DMB-110

MARKETING MANAGEMENT

M-218

Self Learning Material

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SYLLABUS

MARKETING MANAGEMENT

SECTION A: Introduction to Marketing
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SECTION B: Consumer Behaviour
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SECTION C: Promotion and Distribution
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SECTION A : INTRODUCTION TO MARKETING

UNIT 1 : Marketing Definition Concept and Scope

UNIT 1 MARKETING : DEFINITION, CONCEPT AND SCOPE

NOTES

★ STRUCTURE ★

LEARNING OBJECTIVES

After completion of this unit, you should be able to :

- Define Marketing
- Describe Marketing Environment
- Define Marketing Strategy
- Explain Marketing Mix
- Describe Market Segmentation.

INTRODUCTION

The term marketing has been defined by different people in different ways. Buyers says marketing is "shopping", whenever sellers says marketing is "selling". Some people describe it as merchandising or designing a product.

MARKETING

★ "Marketing is a social and managerial process by which individuals and groups obtain what they need and want, through creating, offering and exchanging products of value with others."

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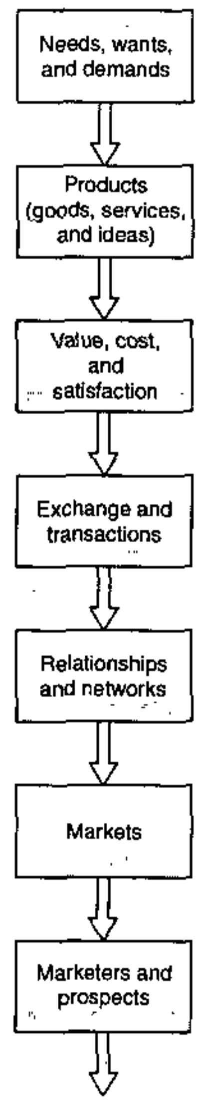

Fig. 1.1. *The Core Concepts of Marketing.*

This definition of markting gives some key concepts : needs, wants and demands, products, value, costs and satisfaction, exchange and transactions, relationships and networks, markets and marketers and prospects.

Needs change into wants → Wants change into-demand → we demand goods, services and ideas → It has some value and cost → which provide satisfaction → we do exchange → It creates relationship and network → The place is called markets → and the member and marketers and prospects.

Needs, Wants, and Demands

Marketing starts with human needs and wants. People need food, air, water, clothing, and shelter to survive. Beyond this, people have a strong desire for recreation, education, and other services. They have strong preferences for particular versions and brands of basic goods and services.

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It is important to distinguish among needs, wants, and demands. A *human need* is a state of deprivation of some basic satisfaction. People require food, clothing, shelter, safety, belonging, and esteem. These needs are not created by society or by marketers. They exist in the very texture of human biology and the human condition.

Wants are desires for specific satisfiers of needs. An American needs food and wants a hamburger, French fries, and a Coke. In another society these needs might be satisfied differently. A hungry person in Mauritius may want mangoes, rice, lentils, and beans. Although people's needs are few, their wants are many. Human wants are continually shaped and reshaped by social forces and institutions, including churches, schools, families, and business corporations

Demands are wants for specific products that are backed by an ability and willingness to buy them. Wants become demands when supported by purchasing power. Many people want a Mercedes; only a few are able and willing to buy one. Companies must therefore measure not only how many people want their product but, more importantly, how many would actually be *willing and able* to buy it.

These distinctions shed light on the frequent criticism that "marketers create needs" or "marketers get people to buy things they don't want." Marketers do not create needs: Needs preexist marketers. Marketers, along with other societal influences, influence wants. Marketers might promote the idea that a Mercedes would satisfy a person's need for social status. They do not, however, create the need for social status. Marketers influence demand by making the product appropriate, attractive, affordable, and easily available to target consumers.

Products (Goods, Services, and Ideas)

People satisfy their needs and wants with products. A *product* is anything that can be offered to satisfy a need or want. Occasionally we will use other terms for *product*, such as *offering or solution.*

A product or offering can consist of as many as three components: physical good(s), service(s), and idea(s). For example, a fast-food restaurant is supplying goods (hamburgers, fries, soft drinks), services (purchasing, cooking, seating), and an idea ("saves me time"). A computer manufacturer is supplying goods (computer, monitor, printer), services (delivery, installation, training, maintenance, repair), and an idea ("computation power"). A church offers less in the way of physical goods (wine, wafer) and more in the way of services (sermon, singing, education, counselling) and ideas (community, salvation).[10]

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The importance of physical products lies not so much in owning them as in obtaining the services they render. We buy a car because it supplies transportation service. We buy a microwave oven because it supplies a cooking service. Thus physical products are really vehicles that deliver services to us.

In fact, services are also supplied by other vehicles, such as people, places, activities, organizations, and ideas. If we are bored, we can attend a comedy club and watch a comedian (person); travel to a warm vacationland like Bermuda (place); go to the health club (activity); join a hiking club (organization); or adopt a different philosophy about life (idea). A major trend in the United States is the explosion of services and service organizations. In fact, over 70% of the nation's gross national product and employment occurs in the service sector.

Manufacturers often make the mistake of paying more attention to their physical products than to the services produced by those products. They see themselves as selling a product rather than providing a solution to a need. A carpenter isn't buying a drill; he is buying a hole. A physical object is a means of packaging a service. The marketer's job is to sell the benefits or services built into physical products rather than just describe their physical features. Sellers who concentrate their thinking on the physical product instead of the customer's need are said to suffer from *marketing myopia.*

Value, Cost, and Satisfaction

According to **DeRose,** value is *"the satisfaction of customer requirements at the lowest possible cost of acquisition, ownership, and use."*

How do consumers choose among the many products that might satisfy a given need? Suppose Tom Moore needs ro travel three miles to work each day. He could use a number of products to satisfy this need: roller skates, a bicycle, a motorcycle, a car, a taxicab, or a bus. These alterntives constitute his *product choice set.* Now assume that Moore would like to satisfy several additional needs in travelling to work: namely speed, safety, ease, and economy. Each product has a different capacity to satisfy his *need set.* A bicycle is slower, is less safe, and requires more effort than a car, but a bicycle is more economical. Somehow Tom Moore has to decide which product will deliver the most total satisfaction.

The guiding concepts here are value and satisfaction. *Value* is the consumer's estimate of the product's overall capacity to satisfy his or her needs. Suppose Tom is primarily interested in the speed and ease of getting to work. If he is offered any of these products at no cost, he would choose the automobile. But since each product involves a *cost*, he will not necessarily choose the car, which costs substantially more than a bicycle or cab ride. Tom will have to give up other things (called the *opportunity cost*) to obtain the car. Therefore, he will consider the product's value and price before making a choice. He will choose the product that produces the most value per dollar.

STUDENT ACTIVITY

1. What are the differences between need and demand.

2. What is product.

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Exchange and Transactions

People can obtain products in one of four ways. The first way is self-production. People can relieve hunger through hunting, fishing, or fruit gathering. In this case, there is no market and no marketing. The second way is coercion. Hungry people can wrest or steal food from others. No benefit is offered to the others except that of not being harmed. The third way is begging. Hungry people can approach others and beg for food. They have nothing tangible to offer except gratitude. The fourth way is *exchange*. Hungry people can offer a resource in return for food, such as money, a good, or a service. Marketing emerges when people decide to satisfy needs and wants through exchange.

