage. Quick disposal and early settlement of issues associated with delivery demand high priority on service channel to build brand value.

In the context of physical distribution of goods or products, we are more concerned with distribution channels. It includes the following marketing intermediaries:

- Sole-Selling Agents
- Distribution Partners
- Carrying and Forwarding Agents
- Wholesaler
- Stockist/Distributor
- Retailer
- Broker
- Resident Buyer
- Franchisee
- Commission agent
- Facilitating Agencies
- Consumer Co-operative.

In today's context during the era of relationship marketing intermediaries are listless and it must include customer's point of purchase as well.

As a matter of channel, distribution channels are shortlisted as under:

- Manufacturer to Consumer
- Manufacturer to Retailer to Consumer
- Manufacturer to Wholesaler to Consumer
- Manufacturer to Wholesaler to Retailer to Consumer
- Manufacturer to Agent to Wholesaler to Retailer to Consumer

In case of Industrial goods, it is a journey from manufacturer to Industrial Customers.

2.3.2: **CHANNEL LEVEL AND CHANNEL SELECTION**

Given the intermediaries and the distribution channel shortlisted above, the decisions are to be taken on channel levels and the selection of distribution channel. **Channel levels** refer to channel members and their specific role to discharge. Channel level varies from zero to one, two, three or more levels engaged in distribution. Channel level is zero when the manufacturer reaches the customers directly. It is mostly found in industrial product, capital equipment and project marketing. Channel level is one where the manufacturer or service provider avails the service of single intermediary to reach customers as in the case of entertainment or service industry. Likewise, channel level becomes two or three where the manufacturer engages the service of two or three intermediaries respectively. In case of durable products, the channel level may be two where manufacturers reach customers through dealers and retailers. In case of fast moving consumer goods, manufacturers reach customers through distributor, wholesaler and retailers and thereby channel level becomes three and the process may continue depending upon the channel network designed by the concerned manufacturer.

The factors determining the length of the channel are as follows

- **Market Size:** Larger the size of the market, longer would be the length of the channel. The manufacturer can economise the cost serving the market indirectly through large number of channels and conversely if the market size is small, smaller would be the length of the channel
- **Quantum of order lot:** The channel length is longer where the average quantum of order lot size is small. If the quantum of order lot is large, the manufacturer prefers direct delivery
- **Service Intensity and frequency:** Products demand high intensity of service and also require the same at regular frequency, it is better to have a single channel
- **Product Range**: Manufacturers producing large number of products and the customers are also buying in combination of number of products, all products are to be made available in all outlets through longer channels

Selection of distribution channel is also a very crucial consideration and the manufacturers are to take appropriate decision. Success and failure of a company is dependent on channel selection to a large extent in the context of present day demanding and ever changing buying behavior. While selecting the appropriate channel, the following factors are considered.

- **Nature of Market:** Nature of market or market characteristics include number of buyers and their location, size and the frequency of buying, buying habits, shopping behavior, level of service demanded by the customers, customers attitude, expectation level and the comfortable marketing environment. All these factors together primarily influence distribution channel decision
- **Product Feature**: Product feature or distinctiveness influences distribution decision. It includes size of the products, durability or perishability of the product, style and shape of the product, standardization or customization of the product, technical nature

and the age of the product, perceived value and the unit value of the product, perceived risk and the need of protection of the product and the desire for brand value and image of the product

- **Ability of the Company**: Financial resources, manufacturing capacity, managerial ability, control over the market, market standing are the key considerations that influence distribution channel decision. Company's philosophy, desired missions and objectives, consideration of both short term and long term goals also play a role in determining distribution channel decision

- **Level of Competition**: If the level of competition is too high, no company will assume the risk to deviate from the existing channel. An intensive distribution strategy is usually preferred to reach all the customers in a highly competitive environment. In case of a new product or high technology product, the company may adopt exclusive distribution strategy to buy the complete attention of the intermediary

- **Middlemen's Ability**: The availability and the service rendering capacity of the middleman influence distribution decision. Service aptitude, financial capacity, credit standing, promotional ability, negotiation skill, storage capacity and the ability to influence people in the market are the basic considerations that influence distribution channel decision

2.3.3: MARKETING CHANNEL FUNCTIONS

Marketing channel serves many functions, including creating utility and facilitating exchange efficiencies. Functions performed are:

1. Providing information about the market to the manufacturer.
2. Maintaining price stability in the market.
3. Promoting the products in market territories.

4. Financing manufacturers operation by providing advances for goods and services.
5. Assuming title to the goods diffuses risk.
6. Help in production function leaving the manufacturer from marketing problem.
7. Matching demand and supply.
8. Contributing in pricing the product through suggestions being close to the ultimate users.
9. Standardizing transaction in terms of price, quantity, method of payment etc.
10. Matching buyers and sellers needs.
11. Assisting in merchandising, promotion and pre and after sale service.
12. Assisting in innovation and diffusion of new products.
13. Providing feedback and developing sales plan.

Functions of marketing channels are becoming more and more challenging. Exploring internet and mobile communication technologies, customers are increasingly aware, informed and demand full range of services at a competitive price. As such channels are to function very efficiently and must include complementary services to drive home cost-advantage and profit maxim.

Distribution is becoming a bigger challenge today. The reasons for such an increasing challenge can be outlined as under:

- Ever increasing demand in volume intensity and frequency of distribution
- Growing demand for customization and product distinctiveness which require the manufacturer to avail the services of as many experts and intermediaries
- Performing the necessity of last mile delivery and the need to build a winning approach to create a win-win situation for all
- Nonexistence of marketing myth and the overwhelming need for the best quality product and services.
- The desire to create loyalty and brand value along with the expansion of customer base and market extension

Global market, global product, global product liability, global option, global competitiveness and all in all the desire to derive global competitive advantage have mandated the manufacturer to give as much importance on distribution. Distribution is no more a corollary or ancillary job. Effective distribution can penetrate customers, create market, multiply the uses and reduce the cost through volume expansion and thereby add to company's revenue and profit. Effective distribution is equally impactful in offering a relaxed and comfortable marketing or buying environment to the satisfaction of both the manufacturers and the customers.

CHECK YOUR PROGRESS

Q.7 What are the functions of marketing channel?

Q.8 Why is distribution assuming more and more importance in the field of marketing?

2.4: KEY TERMS

- **Communication channels**: Communication channels deliver marketing messages to potential customers
- **Distribution channels**: Distribution channels are the delivery method for products
- **Service channels**: Service channels aid companies in carrying out business transactions
- **Marketing channel**: The intuitional arrangement to bridge the gap between the production and final disposal of the product and also to create value addition in the process of journey from producers to customers is known as Marketing Channel
- **Channel Level**: Channel level refers to the number of channel members and their specific role to discharge
- **Channel Length**: Channel length is the number of channel intermediaries being placed in vertical order
- **Channel width**: Channel width is the number of specific intermediary or intermediaries being placed in horizontal order

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2.5: Summing Up

- Marketing channels are the set of intermediaries playing a major role in making goods and services available at customers door step and ensuring value addition by proving related services and information network
- Marketing channels comprised of communication channel, distribution channel and service channel. In the context of physical distribution, we are more concerned with distribution channel. Wholesalers, distributors, retailers are the leading intermediaries and it is a journey from manufacturer to final consumers
- There is a long list of marketing intermediaries like sole-selling agents, wholesalers, retailers, stockists, distributors, commission agents etc engaged in the distribution of goods
- Selection of intermediaries and specifying their role is the decision of channel level. Market size, quantum of order lot, service intensity and product range are the determining factors of channel length
- Selection of distribution channel depends on the nature of market, product feature, ability of the company, the level of competition, the cost of distribution, availability of middlemen, service rendering capacity of the middlemen and legal considerations, if any

2.6: References and SUGGESTED READINGS

1. Philip Kotler, Marketing Management, Prentice Hall of India Pvt. Ltd., New Delhi
2. V.S.Ramaswamy&S.Namakumari, Marketing Management, McGraw Hill Education (India) Pvt. Ltd., New Delhi
3. Arun Kumar &N.Namakumari, Marketing Management, Vikas Publishing House Pvt. Ltd., New Delhi
4. RajanSaxena,Marketing Management, Tata McGraw Hill Publishing Company Ltd., New Delhi
5. Dr. C.B.Gupta& Dr. N. Rajan Nair, Marketing Management, Sultan Chand & Sons, New Delhi

2.7: Model Questions:

2.8:Answer to "Check your Progress".

1. The intuitional arrangement to bridge the gap between the production and final disposal of the product and also to create value addition in the process of journey from producers to customers is known as Marketing Channel.
   According to Philip Kotler, "marketing channels are set of interdependent organization involved in the process of making product or service available for use or consumption."

2. Marketing channel network constitutes information flow, promotion flow, title flow, payment flow besides physical flow and value flow as well.

3. There are *three types of marketing channels:* communication channels, distribution channels and service channels

4. Marketing Channel includes the following marketing intermediaries:

   a) Sole-Selling Agents
   b) Distribution Partners
   c) Carrying and Forwarding Agents
   d) Wholesaler
   e) Stockist/Distributor
   f) Retailer
   g) Broker
   h) Resident Buyer
   i) Franchisee
   j) Commission agent
   k) Facilitating Agencies
   l) Consumer Co-operative.

5. Channel level refers to the number of channel members and their specific role to discharge. Factors that influence channel level decision are as follows-

- Market Size
- Quantum of order lot
- Service intensity and frequency
- Product range

   6. Distribution channels are –

- Manufacturer to Consumer
- Manufacturer to Retailer to Consumer
- Manufacturer to Wholesaler to Consumer
- Manufacturer to Wholesaler to Retailer to Consumer
- Manufacturer to Agent to Wholesaler to Retailer to Consumer

Such channels are selected on consideration of the following

- Nature of market
- Product feature
- Ability of the Company
- The level of competition
- Middlemen's ability

7. Marketing channel serves many functions, including creating utility and facilitating exchange efficiencies. Functions performed are-
a) Providing information about the market to the manufacturer.
b) Maintaining price stability in the market.
c) Promoting the products in market territories.
d) Financing manufacturers operation by providing advances for goods and services.
e) Assuming title to the goods diffuses risk.
f) Help in production function leaving the manufacturer from marketing problem.
g) Matching demand and supply.
h) Contributing in pricing the product through suggestions being close to the ultimate users.
i) Standardizing transaction in terms of price, quantity, method of payment etc.
j) Matching buyers and sellers needs.
k) Assisting in merchandising, promotion and pre and after sale service.
l) Assisting in innovation and diffusion of new products.
m) Providing feedback and developing sales plan.

8. Distribution is becoming a bigger challenge today. The reasons for such an increasing challenge can be outlined as under:
- Ever increasing demand in volume intensity and frequency of distribution
- Growing demand for customization and product distinctiveness which require the manufacturer to avail the services of as many experts and intermediaries
- Performing the necessity of last mile delivery and the need to build a winning approach to create a win-win situation for all
- Nonexistence of marketing myth and the overwhelming need for the best quality product and services.
- The desire to create loyalty and brand value along with the expansion of customer base and market extension

Global market, global product, global product liability, global option, global competitiveness and all in all the desire to derive global competitive advantage have mandated the manufacturer to give as much importance on distribution. Distribution is no more a corollary or ancillary job. Effective distribution can penetrate customers, create market, multiply the uses and reduce the cost through volume expansion and thereby add to

company's revenue and profit. Effective distribution is equally impactful in offering a relaxed and comfortable marketing or buying environment to the satisfaction of both the manufacturers and the customers.

BLOCK IV : Unit-3
CHANNEL DESIGN

Unit Structure:

3.1: Introduction

3.2: Objectives

3.3: Channel Design

3.4: Channel Implementation

3.5: Key terms

3.6: Summing Up

3.7: References and Suggested reading

3.8: Model questions

3.9: Answer to "Check your Progress".

3.1 INTRODUCTION:

Channel design is the way out to reach customers. There are different ways to do so and it is done with the help of number of intermediaries. Therefore, the selection of channel or channels and laying the method to reach customers is termed as channel design. Knowing the customers and their expectations and locations and the product characteristics determine the channel design. Delivering maximum value to the customer is the ultimate aim of channel design.

3.2: Objectives:

After going through this unit, you will be able to know:

- The channel design
- Steps in channel design
- Channel implementation

3.3 CHANNEL DESIGN

Channel design is the strategic process that commercial organizations use to balance resources across direct and indirect channels or routes to market. Direct channel typically include field sellers and ecommerce platforms, while indirect channels can include a mix of partners, distributors and market places

Channel design decisions are critical because they determine a product's market presence and buyer's accessibility to the product. Channel decisions have additional strategic significance because they entail long term commitments. It is usually easier to change prices or promotions than to change marketing channels.

Channel design decisions involving either the development of new marketing channels where none had previously existed or the modification of existing channels. The important considerations in channel design are:

- A decision made by the marketer
- The creation or modification of channels
- The active allocation of distribution tasks in an attempt to develop an efficient structure
- The selection of channel members
- A strategic tool for gaining a differential advantage

Anne T. Coughlan and Louis W. Stern suggest that firms would do well to keep in view the following three realities deciding the channel pattern:

1. Firms today face an increasingly demanding consumer.
2. There is the need to go for and manage multiple channels (including electronic ones) to reach the multiple market segments.
3. A strong measure of globalization has taken place in retailing, wholesaling and manufacturing and the firms may have to flow along this reality.

Louis W Stern and Frederick D Sturdivant suggested eight steps in designing market (customer) driven distribution strategy.

Step 1 Know what customers want
Step 2 Decide on the outlet
Step 3 Determine the costs
Step 4 Bind the ideal
Step 5 Compare the alternatives
Step 6 Review assumptions in the light of research
Step 7 Confront the gap between the ideal and the actual distribution system
Step 8 Implement changes in the system if required.

Thus, channel design can be formulated as under:
- Identification of customers and their need.
- Identification of customer locations
- Roadmap to reach customers

- Selection of channel intermediaries
- Defining the role of all intermediaries selected
- Providing necessary training to all the intermediaries selected
- Laying down the path of channel coordination

Company in terms of cost and resources, intermediaries in terms of ability and reach and the customers in terms of expectations and value received are coordinated and matched together through an ideal channel design.

STOP TO CONSIDER

Deciding the channel intermediaries to meet customers' expectation at their locations is the channel design. It is done in a step by step method. Company, customers and intermediary are brought in unison to coordinate and match together while deciding channel design. Selection, engagement, training of intermediaries and laying the operational network are the essence o channel implementation. Market requirement, nature of product, ability of the farm, distribution option and customers' expectations are the major considerations of channel selection.

Check Your Progress
1. **What is Channel Design?**
2. **What are the general steps to formulate Channel Design.?**

3.4 CHANNEL IMPLEMENTATION:

Channel implementation process can be referred as under:
- Recognize the need for channel design decision
- Set and coordinate distribution objectives
- Specify distribution tasks
- Develop alternative channel structure
- Evaluate relevant variables
- Choose the best channel structure
- Select channel members

Channel implementation is the process of completing distribution of goods and services through channel intermediaries. It involves:
- Finalizing channel design
- Appointing channel intermediaries
- Resolving and fixing terms and conditions of intermediaries' appointment
- Preparing working model
- Plugging the nitty-gritty of coordinated operation

- Beginning the process of distribution

Distribution is not merely the physical movement of product or service. Delivering value to the customers and value addition in the process are the ultimate goal of channel implementation.

There are three major distribution alternatives, namely intensive, selective and exclusive. Intensive distribution involves all the possible outlets that can be used to distribute the product. Selective distribution is the middle path approach to distribution. Under this alternative, some outlets are selected by the firm to distribute its products. In exclusive distribution, the firms distribute its products through one or two major outlets.

Selection of channel is influenced by the following consideration:

- The requirement of the market in terms of numbers, location of buyers, size and frequency of purchases, buying habits and preferences, seasonal variations and the distinction between consumer and industrial market.
- Nature of product in terms of size, weight, unit value, perishability, standardization, style, newness and age of the product and technicalities of the product.
- Ability of the firm in terms of market share, financial capacity, volume of output, managerial competence, control over the market.
- Distribution option in terms of availability, attitude, services, scope, sales potential, cost and legal compulsions.
- Customers' expectations, location and concentration of customers, willingness of the channel intermediaries, profit margins expected by the intermediaries and the competition influence channel distribution.

While adapting and implementing channel decision, the firm must carry out the evaluation on the basis of efficiency, control and adaptive criterion. Efficiency criterion is applied to balance cost and risk along with efficiency. Control criterion demands the extent to which the firm can influence the functioning of the channel. Adaptive criterion refers to continuity and change in the channel selected with provisions for improvement and adaption with changing time and market requirement.

Check Your Progress
   3. **What is Channel Implementation?**
   4. **What are the steps involved in Channel Implementation?**

3.5 : KEY TERMS:

- **Channel Design**: The selection of channel or channels and laying the method to reach customers is termed as channel design
- **Channel implementation**: Channel implementation is the process of completing distribution of goods and services through channel intermediaries

3.6: Summing Up:

- While designing channel, all the eight steps be followed and all three options namely intensive, selective and exclusive distribution feasibility be worked out before making the strategic choice.
- Nature of the market, nature of the product, ability of the firm and nature of distribution are the major consideration that influence channel selection
- Channel implementation begins with finalizing channel design and ends with the beginning of the process of distribution

3.7: References and SUGGESTED READINGS

1. Philip Kotler, Marketing Management, Prentice Hall of India Pvt. Ltd., New Delhi
2. V.S.Ramaswamy & S.Namakumari, Marketing Management, McGraw Hill Education (India) Pvt. Ltd., New Delhi
3. Arun Kumar & N.Namakumari, Marketing Management, Vikas Publishing House Pvt. Ltd., New Delhi
4. RajanSaxena, Marketing Management, Tata McGraw Hill Publishing Company Ltd., New Delhi
5. Dr. C.B.Gupta & Dr. N. Rajan Nair, Marketing Management, Sultan Chand & Sons, New Delhi

3.8: Model questions

3.9: Answer to "Check your Progress".

