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Elective Courses (EC)

Discipline Specific Elective (DSE) Courses

BUSINESS MANAGEMENT - MARKETING MANAGEMENT

(SUPPLEMENT)

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IMPORTANT INSTRUCTIONS

Dear Students,

1. The revised syllabus for the subject Business Management – Marketing Management has become applicable for IDOL students from the academic year 2019-20.
2. As per the old pattern this subject was in T.Y.B.com. As per the revised pattern the same subject is shifted to S.Y.B.Com. Therefore we are providing the old original book that is of T.Y. B.com.
3. We are providing this supplement for newly added chapters in each module.
4. **To know about the topics to be refer from the old book, please check the unit structure of each module in the supplement.**
5. **In the unit structure of each module you will get the detailed information about the points and page numbers to be referred from the old book.**
6. Please follow the revised syllabus. The New Question Paper Pattern is available under the syllabus.

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Revised Syllabus of S.Y. B.Com.
From the Academic Year 2019-20
Elective Courses (EC)
Discipline Specific Elective (DSE) Courses
Business Management-Marketing Management

SECTION I

Modules at a Glance

Sr. No.	Modules
1	Marketing Management and Marketing Environment
2	Understanding Competition and Strategic Marketing
3	Product
4	Pricing

Sr. No.	Modules
1	**Marketing Management and Marketing Environment** • Marketing management : Definition, need and importance of marketing management • Functions of Marketing Management • Micro and Macro Environment with specific reference to India • Emerging Marketing opportunities in India – Marketing at the bottom of the pyramid, growing middle class • International marketing environment
2	**Understanding Competition and Strategic Marketing** • Marketing strategy : Definition and Features • Steps in strategic marketing planning process • SWOT Analysis • Michael Porter's Five Forces Model • Analyzing competition
3	**Product** • Definition, Product Levels – Customer Value Hierarchy • Product Classification : Based on durability and tangibility, consumer goods classification and industrial goods classification • Product Life Cycle : Stages and features of each stage • Product Positioning : Meaning and Importance • Steps in Product Positioning

4	**Pricing** • Meaning and objective of Pricing • Factors affecting pricing decisions • Methods of pricing : Mark-up pricing, Target-return Pricing, Perceived-value Pricing, Value Pricing, Going-Rate Pricing and Auction Pricing • Steps in Pricing

SECTION II

Sr. No.	Modules
1	Distribution
2	Promotion
3	Understanding Buyer Behaviour
4	Marketing of services and Rural Marketing

Sr. No.	Modules
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	to high involvement and low involvement products) • Factors affecting organizational buyer behaviour • Steps in the organizational purchase decision process (with respect to different buying situations)
4	**Marketing of services and Rural Marketing** • Services : definition and features • Marketing mix for services marketing • Managing service quality and productivity • Rural market scenario in India • Factors contributing to the growth of rural markets in India • Challenge of Rural Marketing • Strategies to cope with the challenges of rural marketing.

Reference Books:

1. Philip Kotler (2003). Marketing Management : Eleventh Edition. New Delhi : Pearson Education
2. V. S. Ramaswani and S Namakumari (2002). Marketing : Planning, Implementation and Control (3rd Edition) New Delhi, Macmillan India
3. Michael Porter – Competitive Advantage
4. Theodore Levitt – Marketing Management
5. Fundamentals of Marketing – William Stanton
6. Customer Driven Services Management (1999) Response Books

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QUESTION PAPER PATTERN

SECTION I

1.	Explain the terms (Any five)	10
2.	Answer **Any Three Out of six** questions	30
3.	Write notes on **Any two out of four**	**1**0

SECTION II

4.	Explain the terms (Any five)	10
5.	Answer **Any Three Out of six** questions	30
6.	Write notes on **Any two out of four**	**1**0

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SECTION I

MODULE 1

1

MARKETING MANAGEMENT AND MARKETING ENVIRONMENT

Unit Structure :

1.1 FUNCTIONS OF MARKETING MANAGEMENT

Market environment includes the factors and forces that affect a firm’s ability to build and maintain successful relationships with customers. Marketing environment is the cumulative form of the factors that encapsulate within themselves the ability of a firm to connect with the consumers and also the potency of the product as a growth driver to the firm.

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

In simple words the term marketing environment can be defined as “The various external forces that can directly or indirectly affect the many activities of an organization. This is an integral part of environmental scanning. These activities include acquisition of human resources, raw materials, financial resources, and development of goods and services. The marketing environment includes forces such as: political, legal, regulatory, economic, social, technological, and competitive."

Two levels of the environment are Micro (internal) environment - small forces within the company that affect its ability to serve its customers and macro (external) environment - larger societal forces that affect the micro environment.

Marketing is the process of production and / or purchase of goods and or services for satisfying the needs and wants of the consumers. Management of marketing activities is called Marketing Management.

Following are the functions of Marketing Management:

1) Setting Marketing Objectives : The process of marketing management starts with setting marketing objectives for short and long term. Marketing objectives of an organization can be increasing sales turnover, overcoming competition, getting higher market share and so on marketing objectives should be in line with the overall organisational objectives.

2) Planning : Planning functions refers to deciding the future course of action. After setting the marketing objectives, the management has to decide the course of action to achieve those objectives. This includes conducting market survey, sales forecasting and deciding marketing policies and strategies.

3) Organisation : Once marketing policies and strategies are formulated, they are required to be implemented properly. For this, marketing function is required to be organized. It refers to deciding the structure of marketing organization, allocation of duties and responsibilities to various sectional heads and so on.

4) Co-ordination : Marketing is a comprehensive term. Various activities are required to be performed for marketing of goods and services such as conducing market survey, sales forecasting, product planning, product development, pricing, promotion, warehousing, transportation, selling after sales service and so on. All these activities are required to be coordinated to achieve effective marketing of goods and services.

5) Direction : Direction in marketing management refers to development of new products and markets, fixing targets, motivating employees by giving monetary and non-monetary incentives, guiding and supervision of the employees and so on.

6) Controlling : Controlling is the major function of marketing management. It refers to fixing standards, evaluation of actual performance and comparing the actual performance with the standards fixed. If the actual performance is not as per the standards, measures can be taken to improve the performance.

7) Staffing : Marketing is a specialized job. It requires capable, experienced and qualified people to perform the job effectively and efficiently. The marketing manager co-ordinates with HR manager to recruit the required staff.

Thus marketing manager has the responsibility of performing many functions in the field of marketing such as planning, organizing, directing motivating, co-ordinating and controlling. All these functions are undertaken to carryout the marketing plan & policies which in turn results in achievement of marketing objectives.

1.2 INTERNAL ENVIORNMENT ANALYSIS

Internal environment is a term that describes the elements within an organization which define employee behavior. These elements influence the activities and choices of the employees in an organization. They include the culture, leadership styles and organization structure. An organization's internal environment is composed of the elements within the organization, including current employees, management, and especially corporate culture, which defines employee behavior. Although some elements affect the organization as a whole, others affect only the manager. A manager's philosophical or leadership style directly impacts employees. Traditional managers give explicit instructions to employees, while progressive managers empower employees to make many of their own decisions. Changes in philosophy and leadership style are under the control of the manager.

Following are the important elements of internal environment which have to be analyzed properly:

1. Mission Statement:

An organization's mission statement describes what the organization stands for and why it exists. It explains the overall purpose of the organization and includes the attributes that distinguish it from other organizations of its type. A mission statement should be more than words on a piece of paper; it should reveal a company's philosophy, as well as its purpose. This declaration should be a living, breathing document that provides information and inspiration for the members of the organization. A mission statement should answer the questions, “What are our values?” and “What do we stand for?” This statement provides focus for an organization by rallying its members to work together to achieve its common goals. Effective mission statements lead to effective efforts. In today's quality- conscious and highly competitive environments, an effective mission statement's purpose is centered on serving the needs of customers.

2. Company policies:

Company policies are guidelines that govern how certain organizational situations are addressed. Company policies are an indication of an organization's personality and should coincide with its mission statement.

3. Organization structure:

The formal structure of an organization is the hierarchical arrangement of tasks and people. This structure determines how information flows within the organization, which departments are responsible for which activities, and where the decision- making power rests. Some organizations use a chart to simplify the breakdown of its formal structure. This organizational chart is a pictorial display of the official lines of authority and communication within an organization.

4. Organization culture:

The organizational culture is an organization's personality. Just as each person has a distinct personality, so does each organization. The culture of an organization distinguishes it from others and shapes the actions of its members. Four main components make up an organization's culture are:

- Values: Values are the basic beliefs that define employees' successes in an organization.
- Heroes: A hero is an exemplary person who reflects the image, attitudes, or values of the organization and serves as a role model to other employees.
- Rites and rituals: Rites and rituals, the third component, are routines or ceremonies that the company uses to recognize high- performing employees. Awards banquets, company gatherings, and quarterly meetings can acknowledge distinguished employees for outstanding service.
- Social Network: Is the informal means of communication within an organization. This network, sometimes referred to as the company grapevine, carries the stories of both heroes and those who have failed. It is through this network that employees really learn about the organization's culture and values.

5. Organizational Climate:

The overall tone of the workplace and the morale of its workers are elements of daily climate. Worker attitudes dictate the positive or negative “atmosphere” of the workplace. The daily relationships and interactions of employees are indicative of an organization's climate. The company's internal workplace culture, and how that may have shifted over time from its original mission and goals, will likely be assessed. Sometimes a company will use an outside firm to conduct the analysis. Such a move may occur, when the company wants an outside, objective view of the internal inner workings of the company.

6. Resources:

Resources are the people, information, facilities, infrastructure, machinery, equipment, supplies, and finances at an organization's disposal. People are the paramount resource of all organizations. Information, facilities, machinery equipment, materials, supplies, and finances are supporting, nonhuman resources that complement workers in their quests to accomplish the organization's mission statement. The availability of resources and the way that managers value the human and nonhuman resources impact the organization's environment.

- Tangible Resources – Assets that can be seen and quantified
- Intangible Resources – Family commitment, networks, organizational culture, reputation, intellectual property rights, trademarks, copyrights

7. Management Philosophy:

Philosophy of management is the manager's set of personal beliefs and values about people and work and as such, is something that the manager can control. The managerial philosophies have a subsequent effect on employee behavior, leading to the self- fulfilling prophecy. As a result, organizational philosophies and managerial philosophies need to be in harmony.

8. Leadership style:

The number of coworkers involved within a problem- solving or decision- making process reflects the manager's leadership style. Empowerment means delegating to subordinates decision- making authority, freedom, knowledge, autonomy, and skills. Fortunately, most organizations and managers are making the move toward the active participation and teamwork that empowerment entails. When guided properly, an empowered workforce may lead to heightened productivity and quality, reduced costs, more innovation, improved customer service, and greater commitment from the employees of the organization.

External factors are beyond the control of a firm; its success depends to a large extent on its adaptability to the environment. The external marketing environment consists of:

a) Macro environment, and

b) Micro environment

a) **Micro environment:**

The micro environment refers to the forces that are close to the company and affect its ability to serve its customers. It includes the company itself, its suppliers, marketing intermediaries, customer, markets competitors and publics.

1. Internal Environment

The company aspect of microenvironment refers to the internal environment of the company. Each of these departments has an impact on marketing decisions. For example, research and development have input as to the features a product can perform and accounting approves the financial side of marketing plans and budgets.

2. The Supplier

The Supplier of a company is also an important aspect of the microenvironment because even the slightest delay in receiving supplies can result in customer dissatisfaction. Marketing managers must watch supply availability and other trends dealing with suppliers to ensure that product will be delivered to customers in the time frame required in order to maintain a strong customer relationship.

3. The Market intermediaries

Marketing intermediaries refers to resellers, physical distribution firms, marketing services agencies, and financial intermediaries. These are the people that help the company promote, sell, and distribute its products to final buyers. Resellers are those that hold and sell the company's product.

4. The Customer

Another aspect of microenvironment is the customers. There are different types of customer markets including consumer markets, business markets, government markets, and reseller markets. The consumer market is made up of individuals who buy goods and services for their own personal use or use in their household. Business markets include those that buy goods and services for use in producing their own products to sell. This is different from the reseller market which includes businesses that purchase goods to resell as is for a profit. These are the same companies mentioned as market intermediaries. The government market consists of government agencies that buy goods to produce or transfer goods to there that need them. International markets include buyers in other countries and includes customers from the previous categories.

Competitors are also a factor in the microenvironment and include companies with similar offerings for goods and services. To remain competitive a company must consider who their biggest competitors are while considering its own size and position in the industry. The company should develop a strategic advantage over their competitors.