Exchange is the act of obtaining a desired product from someone by offering something in return. For exchange potential to exist, five conditions must be satisfied:

1. There are at least two parties.
2. Each party has something that might be of value to the other party.
3. Each party is capable of communication and delivery.
4. Each party is free to accept or reject the exchange offer.
5. Each party believes it is appropriate or desirable to deal with the other party.

Whether exchange actually takes place depends upon whether the two parties can agree on terms of exchange that will leave them both better off (or at least not worse off) than they were before the exchange. Exchange is frequently described as a value-creating process because exchange normally leaves both parties better off.

Exchange must be seen as a process rather than as an event. Two parties are engaged in exchange if they are negotiating and moving toward an agreement. When an agreement is reached, we say that a transaction takes place. A *transaction* is a trade of values between two or more parties. Transactions, however, do not require money as one of the traded values. A *barter transaction*, consists of the trading of goods or services for other goods or services, as when lawyer Jones writes a will for physician Smith in return for a medical examination.

A transaction involves several dimensions: at least two things of value, agreed-upon conditions, a time of agreement, and a place of agreement. Usually a legal system arises to support and enforce compliance on the part of the transactors. Without a law of contracts, people would approach transactions with some distrust, and everyone would lose.

A transaction differs from a transfer. Gifts, subsidies, and charitable contributions are all transfers. It might seem that marketing should be confined to the study of transactions only. However, transfer behaviour can also be understood through the concept of exchange. Typically, the transferer *expects to receive something in exchange for his or her gift—for example,* gratitude or seeing good behavior in the recipient. Marketing consists of the actions undertaken to elicit desired responses from a target audience.

To effect successful exchanges, marketers analyze what each party expects to give and get from the transaction. Simple exchange situations can be mapped by showing the two actors and the wants and offers flowing between them. Suppose Caterpillar, the world's largest manufacturer of earth-moving equipment, researches the benefits that a typical construction company wants when it buys earth-moving equipment. These benefits, listed at the top of the exchange map in Figure 1.3, include high-quality equipment, a fair price, on-time delivery, good financing terms, and good parts and service. All of the wants on this *want list* are not equally important and may vary from buyer to buyer. One of Caterpillar's tasks is to discover the relative importance of these different wants to the buyer.

Caterpillar also has a want list. It wants a good price for the equipment, ontime payment, and good word of mouth. If there is a sufficient match or overlap in the want lists, a basis for a transaction exists. Caterpillar's task is to formulate an offer that motivates the construction company to buy Caterpillar equipment. The construction company might in turn make a counteroffer. The process of trying to arrive at mutually agreeable terms is called *negotiation*. Negotiation leads to either mutually acceptable terms or a decision not to transact.

Relationship and Networks

So far, we have explained the nature of *transaction marketing*. Transaction marketing is part of a larger idea called relationship merketing. *Relationship marketing* is the practice of building long-term satisfying relations with key parties—customers, suppliers, distributors—in order to retain their long-term preference and business. Smart marketers try to build up long-term, trusting, "win-win" relationships with valued customers, destributors, dealers, and suppliers. They accomplish this by promising and delivering high quality, good service, and fair prices to the other parties over time. Relatioship marketing results in strong economic, technical, and social ties among the parties. It also cuts down on transaction costs and time. In the most successful cases, transactions move from being negotiated each time to being a matter of routine.

The ultimate outcome of relatioship marketing is the building of a unique company asset called a marketing network. A *marketing network* consists of the company and all of its supporting stakeholders: customers, employees, suppliers, distributors, retailers, ad agencies, university scientists, and others with whom it has built mutually profitable business relationships.

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Markets

The concept of exchange leads to the concept of a market.

★ **A MARKET** consists of all the potential customers sharing a particular need or want who might be willing and able to engage in exchange to satisfy that need or want.

Thus the size of the market depends on the number of people who exhibit the need or want, have resources that interest others, and are willing and able to offer these resources in exchange for what they want.

Traditionally, a "market" was the place where buyers and sellers gathered to exchange their goods, such as a village square. Economists use the term to refer to a collection of buyers and sellers who transact over a particular product or product class; hence the housing market, the grain market, and so on. Marketers, however, see the sellers as constituting the *industry* and the buyers as constituting the *market*. The sellers and the buyers are connected by four flows. The sellers send goods and services and communications (ads, direct mail, and so forth) to the market; in return they receive money and information (attitudes, sales data, and so forth). The inner loop shows an exchange of money for goods and services; the outer loop shows an exchange of information.

Businesspeople often use the term "markets" colloquially to cover various groupings of customers. They talk about need markets (such as the diet-seeking market); product markets (such as the shoe market); demographic markets (such as the youth market); and geographic market (such as the French market). Or they extend the concept to cover noncustomer groupings as well, such as voter markets, labour markets, and donor markets.

Marketers and Prospects

The concept of markets brings us full circle to the concept of marketing. Marketing means working with markets to actualize potential exchanges for the purpose of satisfying human needs and wants.

When one party is more actively seeking an exchange than the other party, we call the first party a marketer and the second party a prospect. A *marketer* is someone seeking one or more prospects who might engage in an exchange of values. A *prospect* is someone whom the marketer identifies as potentially willing and able to engage in an exchange of values.

The marketer can be a seller or a buyer. Suppose several people want to buy a house that has just become available. Each prospective buyer will try to market himself or herself to the seller. These buyers are actually doing the marketing! In the event that both parties actively seek an exchange, both are marketers and the situation is one of *reciprocal marketing.*

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In the normal situation, the marketer is a company serving a market in the face of competitors. The company and the competitors send their respective products and messages directly and/or through marketing intermediaries to end users. Their relative effectiveness is influenced by their respective suppliers, as well as major environmental forces (demographic, economic, physical, technological, political/legal, social/cultural).

Having reviewed these concepts, we can put all the pieces together to define marketing:

★ **MARKETING** is a social and managerial process by which individuals and groups obtain what they need and want through creating, offering, and exchanging products of value with others.

MARKETING ENVIRONMENT

Marketing activities do not take place in a vacuum. The **marketing environment**, which includes competitive, economic, political, legal and regulatory, technological, and socio-cultural forces, surrounds the customer and affects the marketing mix. The effects of these forces on buyers and sellers can be dramatic and difficult to predict. They can create threats to marketers, but can also generate opportunities for new products and new methods of reaching customers.

The forces of the marketing environment affect a marketer's ability of facilitate exchanges in three general ways. First, they influence customers by affecting their lifestyles, standards of living, and preferences and needs for products. Because a marketing manager tries to develop and adjust the marketing mix to satisfy customers, effects of environmental forces on customers also have an indirect impact on marketing mix components. The merging of telecommunications and computer technologies, for example, allows FedEx Corporation to interact with customers via the World Wide Web. FedEx customers can track packages from their home or office computers and send e-mail feedback to FedEx about its services. This technology thus enables FedEx to gather marketing research information directly from customers. Second, marketing environment forces help determine whether and how a marketing manager can perform certain marketing activities. Third, environmental forces may affect a marketing manager's decisions and actions by influencing buyers' reactions to the firm's marketing mix.

Marketing environment forces can fluctuate quickly and dramatically: which is one season marketing is so interesting and challenging. Because these

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forces are closely interrelated changes in the may cause changes in others. Even though changes in the marketing environment produce uncertainty for many marketers and at times hurt market efforts, they also create opportunities. Marketers who are alert to changes in environmental forces can not only adjust to and influence these changes but also capitalize on the opportunities such changes provide.