1. The selection of channel or channels and laying the method to reach customers is termed as channel design

2. Channel design can be formulated as under:
- Identification of customers and their need.
- Identification of customer locations
- Roadmap to reach customers
- Selection of channel intermediaries
- Defining the role of all intermediaries selected
- Providing necessary training to all the intermediaries selected
- Laying down the path of channel coordination

3. Channel implementation is the process of completing distribution of goods and services through channel intermediaries

4. The steps involved in Channel Implementation are follows:
- Finalizing channel design
- Appointing channel intermediaries
- Resolving and fixing terms and conditions of intermediaries' appointment
- Preparing working model
- Plugging the nitty-gritty of coordinated operation
- Beginning the process of distribution

BLOCK IV : Unit-4
CHANNEL POWER

Unit Structure:

4.1 INTRODUCTION

Desire to control or to influence other and to attain higher position or superiority is a biological urge of every human being. It is true in the case of an institution, society, nation and the civilization at large. In the course of economic activity and the formation of business organization, there is unending effort to grow and prosper. The process of growth and prosperity necessitated the need of agents to extend the horizon of business in all directions. The constant endeavor of diversification of business resulted in the emergence of middlemen. In the constant of marketing, these middlemen are termed as channel partners to perform or to render specific services in association with the manufacturers. While being together, there arises the question of channel power being differently placed.

4.2 OBJECTIVES

After growing through this unit, you will know

- Channel Power
- Channel Conflict
- Channel Conflict Resolution and Co-operation

4.3 CHANNEL POWER

Channel power refers to the ability of any one channel member to alter or modify the behavior of other members in the distribution channel due to its relatively strong position in the

market. Generally, the manufacturers are seen dominating the behavior of other channel partners and influencing their actions according to requirements.

Channel powers are:

➢ Reward power
➢ Legitimate power
➢ Expert power
➢ Referent power
➢ Coercive power

Reward Power involves a channel member being able to positively reinforce another's performance. Leading manufacturers often offer additional benefits or reward on fulfilling a target level of performance. It may be in the form of monetary reward, additional discount, foreign tour etc.

Legitimate Power stems from internalized norms in the channel members which dictate that another channel member has a legitimate right to influence him and that he has the obligation to accept that influence.

Expert Power is the power of knowledge and experience of a channel member enabling to influence other members in terms of first-hand experience of field or market condition, computer programming, code language, business ideas and leadership. Expert power comes from perception and belief of the subordinates that expert possesses superior skills.

Referent Power is likely to exist when a channel member perceives his goal to be closely allied with or congruent with that of another channel member. They may see each other as both being on the same side. Referent power is rooted in trust, respect and admiration.

Coercive Power is a formal power source where influencing agents use threat or force to gain compliance. The manufacturer threatens to terminate the relationship with other channel partners or withdraw the resources deployed with them is a prime example of coercive power. With this power, the manufacturer can dominate the others and keep them under his control.

Thus, reward power refers to several additional benefits the manufacturer provides to the channel intermediaries. Legitimate power is the obligation to carry out the activities in accordance with the terms of contract agreed and entered into at the time of becoming channel partner. Expert power is the expertise the manufacturer transfers to the channel partner. Referent power is the power of image and glory of being associated with the particular manufacturer. Coercive power is the power to terminate the relationship and to withdraw the resources deployed with channel partner whereby the manufacturer dominate and control them.

Channel intermediary by virtue of its entity, past performance, market building capacity, control over the market, trade information, trade reputation, knowledge base, ability to tackle issues and through variation of channel profit can yield considerable power.

STOP TO CONSIDER

Manufacturer and channel partners are not equally placed in view of their differing position and power. Power is the ability to influence and alter the behavior of other channel members. Powers are classified as reward power, legitimate power, expert power, referent power and coercive power. Conflict among channel members cannot be avoided due to goal incompatibility, role ambiguity ad differences is in perception of the market. The channel conflict can be resolved through communication, arbitration, mediation, frequent interaction, training and motivation

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4.4 CHANNEL CONFLICT

According to Philip Kotler "No matter how well channels are designed and managed there will be some conflict, if for no other reason than the interests of independent business entities doesn't always coincide."

Channel conflict is a situation in which channel partners have to compete against one another or the vendor's internal sales department. Channel conflict can cost a company and its partner's money as partners try to undercut one another.

Channel conflict arises when the channel partners such as manufacturer, wholesaler, distributor, retailer etc compete against each other for the common sale with the same brand.

Channel conflict is classified as Vertical Channel Conflict, Horizontal Channel Conflict, and Multi Channel-level Conflict. Vertical Channel Conflict arises between the different levels in the same channel. The conflict between the manufacturer and the wholesaler regarding price, quantity, marketing activities are the examples of vertical channel conflict.

Horizontal Channel Conflict arises between the same levels in the same channel. The conflict between two retailers of the same manufacturer faces disparity in terms of sales target, area coverage; promotional schemes are the examples of horizontal channel conflict.

Multichannel Conflict arises between the different market channels participating in the common sale for the same brand. When a firm opts for multiple channels to sell its products in the same market, conflict may arise because of intervention or variation of treatment in terms of price or otherwise.

CHEK YOUR PROGRESS

1. What is Channel Power?
2. What are the different channel powers?
3. What is Reward Power?
4. What is Expert Power?
5. What is channel conflict?
6. What are the different types of Channel Conflict?

4.5 CAUSES OF CHANNEL CONFLICT

Channel Conflict occurs largely due to financial and non-financial reasons. This in turn may be traced to the following causes:

- **Goal Incompatibility -** A major factor causing conflict between manufacturers and wholesalers is the perceived goal incompatibility between them. While the manufacturer perceives his goals to be market share and profit maximization, wholesalers perceive their goal to be sales maximization and thereby profit maximization.
- **Role Ambiguity -** Many a time conflicts occur because of role ambiguity. This is a common multichannel conflict. The role of manufacturer's sales force and the role of dealers in selling products to major or institutional customers are often unclear on terms of sell or otherwise.
- **Differences in perception of the market -** Different perceptions of the market or economy may also create a conflict between the manufacturer and middlemen. A manufacturer may perceive a booming Indian middle class market and may go all out in introducing new products and appointing dealers but the existing dealers may not perceive in the same way.

There are many other micro-reasons causing channel conflict. Network or the coverage of the dealer's territory, reconciliation of dealer's interest and company or manufacturer's interest, price-variation on quantum-sale, differences in treatment from dealer to dealer by the manufacturer, cross-functional conflict of multiple dealers etc also result into channel conflict. Performance gap is also a major cause of channel-conflict.

4.6CHANNEL COOPERATION AND COMPETITION

Conflict is inevitable in view of multiplicity of channels and their modus operandi. What can be done to avoid or minimize the conflict and to ensure co-operation among channel members is the essence of channel cooperation and competition. The manufacturer may take the following steps for channel cooperation and competition.

- **Communication** – An effective way to minimize channel conflict and to ensure cooperation is to have regular communication between the manufacturers and the channel members.
- **Dealer Councils** – Another way to ensure cooperation is through formation of dealer councils. Such councils can resolve issues in horizontal level conflicts and even vertical conflicts.
- **Super ordinate Goals** – A way to resolve channel conflict is to evolve super ordinate goals like customer satisfaction which in turn would lead to profit maximization for all concerned.
- **Arbitration and Mediation** – Conflict among channel members may be resolved for effective cooperation through arbitration and mediation.
- **Frequent Interaction** – There should be frequent interaction to develop mutual understanding and co-operation. Manufacturer may extend financial and other support to channel members to ease their problems.
- **Training to personnel** – Manufacturer may train people to handle dispute and to negotiate successfully conflicting situations.
- **Motivation** – Manufacturersensure channel cooperation by motivating the channel members to achieve improved or higher performance target to avail alluring offers like foreign tour and complementary arrangements for high esteem entertainment event.

Since conflict or competition is both obvious and natural, undoing the same will always be an overstatement. Measures suggested above are going to reconcile the interest of the channel members. The healthy competition to enhance the role and to improve the performance will continue to strengthen the product or service delivery system to add value and satisfaction to all.

CHEK YOUR PROGRESS
   7. **What are the causes of Channel Conflict?**
   8. **What are the various steps to be taken for channel co-operation.**

SELF ASKING QUESTIONS
Q 1. How manufacturers dominate and control channel partners?
Q 2. Why channel conflict is obvious and natural?
Q 3. What is the way out to resolve horizontal and vertical level channel conflict?

4.7: KEY TERMS:

Channel Power: Channel power refers to the ability of any one channel member to alter or modify the behavior of other members in the distribution channel due to its relatively strong position in the market.

Coercive Power:Coercive power is the power to terminate the relationship and to withdraw the resources deployed with channel partner whereby the manufacturer dominate and control them.

Channel Conflict: Channel conflict is a situation in which channel partners have to compete against one another or the vendor's internal sales department. Channel conflict can cost a company and its partner's money as partners try to undercut one another.

Legitimate Power:Legitimate power is the obligation to carry out the activities in accordance with the terms of contract agreed and entered into at the time of becoming channel partner.

4.8: SUMMING UP:

- Channel partners are not placed equally and as such one may influence the other and this influence modify the behavior of other members give birth to channel power
- Channel powers are categorized as reward power, legitimate power, expert power, referent power and coercive power
- In view of multiplicity of channels and the conflict of interest, channel partners are not equally placed. Channel power and channel conflict are the two major issues need to be addressed for uninterrupted flow of distribution
- Goal incompatibility , role ambiguity, differences in perception are the major causes of channel conflict
- Territorial conflict, price variation, treatment variation, performance gap and lack of reconciliation of interest are the micro causes of channel conflict
- Communication, dealer councils, super ordinate goals, arbitration, mediation, frequent interaction, performance reward are the ways to resolve conflict and to ensure co–operation

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4.10: MODEL QUESTIONS

1. Explain the different types of Channel Powers
2. What is Channel Conflict and what are the major causes of channel conflict.
3. Discuss the way out to resolve channel conflict and to ensure healthy co-operation .

4.11: ANSWER TO CHECK YOUR PROGESS

1. Channel power refers to the ability of any one channel member to alter or modify the behavior of other members in the distribution channel due to its relatively strong position in the market.

2. Different Channel powers are reward power, legitimate power, expert power, referent power and coercive power.

3. Reward power refers to several additional benefits the manufacturer provides to the channel intermediaries

4. Expert power is the expertise the manufacturer transfers to the channel partner

5. Channel conflict is a situation in which channel partners have to compete against one another or the vendor's internal sales department. Channel conflict can cost a company and its partner's money as partners try to undercut one another

6. Channel conflict is classified as Vertical Channel Conflict, Horizontal Channel Conflict, and Multi Channel-level Conflict

7. Channel Conflict occurs largely due to financial and non-financial reasons. This in turn may be traced to the following major causes: Goal incompatibility, role ambiguity and differences in perception of the market.

Territorial conflict among dealers, price variation on quantum sale, differences in treatment from dealer to dealer, performance gap among dealers and lack of reconciliation of interest between dealer and the company are the other causes of channel conflict.

8. The manufacturer may take the following steps for channel cooperation and competition.

- **Communication** – An effective way to minimize channel conflict and to ensure cooperation is to have regular communication between the manufacturers and the channel members.

- **Dealer Councils –** Another way to ensure cooperation is through formation of dealer councils. Such councils can resolve issues in horizontal level conflicts and even vertical conflicts.
- **Super ordinate Goals –** A way to resolve channel conflict is to evolve super ordinate goals like customer satisfaction which in turn would lead to profit maximization for all concerned.
- **Arbitration and Mediation –** Conflict among channel members may be resolved for effective cooperation through arbitration and mediation.
- **Frequent Interaction –** There should be frequent interaction to develop mutual understanding and co-operation. Manufacturer may extend financial and other support to channel members to ease their problems.
- **Training to personnel –** Manufacturer may train people to handle dispute and to negotiate successfully conflicting situations.
- **Motivation –** Manufacturersensure channel cooperation by motivating the channel members to achieve improved or higher performance target to avail alluring offers like foreign tour and complementary arrangements for high esteem entertainment event.

BLOCK V : Unit-1

Retail organization, Retail planning and Strategic issues in retail

INTRODUCTION : The word ' RETAILER' has been derived from a France word the prefix 'RE' and the verb 'TAILER' meaning to cut down. Evidentially retailer trade is one that cuts off smaller portions from large lumps of goods. It is a process through which goods are transported to final consumers.

Retail market and shops have a very ancient history. Over the centuries, retail shops were transformed from little more than 'rude boots' to the modern shopping malls.

Retailing consists of every activities involved in selling goods and services to the consumers for their personal, family members or household use. Retailing covers sales of goods ranging from food product, electronic items, automobiles, apparel, utensils and services ranging from haircutting to air ' restaurant, crèche, and computer education. However, sales of goods to intermediaries, who resell to retailers or sales to manufacturers, are not considered a retail activity.

Retailing can be examined from many prospective, A manufacturing of white goods like washing machines and Television has many options to reach out to users. It can sell their products through dealers, company showrooms, home improvement stores (Arcus) , or hypermarkets (Big Bazaar). The manufacturer will have to decide which retail formats to adopt and whether to go for intensive distribution i.e sell through very large number of outlets. Thereafter, the manufacturer will have to decide which models to offer through different types of outlets. Having decided on retail distribution , the promotion strategy to attract retailers will have to be finalized either via selective distribution or exclusive outlets.

WHAT IS RETAILING

The word 'Retail" is derived from the French word retailer, meaning ' To cut a piece off' or 'To break bulk'. The distribution of consumer products begins with the producer and ends at the ultimate isand the ultimate consumers. Retailing is defined as a conclusive set of activities used to sell a product or a service to consumers for their personal or family use. It is responsible for matching individual demands of the consumer with suppliers from different manufacturers.

A retailer is a person, agent, agency, company, or organization, which is instrumental in reaching the goods, merchandise, or service to the ultimate consumers. Retailers perform specific activities such as anticipating customers wants, developing assortments of products, acquiring market information, and financing. A common assumption is that retailing involves only the sale of products in stores. However, it also includes the sale of services like those offered at a restaurant, parlour, or by car rental agencies. The selling need not necessarily take place through a store. Retailing encompasses selling through the mail, the internet, door-

to-door visits- any channel that could be used to approach the consumer. When manufacturers like Dell Computers sell directly to the consumer, they also perform the retailing function.

<div align="center">STOP TO CONSIDER</div>

Retailing is an intermediary in the marketing channel because retailer is both marketer and consumer. Retailer is a specialist who maintains contact with the customer and the producer. Though retailer may sell

their product directly to consumers, But such method of distributing goods to ultimate consumers is very complex, time consuming, inconvenient and expensive. Therefore, manufactures depends on the retailer.

SELF ASSESSMENT QUESTIONS

1. What is retailing ?

2. Explain the importance of retailing.

CHECK YOUR PROGRESS

1.Explain the concept of retailing in present situation.

RETAIL PLANNING

Retail planning is necessary to control the inventory, marketing strategies, and maintain the supply chain management of the organization. Without a detail plan of retail management, products cannot be properly promote and define merchandise assortment. The retail manager should consider what to sell,

when to sell, where to sell, and who to sell. Following are the steps in retail planning.

1.Deciding the store's philosophy, mission, and objectives : The process of retail planning starts with the identification of store's mission for its existence and scope of the retail store. The mission of the store includes the goods and services offered to its customers . It also includes the consumers satisfaction, how the retail store can compete the target market and competitors.

Store mission also includes the day-today functioning , emergency planning etc.For example, Lenskart's philosophy behind " Buy anywhere; exchange anywhere" .

Once the organization mission has been determined, its objectives desired future positions that it wishes to reach, should be identified. The store's objectives may be classified into two categories. They are:

(i) External store objectives and

(ii) Internal store objectives.

External objectives : External objectives includes retailer's overall execution according to customers and their experience. This can include customer service, retention, loyalty and product pricing.

Internal objectives : Internal objectives means how to achieve the store objectives with available resources to raise store turnover. Here, retail store organization try to increase sales and revenue on the basis on product performance. Organisation can set their goal on the basis of monthly, quarterly, and annually to motivate their employees.

2.Situational analysis : Under situational analysis it is determined the present store position and to forecast its plan to implement in future.The difference between current and future position is known as planning or strategic gap. Under organizational analysis ,store analyse their internal and external environment.

External environment includes economic environment in retailing, political environment, legal environment, socio-cultural environment, technological environment and international environment of retailing. By analysing the external environment the store can understand its opportunities and threats.

Internal environment analysis includes the strengths and weaknesses of the store. Here, the store will try to increase its capabilities with available resources and overcome the weaknesses. Store resources are human resources, financial resources, physical resources, and intangible resources.

3. Analyze Customer Behavior : If a store does not understand their target audience, they cannot correctly launch and promote their product to attract customers. Therefore, retailer need to understand the consumer"s expectation from a product and a brand. First the companies must understand the pattern of demography and demand for their product in the market. After that, company can innovate customized experience and brand images to attract customers. Moreover, to stay in the market for longer period of time , retailers should continuously monitor the customers feedback and their preference.

4. Strategy Implementation and Control : It is concerned with the designing management of retail systems to achieve the best possible combination of human, financial, physical and intangible resources of a retail store to achieve the formulated goals. As there are lots of retail activities there must be a coordination and scheduling among these activities.

For the success of the strategy implementation of the retail store team work is essential. On the other hand, retail strategies are competitive, marketing efforts are excellent, if employees are not taking it honestly ,then there will be an adverse result. Sometimes, retail stores face resistance from the employees when new strategies are going to be implemented. Therefore, stores should take some positive steps while they are going to implement new strategies.

On the other hand strategy control deals in three basic concepts: inspection. Detection and correction. It means, after implementing the retail strategies, retailer should assess how effectively strategies are being implemented, how far the strategy objectives are being achieved and what has been left to be achieved.

There are various steps in retail planning. Those are deciding store philosophy, situational analysis, analyze customer behaviour and strategy implementation and control.

SELF ASSESSMENT QUESTIONS

1. What is retail planning?

2. What is internal store objective?

3. What is external store objectives ?

CHECK YOUR PROGRESS

1.Explain in detail regarding the retail planning.