5. The Publics

The final aspect of the microenvironment is publics, which is any group that has an interest in or impact on the organization's ability to meet its goals. For example, financial publics can hinder a company's ability to obtain funds affecting the level of credit a company has. Media publics include newspapers and magazines that can publish articles of interest regarding the company and editorials that may influence customers' opinions. Government publics can affect the company by passing legislation and laws that put restrictions on the company's actions. Citizen-action publics include environmental groups and can question the actions of a company and put them in the public spotlight. Local publics are neighbourhood and community organizations and will also question a company's impact on the local area and the level of responsibility of their actions. The general public can greatly affect the company as any change in their attitude, whether positive or negative, can cause sales to go up or down because the general public is often the company. And finally, the internal publics include all those who are employed within the company and deal with the organization and construction of the company's product.

b) The macro environment: It refers to all forces that are part of the larger society and affect the microenvironment. Macro environment factors act external to the company and are quite uncontrollable. These factors do not affect the marketing ability of the concern directly but indirectly the influence marketing decisions of the company. It includes concepts such as demography, economy, natural forces, technology, politics, and culture. The factors are:

1. Demographic Forces:

Here, the marketer monitor the population because people forms markets. Marketers are keenly interested in the size and growth rate of population in different cities, regions, and nations; age distribution and ethnic mix; educational levels; households patterns; and regional characteristics and movements. Demography refers to studying human populations in terms of size, density, location, age, gender, race, and occupation. This is a very important factor to study for marketers and helps to divide the population into market segments and target markets. An example of demography is classifying groups of people according to the year they were born. Each classification has different characteristics and causes they find important. This can be beneficial to a marketer as they can decide who their product would benefit most and tailor their marketing plan to attract that segment. Demography covers many aspects that are important to marketers including family dynamics, geographic shifts, work force changes, and levels of diversity in any given area.

2. Economic Factors:

Another aspect of the macro environment is the economic environment. This refers to the purchasing power of potential customers and the ways in which people spend their money. The economic environment consists of macro-level factors related to means of production and distributions that have an impact on the business of an organization within this area are two different economies, subsistence and industrialized. Subsistence economies are based more in agriculture and consume their own industrial output. Industrial economies have markets that are diverse and carry many different types of goods. Each is important to the marketer because each has a highly different spending pattern as well as different distribution of wealth.

3. Physical Forces or Natural Environment:

Components of physical forces are earth's natural renewal and non-renewal resources. Natural renewal forces are forest, food products from agriculture or sea etc. Non- renewal natural resources are finite such as oil, coal, minerals, etc. Both of these components quite often change the level and type of resources available to a marketer for his production. Natural environment includes the natural resources that a company uses as inputs that affect their marketing activities. The concern in this area is the increased pollution, shortages of raw materials and increased governmental intervention. As raw materials become increasingly scarcer, the ability to create a company's product gets much harder. Also, pollution can go as far as negatively affecting a company's reputation if they are known for damaging the environment. The last concern, government intervention can make it increasingly harder for a company to fulfill their goals as requirements get more stringent.

4. Technological Factors:

The technological environment consists of factors related to knowledge applied, and the materials and machines used in the production of goods and services that have an impact on the business of an organization. The technological environment is perhaps one of the fastest changing factors in the macro environment. This includes all developments from antibiotics and surgery to nuclear missiles and chemical weapons to automobiles and credit cards. As these markets develop it can create new markets and new uses for products. It also requires a company to stay ahead of others and update their own technology as it becomes outdated. They must stay informed of trends so they can be part of the next big thing, rather than becoming outdated and suffering the consequences financially.

5. Political and Legal Forces:

Developments in political and legal field greatly affect the marketing decisions. sound marketing decision cannot be taken without taking into account, the government agencies, political party in power and in opposition their ideologies, pressure groups, and laws of the land. These variables create tremendous pressures on marketing management. Laws affect production capacity, capability, product design, pricing and promotion. Government in almost all the country intervenes in marketing process irrespective of their political ideologies. The political environment includes all laws, government agencies, and groups that influence or limit other organizations and individuals within a society. It is important for marketers to be aware of these restrictions as they can be complex. Some products are regulated by both state and federal laws. There are even restrictions for some products as to who the target market may be, for example, cigarettes should not be marketed to younger children. There are also many restrictions on subliminal messages and monopolies. As laws and regulations change often, this is a very important aspect for a marketer to monitor.

6. Social and Cultural Forces:

This concept has crept into marketing literature as an alternative to the marketing concept. The social forces attempt to make the marketing socially responsible. It means that the business firms should take a lead in eliminating socially harmful products and produce only what is beneficial to the society. These are numbers of pressure groups in the society who impose restrictions on the marketing process. The aspect of the macro environment is the cultural environment, which consists of institutions and basic values and beliefs of a group of people. The values can also be further categorized into core beliefs, which passed on from generation to generation and very difficult to change, and secondary beliefs, which tend to be easier to influence. As a marketer, it is important to know the difference between the two and to focus your marketing campaign to reflect the values of a target audience.

1.3 EMERGING MARKETING OPPORTUNITIES IN INDIA

India is moving towards becoming the third-largest consumer market behind only the U.S. and China. So Indian market will offer both opportunities and challenges to marketing companies. There will be marketing opportunities because of the following developments taking place in Indian economy.

1) Growth in income will change India from a ‘bottom of the pyramid economy’ to a middle class-led one.

2) In coming decades, consumption will grow at a faster rate. It is estimated that consumer spending will grow from $1.5 trillion today to nearly $6 trillion by 2030.

3) The consumption in India will increase because of rising incomes and a broad-based pattern of growth and benefit sharing with under privileged people. It is estimated that the growth of the middle class will lift nearly 25 million households out of poverty. In addition, India will have 700 million millennial and Gen Z consumers who have grown up in a more open and liberal environment.

4) In India, the users of internet and mobile phones are very high and are going to increase further. So in future, E-commerce will play a major role.

5) Future consumption growth will come not only from the diverse, rich and densely populated cities but also from the thousands of geographically dispersed and developed rural towns. The rural demand for certain FMCG products like soaps, washing powders, tea etc. is quite large. A study on rural markets states that the rural demand for non-durables is increasing rapidly. It is estimated that it will increase to Rs. 860 billion in 2020.

6) Working population: Nearly 10-12 million working age people will emerge in India over the next - decade so they will have to be provided with right skills and gainful employment to enable the income and consumption growth in future. More than one - half of Indian workers will require reskilling to meet the talent demands of the future. Society, industry educational institutions and policy makers need to work in co-ordination to fill up the current skills gap.

The positive vision for the future of India will only materialize if business and policy makers pursue an inclusive approach to the country's economic and consumption growth.

1.4 INTERNATIONAL MARKETING ENVIRONMENT

International marketing environment consists of factors or forces that affect international marketing of a company. These forces or factors may affect international marketing favourably or unfavourably and hence, provides either opportunities or threats and challenges. So Company's success largely depends on the influence of marketing environment and ability of the firm to respond to it effectively.

International marketing environment forces may be internal (such as resource availability and management attitudes), may be domestic (such as government policy towards international business and facilities) and global (such as overall international business environment of relevant part of the world). Global forces are more relevant and are to considered in international marketing.

The following are some key global forces / factors that are required to be considered when making any international marketing decisions -

1) Cultural factors - Cultural factors include languages spoken, eating habits regional differences colors. Customs & taboos, values consumer habits and other demographic factors and so on. Thus culture of a particular country is the collective programming of the mind which distinguishes the members of one human group from another. As these factors influence consumer's behaviour, understanding cultural dissimilarities is very important for the success of international marketing.

2) Economic Environment : International marketers equally need to be aware of economic factors while undertaking marketing decisions such as size of population, and its potential growth, per capita income level, consumption pattern, inflation level the availability and quality of local infrastructure, regional economic integrations tariff and non tariff barriers competitive forces and so on.

3) Political and legal Environment : The politics and regulations of the company's home country can determine its' opportunities in international markets. Companies are also required to take into account the legal and political environment the legal and political environment of the host country. Such as the host country's government, it's political actions stability & laws, particularly intellectual property rights.

4) Technological Environment :

The level of technological development of a nation affects the attractiveness of doing business there, as well as the type of operations that are possible. Marketers in developed nations cannot take many technological developments for granted. They may not be available in lesser developed nations. Technologically related problems that may be faced by the firms can be provision of training to operate unfamiliar equipment, poor transportation and communication facilities, Lack of data processing facilities and so on.

5) The Economic Environment :

Nation's economy decides it's current and potential capacity to produce goods and services and thereby marketing opportunities available in that nation. So the firm has to take into consideration the factors like per capita income, availability of labour, infrastructure facilities, other resources and so on.

6) The Competitive Environment :

The firm has to consider the competitive environment of that particular nation. The competition can be from local firms and / or from other multinational corporations. So the strategies adopted by them must be considered before entering the international market.

7) Trade blocks & Agreements :

Regional trading blocks represent a group of nations that join together and formally agree to reduce trade barriers among themselves.

The Association of Southeast Asian Nations (ASEAN) is an example of a regional trading block. A free trade agreement within ASEAN member nation allows for the free exchange of trade, service, labour and capital

One of the potentially interesting results of trade agreements like ASEAN or NAFTA is that many products previously restricted by dumping laws, would be allowed to be marketed. The practice of dumping refers to selling products in overseas markets at very low prices. These laws were designed to prevent pricing practices that could seriously harm local competition.

Almost all the countries of the world have entered into one or more regional trade agreements. Such agreements are designed to facilitate trade through the establishment of a free trade area, customs union or customs market - Free trade areas and customs unions eliminate trade barriers between member countries while maintaining trade barriers with non member countries customs union maintain common tariffs and rates for non member countries. A common market - provides for harmonious fiscal and monetary policies while free trade areas and customs unions do not. Trade agreements are facilitating trade liberalization and creating opportunities for companies with global operations.

Many firms from industrialized nations engage in international marketing for market expansion and profit maximization.

Basic principles of domestic marketing apply to international marketing. However international marketing firm has to adjust its operations with above mentioned environmental factors that can have effects on their marketing activities.

1.5 EXERCISE

1. Explain the importance of Marketing management.
2. Describe the Functions of Marketing Management.
3. Explain the factors of Micro Environment factors.
4. Write short Notes
   a) Factors of Macro environment
   b) Emerging Marketing Opportunities in India
   c) International Marketing Environment
5. Explain the following terms
   a) Marketing
   b) Marketing Management

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MODULE 2

2

UNDERSTANDING COMPETITION AND STRATEGIC MARKETING

Unit Structure :

2.1 MARKETING STRATEGY: DEFINITION AND FEATURES

The term strategy refers to a firm game or action plan designed to help the firm gain a competitive advantage over its rival's competitors for achieving its objectives. It helps the firm to use its resources like skills, technologies finance to adjust with its external environment enables the firm to survive and grow in a competitive environment.

Marketing strategy is an important aspect of overall business strategy. It outlines overall business strategy. It outlines overall action plan for finding clients and customers for the business. It focuses on what the company wants to achieve for it's business and marketing efforts. Specially it covers marketing aspect like designing marketing plan, market segmentation, targeting and positioning, promotional activities monitoring and evaluating marketing efforts and so on.

Marketing strategy can be used to achieve the following goals -

1) Increase sales
2) Finding out new customers
3) Encouraging existing customers to buy more
4) Introduce a new product or service
5) Increase market share
6) Establishing a brand
7) Improve customer loyalty

Features / Characteristics of marketing strategy can be given as below -

1) It is an action plan designed to achieve marketing goals in a competitive environment.
2) Designing marketing strategy is a continuous process involving study and analysis of business environment.
3) Effective marketing strategy aims of making optimum utilization of organisation's resources.
4) Marketing strategy is a flexible or dynamic concept. The organization is required to make suitable changes in it's strategy to adjust with it's environment.
5) Marketing strategy basically makes effective use of four elements of marketing mix - product, price, promotion and physical distribution.
6) The term marketing strategy can be used in all walks of life, wherever the question of defeating the rivals arises. Such as all types of business organizations, military, politics sports and even in individual initiatives.
7) The effects of marketing strategy are long term in nature in terms of its financial and non financial performances.

2.2 STEPS IN STRATEGIC MARKETING PLANNING PROCESS:

Formulation of strategic marketing planning is a continuous process. It is required to make necessary adjustments in marketing planning as per the changes taking place in marketing environment. The following are the steps involved in strategic marketing planning process -

1) Identifying target customers -

The first step in strategic marketing planning is to identify target customers. It means to know who are the customers, where are they located and what their tastes are, likes and dislikes, expectations, motives aspirations and so on. This can be done by conducting market survey. It makes an organization confident that it is marketing the goods / services to people who are actually interested to buy them.

2) Studying and analyzing the competitors -

No business exists in a vacuum every business unit has to face competition so the organization is required to know who its competitors are and what their strategies to capture the customers are. After knowing the competitors the organization can formulate its strategies according.

3) Taking decisions on the marketing mix -

After studying and analyzing customers and competitors, the organization can take decisions related to product, pricing, promotion and physical distribution. These are marketing tools that can be used effectively to overcome competition and to achieve marketing objectives.

4) Setting marketing goals -

It is very significant to set-marketing goals in clear and specific terms. Marketing goals should be specific, measurable, actionable, relevant and time bound. Marketing goals can be to increase sales turnover to increase market share, to enter into new markets to expand the existing market, to get goodwill and reputation and so on. Such goals give direction to the marketing efforts of an organization.

5) Evaluation -

It is very important to evaluate the performance of the marketing plan on a continuous basis. It helps the firm to know weaknesses, shortcomings of the marketing plan and to take necessary measures to correct them.

2.3 SWOT ANALYSIS :

SWOT Analysis refers to identifying studying and analyzing strengths and weaknesses, of an organization and opportunities which may arise and threats which may be required to be faced by the organization. Such anslysis is very important while formulating marketing strategies for an organized.

These can be described as below -

1) Strengths -

Strengths are inherent strong points of an organisation's internal environment. They can be effectively used for the benefit of the organization. Examples of strengths can be superior research and development facilities, good location, positive attitude of management and so on.

2) Weaknesses -

Weaknesses are inherent weaker points of an organisation's internal environment. If possible, certain measures can be taken to overcome them. They may create certain obstacles or difficulties in the working of the organization. Examples of weaknesses can be overdependence on a single product line, non availability of good supplier, negative attitude of management and so on.