Marketing environment. The competitive, economic, political, legal and regulatory, technological and sociocultural forces that surround the customer and affect the marketing mix.

MARKET SEGMENTATION

Markets made up of individuals or organizations with diverse product needs are called **heterogeneous markets**. Not everyone wants the same type of car, furniture or clothes. For example, some individuals want an economical car, others desire a status symbol, and still others seek a roomy and comfortable vehicle. The automobile market, thus, is heterogeneous.

For such heterogeneous markets, market segmentation is approriate. **Mark segmentation** is the process of dividing a total market into groups, or segments, consisting of people or organizations with relatively similar product needs. The purpose is to enable a marketer to design a marketing mix that more precisely matches to needs of customers in the selected market segment. A **market segment** consists individuals, groups, or organizations with one or more similar characteristics the cause them to have relatively similar product needs. For instance, the coal market could be divided into segments consisting of diet cola drinkers and regular cola drinkers. The main rationale for segmenting heterogeneous markets is that a company is better able to develop a satisfying marketing mix for a relatively small portions a total market than to develop a mix meeting the needs of all people. Market segmentation is widely used. Fast-food chains, soft-drink companies, magazine publisher hospitals, and banks are just a few types of organizations that employ market segementation.

heterogeneous markets Markets made up of individuals or organizations with diverse needs for products in a specific product class.

market segmentation The process of dividing a total market into groups with relatively similar product needs to design a marketing mix that matches those needs.

market segment Individuals, groups, or organizations with one or more similar characteristics that cause them to have similar product needs.

The success of market segmentation depends upon five conditions :

(1) Customer's needs for the product must be heterogeneous; otherwise there is a little reason to segment the market.

(2) Segment must be identifiable and divisible. The company must divide the market into groups having people with uniform needs.

(3) The total market should be divided so that segments can be compared with respect to sales, cost and profit.

(4) At least one segment must have enough profit potential to justify developing and maintaining a special marketing mix for that segment.

(5) The company must be able to reach the chosen segment with a particular marketing mix.

The main advantage of segmentation strategy is that it allows a firm to specialise. A firm can analyzes the needs of a segment market customer and *then focuses all its energies on satisfying that group's* needs. A firm may generate good sales volume through a single segment.

MARKETING STRATEGY

Market-oriented strategy is the managerial process of establishing an organizational mission and formulates *goals, corporate strategy, marketing* objectives, marketing strategy and making a line between resources and changing market opportunities. The aim of market strategy is to shape and reshape the company's business and products so that they will produce target profit and growth. M. strategy take place at four level: corporate level, division level, business unit level and product level.

The process begins with a detailed analysis of the organizations strengths and weaknesses and identification of opportunities and threats within the marketing environment based on the analysis. The firm establish or revise its goals and then develop corporate level strategies to achieve the goals.

Next *each division of the organization (marketing, production,* HR, etc.) establishes its own objectives and develops strategies to achieve them. The objectives and strategies of each division support the organizations overall goals and mission.

Next the each business unit can benefit from separate planning, faces specific competition, and is managed as a profit center.

Each product level within a business unit must develop a marketing plan for achieving its goals, product level market strategy is one of the most important outputs of the marketing process.

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Marketing objectives should be designed so that their achievement will contribute to the corporate strategy and they can be accomplished through efficient use of the firm's resources. To achieve its marketing objectives, an organisations must develop a **marketing strategy**, which includes identifying and analyzing a target market and developing a marketing mix to satisfy individuals in that market.

Marketing strategy includes a plan of action for developing, distributing, promoting and pricing products that meet the needs of the target market. Market strategy is best formulated when it reflects the overall direction of the organization and is coordinated with all the firm's divisions. When properly implemented and controlled, a marketing strategy will contribute to the achievement not only of marketing objectives but also of the organizations overall goals.

Market strategy is typically designed around two components.

(1) The selection of a target market and

(2) The creation of a marketing mix.

A marketing strategy articulates the best use of the firm's resources and tactics to achieve its marketing objectives. It should also match customer's desire for value with the organisations capabilities. Internal capabilities should be used to maximize external opportunities. A good marketing strategy enables a company to achieve its business unit and corporate objectives.

TARGET MARKET

No company can operate in every market and satisfy every need. Companies can do the best when they define their target market carefully and prepare a tailored marketing program.

Selecting an apporpriate target market may be the most important decision a company need to take in planning process. Target market must be chosen before the adoption of marketing mix to meet the market's needs and preferences. If a company selects the wrong target market all other marketing decisions will be a waste of time. An organization should examine whether its resources and skills are sufficient to create a market, mix that will satisfy the needs of its target market. Identification and analysis of a target market provide a foundation on which the firm can develop a marketing mix.

While exploring target market, marketer must evaluate how entering them would affect the company's sales, costs and profits. Marketing information should be organized to facilitate a focus on the chosen target customers.

MARKETING MIX

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Target market selection provide basis for creating marketing mix to satisfy the needs of that market. The understanding of target market will help in decision-making process of marketing mix. Therefore any organization must understand the concepts and go through in-depth research and the characterstics of the target market. Thus, while demographic information is important, the organizations should also analyze customer needs, preferences, and behaviours with respect to product design, pricing, distribution and promotion.

Marketing mix decisions should have two additional characteristics : consistency and flexibility. All marketing mix decisions should be consistent with the business unit and corporate strategies. Such consistency allows the organisation to achieve its objectives. Flexibility on the other hand, permits the organizations to alter the marketing mix in response to changes in market conditions, competitions and customer needs.

In general marketing mix is described as the set of marketing tools that a firm uses to pursue its marketing objectives in a target market. The combination of variables chosen by a firm to prepare its market offering is called marketing mix. The marketing mix consists of various variable which have broadly been classified into four categories; (*i*) Product (*ii*) Price (*iii*) Place and (*iv*) Promotion.

Different elements of the marketing mix can be adopted to accommodate different marketing strategies. The success of the marketing mix depends on the combination of all four elements. Each marketing mix element must work together with the others. If one marketing mix element is improperly matched to the others or to the target market the product is likely to fail.

SUMMARY

- Marketing starts with human needs and wants.
- A *human need* is a state of deprivation of some basic *satisfaction*.
- *Wants* are desires for specific satisfiers of needs.
- *Demands* are wants for specific products that are backed by an ability and willingness to buy them.
- A product or offering can consist of as many as three components: physical good(s), service(s), and idea(s).
- *Exchange* is the act of obtaining a desired product from someone by offering something in return.

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- A *transaction* is a trade of values between two or more parties.
- The process of trying to arrive at mutually agreeable terms is called *negotiation*.
- The **marketing environment**, which includes competitive, economic, political, legal and regulatory, technological, and socio-cultural forces, surrounds the customer and affects the marketing mix.
- **Mark segmentation** is the process of dividing a total market into groups, or segments, consisting of people or organizations with relatively similar product needs.
- A **market segment** consists individuals, groups, or organizations with one or more similar characteristics the cause them to have relatively similar product needs.
- Marketing strategy includes a plan of action for developing, distributing, promoting and pricing products that meet the needs of the target market.
- Target market selection provide basis for creating marketing mix to satisfy the needs of that market.

GLOSSARY

- **Marketing.** It is a social and managerial process by which individual and groups obtain what they need and what through creating offering and exchanging products of value with other.
- **Demand.** Demands are want for specific products that are backed by an ability and willingness to buy them.
- **Market.** It consists of all the potential customers sharing a particular need or want who might be willing and able to exchange to satisfy that need or want.
- **Markting Environment.** It includes competition, economic, political, legal and regulatory, technological surrounds the customer and affect the marketing mix.