STRATEGIC ISSUES IN RETAIL

Following are the strategic issues in retailing:

1. Location Decision

2. Target Market Relation

3. Business Model

4. Merchandise Mix

5. Positioning the retail store

1. Location Decision : There is a very tough competition in retail sector. Now-a-days consumer can buy products from home, therefore, location is one of the most strategic decision of a retail enterprise. Following factors can influence the location decision:

a) Demographic and Psychographic study of the population

b) Availability and size of the market in the area

c) Competition

d) Positioning of competition in the target market

e) Real estate development in the area

f) Business atmosphere in the area

2. Target Market Relation : This is another factor in strategic issues in retailing. Through this decision it affect the business model and retail positioning. For example, whether the store target only very rich people, or upper middle class people, or lower income people. In India, Big Bazaar target people and economy minded customers. the budget sensitive people and economy minded customers. Fab India target the upper middle and higher income consumers. The Shopper's stop target the higher income class of customers.

3. Business Model : Traditionally, there are two types of business model. One is, firm may pursue a target of high profit margins and low inventory turnover and another is minimum profits but maximum profits but maximum inventory turnover. Now-a-days both these models are seen in retailing. Due to rapid development of information technology and uses of various of various technology in retailing, business model, merchandise mix and positioning the retail store services to their customers. These firms not charge any extra premium prices from the customers instead they offer the goods at the most competitive price. Big Bazaar business model is based on high volume turnover, low profit merger, and positioning

4. Merchandise Mix : Planning the merchandise mix is another important managerial decision that the store manager has to take. This decision reflect the store's positioning platform. In this area the store manager will consider the breadth and depth of merchandise. Breadth relates to product lines and depth relates to the number of items(brands or models) in each product line.

5. Positioning the Retail Store; One of the strategic issues that a marketer has to take is one concerning the positioning of the store. The choice is whether to locate it at the low or high end of the retail continuum. The two parameters taken to determine this continuum are the breadth of the product line and value addition provided by the store through a range of services offered by it.

STOP TO CONSIDER

There are various strategic issues in retailing. Those are location decision, target market relation,

business model merchandise mix and positioning the retail store.

SELF ASSESSMENT QUESTIONS

1. What do you mean by strategic issues in retailing ?

2. What is business model ?

3. What do you mean by positioning the retail store ?

CHECK YOUR PROGRESS

1 what do you mean by retail strategy? Explain the process of retail planning with suitable examples .

2. What guidelines you would like to suggest to a new comer retailer to face market threats effectively and avail opportunity in the best possible manner ?

QUESTIONS

1. Discuss the importance of SWOT analysis.

2.Do you agree that management of retail store is a complex matter ? If yes, explain it.

3. What do you understand by retail strategy ? Explain the process of retail planning .

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UNIT-II

NON STORE RETAILING

Introduction : Retailing in India is growing at a very fast rate. Due to westernized mindset of young Indians, various new malls have emerged. We have experienced various types of retailing stores like departmental stores, convenience stores, specialty stores, factory outlets. Some retailer not only provide physical buying but 'on-line' and order on telephone.

Non-store retailing is a form of retailing where without a physical store consumer can buy goods. Non store retailers are contact or communicate with their customers with the medium like catalogue, vending machine etc. Most non-store retailers offer consumers the convenience of making purchase anytime throughout the year and delivery at a location and time of their choice.

Due to development of information technology customers are now easily access a retail outlet without having a physical outlet. Non store retailing are growing at a faster rate . The high growth of retailing is due to electronic retailing. The major forms of non-store retail store are as follows :

(a) TRADITIONAL RETAILING

1. Direct Marketing : Here organization is directly communicate to its customers to generate revenue, they distribute leaflets, pamphlets, brochures to its probable customers. Under direct marketing customers first experienced with the product or services through some non-personal communication.

According to Direct Marketing Association ' Direct marketing is an interactive system of marketing that uses one or more advertising media to affect a measurable response at any location. The response can be in the form of : an order, an inquiry, a visit to store or other place of business for purchase of a specific product or services, it usually results in the creation of a database of respondents.

A direct relationship with the customer is the basis of direct marketing. In direct marketing, customers become aware of the product or services through a non-personal medium. These are discussed below:

(i) Catalogue/ Mail Order Retailing : Here communication takes place between customer and the retail store through catalogue. On the other hand, mail order retailing is a retail format in where communication take place with their customers through mails or brochures.

(ii) Television Shopping : Asian Sky Shop was the among the first few retailers in India who introduced television shopping. Under this method, a product is advertised on television with its demonstration and features along with the opinions of those customers who have used the same

1

product. Other important things like mode of payment, delivery time, guarantee and warranty are also mentioned. The phone number for each cities are also mentioned.

(iii) Electronic Shopping/ Electronic Retailing : Most of the non-store retailers now-a- days have their own website, where they can target their customers twenty four hours in a day and seven days in a week. This is a modern way of business and cost effective. This one time small investment in creating and registering the website on World Wide Web is accessible to everyone irrespective of location, time zone, income level or computer system. The internet provides lots of information about goods and services available through digital images.

One of the well known and oldest example is Amazonbooks.com. Amazon is the largest and the maximum accessible bookshop in the world. Flipkart is also one of the popular site for electronic shopping. Under retailing through internet, customer visits a webesite of the store , checks the shown goods with regard to its size, colour, and other important related features. If the customer is convinced with the shown items then customer fill up the forms and payment is made by the debit card, credit card or cash on delivery (COD).

2. Direct selling : It is a retail system where salesman directly contact with the customer and invite them to friend's home or neighbours home or at his office or club house etc. Salesman explain about the product at the meeting point. Buying and selling takes place on the spot. The concept of direct selling came to india in mid 1990.

FEATURES OF DIRECT SELLING

(i) Mainly dominated by housewives

(II) Highly interactive in nature

(III) Volume of sales depends on demonstration and communication

(IV) Non-store format

(V) No middleman

REASONS FOR POPULARITY

(I) This system is free from long Checkout lines

(II) Simple payment system

(III) Salesperson is known to the customers

(IV) Free from traffic congestion, parking problem etc

3. Vending machine : Vending machines are automatic machines. It serves the purpose of selling like soft drinks, burgers, snacks, chocolate, etc. to customers in absence of retailer. This concept

is very popular in the U.S.A. and European countries. The main objectives of this concept is to reduce the human resource cost.

To operate a vending machine is to either to insert a metallic coin inside the machine or card swipe. Normally vending machines are located at railway station, bus terminal, airports , busy commercial area etc.

BENEFITS OF VENDING MACHINE

(I) Time saving

(II) Space saving shop

(III) Quick delivery

(IV) Non-store format

STOP TO CONSIDER

Non store retailing is a form of retailing where without a physical store customer can buy goods.

Now a days the growth of non store is increasing day-by –day specially electronic retailing. Direct marke-

ting is a form of traditional non-store retailing system. There are various reasons for growth of direct marketing , for example market fragmentation, availability of raw data, sophisticated software, sophisticated analytical tools and high costs of personal selling. On the hand, electronic retailing is also referred to as virtual retailing or e-tailing. Due to revolution in the internet system , it eliminates the middle men or intermediaries in the retailing form. There are various benefits of electronic shopping, those are low operating cost, time saving, easy access and no effect of time, distance and income group.

Automatic vending is another form of non-store retailing in which products are placed in a machine and dispensed to customers when they deposit cash, or use of plastic money. Some of the items available in

the vending machines globally are hot snacks, note books, perfumes, snacks/bergers, soft drinks, French fries pen, wallet etc.

1. What is non-store retailing ?

2. What is mail order business ?

3. What is vending machine ?

4. What is television shopping ?

CHECK YOUR PROGRESSS

1. State the advantages and limitations of direct marketing. How direct marketing is different from conventional marketing ?

2. What kind of products are suitable for vending machine ? Explain the advantages and limitations of vending machine ?

(B) NON-TRADITIONAL RETAILING

1. Electronic Shopping : Electronic retailing which is also known as internet retailing, e-retailing, cyber retailing, e-retailing for selling of goods and services. The main advantage of internet retailing offers same quality, reliability and lower cost. Under this system , without visiting a physical store customer can buy their required product. Due to revolution in electronic communication, there are different types of other medias like digital television, web-enable mobile telephone, tele -conferencing etc. are also operational.

2. Video Kiosks : The video kiosk is a self-supporting, interactive, electronic computer terminal that displays goods and services on a video screen   and permits the viewer to make selection. It uses touch screen for consumers. By touching the screen it shows videos clips, presentation, and product details immediately on screen or on a attached projector or plasma screen. In malls video kiosks attracts the customers. Some retailers use video kiosks to increase the customer service level while other use kiosks to take order from customers, complete transactions, and arrange for goods to be delivered at customer doorsteps.

3.Airport Retailing : Due to increase number of air traveler , now-a-days airports are renovated from being dull and boring places to cheerful, vigorous and lively destinations.

Being recently explored, airport retailing offers one of the most promising sectors for retail development. It offers branded luggage, clothing, food, toys decorative items, electronics items ,etc. Shoppers' stop, Future Group and Tata's consumer durable chain, Croma are the few players in airport retailing.

MARKET LOGISTICS

Introduction : Supply chain management is the system through which products and services reach the end consumers from the producers. It represents the inter-linkage of a business organization with other organization, which in turn have their separate integration. It involves all the members of a retail logistics process, i.e. manufacturers, wholesalers, intermediaries and the retailer. When these members work properly as a team then they can fulfill the customer's need and expectations.

Retailers are the most important link in the supply chain process as they provide the link between a wholesaler and the ultimate consumers. The basic goal of the supply chain management (SCM) is to ensure merchandise in right quality, quantity, price and place by minimizing/ eliminating the uncertainties associated with the supply chain process.

THE SUPPLY CHAIN

There are basically three main parts of the supply chain, those are:

a) Supply : It focuses on the raw materials supplied to manufacturing, including how, when, and from what location.

b) Manufacturing : It focuses on converting these raw materials into finished products.

c) Distribution : It focuses on ensuring that these products reach the consumers through an organized network of distributors, warehouses, and retailers.

The supply chain management starts even before goods are manufactured in the factory. It involves processing the appropriate input, converting them into finished products and dispatching them to the ultimate destination. The retailer is an important factor in the supply chain who ensures that the product is available to the consumers. A supply chain strategy defines how the supply chain should operate in order to compete in the market. The strategy evaluates the benefits and costs relating to the operation. While a business strategy focuses on the overall direction a company wishes to pursue, supply chain strategy focuses on the actual operations of the organization and the supply chain that will be used to meet a specific goal.

OBJECTIVES OF SUPPLY CHAIN MANAGEMENT (MARKET LOGISTICS)

To provide efficient and satisfactory service to the customers the market logistics set the following objectives :

1. Better customer service : By providing better physical distribution system, firm's goes for good promotional activities so that customers get proper information.

2.To increase sales : When basic and regular products are available in the store , and having contingency plans for quick order processing of items, it leads to increase in volume of sales.

3. To reduce cost : By managing optimum number and location of warehouses, improving material handling, increasing stock turnover, correcting inefficient procedures, will lead to reduce the cost.

4. To develop good and effective communication system : It facilitates sound communication and permits salesmen to transmit order on a daily basis is capable of accurately responding to customer inquiries on order status within shortest possible time.

BENEFITS OF SUPPLY CHAINS

a) It bridges the gaps between the suppliers and the customers.

b) It helps manufacturers in reducing inventories as finished goods are stored nearer to the customers.

c) It allows firms to conduct operations at an appropriate time and place for the benefits of suppliers and customers.

d) Good supply chain results in enhanced customer service as retailer get a choice of goods and also carry less stock.

e) Supply chain make movements simple, cost effective and efficient as transport is simpler.

f) Expertise can be developed in a particular type of operation.

g) It allows firms to conduct operations at an appropriate time and place.

MAJOR DRIVERS OF SUPPLY CHAIN

In retailing, usually five chain drivers are in practice. These are as follows :

1. Procurement : This issue is related to the following retailing aspects :

a) what to buy?

b) When to bur?

c) How to buy?

d) Where to buy? And

e) Whom to buy?

2. Merchandise Management : Under this issue how much to display and how much to store as inventory.

3. Store Location : Some significant issues regarding location such as where to set up a store, where to locate a warehouse facility, how many stories to construct, may have important bearing on the dynamicsof the supply chain, and in turn may affect the overall budget of the retail store.

4. Transportation : Here retailer may consider the movement of product from one store to another, mode of transportation and economies of scale and customer satisfaction level.

5. Information : Information is an important force that has critical implications for the whole supply chain. For a retailer , information is an important tool to take various decisions in the supply chain. If information is not properly understood, then it will lead a disaster to the retailer.

REASONS FOR SUPPLY CHAIN REQUIREMENTS

Following are the Some of points that required/need for the supply chain management.

1. Continuous supply : Supply chain management as a system approach to manage the whole set of information, materials and services from raw material procurement to delivery of finished goods to the ultimate consumer, ensures continued supply of goods and services by removing the possibilities of supply disruptions.

2. Quality Assurance : In the total quality management (TQM) and six sigma era, the products and services should be virtually defect free. Like in six sigma applications, quality assurance team ensures even less than 10 defective units per million. Without efficient working of SCM, minimizing/eliminating this defect rate is not feasible.

3. Technological Competitiveness : Now-a-days the business world is changing very fast. So there is a need for integrated approach that should ensure firm's supply chain on time with the help of appropriate technology.

4. Cost effectiveness : For a retailer cost effectiveness implies that supply chain management function must focus on cost cutting throughout the supply chain process from supplier to the ultimate consumers. SCM ensures and is capable enough to reduce the total cost associated with acquisition , movement, holding and supplying.

5. Time Management : SCM by monitoring all aspects of supply chain , optimizing retailing processes and eliminating all process waste including wasted steps, duplicating of activities(if any) and excess inventory results in timely deliveries in less efforts in same or reduced time horizons.

STOP TO CONSIDER

The supply chain management is a philosophy which was started in the late 1980 and came into practice

In the 1990s. A supply chain involves all the activities beginning from supply of raw materials to delivery

of finished products to the ultimate consumers. The objective of managing supply chain is to synchronize the needs and desire of customers so that deliveries should meet customers' requirements

at lesser cost as a whole.

CHECK YOUR PROGRESS

1. What is SCM ?

2. Who is a supplier?

3. What is merchandise?

4. What is quality assurance ?

SELF ASSESSMENT

1. What challenges do companies face as they try improve SCM?

2. Is it necessary for successful retailing to have efficient provision for flawless supply chain ?

3. What a retailer can do to control the impact of rising transportation costs ?

4. What is logistics management? Discuss the main issues in market logistics decision.

BLOCK V : Unit 3

Direct Marketing, Types, and Benefits

Unit Structure:

1.1 Introduction

1.2 Objectives

1.3 Definition

1.4 Evolution of Direct Marketing

1.5 Relationship between marketing and direct marketing

1.6 Growth of Direct Marketing

1.7 Benefits of direct marketing

1.8 Direct Marketing Tools

1.9 Conclusion

1.10 Bibliography and Suggested Readings:

1.11 Webliography

1.12 Questions for review

1.1.Introduction

Direct marketing is communication between seller and buyer directly. No intermediary media is used. No distractions come between – hopefully. Direct marketing is generally visual and sometimes auditory. It is also, to an extent sensual and olfactory. That is, impressions are obtained from feel and smell that affect communication. It is direct communication but with a marketing purpose. It is most often in text format. Layout and delivery (both the form and the timing) have an impact on the acceptability of the communication. Research shows that a combination of brochure and Internet works, persuading people to buy – the Internet needs the brochure's reassuring feel and existence, giving an Internet site substance.

1.2.Objectives

After reading this unit you should be able to:

- Understand the evolution of the discipline of direct marketing

- Describe the meaning and scope of direct marketing
- Establish the relationship between Marketing and Direct Marketing
- Understand the benefits of Direct Marketing to the marketer
- Identify the different tools of Direct Marketing along with its benefits and tips to improve the same.

1.3. Definition

Direct marketing is a discipline, a subset of marketing, which permits us to carry out certain marketing tasks more efficiently. It does this by gathering, analyzing, and using information about individual customers and prospects. This information enables us to identify which of the people on our customer and prospect files are likely to be interested in a particular product, service, or offer.

Drayton Bird(2000) describes it as 'an advertising activity, which creates and exploits a direct relationship between you and your prospect or customer as an individual.

Judith Donovan's (2000) definition of direct marketing is that it is 'the science of arresting the human intelligence long enough to take money off it'.

The Direct Marketing Association (DMA) defines direct marketing as 'communications where data are used systematically to achieve quantifiable marketing objectives and where direct contact is made or invited, between a company and its customers and prospective customers.

STOP TO CONSIDER
According to the World Federation of Direct Selling Associations (WFDSA), India saw its total number of direct sellers rise to 5.7 million in 2018-19 and is likely to grow to 18 million by 2025. Women form almost 60 per cent of this sector. It is so heartening that this industry has attracted many women and provided financial independence to millions of families.

1.4.Evolution of Direct Marketing

In the 1980s we saw the rapid growth of direct marketing in the financial services industry and the adoption of the discipline across the whole of business to business. Today, we see fast-moving consumer goods (FMCG) companies, retailers, multi-national industrial conglomerates, and the successful dot com companies, in fact, every type of organization, using direct marketing to acquire and develop customers.

Today it is not so fashionable to say 'direct marketing' – now we are supposed to say 'customer relationship marketing'. Data analysis has become 'data mining' and a centralized database has become a 'data warehouse' – except, of course, a database is now a 'customer relationship marketing system'.

This is the big new factor that is going to change things forever. As the technology becomes more user-friendly, and of course more familiar as the television set becomes the central household information system, we will see a huge increase in online communication and commerce.

Crucially, this will mean a dramatic change in the balance of power as customers start to select what information they are prepared to receive and in what format. Of course, many of the early e-commerce companies will not survive; indeed we have experienced a crash in the NASDAQ and much-hyped companies such as letsbuyit.com and lastminute.com are into liquidation or struggling to justify their share prices. It would not be surprising to see up to 80% of such start-ups fail as many were launched on a wave of e-commerce euphoria with little commercial experience behind them.