3) Opportunities :

Opportunities are favourable conditions created by the organisation's external environment. The ogranisation can identify them and make efforts to take advantage of them. Examples of opportunities can be growing demand of the product or service, exit of strong competitor from the market and so on.

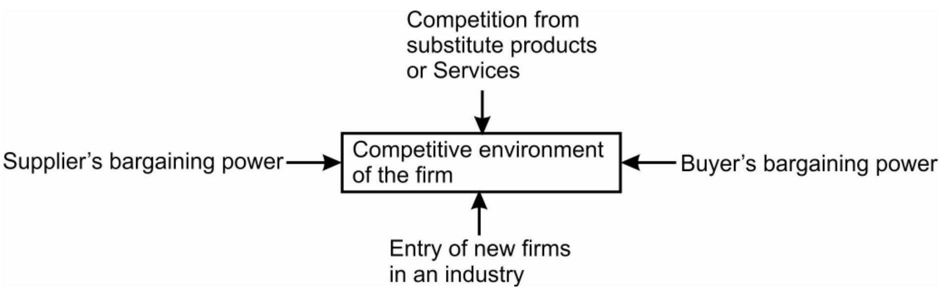
4) Threats -

Threats are unfavourable conditions created by the organisation's external environment. The organization can identify them and take certain measures to overcome them. Examples of threats can be entry of strong competitor in the market, decline in demand of the product or service, increase in tariffs and so on.

2.4 MICHAEL PORTER'S FIVE FORCES MODEL

An industry is defined as a group of companies dealing in products or services that are close substitutes of each other. The close substitutes are those products or services that satisfy the same basic customer needs. Michal E Porter has given a model about competitive forces study and analysis of these forces can help the firm in dealing with it's competitive environment. The firm can take necessary measures to overcome / face competitive forces and to survive in the market successfully.

Following is the chart showing Porter's 5 forces model of competition in an industry.



These competitive forces affecting the working of the firm can be explained as follows :

1) Entry of new firms in an industry :

When a particular industry shows rising trend in terms of profits, there is a possibility that new firms may enter the industry. Entry of new firms in the industry affects the existing firms. It affects the market share and sales turnover of the existing firms as new firms also start sharing the market. If the existing firms are stronger ones, they can adopt strategies to discourage the entry of new firms in the market.

2) Competitive environment of the firm or Rivalry among competitors -

Competitive environment of the firm or rivalry among competitors is created when the firms in an industry try to be the market leader by capturing a larger market share. Such highly competitive environment affects every firm in the industry. The firm has to formulate strategies to overcome / face such competitive environment.

3) Bargaining power of buyers -

When there is severe competition in the market, it's a buyer's market. Buyer's market or bargaining power of buyers of firms in an industry refers to the ability of buyers, individually a collectively to force the firms to reduce the prices of products a services marketed by them and / or to sell better quality of product / service. A high buyer bargaining power creates unfavourable or negative factors for the firms. The firms may require to formulate strategies to overcome such situation.

4) Bargaining power of suppliers -

When suppliers enjoy relatively less competitive market, they can have high bargaining power or sellers market. The suppliers are in a position to sell the products at higher prices and / or to make the buyers to accept a lower quality of product a service. A high supplier bargaining power acts as a negative factor / unfavourable condition for the firms. They have to take suitable measures to face such a situation.

5) Competition from substitute products / services :

Substitute products are these that satisfy the same set of customer needs. Examples are alternative modes of communication like postal services, fax, courier services, electrical gadgets like bulbs, tube lights and so on. The availability of close substitutes constitutes a negative competitive force in an industry. On the other hand, those industries which have no close substitutes are more attractive than those that have one are more of such substitutes.

Obviously, firms in an industry having no close substitutes can charge a higher price and earn higher returns. For industries where close substitutes are available, the level of price fixed is restricted by the price of the substitutes available. Thus, firms have to formulate their business strategies keeping in view the intensity of the competitive force arising out of the presence or absence of the substitutes.

Using the five forces model of industry competition, a firm can analyse it's strengths and weaknesses opportunities and threats, its position within the industry, and can do strategic planning accordingly.

2.5 ANALYSING COMPETITION :

In order to survive and grow in the business, it is very essential to study and analyse the macro environment factors such as the trends and movements within the economy, global environment and particularly the extent of competition within the industry and market segment. It is impossible for an organization to develop strong competitive positioning strategies without a good understanding of the environment and its competitors that is their strengths and weaknesses.

Industry Analysis -

For analyzing the industry, two basic questions are required to be answered. First, what are the major trends affecting the growth of the industry in the future? And secondly at what rate the industry will grow in future?

Industry Competitiveness Analysis -

Michael E. Porter has identified five competitive forces that influence every industry and every market. These forces determine the intensity of competition and hence, the profitability and attractiveness of an industry. These forces are bargaining power of suppliers, buyers, availability of substitutes, entry of new firms and rivalry among existing firms. The objective of corporate strategy should be to adjust with these competitive forces in under to improve competitive position of the organization. The analysis of competitive forces helps the firm to take decisions about entry to, or exit from, an industry or a market segment. The Five Forces Model is based on microeconomics. It takes into account supply and demand, complementary products and substitutes the relationship between volume of production and cost of production and market structures like monopoly, oligopoly or perfect competition management can study and analyse these factors and formulate strategies to improve organisation's competitive position.

Competition Analysis - It is done to know in details about the actual competitors business strategies. It requires research about various aspects of competitors' business such as

1) Identifying key competitors and their market positioning.
2) Size of their business in units or rupees.
3) Market share of key competitors
4) Sales trends of key competitors
5) Strengths and weaknesses of key competitors compared to your organisation's
6) Perceived marketing strategies of key competitors and their probable impact on the organization.

Thus competitive analysis helps the organization

1) To identify competitors
2) To evaluate their strategies
3) To identify strengths and weaknesses of the organization.
4) To formulate competitive marketing plan to survive and grow in a competitive market.

2.6 EXERCISE

1. Explain the steps in the Strategic Marketing Planning.
2. Discuss in detail the Michael Porter's Five Forces Model.
3. Write short notes:
   a) Features / Characteristics of marketing strategy
   b) Competition Analysis
   c) SWOT Analyses
4. Explain the terms:
   a) Marketing strategy
   b) SWOT analyses

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MODULE 3

3

PRODUCT

Unit Structure :

3.1 THE CONCEPT OF PRODUCT

3.1.1 Meaning and Definition

In marketing, a product is anything that can be offered to a market that might satisfy a want or need. In retailing, products are called merchandise. In manufacturing, products are bought as raw materials and sold as finished goods. Commodities are usually raw materials such as metals and agricultural products, but a commodity can also be anything widely available in the open market. In project management, products are the formal definition of the project deliverables that make up or contribute to delivering the objectives of the project. In insurance, the policies are considered products offered for sale by the insurance company that created the contract. A product is a set of tangible and intangible attributes that leads to customer satisfaction.

A product is a good, service or idea having certain tangible and intangible attributes that satisfy consumers. Consumer gets it in exchange for money or some other unit of value. Depending upon type of product it can be produced by an industrial process or is grown through farming or extracted from soil. It satisfies the desire or need of a consumer. Examples of product are consumer and industrial goods, agricultural produce, minerals and so on.

Definitions of product:

According to Philip Kotler, “A product is anything that can be offered to a market for attention, acquisition, user or consumption that might satisfy a want or a need.”

According to Skinner, 'A product is any good, service or idea that satisfies need or wants and can be offered in an exchange."

3.1.2 Product Levels / Customer Value Hierarchy -

Product is sold only when it satisfies needs and wants of consumers. Consumers are individuals having different needs, wants and expectations. A business unit cannot satisfy needs, wants and expectations of every consumer. So it tries to select a particular segment or section of consumers and satisfies the needs, wants and expectations of that segment. According to Philip Kotler, consumers have five levels of need, ranging from functional or care needs to emotional needs. Customer chooses a product based on their level of need. A customer is satisfied when the product more than matches his level of need. So there are five levels of product for satisfying different levels of needs.

The five product levels are

1) **Core benefit product level -** It refers to the level of the product or service that satisfies the fundamental need or want of the consumers. For example the product level that satisfies the need for shelter.

2) **Generic Product level -** It refers to the product level having those characteristics or attributes for satisfying the fundamental or basic need. For example the product level which gives basic structure for protecting the consumer as a shelter.

3) **Expected Product Level -** It refers to the product level that has the set of attributes or characteristics that buyers normally expect when they purchase a product. For example the house which fulfils the basic expectations such as protection, basic amenities such as electricity water, ventilation, and so on

4) **Augmented Product Level -** It refers to the product level which tries to provide additional features, benefits, attributes or related services that serve to differentiate the product from its competitors. For example the house with concealed wiring granite flooring, good quality bathroom fittings, centralized air conditioning, parking facility, children play area, swimming pool and so on.

5) **Potential Product Level -** It is the product level of the future with technological advancements and environmental considerations. For example the house with remote controlled operations.

3.2 PRODUCT CLASSIFICATION

Different types of products are produced by producers for satisfying different needs, wants and expectations of consumers. In product classification, products are separated or grouped into different categories for marketing purpose.

Products are basically divided into two groups - goods and services. Goods are articles or items that are used or consumed by consumers. They are tangible in nature i.e. they can be seen and touched. They generally have longer life. Ownership in products can be transferred from one person to another. Products when manufactured by making use of machines are standardized in nature. They are produced in large quantities stored and supplied to customers as per the need. The examples of goods are consumer goods and industrial goods. Those products that are purchased by final consumers for personal consumption are called consumer goods such as daily necessities, consumer durables and so on. Industrial goods are purchased for producing or manufacturing goods such as raw materials, spare parts and components, machinery etc.

Services are products that are intangible in nature. They are in the form of actions, experiences and performances. They cannot be seen or touched but they can be felt or experienced. They are perishable in nature. They cannot be stored for future needs. Ownership in services cannot be transferred from one person to another. Examples of services are banking, insurance, education, entertainment, repairs and maintenance, free home delivery etc.

a) Consumer goods -

Consumer goods are classified into three categories.

1) Convenience Goods - They are daily necessities of life and consumers buy them very frequently like food items, soaps and detergents shampoo, toothpaste, umbrellas, shoes, winter wear, medicines and so on. They are generally purchased by consumers as impulse buying or without much thought or planning. Many times consumers develop brand loyalty towards a particular brand. They are to be made available to consumers so that they can be purchased easily and conveniently by consumers without spending much time and money.

2) Shopping Goods - Shopping goods some of the convenience goods are perishable in nature so special arrangement is required for their distribution such as milk, flowers, fruits etc. are also called as consumer durables such as clothes home appliances, furniture, etc. consumers' decisions to purchase these products are influenced by their price, quality and value for products. Generally consumers take some time to take purchase decisions. Business firms are required to formulate marketing strategies to market their products in the competitive market. Marketing decisions can be to offer better value with higher quality for the same price, to spend on heavy advertising to appoint trained sales people to influence consumer choices and so on.

3) Speciality Goods - These are high priced expensive goods purchased by high income level segment of consumers. Examples are stereos, computers, cameras, diamond jewellery, the most high end brands of cars and clothing. The buyers of such products are brands conscious and spend more time finding the product they want. They generally select the brand with high market image and reputation.

b) Industrial Goods –

Industrial goods are those goods that are bought and used for industrial and business use. Examples of industrial goods are machinery, manufacturing plants, raw materials, and any other good or component used by industries or firms. Industrial goods are used in the production of other goods. So the demand for industrial goods depends on the demand for consumer goods.

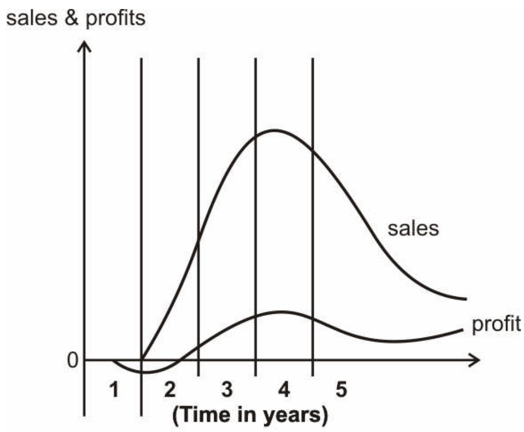
Industrial goods are classified as either production goods or support goods. Production goods are used in the production of a final consumer's goods or product, while support goods help in the production process of consumer goods such as machinery and equipment.

Consumer goods are purchased by the general public, whereas there are very specific buyers of industrial goods such as industrial units, component - part buyers such as car manufacturers, dealers or distributors, business units providing services and so on.

The decision to buy industrial goods is rational compared to consumer goods. Industrial goods are usually complex in nature because they can be highly technical. Those who use them must be highly skilled. The buyers of industrial goods need to invest a lot of money to purchase industrial goods.

3.3 PRODUCT LIFE CYCLE

Every product has its life cycle like a human being. It passes through different stages of its life like introduction, growth, maturity and decline etc. after its launching; this is known as product life cycle. It is another approach to examining product mix by looking at the life cycle phase of each product. As it passes through its stages, it gives effect on products sales and profit. Therefore it is very essential to the firm or marketer to know in which stage the product is, as each stage is characterized by a typical marketing behaviour. This will be made more clear with the help of following diagram.