REVIEW QUESTIONS

1. What do you mean by marketing ?
2. What is marketing mix ?
3. Discuss about the marketing environment.
4. Write short notes on :

   (*a*) marketing strategy (*b*) marketing segmentation

   (*c*) target market.

❑❑❑

SECTION B : CONSUMER BEHAVIOUR

UNIT 2 : Consumer Behaviour

UNIT 2 CONSUMER BEHAVIOURS

NOTES

★ STRUCTURE ★

- Introduction
- Customer Behaviour
- *The Buying Process*
- Customer Satisfaction
- Customer Relationship Marketing
- The Product
- New Product Development
- Pricing
- Pricing objectives and strategies
- Summary
- Glossary
- Review Questions

LEARNING OBJECTIVES

After completion of this unit, you should be able to :

- Define conusmer behaviour
- Explain factor which influence the buying behaviour
- *Describe buying process*
- Define customer satisfaction

INTRODUCTION

Buying behaviour is the decision processes and acts of people involved in buying and using products. Consumer buying behaviour refers to the buying behaviour of ultimate consumers, those who purchase products for personal or houshold use and not for business purposes.

CONSUMER BEHAVIOUR

Consumer generally try to acquire and maintain an assortment of products that satisfy their current and future needs. Let us discuss the major factors which influencing buying behaviour.

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Cultural Factors

This is the most fundamental determinant of a person' need and buying behaviour. Cultural factor involves: values, perception, preferences which we give to a growing child. Cultural factors exert the broadest and deepest influence on consumer behaviour. The roles played by the buyer's culture, subculture, and social class are particularly important.

Social Factors

Social factors are grouped into three major areas : reference groups, family, roles and statuses.

Reference group consist of all the groups that have a direct or indirect influence on the person's attitude or behaviour. It can be large or small, a references group may serve as an individual's point of comparison and source of information. A customer's behaviour may change to be more in line with actions and beliefs of group members. Let us see the ways in which the reference group may influence the individual behaviour.

(1) R.G. (Reference Group) expose an individual to new behaviours and lifestyles.

(2) R.G. may influence the person's attitudes and self concept, and

(3) R.G. may locate pressures for conforming about actual product and brand choices.

Personal Factors

A buyer's decisions are highly influenced by personal characteristics. These includes the age and stage of buyers, his occupation, economic status, circumstances, lifestyle and personality and self concept.

The need of a person changes with change in age, over a life time people by different goods and services due to change in needs, taste and preference the demand and buying habits also changes.

A person's **income** (depends on occupation) also influences the consumption pattern high earner buyer will buy expensive goods while a low earner buyer will buy cheap and below average goods. A life-style is an individual's pattern of living expressed through activities, interests, and opinions. **Lifestyle** patterns include the ways people spend time, the extent of their interaction with others and their general outlook on life and living. Lifestyle have a strong impact on many aspects of the consumer buying decision process. **Personality** can be a useful variable in analyzing consumer behaviour, provided that personality types can be classified accurately and that strong correlation exist between certain personality types and product or brand choices.

Psychological Factors

A buyer's buying choices are influenced by four major psychological factors motivation, perceptions, learning and beliefs and attitudes.

Motive is an internal energizing force that orients a persons activities toward satisfying needs or achieving goals. Buyer's actions are affected by a set of motives rather than by just one motive.

Abraham Maslow, an American psychologist, conceived a theory of motivation based on hierarchy of needs. According to Maslow, human seek to satisfy five levels of needs, from most important to least important as shown below.

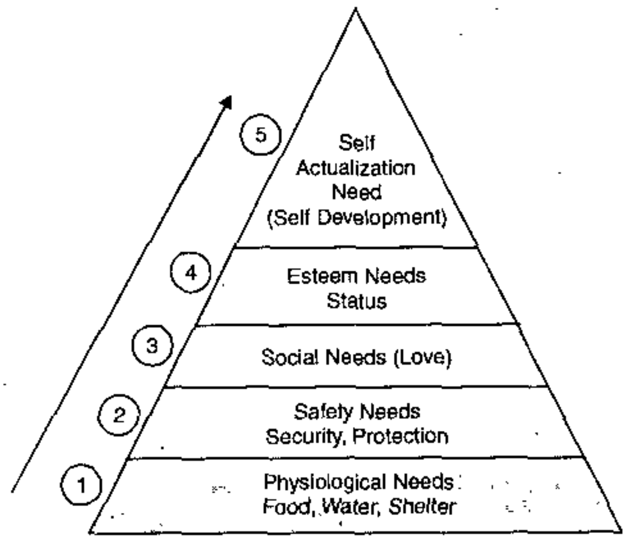

Fig. 2.1.

A motivated person is ready to act. How the motivated person actually acts is influenced by perceptions of the situation. **Perception** is a process by

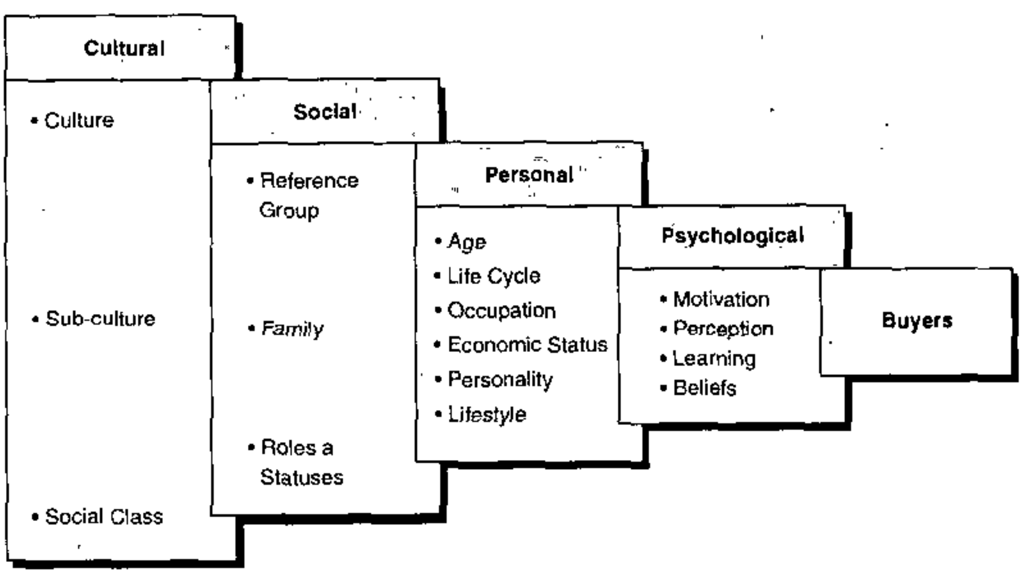

Fig. 2.2.

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which as individual selects, organizes, and interprets information inputs to create a meaningful picture of the world. **Learning** theory teaches marketers that they can build up demand for a product by associating it with strong drives, using motivating cues, and providing positive reinforcement.

Manufacturers are very interested in the beliefs that people carry in their heads about their need. These beliefs make up product and brand images and people act on their images.

THE BUYING PROCESS

It is easy to understand the buying process just by reading, understanding the following diagram.