However, the Internet will not go away. It will become a central part of any company's communications with customers and prospects. There are many good new business models to follow and we need to look no further than Dell, Novell, Federal Express, and UPS to see examples of how the Internet can enable major changes in business practices and economics.

No wonder direct marketing is such a hot topic today. Everyone in marketing is talking about it. They may call it 'integrated marketing', 'one-to-one marketing', 'customer relationship marketing/management, 'loyalty marketing', 'personal marketing', 'database marketing' or some other buzz phrase, but what they are talking about is the fact that all marketers now have to include direct marketing skills in their armory.

Even in its current form, direct marketing has been around for a long time, but it has been with us since marketing began. Hundreds of years ago, a manufacturer of, for example, clothing or fine tableware, would use one-to-one marketing methods, seeking out selected customers, identifying their precise needs, and developing specific products to satisfy those needs.

After the first round of one-to-one marketing, came mass production, which, successfully it must be said, adopted the 'this is what we make, now go and buy it' approach. But today, as customers have become more affluent and more individualistic, they have also become more knowledgeable and more discerning, and the 'broad brush' approach does not work so well anymore.

Happily, today's marketers have modern technology to help them deliver the more focused communications and service required whilst still dealing with a high volume of customers and prospects.

One expert recently defined direct marketing as 'Using tomorrow's technology to deliver yesterday's standards of service to today's customers.

1.5.Relationship between marketing and direct marketing

Let's begin by defining marketing.
Marketing is the process of identifying customer needs and satisfying them in a way that is acceptable to both parties – customers feel that their needs have been recognized and fulfilled at a fair price; the supplier makes a fair profit.

According to Peter Drucker, the aim of marketing is 'to make selling superfluous; to know and understand the customer so well that the product or service fits . . . and sells itself'. This statement, written in 1973, is also a fairly accurate definition of the objective of direct marketing. Collecting and applying customer and prospect data enables us to:

• identify customer needs and wants more precisely
• communicate our proposed solutions more cost-efficiently.

In other words, direct marketing can support all aspects of the marketing process. It is not an alternative to marketing, but an integral part of it. If there is a difference between the two, it is that marketing tends to focus at the broader market level whilst direct marketing is more tightly focused at the individual level. It achieves this by using sophisticated information management techniques.

1.6.Growth of Direct Marketing

In the past, many people were content to buy new, untried products and services, based only on the advice of a salesperson. Knowledgeable buyers were few and far between. Today's buyers are much better informed and much more selective. There are several reasons for this.

1. **Choice** – in almost every field there are more options available and more competitive prices offered to customers.
2. **More information available** – this started with *Which?* magazine but now there are many magazines in both consumer and business markets, carrying articles and features comparing the strengths and weaknesses of products available. Few people today would choose a new PC without first buying a couple of magazines that carry product test reports and offer skilled advice.
3. **Greater pressure on consumer budgets** – although most households tend to have more disposable income than they did 20 years ago, there is a greater range of goods that are now considered 'essentials' – few people would consider a television set and video recorder a luxury today. Business-to-business marketers are also finding their customers

are experiencing greater pressure on costs than ever before, causing buyers of all types to be more selective.

The old reliable **'unique selling proposition' (USP)** or 'single-minded proposition is a bit out of step with this situation. The USP was designed to persuade large numbers of people to buy or at least change their attitudes about a product or service – all of them for the same reason. Nowadays, we can say with confidence that whilst large numbers of people may buy a product, they do not all do so for the same reasons.

However, whilst buying patterns and preferences have been changing, the major advances in technology mean that companies can now identify the real needs and motivations of diverse groups of customers, and fulfill those needs cost-efficiently.

This means that an organization can afford to split its customers and prospects into 'segments' with similar needs and develop differential communications to each segment.

Direct marketers have not abandoned the idea of the USP, we have simply adapted it to our equipment and techniques so that we can now develop a whole series of selling propositions that closely match the real needs of our specific customer segments.

List of Top 10 direct selling companies in India
1. Mi Lifestyle Marketing Global Private Limited
2. Hindustan Unilever Ltd or HUL
3. Herbalife
4. Amway
5. Modicare
6. Keva Kaipo Industries Pvt. Ltd.
7. RCM
8. Vestige
9. OriFlame

10. Avon

1.7.**Benefits of direct marketing**

Good direct marketing campaigns focus on promoting a specific product or service and call on your customers to act – to receive further information, register their interest, visit your website, make a booking, or a purchase.

Direct marketing allows you to promote your products and services directly to the customers who most need them. A good direct marketing campaign will:

- help you build relationships with new customers
- test the appeal of your product or service
- tell you which marketing approaches reach your target market
- provide customers with compelling content they can share with potential customers
- increase sales.

However, direct marketing campaigns require careful planning and a clear understanding of responsible direct marketing practice. Being aware of the benefits and challenges of direct marketing will help you use direct marketing effectively.

1. **Making the most of direct marketing**

A well-planned direct marketing campaign can take you straight to your ideal customers. Identifying the benefits of direct marketing will help you stay focused on getting the most out of your direct marketing campaign.

2. **Target your ideal customers**

Using direct marketing allows you to target specific groups of customers with tailored messages. By taking the time to research and identify the customers who are most likely to need or want your products and services, you can focus your marketing efforts where they have the highest chance of achieving results.

A well-targeted direct marketing campaign will also provide you with an accurate understanding of how your customers are responding to your product and service offers.

3. Market on a budget

Direct marketing that is targeted to a specific audience can help you set realistic sales goals and improve sales results on a tight marketing budget. Businesses can run effective and purposeful direct marketing campaigns at a fraction of the cost of broadcast advertising.

4. Increase sales to current and lapsed customers

Most customers welcome contact from familiar business people who make an effort to understand their needs and build a personal relationship. You can increase sales to your existing customers by maintaining reliable customer records and choosing simple, well-planned promotional tactics.

You can also use direct marketing tactics to re-establish relationships with customers who haven't returned to your business in a while. Approaching lapsed customers is an opportunity to rekindle sales, keep your customer records accurate, and find out why your customers move on.

5. Improve customer loyalty

Direct marketing helps you build direct relationships with your customers. You can personalize promotions, letters, and offers to create an immediate link with your customer and increase their connection to your business.

Many businesses combine direct marketing and customer loyalty strategies to keep and build customer relationships (e.g. by sending birthday cards, discount offers, invites to upcoming sales).

6. Create new business

When using direct marketing you can communicate directly with your chosen target market and this should give you a better sales success rate than communicating to the mass market, many of whom may not be interested in your products and services.

If you use effective techniques for sourcing and finding new customers, you can generate new customer prospects and grow your sales to new customers.

Direct marketing lets you adapt and respond to the needs of your market, and your business. You can achieve fast and flexible sales results using direct marketing. For example, you could use a direct marketing campaign to:

- boost sales of a particular product
- run out discontinued stock
- renew stale sales figures
- increase customer contacts
- directly follow-up on a promotion.

Word-of-mouth is the most powerful form of marketing. An effective marketing campaign will provide customers with collateral about your business that they can easily share with their friends, colleagues, and family. This can generate new leads for your business.

7. **Test and measure your products and sales performance**

Direct approaches provide direct feedback. Direct marketing is also a great way to gauge your customers' appetite for your products and trial new products or services.

Direct marketing also allows you to test new markets, review sales results, measure the effectiveness of your sales and advertising tactics, and easily make adjustments to your campaign. Each time you run a direct marketing campaign you should monitor and review the results, using this information to improve the success of your next campaign.

For example, if you mail 100 customers a catalog with a discount voucher on the back page and 20 customers bring this into your business to use, the campaign had a response rate of 20%. By working out the cost of creating and mailing the catalog, as well as the profit you made from each customer that responded, you can assess the success of your direct marketing campaign.

SELF-ASSESSMENT
1. Direct marketing is a form of marketing that attempts to send its messages directly to consumers, _____ media.   A. without intervening

B. with mass media

C. with advertising media

D. with pr media

2. Direct Marketing plays a broader role, that of building _____with the customer by communicating with them regularly.

A. short term

B. ocassionally

C. long term relationship

D. generally

3. Direct marketing has three characteristics namely: Direct Response, _____, build and maintain a database of customers and prospects

A. measurable

B. mass marketing

C. mass media

D. informercials

4. One of the _____of direct marketing is effective only when all information about the individual customer is available.

A. disadvantage

B. advantage

C. strategies

D. mass marketing

5. Direct Marketing is more _____ as compared to other marketing methods.

A. cost effective

B. expensive

C. not useful

D. aggressive

1.8. Direct Marketing Tools:

After discussing the various benefits of Direct Marketing, we now move on to discuss the various Direct Marketing tools:

1. Direct mail

Direct mail is one of the most common and recognized forms of direct marketing. It is posted mail that advertises your business and its products and services. Direct mail campaigns are generally organized geographically and sent to all postal customers in an area or to all customers on a list.

Direct mail campaigns encourage good customer response rates by precisely tailoring messages to audiences and allowing potential customers to read your advertising without being distracted by competing advertising.

Types of direct mail

The most common types of direct mail include:

· catalogs – bound, multi-page promotions of products

· **self-mailers** – created from a single-printed sheet that has been folded

· **envelope mailers** – with inserts inside the envelope

·   **postcards** – with your promotional message on one side and the customer's address on the other

·   **snap mailers** – folds and seals with pressure

·   **dimensional mailers** – for example, a small box

·   **intelligent documents** – printed with personalized information from a database.

Tips for direct mail

A reliable, accurately defined mailing list and quality mail advertising will improve the rates of response to your direct mail. Choose a direct mail list that matches your target customers. You can buy lists of addresses in the postcodes you want to send direct mail to or lists of customers who have opted-in to receive offers from third parties.

Don't cut corners on the design. If possible, engage a professional designer and brief them to design your direct mail material for impact, and your particular target audience. Keep your messages sharp and brief with the help of a professional copywriter.

Promotional incentives such as discounts improve response rates but make sure you have the budget to deliver on your offers.

Follow-up with a second direct mail or other direct marketing tactics if your budget allows, returning your customers' attention to your products and services.

Know your responsibilities. Before undertaking any direct marketing, you must understand the legislation on collecting and holding personal information. Direct mail campaigns are often responsible for holding information records that are protected by privacy rights regulations.

2. Telemarketing

Telemarketing involves contacting customers by phone to make product or service offers. A successful telemarketing campaign turns contacts into new customer prospects. Businesses running telemarketing campaigns either use their own sales staff or outsource to a specialist call center.

Telemarketing is personal and interactive and capable of generating new customer prospects in large volumes. However, as many businesses use telemarketing, people's tolerance of and

responsiveness to telemarketing campaigns has reduced. You should approach telemarketing campaigns with clear thought and caution.

Successful telemarketing campaigns tend to be highly targeted, relying on accurate and well-defined customer data that matches customer profiles to product profiles.

Types of telemarketing

Types of telemarketing include:

·   **cold-calling** – calling someone for the first time and without their permission to generate a new lead

·   **warm-calling** – a cold call that uses 'warm' communication techniques designed to create a rapport, or a call made to follow-up on an initially positive response

·   **follow-ups** – calls designed to turn a lead into a prospect, renew contact with a lapsed customer, thank a customer for their support, or check customer satisfaction

·   **Fundraising calls** – contact made for the sole purpose of seeking charitable donations

·   **market research** – calls to individuals made according to the customer or demographic segments to gather information for research surveys

·   **database clean-up** – calls made to update customer records or establish a customer's level of ongoing interest in your products or services.

Tips for telemarketing:

Targeted telemarketing campaigns can achieve good results. Plan a telemarketing campaign that allows you to:

· Make contact with people who are already leading or who precisely match your customer lead profile

· Make contact to introduce yourself and build an accurate database of relevant customers

· Keep in touch with existing or lapsed customers

· set up appointments or provide information

· follow-up with a direct mail campaign.

Purchase a reliable direct marketing list that is well-matched to your ideal customer.

Focus on business markets. People prefer receiving telemarketing calls at work over receiving them at home.

Aim only to establish a rapport with the person you are calling: if you focus on prospecting rather than sales, you're more likely to get a conversation and a prospect rather than a hang-up. The cold call then helps you generate a lead by building trust and developing a new relationship.

· Use a warm tone of voice and make a comment or ask a question designed to identify with the person (e.g. 'Is your day as busy as mine?').

· Ask a couple of questions to determine whether the lead and your business are a good match. Don't focus on making a sale then and there.

· Try to find out as much as you can about the lead before calling.

· Use your qualifying questions (e.g. asking the person if they are in a certain age group or demographic, or require your products or services).

· Thank the lead for their time.

· End the call as soon as you've asked your qualifying questions if you find that the lead is not a prospect.

3. Email marketing

Email marketing is an effective and measurable way of reaching your contacts or existing customers. Cheaper than any other direct marketing method, email marketing lets you tailor your messages to different types of customers, build customer relationships and drive direct sales.

Most of your customers probably check their email daily. Therefore, email can be a powerful marketing tool for your business. Email marketing should be used responsibly and it is extremely important to gain your customers' consent before sending emails.
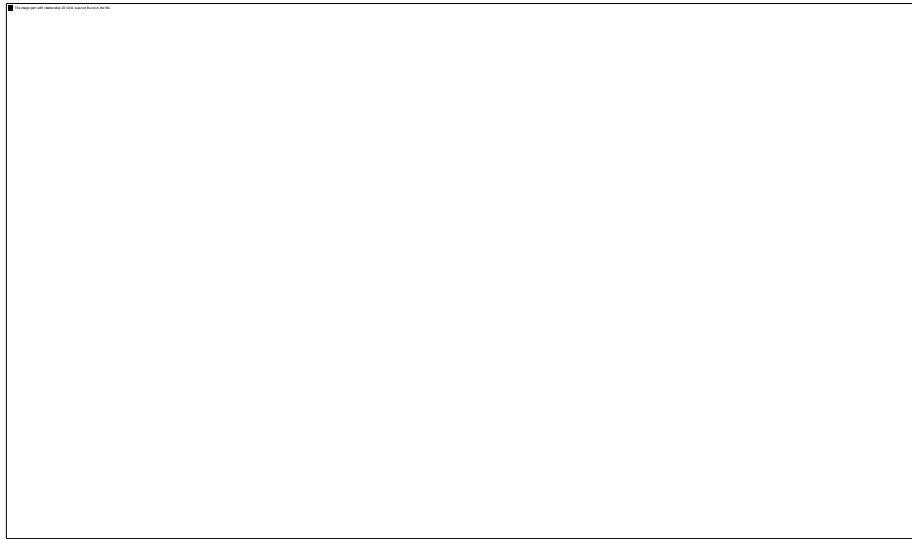
Types of email marketing

Email marketing tactics include:

· **e-newsletters**, business updates, or product bulletins

· **promotional emails** to generate new leads or offers for regular customers

· **ads** appearing in other businesses' emails.

Tips for email marketing

Focus on prospects you know are interested in your products or services. Target contacts or potential customer groups who will have a direct need for your products.

Keep a database to help you record information about potential and existing customers. Use information you gather about them (e.g. their buying habits, work requirements, sports or recreation needs) to tailor more specific messages.

Start an email newsletter to keep in touch with your customers and prospects. Well-composed email newsletters are a credible, persuasive way of building your business's reputation. Keep it interesting, concise, and relevant to your particular readers.

Keep your advertising sharp. Email readers scan for words and pictures and decide quickly whether they are interested in what you have to say. Don't waste words in your email advertising. A compelling image with an engaging offer is your best shot at getting their attention, generating a new prospect, or making a sale.

Track your customer response rates. Keep records of the responses you receive from recipients. Consider whether the people who respond to you have anything in common, or express a similar interest in a certain product. This information will help you better target your future marketing.

Do not spam.It is illegal to send unsolicited commercial electronic messages. To comply with the act, every commercial email (or phone message) you send must meet the following conditions:

· **consent** — the recipient must have either expressly consented to receive your messages or must be an existing customer or individual who has some existing relationship with your business

· **identify** — the message must accurately identify your business

· **unsubscribe** — the message must contain a functional 'unsubscribe' facility to allow the recipient to opt-out from receiving further messages. You must honor unsubscribe requests within 5 working days.

According to the rules governing consent, you do not have the right to send a single unsolicited electronic message. Including an unsubscribe, the facility does not remove this constraint - even if you act on unsubscribe requests immediately. However, it is possible to buy a list of contacts matching your target profile from another organization if those contacts have agreed to receive messages from third parties.

4. Text (SMS) marketing

Text messaging (also known as short message service or SMS) is a cheap, personal, and instant form of communication. It allows businesses to reach individual customers with time-sensitive offers, and send messages to large groups of people at low cost.

Most people monitor and read their text messages closely, so your messages are less likely to be ignored than messages sent via direct mail or email marketing. However, strict privacy regulations govern commercial text messaging. So if you're considering SMS marketing – be aware, be specific and be responsible.
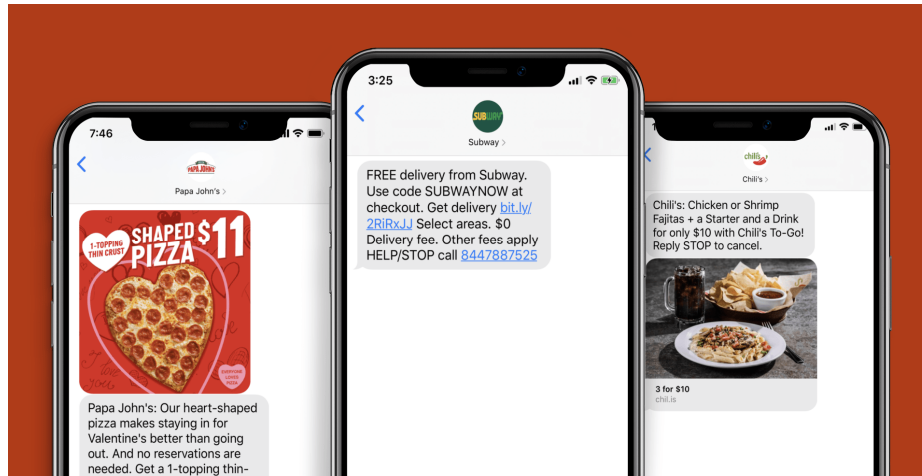
Types of SMS marketing

SMS marketing approaches include:

- **sales alerts** on specials and product offers
- **links** to website updates
- **appointment reminders** or delivery or pick-up arrangement reminders
- personalized **messaging** such as birthday greetings.