Product - Life - Cycle

Following are the stages of Product Life Cycle (PLC):

1) Product Development Stage:-

This is first stage of PLC. It begins when the company develops new product idea. The Research and Development department (R & D) develops the product concept into a physical product, hopping that it will satisfy the customer and will excite consumers. Then the product is tested under laboratory to make sure that the product performs safely and effectively. No doubt product being newly developed and given physical form, there is no sale of product and simultaneously the cost on R & D increases. In other words there is no profit or earning in this stage. So there is no marketing strategy.

2) Introduction stage

The introduction stage begins when a new product is launched for the first time in the market. There is no sale or low-sale of product depends upon the nature of product. Naturally promotional expenses will be substantial in order to make the product popular among the customers. Due to heavy promotional expenses, the profit margin will be less. Therefore at time of designing policies marketers use to adopt the following strategies for introductory stage:

- The firm will concentrate on one product only
- Adequate funds will be allocated to research and development
- The firm may adopt skimming pricing strategy or penetration pricing strategy depending upon the nature of the product.

- The firm may adopt concentrated or mass distribution strategy depending on the area of market to be covered.

3) Growth stage

It is the second stage in product life. During this stage product is known to customer and demand for the product is increased. Along with this, the cost of production and promotional expenses will fall down gradually. As a result the firms get good profit through marketing of the product. However due to market demand and profit incentive, new firms will enter in the market with modified product. Therefore at this juncture marketer decides the following strategies:

- Product improvement strategy will be adopted to cover large market.
- The firm may adopt penetration pricing strategy.
- Aggressive sales promotion techniques will be used to improve sales.
- Modified distribution channels will be accepted to cover large area etc.

4) Maturity stage

During this stage, firm being well established in the market, sales of the firm remain more or less stagnant. The competitors are more with identical products. Its overall results are there is reduction in firm’s profit. Because of intense competition, entering into new markets becomes difficult. Therefore the firm always thinks to introduce new product and new marketing mix. Along with this the firms use to study the competitors startles to compete and adjust the production and marketing activities to counteract the same. Generally marketer adopts the following strategies:

- The firm may adopt production modification to improve upon the existing product.
- The firm will continue penetration pricing strategy.
- The firm may stress on promotion expenses and undertake more promotional work.
- The firm may try to concentrate on specific market segment etc.

5) Decline stage

This is last stage of product, in its life. Here product has law demand as rivals are coming up with new modified products in the market. Firm’s sales might have declined noticeably.

Here marketer may reposition the product or modify the product or even take a decision to drop the product from the product mix. Special efforts are necessary at this stage, failing which the firm will have to go out of market within a short period.

The marketer implements the following way to deal with the situation-

- Replace existing product with an improved product.
- Loss making brand will be withdrawn from the market
- There will be reduction in price of the product
- Goods may be sold to selective segment.
- The firm may become economical on expenses

3.4 STEPS IN PRODUCT POSITIONING

The process of creating an image of a product in the minds of the consumers is called as product positioning. If the product is positioned effectively, it helps to create good impression of the brand in the minds of consumers so effective product positioning is a key to success of the firm, particularly in the case of a new product.

Business firms, that are positioning their product try to create a unique identify of the product by following the steps as given below.

1) Knowing the consumers - The business firm must first understand who are it's consumers? Where are they located? And what are their needs, wants and expectations? After knowing the consumers, the firm can try to fulfil the demands of the consumers.

2) Identifying the product features - The business firm must be well aware of the features and benefits that the consumers will get by using the product. It is rightly said that you can't sell something unless and until you yourself are convinced of it.

3) Unique selling Propositions (USP) -

Every product / brand should have USPs, at least some features which are unique as compared to the competitive brands and the firm should effectively communicate them to consumers by using promotional techniques.

4) Know your Competitors - The business firm must study and analyse the competitors' brands and their strategies. After knowing the competitors' brands, the firm can effectively communicate to consumers, how it's brand is superior to competitors' brands.

5) Use of promotional techniques - The firm can effectively position its brand by having the right advertising message with right tagline copywriting and illustration.

6) Maintain the position of the brand - For an effective positioning the firm requires to meet the expectations of the consumers by constantly improving product pricing, and offering effective after sales service to consumers

3.5 EXERCISE

1. What do you mean by Product? Explain the product levels.
2. Explain the term Product Positioning and its importance.
3. Write short notes on:
   a) Product Classification
   b) Product life Cycle
   c) Steps in product positioning

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MODULE 4

4

PRICING

Unit Structure:

4.1 MEANING, OBJECTIVE AND IMPORTANCE OF PRICING

4.1.1 Meaning and Definition

Pricing decision has strategic importance in any enterprise. Pricing governs the very feasibility of any marketing programme because it is the only element in a marketing mix accounting for demand and sales revenue. Other elements are cost factors. Price is the only variable factor determining the revenues or income. A variety of economic and social objectives came into prominence in many pricing decision. We now come to the most absorbing questions of pricing. Economist defines price as the exchange value of a product or service always expressed in money. To the consumer the price is an agreement between seller and buyer concerning what each is to receive. Price is the mechanism or device for translating into quantitative term i.e., rupees and paisa the perceive value of the product to the customer at a point of time

When marketers talk about what they do as part of their responsibilities for marketing products, the tasks associated with setting price are often not at the top of the list. Marketers are much more likely to discuss their activities related to promotion, product development, market research and other tasks that are viewed as the more interesting and exciting parts of the job.

4.1.2 Importance of Pricing

Yet pricing decisions can have important consequences for the marketing organization and the attention given by the marketer to pricing is just as important as the attention given to more recognizable marketing activities. Some reasons pricing is important include:

- **Most Flexible Marketing Mix Variable** – For marketers price is the most adjustable of all marketing decisions. Unlike product and distribution decisions, which can take months or years to change, or some forms of promotion which can be time consuming to alter (e.g., television advertisement), price can be changed very rapidly. The flexibility of pricing decisions is particularly important in times when the marketer seeks to quickly stimulate demand or respond to competitor price actions. For instance, a marketer can agree to a field salesperson's request to lower price for a potential prospect during a phone conversation. Likewise a marketer in charge of online operations can raise prices on hot selling products with the click of a few website buttons.

- **Setting the Right Price** – Pricing decisions made hastily without sufficient research, analysis, and strategic evaluation can lead to the marketing organization losing revenue. Prices set too low may mean the company is missing out on additional profits that could be earned if the target market is willing to spend more to acquire the product. Additionally, attempts to raise an initially low priced product to a higher price may be met by customer resistance as they may feel the marketer is attempting to take advantage of their customers. Prices set too high can also impact revenue as it prevents interested customers from purchasing the product. Setting the right price level often takes considerable market knowledge and, especially with new products, testing of different pricing options.

- **Trigger of First Impressions** - Often times customers' perception of a product is formed as soon as they learn the price, such as when a product is first seen when walking down the aisle of a store. While the final decision to make a purchase may be based on the value offered by the entire marketing offering (i.e., entire product), it is possible the customer will not evaluate a marketer's product at all based on price alone. It is important for marketers to know if customers are more likely to dismiss a product when all they know is its price. If so, pricing may become the most important of all marketing decisions if it can be shown that customers are avoiding learning more about the product because of the price.

- **Important Part of Sales Promotion** – Many times price adjustments is part of sales promotions that lower price for a short term to stimulate interest in the product. However, as we noted in our discussion of promotional pricing in the sales promotion tutorial, marketers must guard against the temptation to adjust prices too frequently since continually increasing and decreasing price can lead customers to be conditioned to anticipate price reductions and, consequently, withhold purchase until the price reduction occurs again.

4.1.3 Pricing Objectives

Firm may choose its pricing objectives from any of the following

a. Maximise current profits and return on investment
b. Exploit competitive position
c. Survival in the competitive market
d. Balance price over product line.

a. Maximise current profits and return on investment: Many a times set a price in order to maximise their current profit and returns on investments. They estimate the current demand and cost associated with different alternative prices and then selects the price that ensures maximum current profits, returns on investment or cash flow. This objective presupposes the firm's knowledge of cost and demand function. In reality it may be difficult to precisely estimate the demand function or even the cost functions. Besides this objective does not consider the influence of other marketing mix variables on the customer's demand.

b. Exploit the competitive position: Another pricing objective is to exploit the firm's competitive position in the market place. This presupposes that the firm is a leader in the market. This leadership may arise from the customer's perception of its product quality or technology .Being the leader, a firm may adopt both a skimming, penetrating or geographic pricing policy and strategy.

c. Survival in a competitive market: Some firms face difficulties surviving in the market place. This problem gets worse when the firm loses its distinctiveness and or its products are in maturity phase, when the customer has a choice from among more efficient and contemporary substitutes. A firm caught in the web of a matured market, shifting customer preferences and undifferentiated offers, has to have a pricing strategy that will help it to stay afloat. This firm may resort to discounting its product or even consider running a promotion to liquidate its stocks.

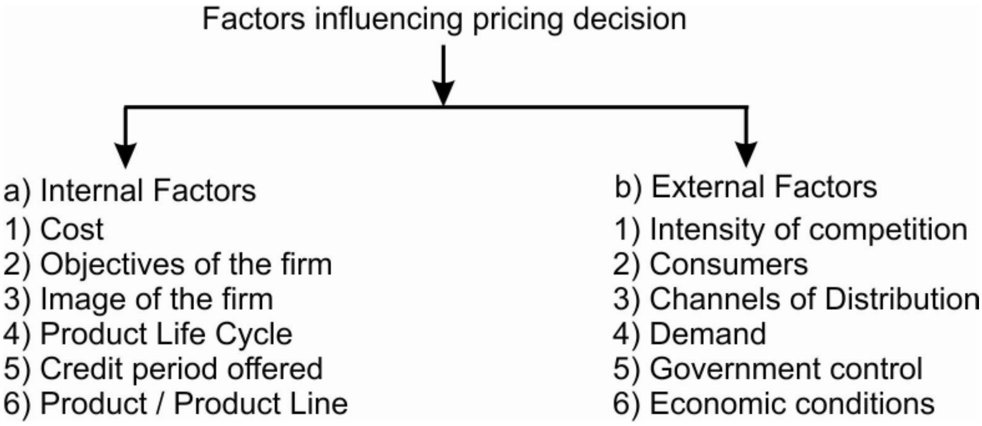
d. Balancing price over product line: Product line pricing to maximise long term profits is another pricing objectives. The product line of a firm may have high popular and low image product items .Further, there may be fast selling product items and not so fast selling items. A pricing strategy has to consider all these different categories of products. Firms have to resort to strategies to achieve maximisation of profits on their particular product line.

4.2 FACTORS AFFECTING PRICING DECISIONS:

Fixing price of the product is very crucial and significant marketing decision as it affects demand, sales and revenue of the business firm so the decision is taken after considering various factors. The factors affecting pricing of the product can be classified into two groups.

a) Internal factors
b) External factors

Following is the chart showing factors influencing pricing decision of the firm.



a) Internal Factors :

1) Cost - The cost is first consideration while fixing the price of the product. The cost includes the cost of production, distribution and overhead costs.

2) Objectives of the firm - While fixing the price of the product the marketer should consider the objectives of the firm. The objectives of the firm can be to increase return on investment, to capture a large market share, to gain goodwill and reputation. If the objective of the firm is to increase return on investment, then it may charge a higher price and if the objective is to capture a large market share, to gain goodwill and reputation. If the objective of the firm is to increase return investment, then it may charge a higher price and if the objective is to capture a large market share and gain goodwill and reputation, then it may charge a lower price.

3) Image of the firm - If the firm is enjoying positive market image then it can charge higher price and vice versa.

4) Product Life Cycle - The stage at which the product is in its product life cycle also affects its price. For instance, if the product is in the introductory stage, the firm may charge lower price to capture the demand of the product and during the growth stage, the firm may increase the price.

5) Credit period offered - The pricing of the product is also affected by the credit period offered by the company to the customers. Longer the credit period, higher may be the price charged and vice versa.

6) Product - The type of product to be marketed also affects pricing decision of the firm. If the product is convenience product, the price fixed may be lower and if the product is specialty product, the firm may charge higher price.

b) External Factors -

1) Intensity of Competition - While fixing the price of the product, the firm needs to understand the intensity of competition in the market. If the market is highly competitive, the firm has to fix the price at lower level and vice versa.

2) Consumers - While fixing the price, the consumer factors has to be considered such as the price sensitivity of the buyer, purchasing power and so on.

3) Channel of Distribution - The longer the channel of distribution, higher would be the price and vice versa.

4) Demand of the product - If the product is enjoying higher demand, then the firm can fix the price at higher level and vice versa.

5) Government Control - Government rules and regulations must be considered while fixing the price. In certain products such as essential medicines government may fix administered prices and therefore the firm has to consider such regulation while fixing the price.

6) Economic Conditions - The business firm has to consider economic conditions prevailing in the country. During recession, lower price may be fixed and vice versa.

4.3 METHODS OF PRICING

1. Mark-up Pricing / Cost plus pricing:

Cost-plus (or "mark-up") pricing is widely used in retailing, where the retailer wants to know with some certainty what the gross profit margin of each sale will be. This appears in two forms, full cost pricing which takes into consideration both variable and fixed costs and adds a percentage as markup. The other is direct cost pricing which is variable costs plus a percentage as markup. The latter is only used in periods of high competition as this method usually leads to a loss in the long run. An advantage of this approach is that the business will know that its costs are being covered. The main disadvantage is that cost-plus pricing may lead to products that are priced un-competitively.