Problem recognition
↓
Information search
↓
Evaluation of alternatives
↓
Purchase decision
↓
Post-purchase behaviour

Problem Recognition

The buying process starts when the buyer recognizes a need. The buyer senses a difference between his actual state and a desired state. The need can be triggered by internal or external stimuli.

Internal stimuli : One of the person's normal needs rises to a threshold level and becomes a drive.

External stimuli : A need is around by an external stimulus like one need car due to neighbour is having the same.

Information Search

Once the buyer is clear about his need or product or services he will inclined to search for more information. The search could be of two types : in type one he may asked for the product to his friends, look for ads but in type two search one will engage in other activities to learn about the product (need). In this case will collect additional information. The source of information can be categories into four groups:

(1) Personal

(2) Commercial

(3) Public

(4) Experiential

The relative amount and influence of these information sources vary with the product category and the buyer's characteristics.

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Evaluation of Alternatives

After getting the information about the product, its brand, and specific features now the consumer will make a final judgement of value ?

There is no any specific method for evaluations. Different buyer's have their evaluation process in different buying situations out of many available evaluation processes, the most accepted model is conscious and rational base selection. Some basic concepts will help us understand consumer evaluation processes.

(1) The consumer is buying to satisfy a need.

(2) The consumer is looking for certain benefits from the product and

(3) The consumer sees each product as a bundle of attributes with varying abilities of delivering the benefits sought to satisfy the need.

Consumer differ as to which product attributes they see as most relevant as well as on the importance of weights they attach to each attribute. They will pay the most attention to the attributes that deliver the sought benefits. The consumer develops a set of brand beliefs about where each brand stands on each attribute. The set of beliefs about a brand make up the brand image.

Purchase Decision

In the purchase stage, the consumer chooses the product or brand to be bought. Selection is based on the outcome of the above two stated stages and on other dimensions. Product availability may influence which brand is purchased. During this stage, buyer also pick the sells from whom they will buy the product. The choice of seller may affect final product selection and so may the term of sale, which if negotiable are determined at this stage. Finally the actual purchase takes place during this stage, unless the consumer decides to terminate the buying decision process.

Post Purchase Behaviour

After the purchase the buyer begins experiencing some level of satisfaction or dissatisfaction. The marketer's job does not end when the product is bought but continues into the post purchase period. Marketers must monitor post purchase satisfaction, actions and use and disposal.

CUSTOMER SATISFACTIONS

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The customer satisfaction is a function of the closeness between the buyer's product expectations and the products perceived performance.

If the products performance fells short of customer expectations the customer is disappointed; if it meets expectations, the customer is satisfied; if it exceeds expectations, the customer is delighted. These feelings make a difference in whether the customer buys the product again and talks favourably or unfavourably about the product to others.

Consumers form their expectations on the basis of messages received from sellers friends and other information sources. If the seller exaggerates the benefits consumers will experience disconfirmed expectations, which lead to dissatisfaction. The larger the gap between expectations and performance, the greater the consumer's dissatisfaction. Here the consumer's coping style comes into play. Some consumers magnify the gap when the product is not perfect and they are highly dissatisfied. Other consumers minimize the gap and are less dissatisfied.

CUSTOMER RELATIONSHIP MARKETING

Relationship marketing is the practice of building long-term and satisfying relations with key parties *i.e.* customers, supplier, distributor *etc.* in order to retain their long-term preferences and business maintaining a long-term and satisfying relationship with customer is called customer relationship marketing. Marketers try to build up long-term, trusting, win-win relationship with valued customer.

Marketers accomplish this by promising and delivering high quality, good service, and fair prices to the customer over time. Relationship marketing results in strong economic, technical and social ties among the marketer with customer. It also cuts down on transaction costs and time. The ultimate outcome of relationship marketing is the building of a unique company asset called a marketing network.

THE PRODUCT : MEANING

A product can be a good, a service, or an idea. A good is a physical entity you can touch. A service is the application of human and mechanical efforts to people or objects to provide intangible benefits to customers. Ideas include concepts, philosophies, images and issues. Product can be tangible or intangible and includes functional, social and psychological utilities or benefits. It also includes supporting services, such as installation, guarantees, product information and promises of repair or maintenance.

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When buyers purchase a product they are really buying the benefits and satisfaction they think the product will provide. Buying an expensive car is a statement of success not just travelling. Services in particular are purchased on the basis of expectations.

Product Line and Product Mix

Product line is a group of products that are closely related because they perform a similar function, are sold to the same customer groups, are marketed through the same channels, or fall within given price ranges. For example 13 flavours of juices and 5 varieties *of colgate tooth paste. Firms with high* market share are likely to expand their product lines aggressively as are marketers with relatively high prices or, limited product lines. Specific product items in a product line usually reflect the desires of different target markets or the different needs of consumers.

A product mix is the total group of products that an organization makes available to customers in simple words a product mix is the set of all products *and items that a particular* seller offers for sale to buyers. For example, Tata's product mix consists of salt, motors and vehicles etc. A company's product mix has a certain width, length, depth and consistency. Let us discuss the same as follows :

(1) Width : The width of product mix refers to how many defferent product lines the company carries.

(2) Length : The length of product mix refers to the total number of items in its product mix.

(3) Depth : The depth of product mix refers to how many variants (size, quality, flavour, taste etc.) are offered of each product in the line.

(4) Consistency : The consistency of product mix refers to how closely related the various product lines are in end use, production requirement, distribution channels or some other way.

These four dimensions of the product mix provide the handles for defining the company's product strategy. The company can expand its business in four ways :

(1) can expand its product line by adding new products and **widening** its *product mix.*

(2) Company can **lengthen** each product line.

(3) Company can add more product variants to each product and **deepen** its product mix and

(4) Company can pursue more product-line **consistency** or less, depending upon whether it wants to acquire a strong reputation in a single field or participate in several fields.

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Product Life Cycle

Just as human life biological cycles run from birth to growth and to decline so do product life cycles. Before discussing about the stages of product life cycles. Let us think about the important features of product.

(1) Every product has a limited life.

(2) Every product faces different challenges, opportunities and problems during its sales at distinct stages.

(3) Profit may rise or fall at different stages of PLC.

(4) Product require different marketing, financial, manufacturing etc. strategies in each stages of their PLC.

The figure of PLC following a bell shaped curve.

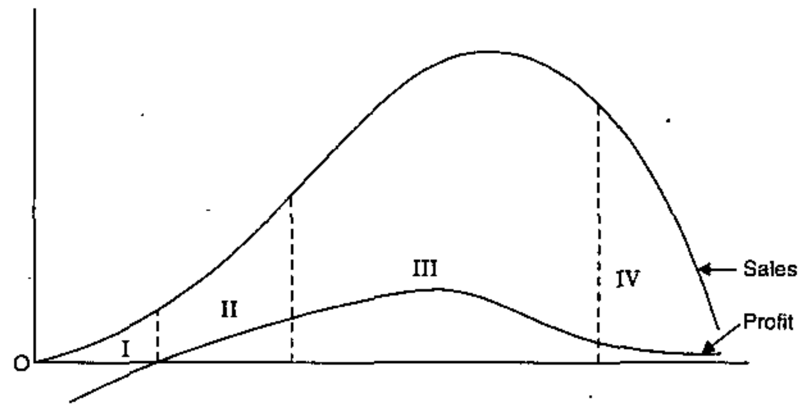

Fig. 2.3.

The curve is divided into four stages called introduction, growth, maturing and decline.