Tips for SMS marketing

Keep it short. Your recipient is likely to read your text message if you keep it short and sharp. Focus on a single message – and offer, reminder, greeting, referral – that your recipient doesn't need to scroll down the phone screen to read.

Respect your customers' personal space. Mobile phones are personal devices, and mobile phone users tend to view text messages as an informal means of communication. Your recipients may find your unexpected text intrusive, so keep your message courteous, functional, and not overly familiar.

Don't overuse text messaging – for the same reasons, text messages from your business are best kept brief and infrequent.

Have a good reason for your text message. Mobile phone users use text messaging to convey a personal message or to receive a tangible, practical benefit. Use your messages to convey a piece of information, send a reminder, clarify an arrangement or send a link or update.

Be responsible. Many mobile phone users have also become wary of SMS marketing because of the increase in fraudulent and deceptive commercial SMS scams. To comply with the act, every commercial phone message and email you send must meet the following conditions:

·   **consent** – the recipient must have either expressly consented to receive your messages or must be an existing customer or individual who has some existing relationship with your business

·   **identify** – the message must accurately identify your business

·   **unsubscribe** – the message must contain a functional 'unsubscribe' facility to allow the recipient to opt-out from receiving further messages. You must honor unsubscribe requests within 5 working days.

You do not have the right to send a single unsolicited electronic message and including an unsubscribe, the facility does not remove this constraint - even if you act on unsubscribe requests immediately. However, if people have agreed to receive a message from third parties, you can buy a list of contacts matching your target profile from another organization.

5. Leaflet marketing using letterbox drops and handouts

Distributing leaflets through letterbox drops and handouts is a simple, inexpensive, and proven way of reaching customers. Well-designed, attention-grabbing leaflets can work well for local business products that appeal to a broad audience. However, because letterbox drops don't allow you to select customers that fit your profile, they are a less targeted form of direct marketing.

Leaflet distributors can help local or area-focused businesses identify and distribute to chosen suburbs and postcode ranges, taking the footwork out of letterbox drops. Or you may choose to reach your customers by going door-to-door or using street marketing. You can also take a more targeted approach to distributing leaflets and handouts by identifying events where you think your ideal customers are likely to be.

Types of leaflet marketing

Approaches to leaflet marketing include:

·   **blanketing** — distributing leaflets, on their own, via a letterbox drop to all residences and buildings within a selected postcode range

·   **sharing distribution** — batching your leaflets with other material planned for letterbox distribution such as local newspapers and other advertising

·   **product sampling** — distributing samples of your products at events or to letterboxes in a targeted range

·   **street marketing** — handing out leaflets on a street location that will help your customers connect with your business (e.g. outside your business or at a local fete)

·   **distributing handouts at events** — such as industry and trade forums or community expos — that help you reach your ideal customers.

Tips for leaflet marketing

Prepare high-quality material. Your leaflet will compete with other letterbox material for attention. If possible, have your material professionally designed. Design for impact, and keep your messages clear, simple, and direct.

Call your customers to act. Include a networking-focused call to action that encourages customers to come to your business and bring others to you. This will help you generate prospects and gauge how many people read your leaflet. For example, offer product discounts to encourage your customers to refer a friend or a small low-margin add-on product to customers who mention your leaflet.

Offer an incentive in your leaflet to encourage a response. For example, offer a short-time only 10%-off deal, a complimentary coffee on arrival, or free after-sales service.

Make your leaflet stand out from the crowd. Choose a distribution method that increases the odds that your leaflet will be the only thing your customers read. For example, book a solo (sole item) letterbox drop or seek permission to hand out your leaflet from a community event convenor who hasn't booked other advertisers.

Target your best customer leads and prospects. Start collecting postcodes from your customers. Select a postcode range for distribution that matches the locations of your existing customers. Also, hunt for targeted handout opportunities. Be on the lookout for community and industry events where you think you'll find customers who'll be interested in your products and services.

6. Direct selling

Direct selling is an effective way to build long-lasting customer relationships and grow a flexible, low-cost business. Independent salespeople use direct selling to sell their products and services directly to customers in meeting places such as homes, offices, and cafes, instead of in retail outlets.

Direct selling allows you to avoid expensive overheads, reduce advertising costs and run your businesses flexibly. Customers also benefit from the convenience and personal attention they receive from direct salespeople. However, there are disadvantages to direct selling.

Direct salespeople can find it hard to reach new customers and can spend a lot of time on customer interactions to make sales. Without the use of a retail outlet, you also need to carefully consider storage and delivery logistics.

The reputation of direct selling has been harmed in the past by illegal pyramid schemes, so direct selling businesses need to market themselves purposefully and professionally and be aware of legal selling practices and obligations.

Types of direct selling

Direct selling methods include:

· **person-to-person sales** – arranging individual appointments with customers to make presentations, demonstrate new products, or arrange product tests or fittings

· **door-to-door sales** – approaching homes and businesses by appointment or unannounced to leave catalogs and offer products or product demonstrations

· **in-home presentations** – arranging parties and at-home gatherings to present products (often called 'party plan')

· <u>online</u> **shopping** – using websites and email lists to build customer networks and offer online ordering facilities

· **venue sales** – setting up booths or kiosks at events to generate new leads and promote and sell products

· **network marketing** – recruiting other sellers into a network to 'duplicate' your product sales role, earning a percentage of their sales revenue and expanding your product reach.

Tips for direct selling

·   **Focus on growing relationships first**, not sales. Encouraging your customers to give you their time and attention is your first goal. Create a rapport and identify their needs, then you can match your products to those needs. Follow-up on new prospects quickly to build new relationships.

·   **Know your products** and have confidence in their ability to meet your customers' needs. Salespeople who are passionate about their products sell more. Support your passion with a thorough knowledge of your products.

·   **Keep thorough customer records**. A detailed customer database helps build and track your networks and is an invaluable source of information that can influence sales. Use your database to communicate periodically with your customers and distribute marketing material such as e-newsletters and event or product updates.

·   **Organise your sales environment**. Arrive early at your party or event and carefully plan your product display, presentation space, and seating position. Choose a layout that will help your customers maintain eye contact with you rather than each other. Consider ways to remove distractions in the room. For example, ask your host or hostess to close doors that are letting in noise or external activity.

·   **Build your networks**. Your network marketing strategies are central to growing your business. Build strong, mutually beneficial relationships with your direct marketing colleagues. Catch up with, or communicate with, your colleagues regularly to share your selling tips and keep them motivated.

·   **Polish your sales skills**. Your conversation skills, listening skills, and well-developed approach to communication will help you build lasting customer relationships and grow a rewarding business.

SELF-ASSESSMENT
1. Communications sent to invite customers to respond - by mail, telephone, Internet, redeemable retail vouchers, etc. is known as _____. A. direct response B. maintaining database C. public relations D. advertising

2. E-marketing and online marketing is an example of _____ type of marketing.
A. traditional media

B. non-traditional media

C. promotion

D. direct marketing

3. _____could be regarded as the "ultimate" Direct marketing approach. As this approach employ no other means to manage the relationship with their customers.
A. stand-alone

B. peripheral

C. mass marketing

D. traditional marketing

4. The following are the decision variables in direct marketing: Offer, Creative, Media, Timing/sequencing, _____.
A. measurable

B. one-to one communication

C. customer service

D. promotion

1.9. Conclusion:

➢ Direct marketing is an interactive marketing system that uses one or more advertising media to affect a measurable response from the target audience.

➢ Consumers can do comparative shopping through direct marketing by browsing through mail catalogs and online shopping services. It saves their time and introduces them to a larger selection of merchandise.

➢ Marketers also benefit from direct marketing as they can personalize and customize their messages for their prospective customers. It can help them build a continuous relationship with each customer.

➢ There are various tools of direct marketing, such as e-mails, E-books, e-mail newsletters, databases, viral marketing, and mobile phone.

➢ E-mail or in other words electronic mail allows users to send a message or file from one computer directly to another with the help of Internet connectivity.

➢ There are several advantages of using e-mails, such as, much faster, no postage and printing charge, immediate and convenient way to get consumer's response, personal touch, and deep customer relationship.

➢ E-mail newsletters. These are effective tools for communicating with clients, as they provide detailed news about the company, its products, or other latest developments.

➢ When recipients forward email to friends, co-workers, family members, and others on their email lists, they are using the word-of-mouse technique. This is known as viral marketing, which is the online equivalent of word of mouth.

➢ Mobile phones are increasingly being used by marketers to send messages across to millions of people through SMS and MMS and Whats app.

➢ Online marketing is taking the help of digital technologies to provide information to consumers.

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Questions for review:

1. "Direct marketing provides goods to customers at cheaper rates because it can do away with middlemen," do you agree with the statement explained in the light of the benefits of direct marketing to consumers.

2. "Direct marketing is equally advantageous to the marketers," list the various reasons in support of your answer.

3. Explaining the concept of direct marketing. How is direct marketing different from marketing through middlemen?

4. What is the role of various channels in direct marketing? Explain with the help of suitable examples from the current scenario

BLOCK V : Unit-4

Online Advertising and Promotion

Unit Structure:

4.1 Introduction

The marketing activity of a product starts before manufacturing of the product or rendering the services and continues with communicating the message of the product to its potential customers until customer satisfaction. Today, consumers are exposed to thousands of marketing communication messages. Organizations depend upon its various promotion mix such as advertising, personal selling, public relations, sales promotion and publicity to attract the attention of its customers and to compete with its competitors. Advertising also called as 'ad' or 'advert' is one of such form of communication intended to persuade an audience (viewers, readers or listeners) to purchase or take necessary action upon products, ideas or services. We as a customer are experiencing probably the most dynamic and revolutionary changes in advertising history with the advent of this new millennium. Technology advancements have caused a dramatic increase in communication through the internet in the form of online advertising, which has led to these changes. Internet-based communication has changed the pace, style, and characteristics of communication. As the internet has grown rapidly, online advertising has become a more and more effective way of advertising. The rapid growth of the internet has transformed the business of advertising. You cannot browse the web today without seeing some sort of online advertising, such as display ads on websites (such as pop-ups and pop-downs) and text ads in search results. There is no doubt that online advertising has taken business away from traditional forms of advertising, such as newspapers, snail-mail, and radio.

Online or internet advertising is a method of promotion that uses the Internet and World Wide Web to deliver marketing messages to customers. In other words, online advertising is a type of mass communication which is based on traditional form of advertising but develops its own communication strategies in correlation with the new technical and medium based requirements. Broadly, online advertising is about delivering advertisements to Internet/online users via Web sites, e-mail, ad-supported software and Internet-enabled smart phones. Consumers interact with advertisers via the Internet. According to Smith and Chaffey (2005), online advertising is "the use of a company web site in conjunction with online promotional techniques such as search engines, banner advertising, direct e-mail and links or services from other web sites to acquire new customers and provide services to existing customers".

4.2 Objective

This unit is an attempt to analyze the concept of online advertising. After the end of the unit, you will be able to-

- Know about online advertising
- Understand the history of online advertising
- Explain the types, benefits and disadvantages of online advertising and promotion.
- Describe the steps in creating online ads, features of a good online advertisement.
- Discuss the current issues and reasons for the growth of online advertising.
- Understand the difference between Traditional Advertising and Online Advertising

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STOP TO CONSIDER

ONLINE ADVERTISING IS DELIVERING ADVERTISEMENTS TO INTERNET/ONLINE USERS VIA WEB SITES, E-MAIL, AD-SUPPORTED SOFTWARE AND INTERNET-ENABLED SMART PHONES.

4.3 Evolution of Online Advertising

Online Advertising has become the fastest and effective advertising mediums for both the organisation and the customers. Today, it is one of the essential requirements of a successful business. However, the present online advertising form has gone through big changes from its inception in early 90's. This growth can be studied into the following phases, such as—

> **4.3.1. Early Era:** There appears to be no consensus on precisely when advertising on the Internet began. Tim O'Reilly, founder of the web portal Global Network Navigator (GNN), claims that the first advertising appeared in 1993 on GNN and required "special dispensation from the National Science Foundation." Some scholars claim a banner ad sold to AT&T and displayed on the Hot-Wired site in October 24, 1994 along with other thirteen advertisers for its online debut. At first, online ads were sold exclusively on a cost-per-impression ("CPM") pricing model used by

offline media, i.e., the advertiser was charged proportionally to the number of times the ad was displayed on a web page. After this initiation we saw the emergence and public acceptance of the Web as an interactive medium in the following years. Both United Airlines and Maytag hosted their websites and promoted them through banners. Online advertising has come a long way in the past decade. When the Internet was first established in 1967, no one imagined that Spam would become part of computing vocabulary, much less a low point in the history of online advertising. Any e-mail account would attract Spam, and spamming became, and still is a big profitable industry in online advertising.

4.3.2 Growth: The year 1994 saw the first online advertisement that was quickly followed by a period of research on advertiser and publisher ad formats and technology. In late 1990s, billions of money was invested in online advertising. Advertisers designed the standard 468×60 pixel banner ads that were highly demanded. With gradual increase in market competition, there were thousands pouring in money behind developing banner ads. In 1996 DoubleClick (formerly known as the Internet Advertising Network) emerged as one of the first return on investment (ROI) tools for online banners, making it possible to monitor the success of ads in real time. The CPM model changed in 1998, when the search engine GoTo.com was launched. GoTo.com broke with cost-per-impression pricing, instead auctioning the top results of its search-result pages, with advertisers' sites appearing in descending order of their bids (on a pay-per-click basis). Advertising agencies like Webconnect began developing systems which were able to group websites according to specific target groups, thus enabling targeted online advertising.

4.3.3. Present Scenario: Banner ads today, as they were more than a decade ago, are no more effective online advertising medium. With considerable designing required, they are time consuming and expensive to produce. Moreover, the low return on revenue spent on developing banner ads renders them useless to most online advertisers. Therefore, by mid-2000, banner ads underway to dry up, and has almost become obsolete. Google launched its AdWords service in October 2000; the service placed ads on the search-results pages on google.com. The ads displayed were chosen based on the keywords that appeared in the user's search inquiry. Google aimed for low transaction costs; AdWords was described as "self-service," allowing sign-up, activation with a credit card, and ad design and implementation from the Google web site. In March 2003, Google broadened away from the search-results pages and began offering ads "to the rest of the web." Ultimately called "AdSense," Google's new program was contextually targeted (i.e., it matched advertiser keywords to the "meaning of the web page" on which the ads would be displayed) and used the click-through rates of ads as a determinant of the prominence of placement that would be given to the ads. Online advertising has been constantly rising since 2004. With the number of hours an internet user spends browsing websites, advertisers have realised the significance and advantage of manipulating user tendency to scour the web. In March 2009, Google began a beta test of a new ad-targeting system for its non-search, AdSense ads. Until that time, Google had chosen the ads it displayed on a web site

owned by an AdSense partner on the basis of a match between the advertiser's selected keywords and the content of the web sites on which the ads were to appear. However, under this new, "interest-based advertising" method, Google takes into account additional information about the user's browsing history. From SEO marketing, blogs and social media to stylish ads, interactive tools and branding technologies, advertisers are now using a wide array of platforms to increase business visibility. Google introduced AdSense for Mobile in September 2007, which allows owners of web sites optimized for mobile devices to monetize those sites by allowing Google to display AdSense text ads on them. Moving further in the mobile direction and away from the web in June 2009 Google released a beta version of AdSense for Mobile Applications that pays developers when ads are shown in iPhone and Android applications.

STOP TO CONSIDER

A BANNER AD SOLD TO AT&T AND DISPLAYED ON THE HOT-WIRED SITE IN 1994. WHEN THE INTERNET WAS FIRST ESTABLISHED IN 1967, NO ONE IMAGINED THAT SPAM WOULD BECOME PART OF COMPUTING VOCABULARY. SPAMMING BECAME, AND STILL IS A BIG PROFITABLE INDUSTRY IN ONLINE ADVERTISING. IN 1996 DOUBLECLICK (FORMERLY KNOWN AS THE INTERNET ADVERTISING NETWORK) EMERGED AS ONE OF THE FIRST RETURN ON INVESTMENT (ROI) TOOLS FOR ONLINE BANNERS, MAKING IT POSSIBLE TO MONITOR THE SUCCESS OF ADS IN REAL TIME. THE CPM MODEL CHANGED IN 1998, WHEN THE SEARCH ENGINE GOTO.COM WAS LAUNCHED. GOOGLE LAUNCHED ITS ADWORDS SERVICE IN OCTOBER 2000; THE SERVICE PLACED ADS ON THE SEARCH-RESULTS PAGES ON GOOGLE.COM. IN MARCH 2009, GOOGLE BEGAN A BETA TEST OF A NEW AD-TARGETING SYSTEM FOR ITS NON-SEARCH, ADSENSE ADS. WEB IN JUNE 2009 GOOGLE RELEASED A BETA VERSION OF ADSENSE FOR MOBILE APPLICATIONS THAT PAYS DEVELOPERS WHEN ADS ARE SHOWN IN IPHONE AND ANDROID APPLICATIONS.

4.4 Types of Online Advertising

Online advertisers provide customized services keeping in mind the needs of the target audiences. After the advent of Google AdWords, AdSense and Yahoo! Search engine, the ads are shown in the related web pages and alongside the search related result. Ad formats are changing rapidly, reflecting the intense competition for audience attention in an environment where consumer is the king. However, the important types of online advertising can be discussed as below:

4.4.1: Sponsorships: This type of online advertising is like the traditional forms. The advertiser sponsors an entire site, or at least a part of the website or a specific page on that site. In this type of advertising, the sponsorship is usually exclusive for a specific period of time. It is basically used for branding or launching a new product or service. Seeing the same sponsorship advertisement constantly, rather than rotating with other ads, visitors will be more likely to associate it with the website.