2. Target pricing:

It is a pricing method whereby the selling price of a product is calculated to produce a particular rate of return on investment for a specific volume of production. The target pricing method is used most often by public utilities, like electric and gas companies, and companies whose capital investment is high, like automobile manufacturers.

Target pricing is not useful for companies whose capital investment is low because, according to this formula, the selling price will be understated. Also the target pricing method is not keyed to the demand for the product, and if the entire volume is not sold, a company might sustain an overall budgetary loss on the product.

3. Value-based pricing:

Pricing a product based on the value the product has for the customer and not on its costs of production or any other factor. This pricing strategy is frequently used where the value to the customer is many times the cost of producing the item or service. For instance, the cost of producing a software CD is about the same independent of the software on it, but the prices vary with the perceived value the customers are expected to have. The perceived value will depend on the alternatives open to the customer. In business these alternatives are using competitor's software, using a manual work around, or not doing an activity. In order to employ value-based pricing you have to know your customer's business, his business costs, and his perceived alternatives. It is also known as Perceived-value pricing.

4. Competitor-Based Pricing:

In this method of pricing competitor prices is the main influence on the price. If there is strong competition in a market, customers are faced with a wide choice of who to buy from. They may buy from the cheapest provider or perhaps from the one which offers the best customer service. But customers will certainly be mindful of what is a reasonable or normal price in the market. Most firms in a competitive market do not have sufficient power to be able to set prices above their competitors. They tend to use **"going-rate" pricing** – i.e. **setting a price that is in line with the prices charged by direct competitors**. In effect such businesses are **"price-takers"** – they must accept the going market price as determined by the forces of demand and supply. An advantage of using competitive pricing is that selling prices should be line with rivals, so price should not be a competitive disadvantage. The main problem is that the business needs some other way to attract customers. It has to use non-price methods to compete – e.g. providing distinct customer service or better availability.

4.4 STEPS IN PRICING

While setting the price of a new product, the firm has to undertake the following steps -

1) Considering the Organisational objective -

The organizations can have various objectives. Business objectives can be survival in competitive market, profit maximization, increasing market share, gaining market image and reputation and so on. While fixing the price of the product, the management must consider the objective for which the organization is carrying out its business operations.

2) Estimating demand of the product -

The price of the product has great influence on the demand of the product. Normally, there is inverse relationship between price and demand of the product and it can be observed with the help of demand and curve. The higher the price, the lower the demand and vice versa. Business firms have to study and analyse their demand curves to understand the impact of different price levels on the demand of their products.

3) Estimating Costs -

The price fixed should cover the total cost of the product. Total cost of the product includes the cost of production, distribution and overhead costs. So while fixing the price of the product, total cost has to be estimated.

4) Analysing Competitors costs, price and offers - The firm also has to consider the price of the competitor's product, the quality of competitor's product and the competitor's costs.

5) Selecting a pricing method - Various pricing methods are available for fixing the price of the product such as markup pricing, Target Return pricing, Perceived value pricing, Value pricing, Going Rate Pricing, Auction Type Pricing. The business firm has to select the particular method of pricing by considering various factors affecting the price of the product.

6) Selecting the Final Price - In this last stage, the firm has to take decision on the price to be fixed for the product after considering additional factors such as impact of other marketing activities, firm's pricing policies and impact of price on other parties.

4.5 EXERCISE

1. Explain the Meaning and objective of Pricing
2. Describe the Factors affecting on the pricing decisions
3. Discuss the Methods of pricing
4. Write short notes
    a) Steps in pricing
5. Explain the terms
    a) Mark-up pricing
    b) Target-return Pricing
    c) Value based

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SECTION II

MODULE 5

5

DISTRIBUTION

Unit Structure :

5.1 TYPES OF MIDDLEMEN

Producers / Manufacturers produce goods. The function of distributing goods to ultimate consumers is performed by middlemen in the distribution channel. They act as a link between producers and consumers.

Basically, these middlemen are of three types - a) Merchant middlemen b) Agent middlemen c) Others

a) Merchant Middlemen –

A merchant middleman is one who takes title a ownership in the goods and later carries out sales. The following are the types of merchant middlemen.

1. **Wholesalers -** They are the dealers who purchase directly from the producers in large quantities and sell them to retailers in small quantities. They are link between producers and retailers.

2. **Retailers -** They are the dealers who buy in small quantities from the wholesalers and sell to the ultimate consumers.

3. **Dealers -** They are business houses that resell goods.

b) Agent Middlemen –

Agent middlemen do not take title to goods. They only get orders from the buyers and pass them on the producers.

The following are the types of agent middlemen.

1. **Agents -** They are the middlemen who do not take ownership in goods. They work on behalf of the seller or the buyer. They get commission for their work.

2. **Brokers -** Like agents, they also act as a link between the buyer and the seller. They get brokerage for their work.

3. **Jobbers -** Jobbers deal in stock exchanges in certain securities. He works for a broker and does not deal directly with the public.

c) Other types of Middlemen -

1. **Branches -** Branches are like retail shops established by manufacturers to market their goods. They are generally opened at different places.

2. **Company show room -** Business firms may have their own showrooms for promoting & marketing specialty goods. They are sophisticated and decent in nature and give pleasant buying experience to consumers.

3. **Consumer Co-operatives -** They are managed in the form of co-operative organization. They are owned and managed by consumers to protect their interests. They buy and distribute goods mainly to the members. They work on no profit no loss basis.

d) Facilitating Agencies –

These are agencies which work as aids to trade and perform certain functions and help in marketing of goods, directly or indirectly. These are transport organizations, warehouses, banks, insurance companies and so on.

e) E - Marketing –

E-marketing refers to the use of the internet and digital media capabilities for marketing goods and services. E-marketing is also called as Internet Marketing, Online marketing or web marketing. It is used for finding, attracting, winning and retaining customers.

5.2 FACTORS AFFECTING SELECTION OF A CHANNEL OF DISTRIBUTION -

Middlemen are agencies which take up the responsibility of distributing goods produced by producers. As they play an important role in distribution of goods, producers should be careful in the selection of a suitable channel or channels of distribution. Longer channel of distribution refers to making use of wholesalers and retailers. While shorter channel can be eliminating wholesalers in the channel of distribution and even making are of direct marketing.

The following are the factors to be considered while selection of suitable channel of distribution.

1) Nature of the product - The product to be distributed can be durable or perishable, consumer a industrial and convenience or specialty product. For distributing durable, consumer and convenience products, producers generally select longer channel of distribution and for perishable, industrial and specialty product, shorter channel can be selected.

2) Nature of the Market - Nature of the market can be global or local and dispersed or concentrated. For distributing goods in global and disposed market, producers may use longer channel of distribution while for local and concentrated market - shorter channel may be used.

3) Nature of the middlemen - Selection of middlemen should be done after considering their prior performance, abilities in providing services, and promotional activities and

4) Nature of the organization - The organisation’s financial and managerial capabilities also influence the channel selection decision. The organization with higher managerial and financial capability can distribute the goods by using shorter channel or even direct selling to consumers and vice versa. An organization desiring to exercise greater control over channel may prefer a shorter channel as it facilitates better co-ordination, communication and control of marketing activities.

5) Marketing Environment - During recession or depression, shorter channel is preferred and vice versa.

6) Competitors’ Strategies - The organization may consider the channel used by its competitors while selecting a channel of distribution.

7) Customer characteristics - While selecting a suitable channel of distribution, the organization has to consider the consumers i.e. their geographical distributions, frequency of purchase, average quantity purchases, number of customers and so on.

8) Channel Compensation - Selection of channel of distribution also depends on cost of distribution incurred by middleman and their remuneration in the form of margin of profit or commission.

5.3 FUNCTION PERFORMED BY MIDDLEMEN -

Middlemen refer to the agencies that perform activities of buying and selling of goods. They are responsible for transferring goods from producers to consumers. They act as a link between producers and consumers. They are specialized in the function of distribution of goods and relieve the producers from taking up of distribution function. Because of middlemen, producers can concentrate on production function. Middlemen play very important role in a complicated and global business by transferring goods from producers to consumers.

In the modern business world, middlemen render the following services / functions.

1) As middlemen act as a **link between producers and consumers,** they provide valuable information about consumers to producers. This information helps the producers to know about consumer likes dislikes, tastes, expectations, behaviour and so on. It helps the producers in production planning.

2) As **middlemen shoulder the responsibility of distributing goods**, the producers can concentrate on production only and they are relieved from the botheration of distribution of goods.

3) By making advance payments for the goods purchased, **middlemen can provide financial help** to the producers.

4) Middlemen offer various services to consumers such as helping in making brand selection, providing credit facility after sales service, free home delivery etc. and help in improving consumer satisfaction.

5) As middlemen are specialized agencies in distribution of goods, they can carry out certain functions like transportation, warehousing, window display, more efficiently can **help in reducing cost of distribution.**

6) Middlemen are an important link between the producers and consumers and **help in transfer of ownership in goods** from producers to consumers.

7) They help in making the goods available to consumers at right time, right place, right price and in right quality and quantity.

5.4 LOGISTICS - MEANING AND COMPONENTS -

5.4.1 Meaning

Logistics is the process of planning and executing the efficient transportation and storage of goods from the point of origin to the point of consumption. The goal of logistics is to meet customer requirements in a timely and cost-effective manner.

The term is originated from military operation in which it refers to the movement of military personnel, equipment and goods.

Transportation and warehousing are the major functions of logistics. Various modes of transportation can be used for moving goods between warehouses, retail locations and customers. Warehousing or warehouse management includes such functions as inventory management and order fulfillment. It also involves managing warehouse infrastructure, supervision and process of handling goods.

Thus logistics play an important role by delivering wide variety of goods to consumers quickly and conveniently.

The term logistics is one of the component of supply chain management. Supply chain management is wider term than logistics. Logistics focuses on moving products and materials as efficiently as possible. Whereas supply chain management covers areas like demand planning and execution, strategic sourcing etc.

5.4.2 Components of a Business Logistics System -

A business logistics system consists of three main components such as -

a) Order processing
b) Inventory management
c) Freight transportation

a) Order Processing - Order processing includes a number of operations such as receiving a request - from a customer for a particular product by filling up an order form, checking of the form for is completeness and accuracy, verifying availability of the product and customer's credit status, and finally delivery of the product from the stock. Customers are communicated to inform them about their order status.

b) Inventory Management - Inventory management refers to maintaining optimum stock level by avoiding over stacking and under stocking of goods. It is very essential to enable the firm to supply goods as per the demand of consumers and reducing overall operating costs. The ultimate objective is to satisfy customer service requirements.

c) Freight transportation - In global economy, production of goods takes place at one place but goods are consumed throughout the world. So transportation of goods plays an important role in logistics system. A manufacturer or distributor can choose from private transportation contract transportation and public transportation to transport his goods. Various modes of transportation can be used to ensure door to door services such as water rail, road and air transport.

Logistics is a field that makes extensive use of information technology use of information technology to perform day to day operations efficiently and effectively. In today's world, logistics play an important role in transferring goods from producers to consumers.

5.5 E-MARKETING - MEANING AND ITS MERITS AND DEMERITS -

5.5.1 Meaning

E-marketing refers to the use of the internet and digital media capabilities for marketing goods or services. E-marketing is also called as Internet marketing, Online marketing or Web-marketing. Like traditional or conventional marketing winning and retaining customers.

E-marketing is wider in scope as it makes use of internet as well as email and wireless media for promoting and marketing goods. E-marketing also can be used for getting digital customers data, electronic customer relationship management and several other business management functions.

5.5.2 Merits

The following are various merits of E-marketing

1) Saving in time and cost - E-marketing makes use of inexpensive and time saving channels for promoting goods and services such as internet, websites and social media.

2) Wider Geographical Coverage - As internet is easily used by consumers throughout the world the scope of e-marketing has widened. Naturally, it can cover wider geographical area.

3) Easier quick and specific communication with consumers - With the help of digital medium it is possible to communicate with target consumers easily and quickly.

4) Brand awareness - As a large number of consumers are targeted quickly and easily, it can help in creating brand awareness among a large number of consumers.

5) Increased ROI - As a large number of consumers are communicated with less cost, efforts and time, it can lead to increased ROI.

6) Selectivity - It enables an organization to personalize message a more effectively select the targeted customers.

7) It can supplement - The traditional marketing strategies. It can very well supplement the traditional and marketing strategies.

5.5.3 Demerits -

1) It can be used only for the consumers who have access to internet services. A large number of consumers still are not in a position to use internet services.

2) It has intensified competition which is a major demerit of E-marketing.

5.6 SUCCESSFUL ONLINE RETAILERS IN INDIA AND ABROAD.

5.6.1 Meaning

Online retailing refers to the buying and selling of goods by using the internet that is a web browser. Online retailing helps to communicate with consumers very easily with less cost, time and efforts. It enables the firm to widen its market. It helps to understand the customers needs, wants and expectations.

5.6.2 Examples of successful online retailers

The examples of successful online retailers in India and abroad are as follows -

Flipkart.com - It was established in India in 2007 by two youngsters, Sachin Bansal and Binny Bansal. It basically deals in 11 product categories like books, music, video - games, computers electronics, mobile phones, T.V. and home theatre systems, pens and stationary, healthcare and personal product categories. It has recently introduced digital music store.