(1) **Introduction :** The initial stage of a PLC, product's first appearance in the market place when sales start at zero and profits are negative because of the heavy expenses incurred with product introduction.

(2) **Growth :** During the growth stage sales rise rapidly and profit shows substantial improvement. It is called critical stage to a product's survival because competitive reactions to the product's success during this period will affect product's life expectancy.

(3) **Maturity :** A period of a slow down in sales growth, sales curve peaks and starts to decline, because the product has achieved acceptance by most potential buyers, profit stabilize and decline due to intense competition, as many new brands are now in the market.

(4) Decline : During the decline stage, sales fall rapidly, curve show a downward drift in sales and profit erode. Usually, at this stage, the product lost its distinctiveness because similar competing products have been introduced. Competition engenders increased substitution and brand switching as buyers become insensitive to minor product differences.

NEW PRODUCT DEVELOPMENT

As studied before adding a new product means enhancing the product mix and adding depth to a product line. Before a product is introduced, it goes through the eight phases of the new product development process shown in figure below. (1) Idea generation, (2) idea screening, (3) concept development and testing, (4) marketing strategy development, (5) business analysis, (6) product development, (7) market testing, and (8) commercialization.

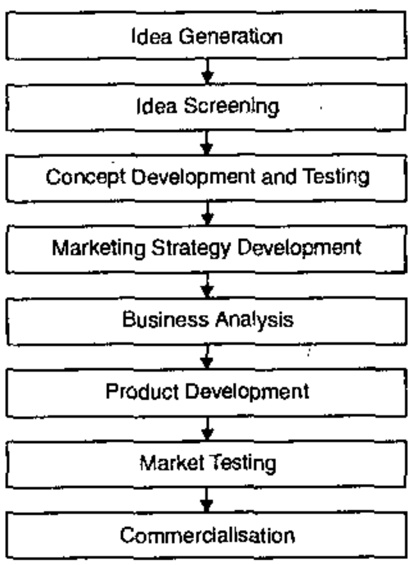

Fig. 2.4. *Stages of new product development.*

Idea Generation

The new product development process starts with the identification of need of new product in the market or search for ideas. It is said that customer's need and wants are the basis to start the search for new product ideas. Although some organization get their ideas almost by chance. The idea of new product can come from several sources. It may come from internal sources-sales persons, marketer, employees, engineers, etc. or from external sources–customers, other competitors, scientists, designers. The top management can be another but important source of new product idea. In companies that are known for innovation, it's more likely that the top manager's role is not inventing product but making it possible for others to come up with new ideas and set them in motion.

STUDENT ACTIVITY

1. Write the difference between product length and product width.

2. What do you understand by the product mix.

Many techniques of new product idea generation are also suggested by philip kotter are as follows :

(1) **Attribute listing :** Listing an existing products major attributes and then modifying each attribute in the search for an improved product.

(2) **Forced relationship :** Several objects are considered in relation to one another to create a new product.

(3) **Morphological analysis :** Under this method calls for identifying the structural dimensions of a problem and examining the relationship among them.

(4) **Need/problem identification :** Need/problem identification in contrast, starts with customers. Consumers are asked about needs, problems and ideas.

(5) **Brain storming :** The brainstorming group consists of six to ten people discussing a specific problem. The idea start flowing, one idea sparks another, and within an hour over a hundred or more new ideas may find their way into the tape recorded.

Idea Screening

In the process of screening the ideas collected above in first step are screened. Idea with greatest potential are selected for further review. All the ideas are divided into three categories. (1) Promising ideas, (2) marginal ideas, and (3) rejected idea. Each promising idea researched by experts or by idea committee members. The company's overall abilities to produce and market the product are also analyzed. The purpose of screening is to drop poor ideas as early as possible. The rotionale is that product-development cost rise substantially with each successive development stage.

Concept Development and Testing

Attractive ideas now transformed into testable product concepts. One can distinguish among a **product idea** is a possible product that the company might offer to the market, **product concept** is an elaborated version of the idea expressed in meaningful consumer terms, **product image** is the particular picture that consumers acquire of an actual or potential product.

Any product idea can be turned into several product concepts. The Question of concepts could be.

(1) Who will use this product.

(2) What benefits should this product provide.

(3) When will people consume this product.

By answering these questions, a company can form several concepts. Concept testing is calls to evaluate ideas properly, it is also necessary to test product

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concepts. In testing phase product idea is presented to buyers (a small sample) through witten or oral description. It is done to determine customer's initial reactions to a product idea. The results of concept testing can help product development personnel better understand which product attributes and benefit are most important to potential customers.

Marketing Strategy Development

After testing the new product manager must develop a preliminary marketing strategy plan for introducing the new products into the market. The marketing stratey will undergo further refinement in subsequent stages. The marketing strategy plan consists of three parts :

(1) In first part marketer describes the target market size, structure, and behaviour, share, profit goals sought in the first two years.

(2) In second part strategy outlines the products planned price, distribution strategy and marketing budget for the first year.

(3) In third part of the marketing strategy plan describes the long run sales and profit goals and marketing mix strategy over time.

Business Analysis

During the business analysis stage management evaluate the proposal's business attractiveness. The product idea is evaluated to determine its potential contribution to the firms sales, costs and profits. If the product satisfy the company's objectives the concept move to the next stage *i.e.;* product development stage. As new information comes in, the business analysis will undergo changes and revision.

Product Development

After the product concept passes the business test stage, it moves to development phase where the concept developed into a physical product. Here the organization determines if it is technically feasible to produce the product and if it can produced at costs low enough to make the final price reasonable. To test its acceptability, the idea or concept is converted into a prototype or working model. The product's design, mechnical features, and intangible aspects must be linked to wants and need of the customer in the market. After a prototype is developed its overall functioning must be tested. its performance, safety, convenience, and other functional qualities are tested both in a laboratory and in the market. The development phase of a new product is frequently lengthy and expensive; thus a relatively small number of product ideas are put into development. During the latter stage of the development phase marketers make decisions regarding branding, packaging, labelling, pricing and promotion for use in the test marketing stage.

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Market Testing

After getting the satisfied report of products functional and psychological performance the product is ready for preliminary marketing program. Its main aim is to determine the extent to which potential customer will buy the product. It is simple launching of product in the market.

The amount of market testing is influenced by the investment cost and risk on the one hand, and the time pressure and research cost on the other. Companies use **test marketing** method where shoppers are invited and asked them about their brand familiarity. Also the company notes how many consumer buy the new brand and competing brand. Free samples are also distributed and some weeks later, user are interviewed about their satisfaction level comes out of that product.

Test marketing is not without risks. It is expensive and competitors may try to interfere because of this fact many other techniques of market testing can be used as.

(1) Consumer good market testing

(2) Sales-wave research

(3) Simulated test marketing

(4) *Business goods market testing*

Commercialization

In this phase, plans for full scale manufacturing and marketing refined and settled and budgets for the project prepared. At this stage product enters the market therefore the company will face its largest cost. The company will have to contract for manufacture or build or rent a full scale manufacturing facility. It also need to spent enormous sums for advertising, personal selling and other type of promotion activities. For this the company need to take many decisions like :

(1) When (Timing) : First entry, parallel entry and late entry.

(2) Where (Geographical strategy) : Single locality, a region, several regions, the national market or the international market.

(3) To whom (Target-market prospects) : Early adopter, heavy user, opinion leaders etc.

(4) How (Introductory market strategy) : Critical path scheduling.