4.4.2: Banner Ads: Banner ads are the paid advertisement on websites that contains editorial material. When consumers click on the ad, they will be taken to the market's home page where they can view the ad. Thus, it is not only a challenge to create and place banner ads, but also to persuade potential customers to visit the market's homepage and stay a little while. It is better to place these ads on niche-specific websites. For example, a banner ad of Puma shoes can be seen on a site that provides information related to sports. Advertisers are increasingly relying on this option to target their audience more closely.

4.4.3: Pop-up and Pop-under Ads: This ads appears in a separate window when a particular web page starts loading. If people click on these ads many times, more money can be charged. Sometimes these ads are quite annoying to the audience. A sub category of pop-up ads is called "splash screen". These appear on a site after a page has been requested by a user but before it is loaded. So surfers who wish to visit a particular site first have to wade through an ad page, which serves as an invitation to visit another related site. The pop-ups appear on full screen, pop-downs appear on the bar at the bottom of screen. Viewers have to open these pop-ups and pop-downs to get rid of them.

4.4.4: Flash/DHTML Ads: Animation or other moving graphics are used in these kinds of advertisements. In addition to animated display ads in more traditional shapes and sizes, you can also find styled ads that function similarly to pop-up ads but are integrated much more seamlessly into the overall design of the site.

4.4.5: Affiliate Ads: Affiliate advertising refers to the idea of an advertiser paying a publisher (the affiliate) for business brought by the advertiser. A publisher will run affiliate ads with a special tracking code that helps an advertiser identify the website from which visitors came. Affiliate programmes can also track which visitors sign up for or purchase something, and the affiliate can be compensated accordingly. Publishers can be compensated solely for click- through, or more precisely for actual purchases and leads, depending on the affiliate agreement. The power of affiliate agreements is that the publisher may make a lot more money by not just showing an ad but also hoping that someone purchases the item or signs up for something after clicking on it.

4.4.6: Pay-per-click Ads: Search engines and contextual advertising are the most common examples of this form of advertising. In most cases, the advertiser is compensated for each ad click. These advertisements are typically text links that appear as part of a search results page or based on the content of a website. One of the

most appealing aspects of this type of advertising is that they just have to pay for actual clicks. The weakness of this type of advertising is that it has the potential to be less productive and more costly than other advertising approaches.

4.4.7: Search Engine Optimisation: Many digital media companies offer this form of internet advertising service. They will analyse the target audience, competitors, and business keywords before optimising the content on the advertiser's website. It has a far better chance of showing up on the first page of the search results this way. For this service, the viewer must pay a price to the specialists. Many visitors choose to use the natural listings provided by search engines rather than the paid-for listings, according to studies.

4.4.8: Sky-scraper Advertisements: These ad spots placed vertically down the left or right side of the page, enabling the ad to remain visible as the user scrolls. They can also be animated, and click-through can be used to direct users to the advertiser's website. Skyscraper advertising are more expensive than banner ads since they cover a wider area. These are the little windows that appear when someone visits a website for the first time. Pop-ups appear in full screen mode, whereas pop-downs appear on the bottom bar of your screen and must be opened to be removed. Pop-up advertisements are considered unwanted and irritating by the majority of internet users (according to surveys).

4.4.9: Rich Media Video and Audios: This is a method in which an online ad interacts with the viewer by using modern technology such as streaming video or music as the user's mouse moves over the ad. The ability to deliver bandwidth to allow transmission and consumer access to high-speed internet connections will determine the future of such advertisements.

4.4.10: E-mail: Advert through emails are most effective communication and relationship-building strategies. Allowing you to design and send newsletters to thousands of people. These are used to distribute promotions to a specific group of people. This method is more effective than waiting for potential clients to come across their website or click on one of their banner advertising. The majority of people do not like receiving adverts through their personal electronic email.

4.4.11: Interstitial Adverts: These adverts, also known as Bridge Adverts, appear while you navigate between pages on a website. Viewers do not have an option whether or not to watch them, though they can be turned off. Interstitial advertisements generate more click-through to marketers' websites than banner ads or standard pop-up ads

4.4.12: Advertorials: Paid editorial advertising or advertorials are advertisements in the style of editorials that appear to offer objectively stated thoughts. Online advertorials are often seen on publisher's websites and advertise items and services that are relevant to the content of the website.

4.4.13: Corporate Home Pages: A corporate home page is basically a website where a company provides current and future customers with extensive information about the company and, in most cases, its brands. Some corporate home pages offer visitors not only company and brand information, but also other relevant contents.

4.4.14: Widgets Ads: A widget is a relatively new technology with the potential to be used as an advertising medium. Widgets are software modules that users can drag and drop into their personal web page on a social networking site or onto a blog. Widgets appear like a website window but have the functionality of a whole website. Advertisers can use this application to create widgets that display their brands or route widget clickers to an e-commerce site. Each time a user installs the widget, the advertisers are charged a fee.

4.4.15: Video Games: Advertisers consider video games as an advert since they target the 18-to-34-year-old male demographic, which has mostly abandoned traditional media in favour of digital media. While the games are full of adverts, there is evidence that players who are focused on the game pay almost little attention to the commercials incorporated in the game. This is a question for advertisers to handle.

Check your progress:

1. Online Advertising has become the _____ and _____ advertising mediums for promotion. (Fill up the blank)

2. Pop up ads appears in a _____ when a particular web page starts loading.

4.5 Advantages of Online Advertising

Consumers find online advertising more appealing because advertisers tailor it to their preferences. Now -a -days people find it easy and comfortable to click as per choice than to roll over pages or watch advertise during prime time. Following are the benefits or advantages of online advertising:

4.5.1. Wider Coverage: Online adverts are accessible to anybody who has a smart phone or a computer with internet. Online advertising gives commercials a broader reach, and this broader reach allows advertisements to reach a larger audience across the globe, which may help achieve better results.

4.5.2. Affordability: Another significant benefit of online advertising or marketing is its low cost. When compared to typical advertising prices, it is significantly less expensive. Advertisers can reach a larger audience by advertising on the internet for a lower cost.

4.5.3. Detail Information: The marketer can send more information about the product/service to the audience through internet advertising, and at a lesser cost. The

majority of online advertising campaigns include a clickable link to a detailed homepage where viewers may learn more about the product featured in the ad.

4.5.4. Flexibility of Payment: One of the benefits of online advertising and marketing is the payment flexibility. Advertisers must pay the whole price to the advertising agency regardless of the results in offline advertising. Advertisers who use internet advertising have the option of paying solely for qualifying leads, clicks, or impressions.

4.5.5: Easy and Larger Audience Engagement: Audience can easily interact with the adverts or products when they are advertised online. It enables advertisers to obtain more input from their target audiences and, as a result, improve the quality of their commercials in the future.

4.5.6. Helps in Branding: Advertising aids in the improvement of a company's, product's, or service's branding. Online advertising is particularly effective in this regard.

4.5.7. Content Richness: Traditional advertisements are limited to one brief, memorable message due to the broadcast nature of television, radio, billboards, and print media. However, with the internet, the advertising message is no longer limited. The Internet allows for far more content-rich product information to be communicated to consumers.

4.5.8. Global Exposure: The Internet is accessible to people all around the world. The Internet increases the company's market to include global markets, allowing visitors from all over the world to access the website. Companies can readily respond to this worldwide accessibility by making pages in languages other than English. Gaining worldwide brand recognition could provide a company with the competitive edge it requires in a market that is increasingly spreading its borders.

4.5.9. Customization: The interactive aspect of the Internet allows for greater flexibility in terms of the sort of information conveyed and the method of dissemination than traditional media. For example, the consumer, rather than the advertiser, can decide whether the information should be technically advanced or simple, whether the information should be written, graphic, video, or aural, and whether a product demonstration or full product description should be employed.

4.5.10. Improving Customer Experience: Advertisements on the internet can also be utilised to provide customer support. Relationships can be improved by being available on demand 24 hours a day, 7 days a week, eliminating buying uncertainty through online product trials or demos, and giving online, up-to-date, accurate technical help.

4.5.11. Ease in Purchase: The internet can help consumers make better purchasing decisions not just by offering thorough product and purchase information, but also by allowing them to buy right then and there from the comfort of their own homes. This

bridges the gap between ad exposure and purchasing behaviour, allowing for the ultimate in impulse purchases.

4.5.12. Better Targeting: Targeting advertising to specific consumers based on age, city, PIN or ZIP code, or demographics ensures that only the most relevant recipients receive such ads.

4.6. Disadvantages of Online Advertising

Although there are many advantages of online advertisements but there are certain loopholes. It is important to note the disadvantages by the companies while choosing websites so that strategies can be formulated to retain the ultimate customers and earn profits. The limitations of online advertising are discussed below:

4.6.1. Customers often Ignore Ads: Consumers are accustomed to watching advertisements on television, hearing commercials on the radio, and scrolling through ads in newspapers and magazines. As a result, they have developed a dislike for all forms of advertising. This is also true of online advertising, where customers can avoid clicking banner ads, skip adverts in online movies they watch, and close pop-up advertisements as soon as they appear on their screens. Customers have complete flexibility over the advertising messages they wish to respond to and click on.

4.6.2. View Problems/Web snarls: Website downtime, delays in loading websites or videos, and browser issues can impact the frequency of consumers to see online ads and how well customers see online ads. Companies miss out on the opportunity to advertise their products or services due to technical challenges. This could result in a loss of sales opportunities.

4.6.3. Expensive Ad Prices: Advertising on the internet can be either inexpensive or

very expensive. The cost of various types of online ads (banner, text, and video ads) varies based on the quantity of traffic and readership a website or blog receives. Online advertising, such as pay-per-click campaigns and social media sites, may impact negatively on a company's marketing budget, with little to no return on investment.

4.6.4. Consumers Get Distracted/Lack of Interest: Customers usually have a goal in mind when they visit a website, whether it's to read the latest celebrity news, read a newspaper, communicate with friends, download music, or shop for a certain item. Customers are provided with a variety of options on websites, which can easily distract them and divert their attention away from online adverts.

4.6.5. Too Many Options: The internet provides a plethora of sites on which businesses can post adverts. It's difficult to keep track of everything, especially if you're a small business owner. It's challenging to limit down the selections to the websites that will attract the most prospective customers and sales with such a large number of options. Companies must also determine which types of advertisements

elicit the perfect reaction from their target audiences. The more options you have, the less likely you are to have a successful online advertising campaign.

STOP TO CONSIDER

Coca-Cola, one of the world's leading beverage brands, has long been leveraging TV and YouTube as a key channel to reach mass audiences. However, for its Vietnamese audience, Coca-Cola wanted to shake things up by finding ways to connect with its audience more effectively, particularly younger consumers. As more Vietnamese consumers are turning to YouTube to shop, browse, and buy, Coca-Cola decided to explore if increasing investment in YouTube could still unlock incremental reach and impact efficiently, particularly in helping the brand reach younger audiences nationwide. Overall the campaign delivered 67% nationwide reach across both TV and YouTube campaigns for audiences aged 18 to 34.When comparing the impact of TV and YouTube across the country, Coca-Cola found that the YouTube campaign connected with more consumers and delivered a good results. This experiment proved to Coca-Cola that YouTube is a key resource to invest in, particularly when looking to connect with younger audiences who are spending more time online. With these insights, Coca-Cola Vietnam has since implemented this strategy as a mainstay for all future campaigns.

4.7. Steps in Creating Online Advertising

A well-thought-out and planned online advertising campaign will help you swiftly raise awareness and increase visitors to your website. Paid advertising offer fast and quick returns on investment of any digital marketing strategy also provides near-immediate feedback on business messaging and overall marketing strategy. Therefore, it is imperative to understand the sequential steps in creating online ads. The steps to be followed to create a successful online ad are as follows:

1) **Developing Audience Persona:** Like any other marketing activities, online advertisement also needs to decide upon its target audience. While deciding the audience for the virtual ads the advertiser needs to understand the characteristics of its customers which can be called as audience persona. Consider the type of customer you're attempting to reach: who are they? What demographics do they fit into (age, income, career, etc.)? What problems do they have that your company

can help them with? When they're seeking for the solutions you provide, what will they type into Google? Making the audience persona as detailed as possible it will be easier to select the most effective means of communication with them. Many organizations have multiple types of customers; it is advisable to create multiple audience personas. However, attempts should be made to reach out to too many distinct types of customers at once. By identifying core customers early on, advertisers can direct marketing efforts at those audience that will help to expand the business.

2) **Identifying and selecting Ad Network(s):** When choosing an ad channel or ad network for internet advertising, advertisers must know that you want to meet your audience where they are, using channels and methods that will attract their attention. Typical online ad formats will determine which networks are most appropriate for that format. PPC(Pay-per-click) Search Ads, Display Ads, Remarketing Ads, Video Ads, and Social Ads are all common ad forms. All of these ad formats are available on Google's Ads network. For example, Google Search Ads are a highly successful platform for reaching a wide range of client types. By purchasing advertising on important Google search Keywords Company can obtain exposure to highly-motivated potential clients who are already looking for the solutions that company offers.

3) **Determine Keywords and Targeting Parameters:** It's time to configure and target each campaign or ad now that the Ad format and Network have been chosen. Although each ad network may have its own targeting and configuration methods and options, the company should be able to match audience persona to any metric that is required. Display ads are mostly based on customers' demographic or psychographic features, as well as their online habits. Geographic locations, interests, intent, subjects, and demographics will all be popular targets for ads. Keyword research is also required for search ads. Keyword tools like Moz's Keyword Explorer and Google's Keyword Planner are essential to generate keyword ideas, figuring out what potential consumers are looking for, and deciding where to focus the online marketing efforts.

4) **Monitoring:** The program's success depends on how well you track your web advertising. It's nearly pointless to run internet advertisements if you can't track their effectiveness and link them to beneficial business outcomes. Fortunately, Google Analytics, one of the most powerful and free tools available, includes a number of capabilities for tracking your online advertising campaigns. Google Analytics provides performance measures that enable calculating your online advertising ROI, in addition to tracking clicks, conversions, and other metrics.

5) **Continuous Evaluation:** Online advertising initiatives, like any other digital marketing technique, are most effective when their outcomes are continuously tracked and improved. Google Analytics, for example, will allow to advertising and discover what's working with your customers, allowing visitors to fine-tune company plan for consistent results. While it's tempting to monitor results on a daily basis, it's usually best to let the analytics collect accurate patterns and data

over a longer period of time. For broad shifts, monthly inspections are sufficient, while weekly checks are useful for time sensitive ads.

Although online advertising can yield immediate benefits for the company, it requires careful long-term monitoring in order to realise its full potential and maximise the return on investment. Online advertising may become one of the most powerful aspects of your company's marketing mix with careful planning, thorough research, and ongoing performance tracking.

4.8. Traditional Advertising and Online Advertising

The broad advertising aims of both online and offline advertising are the same. Advertisers often convey information, rhetoric, and/or imagery to consumers in order to enlighten, convince, remind, or motivate them. Whether the advertiser decides to advertise offline, online, or both, this is true. Online advertising, like offline advertising, is capable of achieving these objectives. Keeping in mind that each medium and vehicle has its own set of strengths and weaknesses the following are the differences between them:

Traditional Advertising Versus Online Advertising

Basis	Traditional Advertising	Online Advertising
Meaning	Traditional advertising is delivering advertisements to the customers via TV, radio, newspaper and magazines etc.	Online advertising is delivering advertisements to internet/online users via web sites, e-mail, ad-supported software and internet-enabled smart phones.
Target Audience	It is easy to reach out to local audience or customers through traditional mode	Online advertising aims at reaching the target audience globally at a time.
Consumer Interaction	Customer interaction is very less as the promotional mediums are not flexible.	Customer interaction is high as the digital platform offers different apps for collecting customer feedback.
Marketing cost	It is expensive to produce the messages for traditional mode such costs involvers printing cost, broadcasting costs etc.	It is less expensive as compared to traditional advertising. Advertising online sometimes need no money at all and sometimes depending on the type of online ads.
Benefit Analysis	To get the cost benefit analysis traditional markerters have to wait for weeks or months to get the results.	Online advertising gives quick results as it is easy to get the real time result.

Interruptions	Consumers cannot choose to skip the advertisements which are causing interruptions.	Customers can skip the part of the advertisement which is causing interruption and enagage in the part which he/she feels important.
Communication type	It involves one way communication as the marketing mediums are quite rigid.	It involves two way communication and help to satisy customer and make the customers feel that they are being listened and served.

4.9. Features of a Good Online Advertrisements

The success of an online advertisement is influenced by the quality of the advertisement. Advertisers must always remember that this is a 'pull' medium, not a 'push' medium like traditional media. As a result, advertisers should remember to capitalise on the advantages of the internet by targeting users who are looking for specific types of information. They must satisfy information-seeking customers while also attracting new visitors to ensure a positive response. Advertisers should keep a few key elements in mind while posting their ads on the internet. These features are as follows:

4.9.1. Text: The most crucial job in creating an online advertisement is deciding what the message should be. A straightforward, clear message that is more easily understood by the audience is more likely to attract viewers. Thus, in order to attract more visitors to one's own website, advertisements should aim to be straightforward and stand out from the throng. The use of 'keywords' in the text is critical for brand recognition. It is advisable to make sure that the words are relevant to the product and service.

4.9.2.Images: In order to make internet advertising more appealing, it is essential to include relevant pictures/images. Pictures/images grab the viewer's attention right away. They also assist viewers in better comprehending advertisements. Advertisers should keep in mind, however, that using pictures/images in online advertising costs up extra space, thus it should only be used when absolutely essential.

4.9.3. Colour: In ad design, colour is a core part. Bright colours draw attention to the design, while subtle tones give it class and control. To make an impact, though, it is always better to combine a combination of contrasts. It is vital to remember, however, that the colour chosen in internet advertising should complement the image the organisation want to present.

4.9.4. Animations: Advertisers have less than two seconds to capture the attention of their target audience. Here, animations are useful for generating attention and drawing customers to a specific website. Moving images, text, borders, backgrounds, and sound can all be used in animations. It should be noted, however, that excessive usage of animations may cause viewers to become confused. As a result, advertisers should avoid using animation to perplex users or make internet advertising difficult to understand.