Amazon is the leader in online retailing. In 2017, the U.S. giant-captured 43.5% of the market. It deals in vast range of goods and has gained reputation of it's trustworthiness and its rapid delivery. Market research firm e-Marketer lists the nine closet competitor's. however their combined volume does not come close to Amazon's volume. E Bay has 6.6% of the market, Apple 3.9%, Walmart 3.7%, Home Depot 1.5%, Best Buy 1.3%, QVC Group 1.2%, Macy's 1.2%, Costco 1.2% and way fair 1.1%.

E Marketer forecasts Amazon will capture 49.1% market share in 2018, a major jump of almost 6% points. Amazon's dominance is seen in the category of computers and consumer electronics. These products accounted for more than a quarter of its e-commerce business. Next is apparel and accessories. The fastest growing category for Amazon is food and beverages with the acquisition of about 470 whole. Foods units the company can achieve a dominant position in this sector also.

The challenge for the industry is to compete with this e-commerce giant. Other retailers such as Walmart, Home Depot, Best Buy, Macy's and Costco are having in-store business also. So they have not yet focused on online retailing channels to a great extent. They have to take into account such consumer factors as product selection, pricing, shipping and handling, returns and consumer service. They can gain share of the e-commerce market through their own distinctive and aggressive promotions.

5.7 EXERCISE

1. Explain the Factors affecting channel distribution by the middlemen.
2. Describe the Functions performed by middlemen.
3. Write short notes
   a) Types of Middlemen
   b) Components of Logistics
   c) Merits and Demerits of E-marketing
   d) Successful online retailers in India and abroad
4. Explain the terms
   a) E-marketing
   b) Online retailing
   c) Logistics
   d) Middlemen

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MODULE 6

6

PROMOTION

Unit Structure:

- Meaning, Objectives, Elements of promotion mix, Factors affecting promotion mix decisions **(Old book page nos. 74 to 78)**

6.1 DEFINITIONS AND OBJECTIVES OF MARKETING COMMUNICATION

6.1.1 Definitions:

- The **UK chartered institute of marketing** defines the promotional mix (marketing communication) as "the set of tools that a business can use to communicate effectively the benefits of its products or services to its customers."
- Marketing communication is basically marketing promotion process. **Brink and Kelly** define the marketing communication as "The coordination of all seller initiated effort to set up channel of information and persuasion of facilitate the sales of a product or services, or the expectance of idea."
- **William Stanton** defines the marketing communication as "promotion is the elements of an organization marketing mix that is used to inform and persuade the market regarding the organization products and services."
- **Alderson and Paul Green** defines marketing communication as "Promotion is any marketing effort whose function is to inform or persuade actual or potential consumer about the merits of the product or the service at the same (given) price."

6.1.2 Objectives of Marketing Communication:

Marketing communication plays an important role in the marketing of the goods and services. The overall objectives of marketing communication are to affect behaviours of the customers in favours of the product or service. In general, the main objectives of integrated marketing communication are:

1. **Educating the Customers**: Integrated Marketing communication may be undertaken to educate the customers. For instance, some of the advertising is undertaken to educate the audience regarding the use of the product, handling operations, etc.
2. **Counter competitors**: The marketer may counter the claims made by the major competitors. For instance, competitive advertising is undertaken to counter the claims made by competitors either directly or indirectly.
3. **Reminder**: If target customers already have a positives attitude towards a firm's product or service then a reminder objective may be necessary. The reminder objective is necessary, because the satisfied customers can be targets for competitor's appeals.
4. **Attitudes:** Marketing communication is required to build or to reinforce attitudes in the minds of target audience. The marketer expects the target audience to develop a favourable attitude towards his brand. Positive attitude towards the brand helps to increase its sales. Through promotional techniques like trade fare, and personal selling the marketer can correct negatives attitudes towards the product if any.
5. **Persuasion:** When business firms offer similar products, the firm must not only inform the customers about the product's availability, but also persuade them to buy it. Through persuasive messages, the marketer tries to provide reasons regarding the superiority of his product as compared to others available in the market.
6. **Information**: Marketers must inform the target audience about the product. Providing information is closely related to creating awareness of the product. Potential customers must know about a product, such as product features, uses etc. product information is very much required, especially when the product is introduced in the market, or when product notification is undertaken. Proper product information can help the consumers in their purchase decision.

6.2 STEPS IN DESIGNING A MARKETING COMMUNICATION PROGRAM

Marketing communication is a two way communication between the company and its customers at different stages of marketing a product such as pre-selling, selling, consuming and post consuming stages. Companies not only desire to reach their customers but also they are interested to know the reactions and feedback of customers companies can make use of different communication techniques to be in touch with the customers.

Following are the steps to develop effective marketing communication.

1) **Identify the target audience -** The Company requires to know customers' perception about its product and organization as against its competitors. To know the current status of company's image is very important to develop communication message for them.

2) **Determine the communication objectives -**

The company requires to identify the objective behind marketing communication. The communication objectives can be informing the consumers about the product and organization, changing their attitude, convincing them to purchase the product and so on.

3) **Design the communication message -**

The communication message is generally based on AIDA formula - i.e. it should gain attention, hold interest create desire and activate action of buying the product. Formulating the message involves decisions about message content, structure, format and source.

4) **Selection of communication channels -**

The organization should select an affective communication channel to communicate the message to customers. Basically, there are two types of communication channels - personal and non-personal. Personal communication channels involve two or more persons communicating directly with each other either by face to face or by using telephone or through email. These channels are effective as they are selective in approach and can give desired message to the specific persons. Non personal channels include different types of media, atmospheres and events. media consists of print media, broadcast media, network media, electronic media and display media. Non personal media can communicate with large number of audience with less cost.

5) **Deciding the communication budget -**

The organizations should decide the communication budget i.e. how much they will spend on promotion. The amount of budget varies from industry to industry and organization to organization, depending on the financial position of the organization, the amount of sales turnover, competitors' strategy and so on.

6) Deciding on the media mix i.e. Marketing Communication mix -

Companies must decide how to allocate the budget over the five communication tools. They are advertising, sales promotion trolls, public relations / publicity. Direct marketing and personal selling. The relative merits and demerits of these communication trolls should be considered while deciding marketing communication mix.

7) Evaluation of Impact -

After implementing the communication plan, the organization must measure its impact. Such evaluation is done by interviewing the target audience whether they recognize or recall the message, how many times they saw it, what points they recall, whether they liked the message or not, and their previous and present attitude towards the product and the company. The organization should also know about behavioural measures of audience response, such as how many people bought the product, the degree of their satisfaction, and whether they talked to others about it or not.

8) Managing the Integrated Marketing Communication process -

Organisations generally make use of all five communication tools in order to communicate with the target audience effectively. These five communication tools - advertising, sales promotion, public relations, direct marketing and personal selling should be complementary / integrated to each other. In order to reach the right customers, with the right messages at the right time and the right place.

6.3 ROLE OF SOCIAL MEDIA IN MARKETING COMMUNICATION

Social media represents low cost tools that are used to combine technology and social interaction with the use of words. These tools are making use of interest and mobile applications. The examples of social media are Twitter, Facebook and YouTube.

Through social media, the organizations can communicate with peers, customers and potential customers. It helps to improve brand image by giving effective messages to customers. It is becoming one of the most important aspects of digital marketing which provides many benefits of reaching millions of customers worldwide.

Following are the benefits of using social media in marketing communication.

1) Social media helps in improving brand awareness - Social media profiles help in increasing business visibility and in improving networking with customers and thus helps in improving brand awareness.

2) Cost - effective - Social media marketing is the most cost effective way of delivering the required message to all concerned with the business especially customers.

3) Two way communication - Social media is very effective for interacting with customers. It is the way for achieving two way communications with customers. It helps in delivering the required message to customers and also to know about their reactions about the product and the organisaton. It gives the organization a chance to respond to the customers' queries and complaints.

4) Brand Loyalty - Social media helps the organization to remain connected with the customers. It helps in ensuring that they are satisfied and thereby to ensure their loyalty to the brand.

5) Improvement in brand image -

Through social media, the organization can promptly reply to customers' queries by posting original content and thus helps in improving brand image in the minds of the customers.

6) Increase in website traffic -

Positive content on social media, makes the users to click through to the organisation's website and thereby helps in increasing website traffic, and thereby creating opportunities for increasing sales.

7) To face Competition - In the competitive business world, more and more companies are making use of the benefits of social media. In order to be able to boost online traffic to the organisation's website and increase sales, it needs to be active on social media.

8) Effective marketing - The organization can use social media creatively to advertise its products and services and to create positive image of the business. Thus it helps in effective marketing efforts of the organization.

Thus social media is being used as a communication tool for approaching to these interested in the organisation's product and also for informing to those who do not know the product. Social media is so diversified that it can be used in several ways to suit the interest and the needs of the business.

6.4 EXERCISE

1. Explain in detail the elements of promotion mix
2. Describe the Objectives of promotion and marketing communication
3. Write short notes
   a) Factors affecting promotion mix decisions
   b) Steps in designing a marketing communication program
   c) Role of Social Media in marketing communication

4. Define the terms
   a) Marketing communication
   b) Promotion mix
   c) Social media

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MODULE 7

7

UNDERSTANDING BUYER BEHAVIOUR

Unit Structure :

7.1 INTRODUCTION

Consumers around the world vary tremendously in age, income, education level, and tastes. These diverse consumers buy an incredible variety of goods and services with other elements of the world around them impacting their choices among various products, services. In marketing consumer is the most significant element / participant. His likes, dislikes, attitudes, behaviour, needs and reactions play an important role in regards to marketing plans and policies of the companies. So consumer psychology needs special attention in the today's highly competitive and consumer oriented marketing system.

Consumer is the cause and purpose of all production and marketing activities. He is the centre of all marketing activities as well as for satisfying his needs. Modern marketing is consumer oriented and not profit oriented. Naturally, consumer behaviour, his motives behind purchasing goods and services and his psychology should be given due attention by the marketers. This is necessary for the expansion of marketing activities. Consumer behaviour is normally flexible and uncertain as it is based on various economical, social, and cultural considerations. There fore marketer before developing their marketing plans, need to study consumer, buying behaviour.

7.2 CONSUMERS BEHAVIOUR MEANING AND FEATURES

7.2.1 Meaning and Definition

The aim of marketing is to satisfy the needs of the consumers. The study of consumer behaviour helps to the firms to improve their marketing strategy. And understanding consumer behaviour is a difficult task. Consumer behaviour refers to the knowledge of the consumer, his buying motives and habits, which are the basic necessity for a marketer to understand. The marketer those who do not understand their consumer behaviour offer lose out in the market. Therefore every marketer tries to understand consumer behaviour.

"Consumer behaviour means the way, in which customer act and the process involved in making a purchase decision. It involves the use and disposal of products as well as the study of how they are purchased. Such behaviour occurs either for the individuals or in the context of a group, for e.g. a friend influences by the cloths a person wear in an organization".

In short we can define the term consumer behaviour in the following manner.

1. "The study of individuals, groups or organisation and the processes they use to select, secure, use and dispose of products services, experiences or ideas to satisfy needs and the impacts that these processes have on the consumer and society."
2. "All psychological, social and physical behaviour of potential customer as they become aware of evaluate, purchase, consume and tell others about the products and services"

These two definitions give us the following features of the consumer behaviour.

7.2.2 Features of Consumers Behaviour :

Consumer behaviour involves individual aspects as well as social aspects.

1. Consumer behaviour is the result of interaction of consumer with the environmental forces.
2. Consumer behaviour is the net result of various external / internal environmental factors which are mainly social and psychological in character.
3. Consumer behaviour includes behaviour of buyers of consumer goods, consumer durables, and industrial products.

Organisational buying behaviour also comes within the scope of consumer behaviour.

4. Consumer behaviour reflected through satisfaction or dissatisfaction on the part of consumer after actual purchase of product.
5. Consumer buying behaviour is a challenge and an opportunity to a marketer. Large scale marketing is possible only when consumer behaviour is anticipated accurately.
6. Consumer behaviour is always uncertain.
7. Consumer behaviour gives answers to all questions like why, what and how consumers purchase goods and services.

7.3 UNDERSTANDING BUYER

Comparison between Consumer and Organisational Buyers :

1) Consumers are final consumers or end users and they buy product for use or consumption.

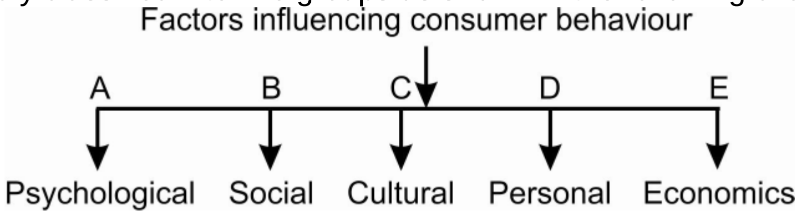
   Organizational buyers buy goods for their business purpose or resale.

2) Organisational buyers purchase goods in large quantities whereas consumers purchase products in small quantities.
3) Consumers buy for personal, family or household usage organizational buyers include products of goods and services, intermediaries, government units, and non-profit organizations.
4) Consumers may buy products impulsively. However when organizations make purchases there is always a meticulous formal process that is to be undergone before actual purchasing. The buying decision making is very long and complicated.
5) Organisational buying is mostly a multi person activity. Many departmental heads and managers at different levels are involved in decisions for some of the bigger purchases whereas consumers may take buying decisions alone or friends or relatives may be with the help of family members.