PRICING

Once the product is developed the next important task is setting the price of the product. A firm must set a price to a product be fore taking it to market. As the main purpose of the marketing is to satisfy exchange relationship between buyers and sellers. **Price** is the value exchanged for products in a marketing exchange. The firm must decide where to position its product on quality and price for this Philip Kotter suggested seven levels of price :

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(1) Ultimate (2) Luxury (3) Special needs (4) Middle (5) Convenience (6) ml 700, but cheaper (7) Price alone.

This scheme suggested that the seven product positioning levels don't complete with each other but only compete within each group.

Price is a key element in the marketing mix because it relates directly to the generation of total reserve.

$$\text{Profit} = \text{Total revenue} - \text{Total cost}$$

$$\text{Profit} = (\text{Price} \times \text{Quantity}) - \text{Total cost}$$

Therefore, it is clear from the above equation that prices affect an organization's profits in several ways because it is a key component of the profit equation and can be a major determinant of the quantity sold. Also the total costs are influenced by quantities sold.

On the other hand, buyer's interest in price stems from their expectations about the usefulness of a product or the satisfaction they may derive from it. Because buyers have limited resources they must allocate those resources to obtain the products they most desire. Buyers must decide whether the utility gained in an exchange is worth the buying power sacrificed. Almost anything of value ideas, services, rights, and goods—can be assessed by a price. In Indian society, financial price is the measurement of value commonly used in exchanges.

PRICING OBJECTIVES AND STRATEGIES

The company first has to decide what it wants to accomplish with its particular product offer. If the company has selected its target market and market positioning carefully, then its marketing-mix strategy—including price—will be fairly staight-forward. For example, if a recreational vehicle company wants to produce a luxurious truck camper for affluent customers, it should probably charge a high price.

The clearer a firm's objectives, the easier it is to set price. A company can pursue any of six major objectives through its pricing: survival, maximum current profit, maximum current revenue, maximum safes growth, maximum market skimming, or product-quality leadership.

Survival. Companies pursue survival as their major objective if they are plagued with overcapacity, intense competition, or changing consumer wants. To keep the plant operating and the inventories turning over, they will cut prices. Profit are less important than survival. As long as prices cover variable costs and some fixed cost, the companies stay in business. However, survival is only a short-run objective. In the long run, the firm must learn how to add value or face extinction.

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Maximum Current Profit. Many companies try to set the price that will maximize current profits. They estimate the demand and costs associated with alternative prices and choose the price that produces maximum current profit cash flow, or rate of return on investment.

There are problems associated with current profit maximization. This strategy assumes that the firm has knowledge of its demand and cost functions; in reality these are difficult to estimate. Also, by emphasizing current financial performance the company may sacrifice long-run performance, ignoring the effects of other marketing-mix variables, competitors' reactions, and legal restraints on prices.

Maximum Current Revenue. Some companies set a price that maximizes sales revenue. Revenue maximization requires estimating only the demand function. Many managers believe that revenue maximization will lead to long-run profit maximization and market share growth.

Maximum Sales Growth. Some companies want to maximize unit sales. They believe that a higher sales volume will lead to lower unit costs and higher long run profit. They set the lowest price, assuming the market is price sensitive. This practice is called *market-penetration pricing*. Texas Instruments (TI) practices market-penetration pricing. TI will build a large plant, set its price as low as possible win a large market share, experience falling costs and cut its price further as costs fall.

The following conditions favour setting a low price: (1) The market is highly price sensitive, and a low price stimulates market growth; (2) production and distribution cost fall with accumulated production experience: and (3) a low price discourages actual and potential competition.

Maximum Market Skimming. Many companies favor setting high prices to "skim" the market. Du Pont is a prime practitioner of *market-skimming pricing*. With each innovation—cellophane, nylon and so on—it estimates the highest price it can charge, given the comparative benefits of its new product versus the available substitutes. The company sets a price that makes it just worthwhile for some segments of the market to adopt the new material. Each time sales slow down, Du Pont lowers the price to draw in the next price-sensitive layer of customers. In this way, Du Pont skims a maximum amount of revenue from the various market segments. Polaroid also practices market skimming. It first introduces an expensive version of a new camera, then gradually introduces simpler ower-price models to draw in new price-sensitive segments.

Market skimming makes sense under the following conditions: (1) A sufficient number of buyers have a high current demand; (2) the unit costs of producing

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a small volume are not so high that they cancel the advantage of charging what the traffic will bear; (3) the high initial price does not attract more competitors to the market; (4) the high price communicates the image of a superior product.

Product-Quality Leadership. A company might aim to be the product Quality leader in the market. Maytag, a prime example, builds high-quality washing machines and prices them a few hundred dollars more than competitors' washing machines. (Maytag used the slogan "Built to last longer," and its ads featured "Ol' Lonely," the Maytag repairman, who is asleep at the phone because no one ever calls him for service. Maytage's premium quality / premium price strategy has earned it a consistently higher-than-average rate of return in its industry.)

Other Pricing Objectives : Nonprofit and public organizations may adopt a number of other pricing objectives. A university aims for ***partial*** *cost recovery*, knowing that it must rely on private gifts and public grants to cover the remaining costs. A nonprofit hospital may aim for *full cost recovery* in its pricing. A non-profit theater company may price its productions to fill the maximum number of threater seats. A social service agency may set a *social price* geared to the varying income situations of different clients.

SUMMARY

- Consumer generally try to acquire and maintain an assortment of products that satisfy their current and future needs.
- Social factors are grouped into three major areas : reference groups, family, roles and statuses.
- Reference group consist of all the groups that have a direct or indirect influence on the person's attitude or behaviour.
- A customer's behaviour may change to be more in line with actions and beliefs of group members.
- A buyer's decisions are highly influenced by personal characteristics.
- A person's **income** (depends on occupation) also influences the consumption pattern high earner buyer will buy expensive goods while a low earner buyer will buy cheap and below average goods.
- Motive is an internal energizing force that orients a persons activities toward satisfying needs or achieving goals.
- The customer satisfaction is a function of the closeness between the buyer's product expectations and the products perceived performance.

- A product can be a good, a service, or an idea.
- Product line is a group of products that are closely related because they perform a similar function, are sold to the same customer groups, are marketed through the same channels, or fall within given price ranges.
- Attractive ideas now transformed into testable product concepts.
- The development phase of a new product is frequently lengthy and expensive; thus a relatively small number of product ideas are put into development.
- Companies use **test marketing** method where shoppers are invited and asked them about their brand familiarity.
- **Price** is the value exchanged for products in a marketing exchange.

GLOSSARY

- **Consumer Behaviour.** Consumer Behaviour refers to the buying behaviour of ultimate consumers, those who purchase products for personal or household use and for business purpose.
- **Customer satisfaction.** Customer satisfaction is a function of the chooseness between the buyer's *product expectation*, and the product perceived performance.
- **Product.** It can be a good, a service, or an idea. It may be tangible or intangible.
- **Price.** It is the value exchange for the products in a marketing exchange.

REVIEW QUESTIONS

1. Describe product life cycle.
2. Describe the phases of new product development.
3. What is the pricing strategy.
4. What is product ?