4.9.5. Size of the File: It's vital to keep web pages and online advertising to a small file size. Customers lose patience when a large file takes a long time to download. So, before going online, an advertiser should verify the size of his or her file and try to keep it to a kb or mb minimum. In today's world, businesses are attempting to test various formats in order to measure the success of advertisements. The bottom line is that a corporation must determine how much they are willing to pay in order to do the task.

The above elements are essential to be kept in mind to create a successful online ad. However, the success rate depends upon the customer need satisfaction.

4.10. Current Issues in Online Advertising

Over the course of just 25 years online advertising has evolved from its niche existence into an important economic sector with continuously high growth rates. The following trend has been seen in case of online advertising.

4.10.1. Mobile Advertising: Because of technological advancements and Google's positioning on the mobile Internet, players consider mobile advertising to be a critical concern. This is due to a growing migration to mobile devices, particularly for private Internet use. The web on mobile terminals competes with services offered through apps, which, in certain cases, provide more and faster alternatives for interacting with a service, or so it is usually believed.

4.10.2. AMP: In the later partof 2015, Google launched AMP (accelerated mobile pages). AMP is an HTML variant created expressly to aid in the building of mobile-friendly websites (mainly smartphones).HTML is widely regarded as a foundational Internet technology. AMP-enabled documents, according to Google, load significantly faster – even at lower broadband speeds – and are rendered more quickly on those browsers that are most commonly used on mobile devices, compared to traditional websites that have been optimised for mobile devices or developed using responsive design for use across devices. In terms of online advertising, AMP could

help to boost user acceptability of mobile advertising by reducing the time it takes for mobile ads to load.

4.10.3. Walled Garden: Walled gardens, or closed platforms or systems on which manufacturers or operators impose user restrictions, are typically referred to by advertisers as online advertising platforms like those maintained by Google and Facebook. Walled gardens, it is believed, restrict users deeper insights into platforms. That is why, according to the argument, these advertising platforms are less transparent to marketers, making it more difficult to independently measure advertising coverage or impact, for example. Some argue that data obtained during advertising campaigns will be unable to be transferred from these systems, making ad fraud considerably more difficult to combat. Furthermore, walled gardens are accused of prioritising their own goods on their own platforms, however this is difficult to prove given that the platforms are all owned by the same company.

4.10.4. Data Access: Another point of contention is the importance of data access to the success of online advertising. Some even argue that the value of advertising is now primarily the value of data, and that the big platforms have significant market advantages due to their ability to combine reach with data depth. The Monopolies Commission has stated that the concentration of advertising-relevant data in a single company may cause issues. Concentration in this industry could have significant competitive feedback effects on the internet advertising market, as the quality and amount of data becomes increasingly important for the success of placing targeted advertising. This is especially true when specific organisations have exclusive access to highly relevant data volumes, such as on account of a contract.

4.10.5. Ad Fraud: When computer programmes (bots) generate false traffic on websites with embedded adverts or automatically generate clicks on banners, this is referred to as ad fraud. In both circumstances, advertisements are delivered that no one views and are subsequently invoiced to the advertiser. Other methods of fraud include the concealment of URLs (domains) and the modification of websites where the billed advertising are not even visible to users. Advertising businesses lose money due to ad fraud since they pay for ad delivery even though the ads never reach the intended audience.

4.10.6. Brand Safety: The term "brand safety" refers to the placement of advertisements in an appealing setting that is appropriate to the advertiser. Placing real-time advertising, in particular, might result in ads being displayed on inappropriate websites (for example, political platforms or gambling sites) or in an improper editorial context. This can be destructive to the advertiser's brand as well as the advertising message. Although pre-bid tools such as blacklists are already in use to rule out particular environments from the start, things become more difficult when automated booking makes it more difficult to identify an environment as "unobjectionable" in the first place. To govern programmatic advertising, there have been proposals for entirely automated solutions. In the interest of brand safety,

Google and YouTube are giving their advertising clients more control and transparency over which third-party sites are displaying their ads.

4.10.7. Ad Blocker: An ad blocker is a programme that runs in the background to prevent users from seeing advertisements put on websites. Ad blockers have a direct impact on the success of internet advertising, and the advertising industry has reacted in a variety of ways. To combat ad blockers, some advertisers use technical means: website operators simply block users who use ad blockers. The rising usage of ad blockers, on the other hand, may lead to advertisers utilising less invasive adverts and developing forms of advertising that users are more inclined to accept. This may lessen the desire to employ ad blockers. Because the new generation of browsers, such as Google Chrome and Apple Safari, will include ad blocking capabilities, the argument over ad blocking will certainly play a crucial role in the future. Google intends to add an ad blocker to its browser that will be turned on by default. Apple has stated that its updated Safari will disable the autoplay feature for videos, which is often considered to be obtrusive, as well as ad targeting.

4.11. Reasons for the growth of Online Advertising

The growth of online advertising is and can be seen at a faster rate. Because of its various merits and advantages it is gaining much more popularity. While extending into other web-related media, internet advertising is generating innovative, low-cost, and highly targeted options. The shift in interest from print advertising to online advertising is a significant milestone for the internet advertising business. It can be attributed to a variety of reasons, including—

4.11.1: The internet has made it possible to reach a big audience regardless of location. The internet has turned the world into a 'global community.' As a result, every advertiser looking to grow his firm should consider online advertising over traditional media.

4.11.2: Although internet advertising is a kind of mass communication, it may also create a personal connection. Advertisements are personal in nature, and they give the user the choice of reading more information about him or her. As a result, the user is left with a positive sensation without the marketing being forced onto them.

4.11.3: Internet includes multimedia. The presentation is significantly more intriguing and enjoyable thanks to the use of sound, video, and animation. This medium allows for boundless inventiveness, resulting in commercials that are both strong and effective.

4.11.4: There has been a tremendous surge in online viewers while print readers have decreased. Because of this shift in reading habits, there has been a growth in internet users, and advertisers always prefer a media that can reach a wider audience.

4.11.5: Consumers' desire to learn more about a product is satisfied by online advertising. Hyperlinks in internet advertising allow users to get to material that they are interested in.

4.11.6: The ability to track the efficacy of an advertisement makes this media more appealing to advertisers. This is mostly accomplished through the use of clicks, impressions, and conversions. Advertisers evaluate the success of their marketing messages and make changes as needed.

4.11.7: Online advertising aids in the creation of brand awareness as well as the generation of awareness. Younger generations that have more access to online advertising are better able to recall brands they have seen on the internet.

4.11.8: When it comes to brand memory, online advertising works effectively in conjunction with conventional media. The exposure time for print and electronic media is limited. When people are actively planning to acquire a product, advertising frequently disappear from the media. Viewers, on the other hand, can read online advertisements at any time of day or at their leisure. They look at advertisements online when they are ready to buy and thereby contribute to a good response.

Check your progress:

6. It's not very important to keep web pages and online advertising to a small file size.(Write True or False)

7. Walled gardens are typically maintained _____ and _____(Fill up the blank).

8. An _____is a programme that runs in the background to prevent users from seeing advertisements put on websites. (Fill up the blank)

4.12. Summing Up

- Online or internet advertising is a method of promotion that uses the Internet and World Wide Web to deliver marketing messages to customers.
- The important types of online advertising are sponsorship, banner ads, pop-up ads, flash ads, affiliate ads, email, widget ads etc.
- Advantages of Online Advertising are wider coverage, affordability, detail information, flexibility in Payment, easy and larger audience engagement, helps in branding, content richness, global exposure and customization etc.
- Disadvantages of Online Advertising are customers often ignores Ads, view problems/Web snarls, expensive Ad Prices, consumers get distracted/lack of interest etc.

- The steps to be followed to create a successful online ad are as follows: Developing Audience Persona, Identifying and selecting Ad Network(s), Determine Keywords and Targeting Parameters, monitoring and continuous evaluation.
- Advertisers should keep a few key elements in mind while posting their ads on the internet. These features are text, images, colour, animation and size of the file.
- The trend that has been seen in case of online advertising are mobile advertising, AMP, walled garden, data access, ad fraud , brand safety, ad blocker.
- The growth of online advertising is and can be seen at a faster rate. While extending into other web-related media, internet advertising is generating innovative, low-cost, and highly targeted options.
- The shift in interest from print advertising to online advertising is a significant milestone for the internet advertising business.

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4.14 Model Questions.

1. What is Online Advertising?

2..Discuss the evolution of Online Advertising?

3. Explain the various types of Online Advertising?

4.What are the various advantages and disadvantages of online advertisements? Explain.

5. Describe the stages in creating online advertisements.

6. Write the difference between Traditional Advertising and Online Advertising.

7. Discuss the essential features of Good Online Ads.

8. Explain the current issues in Online Advertising.

9. What are the reasons for the growth of Online Advertising? Explain.

10. Explain the importance of online advertising in today' world.

4.15 Answers to Check Your Response

1. fastest and effective

2. Separate window

3. two way

4. flexibility

5. True

6. False

7. Google and Facebook

8. Ad blocker

BLOCK V : Unit-5

E-Marketing, Ethical issues in E-Marketing

Unit Structure:

5.1 Introduction
5.2 Objectives
5.3 Brief history of e-marketing.
5.4 Features of e-marketing
5.5 Advantages of E-Marketing
5.6 Disadvantages of e- Marketing
5.7 Models of E-commerce
5.8 Types of E Marketing
5.9 Scope of E-Marketing
5.10 Ethical issues in E- Marketing

5.1 Introduction

In this modern technological world internet is the new normal. We can not think anything beyond the internet or in simple technology. Be it social, political, economical or cultural activities, technology is used everywhere. And marketing is not an exception. In simple term e-marketing refers to the marketing which is done over the internet or through e resources. It is also known as the online marketing or internet marketing. It is the process of doing business through computer or the mobile devices.

The modern world is changing in every minutes. People are becoming more dependent on the electronic devices after the information technology revolution. Almost every person owns a mobile device and we have developed the dependency on the mobile device in every aspect of the daily routine. So the smart marketers are turning their focus from tradition marketing to the modern E-marketing. The customers can search, decide, select and purchase the goods from their home through e marketing. E-marketing is providing a win-win platform to both marketers and the customers. The cost of distribution, advertising, branding has decreased by the use of e-marketing.

E-marketing can be defined as the process of planning, advertising, distribution and selling of goods and services through the world wide web with the use of computer or mobile devices.

5.2 Objective

This unit is an attempt to analyse the concept of e marketing. After the end of the unit, you will be able to-

- Know about e marketing
- Know the history of e-marketing
- Know the features, benefits, modes, barriers and disadvantages of e marketing.
- Know the various ethical aspect of e-marketing.

5.3 Brief history of e-marketing

The term e-marketing or digital marketing is not very old. It was first used in 1990. After the introduction of internet digital world evolved and it spread so quickly that now we are used to it. In 1993 the first digital banner was introduced. A digital magazine named Hotwired first purchased some banner ads for their advertising. This was the beginning. We were ready to shift from a traditional marketing to new digitalized marketing era silently. In 1994 Yahoo was launched and 1994 is known to be the benchmark year of the e-marketing era. In 1998 Google was introduced. Microsoft launched MSN search engine and Yahoo brought Yahoo search engine. Gradually there was a buzz in the digital world.

In August, 2003 a social media site named Myspace was launched followed by Facebook in February, 2004. These social media sites made the companies realized that the internet is going to open the door of new opportunities for them. This was the beginning of a new chapter in the business world where the corporates started using the new resources in creative way to reach new customers, new markets and it resulted in new product development.

5.3.1 E-Marketing- the Indian Chapter

In India, the digital marketing started in 1995 when VSNL was introduced in the country. In 1996 India Mart was launched in India and it was the first B2B model in India which is still successfully running in the country. But till 2005, a very negligible portion of the privileged Indian used internet. In 2008 internet boom happened in India and e-market became a familiar word to the Indian. From 2008 to 2010 India witnessed highest shift in the no of companies who were recruiting digital marketers. Many new e-marketing companies were introduced in this period of time. In 2007 Flipkart was established in India. By 2019, internet users in Indiawas about 525 million. This number is increasing daily and it is expected that the number will grow more and reach 666 million in 2023. (Sources: Internet live stats and Statista) The Digital India movement of Government of India, launched in 2015 has a significant role in the upward shift of the E-marketing in India.

5.3.2 Impact of Digital India Program on Indian e-market

The Digital India Program has a lot of impact on the digitalisation of the economy. Some of the advantages of the Digital India Program are:

- More people started using internet which resulted in more customer acquisition.

- There has been a shift from10% to 85% in terms of revenue generation through e-marketing activities, as more people started using internet after this program.
- Almost 80% of the companies has made a network interconnected campaign of email, social media and mobile phones to reach more customers.
- Majority of the marketers have shifted from traditional marketing to online marketing and they are increasing the investment on digital marketing.
- There has been a shift of people using mobile phones for online activities such as shopping, banking, home delivery, booking of ticket etc.

Check your progress:

1. **What is E-Marketing?**
2. **What are the impact of Digital India campaign on E-Marketing in India?**

Self- Assessment Question :

- **What is E-Marketing?**
- **Briefly discuss the evolution of E-Marketing with special focus to Indian market.**
- **What are the impact of Digital India campaign on E-Marketing in India?**

STOP TO CONSIDER

IN INDIA, THE DIGITAL MARKETING STARTED IN 1995 WHEN VSNL WAS INTRODUCED IN THE COUNTRY. INDIA MART IS THE FIRST B2B DIGITAL MODEL IN INDIA. IN AUGUST, 2003 A SOCIAL MEDIA SITE NAMED MYSPACE WAS LAUNCHED FOLLOWED BY FACEBOOK IN FEBRUARY, 2004. THESE SOCIAL MEDIA SITES MADE THE COMPANIES REALIZED THAT THE INTERNET IS GOING TO OPEN THE DOOR OF NEW OPPORTUNITIES FOR THEM. THE DIGITAL INDIA MOVEMENT OF GOVERNMENT OF INDIA, LAUNCHED IN 2015 HAS A SIGNIFICANT ROLE IN THE UPWARD SHIFT OF THE E-MARKETING IN

5.4 Features of e-marketing

The various of e marketing can be discussed as below

5.4.1 Economic than traditional marketing channels:

Through e-marketing, a wide range of customers can be reach compared to traditional marketing with lesser amount of investment. It is much more cost effective than the traditional media such as news-paper, hording etc.

5.4.2 24X7 approach:

E- Marketing helps the marketers to reach the customers need anywhere any time. It works as a 24x7 machinery. Physical presence is not mandatory in e-Marketing. All you need is an electronic device, through which one can roam around the markets of the globe.

5.4.3 helps in planning:

E-marketing enables the companies to keep a record about every click of a customer, which generates the information about the customer behaviour and results in new product planning according to the taste and need of the customer.

5.5 Advantages of E-Marketing

E- Marketing enjoys a lot of advantages than the traditional marketing techniques. In today's world every company must go for e marketing not only because of its increasing popularity but also as it has certain advantages such as:

5.5.1 Increased return on investment:

The sales of a business increases in rocket speed if they introduce E-marketing in a creative way. It results in more revenue for the company and as a result more return on investment.

5.5.2 Wide Coverage:

In this era of information technology, majority of the population is a netizen. So, the implementation of e-marketing increases the coverage of market reach for the marketers. It also helps to reach the right customers at right time with right product portfolio. It is accessible from anywhere of the globe.

5.5.3 Cost effective:

The use of e-marketing campaign is also known for the cost effectiveness. as it only needs internet, reaching the target audience is cheaper than the traditional marketing channels.

5.5.4 Collection of Market related Data:

The marketing data base becomes wealthier after the use of e-marketing. The automatic monitoring and tracking capabilities of the e-marketing modules helps in collecting and maintaining a fat data base for a company, which can be used for further development of the business.

5.5.5 Interactive:

One of the greatest advantages of E-Marketing is, it is more interactive. In traditional marketing the interaction between the customer and the marketer is near to zero. But in E-marketing, one can leave comment, feedback of the product and any changes they need in the product. So, it is kind of personalised marketing technique.

Check your progress:

3. **What are the advantages of E-Marketing?**
4. **Why E-Marketing is becoming popular in today's business world. Explain with your arguments.**

5.6. disadvantages of e- Marketing:

5.6.1 Technology Dependent:

E- marketing completely depends upon the technology. If the computer network system the marketing of the business collapse immediately. You are helpless withoutcomputers, smartphones, software, internet etc.

5.6.2 Digital illiteracy:

In a country like India, still a major portion of the customers beyond the reach of technology. The older generation does not have the know how of the technical gadgets. This digital illiteracy creates a barrier to the e-Marketing. So, a business can not reach all the population with only digital way.

5.6.3 Privacy Issues:

Customers now a days are more concern about the privacy of their personal information. They do not like to share the personal data without knowing the authenticity of the platform. So, the customers are reluctant to join a new platform and it makes very difficult for the new business to attract new customers to their business.

5.6.4 Cost of maintenance:

Though e- marketing is cost effective, it needs a lot of funds for the development and maintenance of the technology. The business houses need to hire professional software developers. The cost of the technical tools is also very high. These all factors lead to an increase amount of initial investment and maintenance cost. And it becomes more costlier when the technology changes rapidly.

5.6.5 unharmonized international law:

Different country has different cyber law. So, it is very difficult to obey all the international laws. This leads to unharmonized operations of the business under different international policies and laws.

Check your progress:

5. **What are the dis-advantages of E-Marketing?**

Self-Assessment question:

- **Write a case study on the anti- trust issue of an international company.**

5.7 Modes of E-Commerce:

 E-commerce business models can generally be categorized into the following categories.

- Business - to - Business (B2B)
- Business - to - Consumer (B2C)
- Consumer - to - Consumer (C2C)
- Consumer - to - Business (C2B)
- Business - to - Government (B2G)
- Government - to - Business (G2B)
- Government - to - Citizen (G2C)

5.7.1 Business - to - Business (B2B)

The B2B business model helps a website selling its items to an intermediary buyer, who then sells the product to the ultimate client. A wholesaler, for example, makes an order on a company's website and, after receiving the consignment, sells the finished product to the ultimate client who visits one of the company's retail locations.

5.7.2 Business - to - Consumer (B2C)

A website that follows the B2C business model offers its items to customers directly. Customers can look at the items that are shown on the website. The consumer may select a product and place an order for it. After that, the website will send an email notice to the business enterprise, which will subsequently dispatch the product/goods to the consumer.