7.4 FACTORS AFFECTING CONSUMER BEHAVIOUR

Consumer behaviour refers to understanding of why a particular consumer decides to purchase a product and particular brand of the product against other competing brands. It tries to analyse the factors that makes him to purchase a particulars brand of the product.

The factors that influence the consumer's decisions can be broadly classified into five groups as shown in the following chart.



A) Psychological - The consumer's decisions to purchase a particular product and a brand depends to a great extent on his psychological make up some of the important psychological factors are their motivation perception education, attitudes and beliefs and so on. These factors generally refers to age, life style, personality etc. These are personal distinctiveness for e.g. the young people may have different behavior compare to elder people in terms of style, colour, quality of products etc. Personality is the distinctive quality of a person. It is seen in terms of self confidence, intelligence, adaptability, independence etc. Personality is important variable affecting choice of brands.

B) Social - Consumers are social human beings and they are surrounded by the group of people or the society in which they live. So their purchase decisions are influenced by behaviours and attitudes of their family members, and their roles and status in the society. Social factors are those factors which relate to an individual's social class like family, reference group, social role and status etc. Practically all buyers' behaviour is influenced by other people that are members of the family, friends, etc. Social influences act in two directions, first they provide information and second the standards of behavior against which alternative buying behaviors are measured. Even social status and location affect the buyer considerably.

C) Cultural factors - Consumers behaviours and attitudes are developed from the values beliefs that they have inculcated from their childhood. Their social class also can indirectly decide their buying decisions. Cultural factor means values, beliefs, faith and traditions accepted willingly by buyers or specific class of buyers. It is social heritage. It relates to social values, attitudes towards work, beliefs, moral, language and so on. These are so pervasive that they are hard to identified and analyze. These act as basis for market segmentation, product development and advertising. As cultural factors exert deepest influence on consumer behavior, marketer, needs to be aware of all these cultural influences on buyer behavior and adjust his marketing activities.

D) Personal Factors - Consumers personal factors like their age group income level, occupation, lifestyle are also deciding factors for their buying decisions.

E) Economic Factors - Economic factors which decide purchasing power of the consumers are their income, savings, family income, liquid assets and so on. Economical factor consisting of income size of the family, propensity consumes and save consumer credit. These factors affect consumers buying behavior for e.g. a rich person may not be very conscious / alert about the price and can be purchase high priced product, where as a person belongs to low income will be very sensitive about the price and can purchase low priced product. Here consumers' behavior is affected due to High or Low purchasing power.

The economic factor like a family size or disposable personal income or propensity to consume and save are also compelling buyer to change their style of purchase for e.g. the small family where every member is earning will have higher disposable income and vice-versa or the people who saves for future and have less consumption and wanted to have balance between consumption and saving also spent less. All these behaviors of the people are directing the marketer to design his marketing policy with the consideration of their economic aspects.

These are the factors that decide consumers' behaviour and they are required to be studied and analysed by business firm while formulating marketing strategies.

7.5 STEPS IN CONSUMER PURCHASE DECISION PROCESS

Consumers buying decisions process is lengthy and involves many steps. It is a mental process and the marketer should try to help him to take the purchase decision to purchase a particular. It is the process by which consumers decide whether a product will meet a need well enough to warrant purchasing and using it, decides where and how to make purchase and determine satisfaction with the purchase. Generally it involves five steps:

Need Recognition	→	Information Search	→	Evaluation Of Alternatives	→	Purchase Decision	→	Post – Purchase Behaviour
Step – 1		Step – 2		Step - 3		Step – 4		Step - 5

In actual practice, this buying process exists in regular product purchase of the customer. However customer will follow all five stages while purchasing costly, durable and personal items. This suggests that the consumer involvement in purchasing activity decides the time and stage in the buying process. Naturally the decision making process differs across products group. Here marketer's job is to understand the buyer's behaviour at each stage and finally find out the influences that are operating on his behaviour. He has to focus on entire buyer behaviour process and not only the purchase decision. This facilitates the large scale selling with satisfaction to consumer.

The consumer decision process is influenced by psychological, socio-cultural, situational factors as well as marketing mixes of marketing firm and its competitors. It means consumer takes the final decision of purchasing particular products in the market through proper process which is as under:

1) **Need Recognition -** The consumer is required to believe that he needs the particular brand. The marketer has to convince him that by buying his brand it can really fulfil his need.

2) **Getting information -** Once the consumer is convinced about the need to purchase the product, he starts looking for the solution to fulfil his need. The marketer has to communicate that his brand is superior compared to his competitor's brands.

3) **Evaluation of Alternatives -** The consumer then starts collecting inform action about various alternative brands available in the market particularly as regards price and desired quality of the product. The consumer wants to compare the alternatives available before making the final decision.

4) **Purchase decision -** After comparing various options available in the market, the consumer is at the stage where he has to take decision to purchase the brand or not. There are also the chances that the consumer may postpone the purchase decision due to some reasons. In that case, the marketer must try to find out the reasons and try to solve them either by providing sufficient information to the consumer or by giving him guarantee regarding the brand's value.

5) **Post purchase behaviour -** After buying the brand the consumer may be either satisfied or dissatisfied. It satisfied, he may continue to buy the particular brand in future and if dissatisfied, it is the duty of the marketer to take necessary measures to satisfy the consumer.

7.6 FACTORS AFFECTING ORGANIZATIONAL BUYERS BEHAVIOUR -

A) External environmental factors have a major impact on the firm's business operations including its buying decisions. Following are the external factors that affect organizational buying decisions.

1) **Economic Conditions -** The fluctuations in the money markets and the interest rates influence the buying decisions of the

organization. An increase in the interest rates may have an adverse or negative impact on buying and vice versa.

2) Regulatory changes - Changes in the corporate laws, rules and regulations have influence on how, when and what the organizations buy.

3) Political factors - A change of the government or policy has a direct impact on the economic conditions and thereby on the organizational buying decisions.

4) Social Environmental factors - Business has to change its practices and policies as per the changes taking place in social values, beliefs and culture. Social values and practices go on changing with every generation. For example the ideas about good health environmental issues, education keep on changing and it has an impact on organizational buying decisions.

5) Competition - In order to get competitive position, the organization may have to introduce new product and / or technology and it can have influence on it's buying decisions.

B) The following are the internal organizational factors that influence organizational buying -

1) Organisation's goals and objectives - The organization which operates with the objective of profit maximization by increasing turnover, may look for suppliers who are supplying large quantities at a lower price. Whereas the organization which intends to improve its market image will be more quality conscious and not price conscious.

2) Organisational structure - An organizations buying decisions also depend on it's organizational structure i.e. whether the purchase decisions are taken by purchase department, or HR or Administration department or collecting by all concerned departments. Also purchase decisions can be taken at different levels of management.

3) Policies and producers - How does the buying procedure begin who will participate in taking purchase decisions and who has the ultimate authority to decide on the purchase depend on the policies and procedures of the organization. There are also budgetary policies that affect the purchase decisions. i.e. while some organistions make purchases as and when the need arises, others may have to take consideration of the annual or biannual budget.

4) Technological levels - Buying decisions of organizations are also affected by the technology they are presently using because technical purchases may be made to replace old one or they may be made to supplement the old ones.

5) Manpower skills - While making purchases especially equipment and machinery, the organization has to consider whether it has required skilled manpower to operate it.

C) Interpersonal and Individual Factors -

Since organizational buying decisions are taken jointly by many people, interpersonal relations among the decision makers play an important in buying decisions such as the ultimate deciding authority, interpersonal conflicts risk taking ability education and general awareness, age, cultural background and social status of team members and so on.

D) Situational factors -

Situational factors that can influence organizational buying can be availability of time and money availability of required supplier, special offers given by the supplier and so on.

7.7 STEPS IN THE ORGANISATIONAL PURCHASE DECISION PROCESS -

The consumer purchasing decision process is mainly a series of mental stages, whereas industrial purchasing decision making involves more physical and formal stages which can be given as follows -

1) Recognition of a Problem - the organizational purchase decision process starts when someone feels problem a need which can be met by acquiring goods are services. Such need generally arises when the company decides to develop a new product, to diversity or expand the business, it replacement of old equipment or machinery by new one, the need to change the supplier and so on.

2) The need specification - When the need to buy any product or service is felt, the next step is to exactly specify the need identified in the earlier space. Specification of the need includes the aspects like understanding type of the product performance specifications, quantity to be purchased and so on.

3) Product Specifications - Once the product to be purchased is decided in need specification, the buying organization has to develop the technical specifications of the product to be purchased. Also the technical and financial feasibility is studied and analysed.

4) Supplier Search - In this stage, the organization makes a list of qualified and potential suppliers. For this the organization may make periodic visits to all potential suppliers to create awareness. Also the advertisements are placed in specific media and brochures are circulated.

5) Inviting Proposals - A few suppliers are short listed out of the list of qualified suppliers. They are asked to submit their proposals which should cover details like product specification, price, delivery schedule, payment terms, taxes and duties applicable, other overhead costs, often sales service and so on.

These proposals are then studied and analysed based on product specifications delivery schedule and cost.

6) Selection of supplier - Each of the supplier's proposals is rated according to certain criteria. The buying organization may also negotiate with its preferred suppliers for better prices and terms before making a final decision.

7) Placing on Order - After the supplier is selected, the buyer prepares the final order listing the technical specifications the quantity needed, the expected time of delivery, return policies, warranties etc.

8) Performance Review - The final phase in the purchasing process consists of review and feedback regarding the product and the vender performance.

It is done based on several criteria using a weighted score method.

7.8 EXERCISE

1. What is consumer behaviour? Explain the features of consumer behaviour.
2. Discuss the factors affecting consumer behaviour.
3. What is consumer buying process? Explain the steps involved in buying process.
4. Write short notes
   a) Factors affecting organizational buyer behavior
   b) Steps in the organizational purchase decision process
5. Define the following terms:
   a. Consumers behavior
   b. Consumers buying
   c. Socio-cultural factors
   d. Psychological factors

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MODULE 8

8

MARKETING OF SERVICES AND RURAL MARKETING

Unit Structure :

8.1 INTRODUCTION

Marketing is all about analyzing the market, choosing the target segment, appropriately positioning the offer's image and designing the communication and using the right marketing mix variables to achieve the strategic goals. Services, due to their unique characteristics require extended marketing mixes to achieve the firm's strategic goals.

While designing a process the process designer must maintain a balance between functionality, security, aesthetics and ease of use by the consumer. This is not always possible and at times there can be difficulties. In order to ensure safety of passengers in the mid 90’s British Railways introduced a new door locking mechanism to many carriages. While the new system worked well in terms of improving safety of passengers it was a difficult task informing passengers about system functionality and ease of use because people were too used to the old system of opening a door manually.

Process in service has turned out to bring in systems and designs, giving better vision to both external as well as internal customers about the functioning of the services, the firm and the service product. Process and design then makes service a deliberate exercise, greatly affecting quality and the image of the firm. Process as a marketing tool has the following attributes:

- Service design and development
- Design of flow of activities
- Standardized process
- Customized process
- Number of steps in the process
- Simple
- Complex
- Customer involvement
- Blueprints

By monitoring service encounters it is possible to design service delivery systems which guide the interactions between front line and support staff, between staff and consumers, pre delivery, during delivery, post delivery and between staff and suppliers. This is referred to by Shostack as service blueprinting which is about bringing together elements and interactions in service deliveries which make it work for customers and brings profitable transactions to the organization. But service delivery is as much about processes as people.

8.2 MEANING AND DEFINITION OF MARKETING OF SERVICES

8.2.1 Introduction

Services are rendered and experienced simultaneously. It is the process through which the consumers interact with the service provider e.g. in tourism, they include booking systems for transport and accommodation, the use of plastic money for payments, design of the queuing system at visitor attractions etc. They are designed to assist interactions between staff and customers at the critical point of contact.

A service is an act or performance offered by one party to another. They are economic activities that create value and provide benefit for customers at specific times & places as a result of bringing about a desired change in or on behalf of the recipient of the service.

Put in the simplest terms, services is deeds processes and performances. Services are not tangible things that can be touched, seen and felt but rather are intangible deeds and performances for example teaching, hotels, hospitals, banking babysitting etc.

8.2.2 Definition of Services:

According to Kotler, Armstrong, Saunders and Wong, "A service is any activity or benefit that one party can offer to another which is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product."

It can also be defined as "Services include all economic activities whose output is not a physical product or construction is generally consumed at the time its is produced and provides added values in forms such as convenience, amusement, timeliness, comfort or healthy that are essentially intangible concerns of its first purchaser."

8.3 MANAGING SERVICE QUALITY AND PRODUCTIVITY -

Service sector has to undergo various challenges due to its unique characteristics which are different from goods. Services refers to any action or performance which can be only felt or experienced. Services have certain special characteristics such as intangibility, inconsistency, inventory less inseparability etc. On account of intangibility, services cannot be demonstrated or pre-purchase inspection of services by customer is not possible. For providing services, the presence of service provider is required so service provider cannot provide it over a long distance. The service quality may vary from person to person and even from time to time. Services cannot be stored so it becomes difficult to fulfil higher demand in peak season.

However in order to satisfy the customer by providing him the service of his expectation and at the some time to improve efficiency and productivity of service provider following measures can be taken -

1) Most of the services are provided by the service staff. So **the quality of service depends on the quality of staff providing the service**. So in order to provide the quality service, the firm should take to care in recruiting capable knowledgeable, skilled, trained and experienced staff. Their performance should be evaluated by taking feedbacks from customers. They should be motivated by giving them monetary and non-monetary incentives.