5.7.3 Consumer - to - Consumer (C2C)

By putting their information on a website that follows the C2C business model, customers may sell their assets such as residential property, vehicles, motorbikes, and so on, or rent a room. The customer or may not be charged for the website's services. By reading this post/advertisement on the internet, other consumer may decide to purchase the initial customer's merchandise.

5.7.4 Consumer - to - Business (C2B)

In this paradigm, a customer visits a website that lists numerous business groups that provide a specific service. The customer enters an estimate of how much he or she wants to pay on a specific service. For example, websites may be used to compare interest rates on personal loans and auto loans offered by multiple institutions. A company approaches a customer and offers its services if it can meet the customer's needs within the budget constraints.

5.7.5 Business - to - Government (B2G)

The B2G model is a subset of the B2B model. Governments utilise such websites to market and share data with a variety of corporate entities. These websites have been

implemented by the state and provide a means for businesses to submit government application forms.

5.7.6 Government - to - Business (G2B)

To reach commercial entities, governments employ B2G model websites. Auctions, tenders, and application submission are all supported by such websites.

5.7.7 Government - to - Business (G2B)

To reach citizens in general, governments employ G2C model websites. Auctions of automobiles, machinery, and other items are supported by such websites. A website like this also offers services including birth, marriage, and death certificate registration. The major goal of G2C websites is to shorten the time it takes for citizens to get various government services.

Check your progress:

6. What are the models of e- commerce?

6.   What do you mean by B2B and B2C models?

5.8 Types of E Marketing:

The various types of E- Marketing are:

5.8.1 Search Engine Optimisation (SEO):

The purpose of SEO is to encourage a company's website to rank better in Search engine results, resulting in more traffic from search engines. To do so, SEO marketers look for words and phrases that people use to seek for information online and include such terms into their own content. According to Moz's "Beginners Guide to SEO," SEO includes a variety of factors, including the text on your web pages, how other sites connect to you on the web, and how your website is built. According to Salary.com, an SEO professional may earn roughly $70,058 per year.

5.8.2 Pay-Per-Click (PPC):

Paid adverts and sponsored search engine results are referred to as pay-per-click. This is a short-term kind of digital marketing, which means the ad will disappear once you stop paying. PPC, like SEO, is a strategy to boost a company's internet search traffic.

Advertisements that appear at the top or sides of a search results page, ads that appear when surfing the web, commercials that appear before YouTube videos, and ads that appear in mobile applications are all examples of pay-per-click advertising.

Another feature that sets pay-per-click apart from SEO is that you just pay for the outcomes. In a conventional PPC arrangement, such as a Google AdWords ad, you will only pay when someone clicks on your ad.

when a user clicks on our ad and visits your website Pay-per-click advertising allows you to spend virtually any amount of money. Some businesses may get a return on their investment of a few hundred bucks, but many huge businesses spend thousands of dollars per month on pay-per-click advertising.

5.8.3 Social Media Marketing(SMM):

This encompasses everything a company does on social media. Although almost everyone is active in social media, marketers must use it in a planned and integrated manner. Social media marketing entails much more than merely posting to social media sites and posting comments.

According to a Salary.com infographic, a social media researcher with a bachelor's can earn lot of earning.Efforts must be organised and consistent instead of an afterthought if they are to be effective. There are several online tools available to automate and schedule social media postings to help keep messages consistent, but marketers should only use automation as a tool, not as a "set it and forget it" solution. When there is no genuine person behind, users rapidly figure it out.

Digital marketers must not operate in a vacuum from the rest of the marketing team. Social marketers must collaborate with the rest of the marketing group to improve that their messaging is consistent across all platforms, both online and offline, so that the entire brand is presenting the same narrative.

5.8.4 Content Marketing:

To raise brand awareness, content marketing employs narrative and information sharing. The ultimate goal is for the reader to take a step toward becoming a client, such as asking more information, joining an email list, or purchasing something. Blog entries, resources like as white papers and e-books, digital video, podcasts, and much more are all examples of "content." It should, in general, first and foremost deliver value to the consumer, rather than simply market the brand or try to sell something. Content marketing is about developing a long-term, trustworthy relationship with the customer that can lead to multiple sales over time rather than just one.

Content marketing, unlike pay-per-click advertising, is a long-term strategy. Marketers accumulate a library of material over time that will continue to drive traffic to the site via search engines.

5.8.5 Email Marketing:

Despite the rise of social media, smartphone apps, and other platforms, email remains one of the most effective marketing tools, according to Rogers. It can be used as part of a digital marketing plan to provide value to customers and acquire new customers over time. According to the American Marketing Association, email marketing professionals are competent at not just creating compelling messages, but also understanding appropriate audience outreach and monitoring consumer interactions and data, as well as making strategic decisions based on that data.

5.8.6 Mobile Marketing:

This sort of digital marketing focuses on reaching out to your target audience through their smartphone or tablet. Text messages, social media, websites, email, and mobile applications are all examples of mobile marketing. Marketers can customise offers or special content based on a customer's location and time, such as when they enter a store or attend an event.

5.8.7 Affiliated Marketing:

This sort of digital marketing focuses on reaching out to your target audience via smartphone or tablet. Text messaging, social media, websites, email, and mobile apps are all examples of how mobile marketing touches individuals. Marketers can modify offers or special content based on a customer's location or time, such as when they walk into a store or attend an event.

Affiliate marketing, also known as influencer marketing, has exploded in popularity in recent years, thanks to new media such as TikTok, Instagram, YouTube, and blogs becoming mainstream forms of entertainment, news, and shipping. Making money as an affiliate has become one of the most popular types of internet marketing. The affiliate marketing sector is anticipated to expand to $6.8 billion in 2020, according to Inc.com.

Check your progress:

7. **What are different types of E- Marketing?**
8. **What is affiliated marketing?**
9. **What are the differences between pay per click and search engine optimization?**

<table>
<tr><td align="center">**STOP TO CONSIDER**</td></tr>
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STOP TO CONSIDER

TECHNOLOGY EVOLVES SWIFTLY; TODAY'S TRENDY SOCIAL NETWORKING APP MAY BE ALL BUT FORGOTTEN IN THE NEXT YEAR, BUT SEVERAL OF MARKETING'S FUNDAMENTAL CONCEPTS REMAIN THE SAME.

HOWEVER, SINCE THE DAYS WHEN CORPORATIONS LARGELY MARKETED IN PRINT, RADIO, AND TELEVISION, SOME KEY ELEMENTS OF THE MARKETING PUZZLE HAVE REMAINED THE SAME. ALL MARKETERS REQUIRE EXCELLENT COMMUNICATION SKILLS AS WELL AS A SOLID UNDERSTANDING OF MARKETING IDEAS.

5.9 Scope of E- Marketing:

The majority of businesses are predicted to have a digital presence by 2022. As a result, online marketing is expanding at a rapid rate. For a variety of reasons, internet marketing is gaining traction. It is more cost-effective and levels the playing field. It improves conversion rates, resulting in increased revenue. By increasing engagement with said target population, internet marketing helps to build a brand's reputation.

While using Facebook as well as other popular platforms to post advertising and content is still an efficient approach to reach your target demographic, digital marketing involves much more than that.

The expansion of digital marketing has been phenomenal, and the stats indicate that it will continue to increase in the future. Simply put, digital marketing's future appears to be bright and safe.

As more chances arise, being creative, original, and up to date on the current trends will become the guiding concept for every digital marketer.The exponential growth that we have seen on the Internet in recent years, particularly after covid, is here to stay. People are adjusting to the new normal and are becoming increasingly comfortable with conducting business online, whether it's shopping, ordering food or pharmaceuticals, or even conducting banking activities!

As a result, digital marketing is critical in meeting these newly developed consumer demands.Furthermore, the future generation will be a part of an already digital environment and will be used to everyone being online. Companies must begin digital marketing activities today in order to cater to these future consumers.

A key conclusion from all of this is that professions in digital marketing have a bright future ahead of them, and if you have an interest in digital advertising, now may be the time to seize this opportunity.

Self- Assessment Question:

- **What are the scope of Internet Marketing?**
- **How does digital advertising grab the opportunity in modern business world?**

5.9 Ethical issues of E- Marketing:

E-commerce has grown in importance as a means of selling goods and services around the world during the last two decades. As a result of unexpected hurdles and ethical issues, this form of doing business has resulted in numerous confrontations between buyers, sellers, and vendors. When striving to build a reputable online brand, it's vital to understand these challenges.Ethical issues in online marketing are being raised and scrutinised more frequently these days. If not handled properly, social media has become a huge ethical concern in business and can harm a company's brand. Some of the ethical issues are:

5.9.1 Business representation:

A small business with a limited track record can present itself online as a larger, better-funded company with leadership that is more experienced and competent than it actually is by using a well-designed website, stock photos, well-written copy, search engine optimization, and paid-for social media followers.

While it's obvious that a company wants to build a strong online brand, doing so can occasionally lead to misrepresentation, which is one of the most common e-business issues.

5.9.2 Intellectual property violation:

Intellectual property crimes frequently result in ethical ramifications for internet firms. In some circumstances, these infractions are the consequence of ignorance or bad legal counsel, while in others, they are intentional. The following are some of the most common infractions:

Logos that aren't original: Logos are an important aspect of a company's branding. Some entrepreneurs have a limited budget for logo creation and may either duplicate a logo from another company or engage a logo designer who will copy a design that is already in use owing to budget concerns.

Image piracy: Good photos are an important part of a good website. It can be costly to hire a professional photographer or buy stock photos. As a result, dishonest web designers would occasionally steal photographs to use on their websites.

Content Theft: When a company can't afford to pay good copywriters, its web designer or administrator may steal blog articles, product descriptions, and other information for use on the company's website, online catalogue, or social media platforms.

Selling counterfeit goods: Counterfeit goods are occasionally sold by small web sellers. In other circumstances, this occurs because the merchant has been the victim of a scam perpetrated by an unauthorised wholesaler. In other circumstances, the company's owner is well aware that it is selling counterfeit goods.

Unauthorized use of audio and video files: For businesses that employ music and other sound files in podcasts and video programming, this can be a serious problem.

5.9.3 Information security:

Information security and data protection are two of the most frequently debated ethical issues in e-commerce. Customers' sensitive information, such as credit card or bank account information, as well as their name, address, and phone number, is typically collected by companies that sell items and services online. Furthermore,

many e-commerce sites allow clients to create an online account, which requires the creation of a username and password.

Hackers are eager to break into websites and e-commerce software in order to obtain consumer information, which can then be used to steal money from clients' accounts or commit identity fraud.Information security breaches can be held against companies who fail to protect sensitive data. Customers may get dissatisfied and cancel their accounts, preferring to do business with competitors instead.

5.9.4 Product Quality:

The ability to view and check products before purchasing it is one of the benefits of shopping in a physical store. This is impossible to achieve online, thus the buyer must trust the merchant to sell her an item that corresponds to the photos and descriptions on the retailer's website.

Unfortunately, some businesses take advantage of the gap between the buyer and the product to sell substandard products. Many customers have unwrapped a package anticipating a high-quality item, only to discover a product that is shoddily built or does not match the product's web photos.

5.9.5 Vendor Compliance:

Many internet shops sell items that have been obtained from manufacturers, distributors, and other vendors. In some circumstances, the vendor who owns the brand being offered sets restrictions on how the products can be sold through third-party retailers. These frequently include:

- **Getting approval to sell the product as a licenced store**
- **In sales attempts, using approved content such as photos, corporate logos, and descriptive writing.**
- **The vendor's price points must be adhered to**.

Some e-retailers do not follow these rules. Customers may be confused, and vendors may face branding issues as a result of this failure. Vendors may take legal action against non-compliant suppliers in various cases.

5.9.6Customer Service:

By definition, e-commerce involves a barrier between customers and retailers. When a customer has a question, needs assistance, receives a damaged product or wants to inquire about a refund, he can't just walk into a store to get help. Instead, customers have to rely on the contact methods made available by an online retailer. Many retailers are committed to provide quality customer service and offer online chat, phone-based customer service as well as email assistance.

Unethical e-commerce businesses can make obtaining assistance extremely difficult. They might just ignore emails and other attempts to contact them. Furthermore, a corporation may repeatedly promise a consumer that it would address their complaint, but then fail to do so until the customer loses up attempting to fix her issue or it is too late for her to initiate a chargeback from her credit card provider.

STOP TO CONSIDER

THINGS TO REMEMBER IN SOCIAL MEDIA MARKETING:

❖ **ON BUSINESS WEBSITES, AVOID UTILISING STOCK PHOTOS OF ENORMOUS OFFICE BUILDINGS, PROFESSIONAL CONFERENCE ROOMS, OR WORKERS AT WORK. USING THESE IMAGES CAN GIVE THE IDEA THAT THE COMPANY OWNS OR RENTS THE FACILITIES OR EMPLOYS THE PEOPLE IN THE PHOTOS.**
❖ **INCLUDE A "ABOUT" SECTION ON ITS WEBSITE WITH VITAL INFORMATION ABOUT THE COMPANY, SUCH AS HOW LONG IT HAS BEEN IN OPERATION.**
❖ **PAYING FOR "LIKES" OR "FOLLOWING" ON SOCIAL MEDIA IS A BAD IDEA. WHILE IT MAY BE TEMPTING, MANY SOCIAL MEDIA PLATFORMS NOW HAVE ALGORITHMS THAT CAN DISTINGUISH BETWEEN GENUINE AND PURCHASED FOLLOWERS. THROUGH THE CREATION OF HIGH-QUALITY CONTENT AND INTERACTION, BUSINESS OWNERS CAN GROW A SOCIAL MEDIA FOLLOWING.**

Check your progress:

10. **What are the ethical issues of Internet Marketing?**
11. **Why information security of customer plays a significant role in internet marketing?**

Answer of check your progress :

1. E-marketing is a type of advertising that encompasses all marketing efforts carried out by a company via an electronic device or the internet. Internet marketing, internet advertising, digital marketing, and web marketing are all terms used to

describe this sort of advertising.It is the process of planning and carrying out the conceptualization, distribution, promotion, and pricing of products and services in a computerised, networked environment, such as the Internet and the World Wide Web, in order to ease exchanges and meet client requests. Over traditional marketing, it has two major advantages. Customers benefit from greater convenience and lower pricing thanks to e-marketing, and businesses benefit from lower operating costs.

2. The Digital India Program has a lot of impact on the digitalisation of the economy. Some of the advantages of the Digital India Program are:
   - More people started using internet which resulted in more customer acquisition.
   - There has been a shift from10% to 85% in terms of revenue generation through e-marketing activities, as more people started using internet after this program.
   - Almost 80% of the companies has made a network interconnected campaign of email, social media and mobile phones to reach more customers.
   - Majority of the marketers have shifted from traditional marketing to online marketing and they are increasing the investment on digital marketing.
   - There has been a shift of people using mobile phones for online activities such as shopping, banking, home delivery, booking of ticket etc.

3. Advantage of e-marketing:
   - Convenience and quick service
   - Low cost of operation
   - Measure and track result
   - Demographic targeting
   - Global Marketing

4. For organisations, the internet has offered up a plethora of possibilities. One of the reasons Digital Marketing has altered how businesses advertise and market their products and services is that it is almost always available online.One of the most effective ways to engage with new customers is through social media networks. It is a good platform for speeding up any online business by attracting new clients and communicating with existing ones. It may also help to raise business visibility, which helps to promote sales. All of this is accomplished through the use of digital marketing.With the use of successful tactics to boost the business growth of any company or organisation, digital marketing generates more revenue as well as higher conversion rates.

5. Disadvantage of e-Marketing:

   - Technology Dependent
   - Digital Literacy
   - Privacy Issues
   - Cost of maintenance
   - Unharmonized international law

6. E-commerce business models can generally be categorized into the following categories.

   - Business - to - Business (B2B)
   - Business - to - Consumer (B2C)
   - Consumer - to - Consumer (C2C)
   - Consumer - to - Business (C2B)
   - Business - to - Government (B2G)
   - Government - to - Business (G2B)
   - Government - to - Citizen (G2C)

7. **Business - to - Business (B2B)**

The B2B business model helps a website selling its items to an intermediary buyer, who then sells the product to the ultimate client. A wholesaler, for example, makes an order on a company's website and, after receiving the consignment, sells the finished product to the ultimate client who visits one of the company's retail locations.

Business - to - Consumer (B2C)

A website that follows the B2C business model offers its items to customers directly. Customers can look at the items that are shown on the website. The consumer may select a product and place an order for it. After that, the website will send an email notice to the business enterprise, which will subsequently dispatch the product/goods to the consumer.

8. Types of digital Marketing:
   - Search Engine Optimization (SEO)
   - Pay-per-Click (PPC)
   - Social Media Marketing.
   - Content Marketing.
   - Email Marketing.
   - Mobile Marketing.
   - Marketing Analytics.
   - Affiliate Marketing.

9. Affiliate marketing is the process of earning a commission by promoting the products of another individual or firm. The affiliate simply finds a product they like, promotes it, and earns a portion of the profit from each sale they make.

10. When it comes to SEO vs. PPC, there are two major contrasts. The first is that sponsored adverts show at the top of the page, above SEO-influenced organic listings. The second difference is that SEO traffic is free, whereas PPC traffic has a cost per click. SEO and PPC are often more effective when they are integrated and strategically matched.

11. 5 ethical issues in online marketing that you need to be aware of before engaging with any ethical online marketing campaign are:
    - Consumer privacy.
    - Copyright infringement.
    - Personal information security.
    - Advertisements on ethical websites.
    - Using social media influencers.

12. Information security and data protection are two of the most frequently debated ethical issues in e-commerce. Customers' sensitive information, such as credit card or bank account information, as well as their name, address, and phone number, is typically collected by companies that sell items and services online.

Furthermore, many e-commerce sites allow clients to create an online account, which requires the creation of a username and password.

When it comes to digital marketing strategy, the first step is to protect your website. Cybercriminals can easily target a website that is poorly protected and setup. Users will not be able to access all or parts of your website if it has been hacked or compromised in any way.

Reference and suggested reading:

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