2) In order to achieve consistency in providing services, the service provider can make **use of certain machines or equipments**.

3) Some services are highly intangible in nature, therefore **physical evidence can be improved in order to create positive image** such as external surroundings of the firm, the structure and layout of the building, the internal environment i.e. ambience or décor of the place, the furniture fixtures the dress / uniform of the service staff lighting and ventilation of the place.

4) The firm providing services **can enter into franchise agreements** in order to cater to customers of different locations.

5) In order overcome fluctuations in the demand of services, the **firm can adopt flexible or dynamic pricing.** The firm can fix higher prices during peak season and lower prices during off season.

Thus by adopting several measures, the firm can meet customer expectations while improving efficiency, productivity and profitability of the firm.

8.4 RURAL MARKETING DEFINITION AND RURAL MARKET SCENARIO IN INDIA

8.4.1 Introduction

The rural scene is transforming at an accelerating pace. So, organizations aiming to achieve success in the rural market need to constantly research the developments in rural territories. Rural areas are consuming a large quantity of industrial and urban manufactured products. In this context, a special marketing strategy, namely, rural marketing has emerged. The Rural population is nearly three times the urban, so that rural consumers have become the prime target market for consumer durable and non-durable products, food, construction, electrical, electronics, automobiles, banks, insurance companies and other sectors besides hundred per cent of agricultural-input products such as seeds, fertilizers, pesticides and farm machinery. Marketing gurus advice on going rural and tapping the vast untapped rural market in India. Due to significant differences in almost all the major marketing variables, it becomes very difficult to optimally tap the rural market potential with an urban mindset. In most cases, it requires a modified approach, philosophy and marketing mix.

Prime Minister Man Mohan Singh talked about his vision for rural India: “My vision of rural India is of a modern agrarian, industrial and services economy co-existing side by side, where people can live in well-equipped villages. Rural incomes have to be increased. Rural infrastructure has to be improved. Rural health and education needs have to be met. Employment opportunities have to be created in rural areas."

The rural areas are consuming a large quantity of industrial and urban manufactured products. In this context, a special marketing strategy, namely, **rural marketing** has emerged. The Rural population is nearly **three times** the urban, so that rural consumers have become the prime target market for consumer durable and non-durable products, food, construction, electrical, electronics, automobiles, banks, insurance companies and other sectors besides hundred per cent of agricultural-input products such as seeds, fertilizers, pesticides and farm machinery. Marketing gurus advice on going rural and tapping the vast untapped rural market in India.

8.4.2 Meaning and Definition

The concept of rural marketing in India is often been found to form ambiguity in the minds of people who think rural marketing is all about agricultural marketing. Agricultural marketing denotes marketing of produce of the rural areas to the urban consumers or industrial consumers. However, rural marketing determines the carrying out of business activities bringing in the flow of goods from urban sectors to the rural regions of the country as well as the marketing of various products manufactured by the non-agricultural workers from rural to urban areas. Rural Marketing in India Economy covers two broad sections, viz., marketing of agricultural items in the urban areas and marketing of manufactured products in the rural regions.

From time to time, the definition of rural marketing has been undergoing change to accommodate its widening scope. Thus the definition of rural marketing has widened slightly to include marketing of both agricultural produce as well as inputs required for its production. Thus it can be said that rural marketing includes agricultural marketing. Or in simple terms we can say that accept urban to urban marketing, all marketing is rural marketing. Thus rural marketing may be defined as:

1. "Rural marketing is a two-way marketing process which encompasses the discharge of business activities that direct the flow of goods from urban to rural areas and vice-versa as also within the rural areas." – **Gopalaswamy.**

2. "The study of rural marketing comprises of all operations, and the agencies conducting the, involved in the movement of farm produced food, raw materials and their derivatives such as textiles from the farms to the final consumers and the effect of such operations on producers, middlemen and consumers." - **Thompson**

3. "Rural marketing is a process which starts with a decision to produce a saleable farm commodity and it involves all the aspects of market structure or system, both functional and institutional based on technical and economic considerations, and includes per and posts harvest operations assembling, grading, storage transportation and distribution."

8.4.3 Characteristics of Indian Rural Marketing

1. **Difficult to predict rural market:** Unlike urban markets, rural markets are difficult to predict and possess special characteristics. The featured population is predominantly illiterate, have low income, characterized by irregular income, lack of monthly income and flow of income fluctuating with the monsoon winds.

2. **Unsteady income of people:** Rural markets face the critical issues of Distribution, Understanding the rural consumer, Communication and Poor infrastructure. The marketer has to strengthen the distribution and pricing strategies. The rural consumer expects value for money and owing to has unsteady and meager status of weekly income; increasing the household income and improving distribution are the viable strategies that have to be adapted to tap the immense potential of the market. The following table shows the income generation in rural areas.

Income Generation in Rural Areas.

SOURCES OF INCOME	PROPORATION TO TOTAL
AGRICULTURE	59
AGRICULTURE WAGES	16
BUSINESS AND CRAFT	9
NON AGRICULTURE WAGES	7
SALARIES	3
CURRENT TRANSFERS	2
OTHERS	4
TOTAL	**100**

3. **Media reach:** Media reach is a strong reason for the penetration of goods like cosmetics, mobile phones, etc., which is only used by the urban people. Increasing awareness and knowledge on different products and brands accelerate the

demand. The rural audience are however critical of glamorous ads on TV, and depend on the opinion leaders who introduce the product by using it and recommending it.

4. **Rural youth:** Opinion leaders play a key role in popularizing products and influence in rural market. Nowadays educated youth of rural also influences the rural consumers. Rural consumers are influenced by the life style they watch on television sets. Their less exposure to outside world makes them innocent and fascinated to novelties. The reach of mass television media, especially television has influenced the buying behaviour greatly

5. **Needs tailored promotion:** The method of promotion needs to be tailored to suit the expectations of the market. Techniques that have proved to be successful are Van campaigns, edutainment films, generating word of mouth publicity through opinion leaders, colourful wall paintings. The Wide reach of television has exposed the otherwise conservative audience to westernization. Panchayat televisions in Tamilnadu carries message that are well received and contribute to community development.

6. **Heterogeneous market:** Indian rural market is highly heterogeneous with 24 languages, 1642 dialects, high literacy rate in rural south India and lower in rural north. The Belief, values and attitude of people differ from region to region. The consumers in rural south are more brand conscious than the people in the rural north. Rural market highly differs in demand, consumption, occupation patterns and life-style.

7. **Huge Market**: Indian market is basically a rural market with over 70% of its population living in rural areas. Further the rural population is increasing at a much faster rate than the urban population, throwing a large untapped market for FMCG (Fast moving Consumer Goods) and durable goods and services. As against the 621million rural population in 1991, the rural population is 2001 was 741 million.

8. **Scattered population**: The rural population is highly scattered over a vast geographical area. About 1,45,098 villages, or 23% of the total number of villages in India, have population less than 200, and another 21% have population between 200 and 500. It is difficult to cater to the needs of rural population as India's rural market is large and scattered. It is also difficult to ensure that goods and services are available at the right time at the right place as and when required by the rural consumer.

9. **Occupation:** About 77% of the rural population depends on agriculture and agriculture-related activities for their living. The other small portion of population is engaged in secondary and tertiary sector like construction, wholesale and retail sales, hotels, banking, insurance and salary earners. The occupation pattern shows that the income generation in rural areas highly depend use of land, rainfall, weather conditions and availability of latest technology. Thus the development of rural market to a large extent depend on the progress of agriculture.

10. **Electrification:** Majority of rural households are without electricity and there is also an uneven distribution of electricity. About 90% rural households in Punjab and Goa are electrified and 25%in Jharkhand, whereas only 10.3% in Bihar. Due to lesser duration of power availability and regular power fluctuations rechargeable products, gas operated products, sturdy products with reduced chances of breakdown have a good scope in rural markets.

11. **Communication:** In spite of major steps taken by the government to provide landline and mobile phone services to the rural areas, around 20% of the villages are without telephone facility even today. Various companies like ITC give rural consumer an exposure to world market through projects like e-choupal.

12. **Consumption:** As per the NCAER data, during the period between 1988 and 1993 the growth rate of FMCG sector was greater in rural areas than in the urban areas. The agriculture sector growth reduced to 1.94%, whereas the FMCG growth was 12%. This shows that the rural economy is gradually getting fewer dependants on agriculture. There is an increasing share of non-agricultural income in the rural economy. It has also been found that the population who depend on non-agricultural activities enjoy a better standard of living than the population who depend on agriculture.

8.5 FACTORS CONTRIBUTING TO THE GROWTH OF RURAL MARKETS IN INDIA

About 70% of India’s population lives in villages. As per the recent census, India’s population is 1.35 billion. It means over 930 million population lives in over 6,40,000 villages. Currently, the rural demand is growing faster than urban India. Following are the factors contributing to the growth of rural markets in India.

1) Favourable Government Policies for rural development -

In order to achieve balanced sustainable economic development, the government has been taking measures for rural development. Government is taking steps to attract huge investment in rural India for creating employment income and purchasing power certain positive measures are being undertaken to develop agricultural sector and to improve returns for farmers. Such as higher support prices for farm products, agricultural research, provision of required necessities such as water electricity fertilizers seeds at subsidized rates credit facilities / from PSU & Co-op. banks and so on. Various measures like tax exemption in backword areas, subsidy, concessions, incentives, assistances, etc. are also responsible for developing rural areas.

2) Higher Purchasing Power - Job opportunities are being created in different sectors in rural areas such as public, private, agricultural, small and medium sector, self employment etc. Higher job opportunities result in higher income and purchasing power among the rural people. Also the transfer income has increased the purchasing power of the rural people.

3) Green Revolution - Green revolution has revolutionalised Indian agricultural sector by better research, seeds, fertilizers, irrigation facilities etc. It has improved agricultural output many fold.

4) Literacy Growth - Government policy of Education for all has resulted in increased literary rate among rural people. It has brought about social and cultural changes in the buying behaviour of the rural consumers. They are exposed to mass media such as press, radio, T.V. which has created new demand for shopping and specialty goods. They have become aware of improving their standard of living by consuming better quality of different types of products and services.

5) Influence of mass media and urban culture - Mass media is easily available in rural areas such as press, T.V., hoardings, radio etc. Mass media has created impact on rural people as regards availability of different types of goods and western and urban culture.

6) Marketing efforts - A large number of firms are focusing their attention on rural markets. They are using innovative strategies to market their products in rural areas. Such strategies also have resulted in creating demand for consumer goods in rural markets.

7) Infrastructure facilities - Rural areas as being developed due to implementation of public service projects. Government is increasing in infrastructure project to develop transportation and communication, irrigation facilities, generation and distribution of electricity and so on. This has resulted in improved marketing activities in rural areas.

Thus, the higher growth rate in rural markets is mainly on account of above factors.

8.6 CHALLENGES OF RURAL MARKETING -

India is the country of village Rural India lives in over 6,40,000 villages. Villages are characterized by certain unique features. These unique features of villages create challenges or problems of for marketers of goods and services. Challenges or problems of rural markets are as follows -

1) Scattered nature of rural markets - Rural india has over 6,40,000 villages. About 10% of Indian villages have over 5000 plus population. Majority of the villages have a population below 500. This data shows that density of population is very low in villages and this creates distribution problems to marketers in rural markets.

2) Poor infrastructure facilities - Most of the villages do not have basic facilities like road and rail transport, water, regular electric supply, banking & communication etc. so poor infrastructure facilities create transportation warehousing and distribution problems.

3) Seasonal demand - Most of the people in villages have agriculture as their main occupation. Agriculture is seasonal activity. People get income only during harvest seasons of Kharif and rabi. So demand for goods especially shopping goods is seasonal in nature.

4) Low per Capita Income - Most farmers in villages have small farm lands and people in villages also work as bonded labourers. Output of agricultural sector mainly depends on weather conditions so income of villages is low and uncertain.

5) Consumer behaviour in rural areas - Most of the consumers in rural markets are price conscious and they prefer to purchase in small quantities and mainly on cash basis. These factors are required to considered by marketers while deciding pricing and packaging strategies.

6) Lower literacy level - It is estimated that about 65 to 70% of the rural populatis is functionally literate. Most of them may not be in a position to read and write. So lower literacy level in rural areas creates problems of communication. Print media cannot be used to a large extent. So emphasis may have to be given on other media of communication.

7) Many languages - India is a country of many languages. Language becomes a barrier in effective communication in the marketing efforts. The language and dialets differ from state to state, place to place, district to district. There are now 18 schedule languages spoken in India.

8) Problems in Sales force management - Sales force is generally reluctant to work in rural areas due to differences in languages inadequate facilities in rural areas and difficulty to adjust to the rural environment.

Marketers need to adopt certain effective strategies to overcome the problems in rural marketing and to take the benefit of opportunities available in rural markets.

8.7 EXERCISE

1. Explain the term Services and its characteristics.
2. Discuss about the Marketing mix for services.
3. Factors contributing to the growth of rural markets in India
4. Explain in detail the Challenges of Rural Marketing
5. Explain the Strategies to cope with the challenges of rural marketing.
6. Write short notes:
    a) Features / Nature of Services
    b) Managing service quality and productivity
    c) Rural market scenario in India
    d) Explain the terms:
        a) Rural Marketing
        b) Services

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