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SECTION C : PROMOTION AND DISTRIBUTION

UNIT 3 : MIS and Promotion

UNIT 3 MIS AND PROMOTION

NOTES

★ STRUCTURE ★

LEARNING OBJECTIVES

After completion of this unit, you should be able to :

- Define Marketing Information System
- Describe Marketing Models
- Define Promotion
- Describe charcterisation of different promotion
- Explain Promotion Mix

INTRODUCTION

A marketing information system (MIS) is intented to bring together disparate item of data into a coherent body of information. An MIS is, as will shortly be seen, more than raw data or information suitable for the purposes of decision making. An MIS also provides methods for interpreting the information the MIS provides. Moreover, as Kotler's[1] definition says, an MIS is more than a system of data collection or a set of information technologies:

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MARKETING INFORMATION SYSTEMS

"A marketing information system is a continuing and interacting structure of people, equipment and procedures to gather, sort, analyse, evaluate, and distribute pertinent, timely and accurate information for use by marketing decision makers to improve their marketing planning, implementation, and control".

Figure 3.1 illustrates the major components of an MIS, the environmental factors monitored by the system and the types of marketing decision which the MIS seeks to underpin.

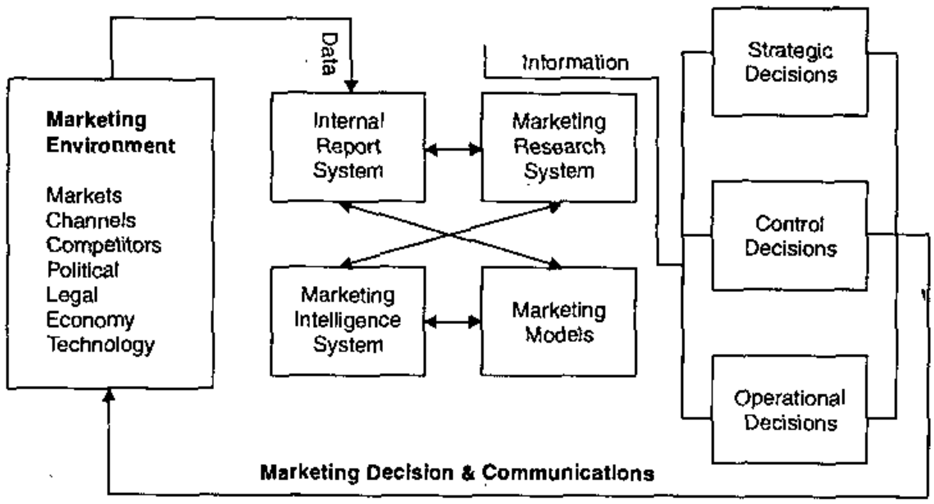

Fig. 3.1. *The marketing information systems and its subsystems.*

The explanation of this model of an MIS begins with a description of each of its four main constituent parts: the internal reporting systems, marketing research system, marketing intelligence system and marketing models. It is suggested that whilst the MIS varies in its degree of sophistication—with many in the industrialised countries being computerised and few in the developing contries being so—a fully fledged MIS should have these components, the methods (and technologies) of collection, storing, retrieving and processing data notwithstanding.

Internal reporting systems : All enterprises which have been in operation for any period of time nave a wealth of information. However, this information often remains under-utilised because it is compartmentalised, either in the form of an individual entrepreneur or in the functional departments of larger businesses. That is, information is usually categorised according to its nature so that there are, for example, financial, production, manpower, marketing, stockholding and logistical data. Often the entrepreneur, or various personnel working in the functional departments holding these pieces of data, do not see how it could help decision makers in other functional areas. Similarly, decision makers can fail to appreciate how information from other functional areas might help them and therefore do not request it.

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The internal records that are of immediate value to marketing decisions are: orders received, stockholdings and sales invoices. These are but a few of the internal records that can be used by marketing managers, but even this small set of records is capable of generating a great deal of information. Below, is a list of some of the information that can be derived from sales invoices.

- Product type, size and pack type by territory
- Product type, size and pack type by type of account
- Product type, size and pack type by industry
- Product type, size and pack type by customer
- Average value and/or volume of sale by territory
- Average value and/or volume of sale by type of account
- Average value and/or volume of sale by industry
- Average value and/or volume of sale by sales person

By comparing orders received with invoices an enterprise can establish the extent to which it is providing an acceptable level of customer service. In the same way, comparing stockholding records with orders received helps an enterprise ascertain whether its stocks are in line with current demand patterns.

Marketing research systems : The general topic of marketing research has been the prime' subject of the textbook and only a little more needs to be added here. Marketing research is a proactive search for information. That is, the enterprise which commissions these studies does so to solve a perceived marketing problem. In many cases, data is collected in a purposeful way to address a well-defined problem (or a problem which can be defined and solved within the course of the study). The other form of marketing research centres not around a specific marketing problem but is an attempt to continuously monitor the marketing environment. These monitoring or tracking exercises are continuous marketing research studies, often involving panels of farmers, consumers or distributors from which the same data is collected at regular intervals. Whilst the *ad hoc* study and continuous marketing research differs in the orientation, yet they are both proactive.

Marketing intelligence systems : Whereas marketing research is focused, market intelligence is not. A marketing intelligence system is a set of procedures and data sources used by marketing managers to sift information from the environment that they can use in their decision making. This scanning of the economic and business environment can be undertaken in a variety of ways, including[2]

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Unfocused scanning : The manager, by virtue of what he/she reads, hears and watches exposes him/herself to information that may prove useful. Whilst the behaviour is unfocused and the manager has no specific purpose in mind, it is not unintentional.

Semifocused scanning : Again, the manager is not in search of particular pieces of information that he/she is actively searching but does narrow the range of media that is scanned. For instance, the manager may focus more on economic and business publications, broadcasts etc. and pay less attention to political, scientific or technological media.

Informal search : This describes the situation where a fairly limited and unstructured attempt is made to obtain information for a specific purpose. For example, the marketing manager of a firm considering entering the business of importing frozen fish from a neighbouring country may make informal inquiries as to prices and demand levels of frozen and fresh fish. There would be little structure to this search with the manager making inquiries with traders he/she happens to encounter as well as with other *ad hoc* contacts in ministries, international aid agencies, with trade associations, importers/exporters etc.

Formal search : This is a purposeful search after information in some systematic way. The information will be required to address a specific issue. Whilst this sort of activity may seem to share the characteristics of marketing research it is carried out by the manager him/herself rather than a professional researcher. Moreover, the scope of the search is likely to be narrow in scope and far less intensive than marketing research.

Marketing intelligence is the province of entrepreneurs and senior managers within an agribusiness. It involves them in scanning newspaper trade magazines, business journals and reports, economic forecasts and other media. In addition it involves management in talking to producers, suppliers and customers, as well as to competitors. Nonetheless, it is a largely informal process of observing and conversing.

Some enterprises will approach marketing intelligence gathering in a more deliberate fashion and will train its sales force, after-sales personnel and district/area managers to take cognisance of competitors' actions, customer complaints and request and distributor problems. Enterprises with vision will also encourage intermediaries, such as collectors, retailers, traders and other middlemen to be proactive in conveying market intelligence back to them.

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Marketing models : Within the MIS there has to be the means of interpreting information in order to give direction to decision. These models may be computerised or may not. Typical tools are:

- Time series sales modes
- Brand switching models
- Linear programming
- Elasticity models (price, incomes, demand, supply, etc.)
- Regression and correlation models
- Analysis of Variance (ANOVA) models
- Sensitivity analysis
- Discounted cash flow
- Spreadsheet 'what if' models

These and similar *mathematical, statistical, econometric and financial models* are the analytical subsystem of the MIS. A relatively modest investment in *a desktop computer is enough to allow an enterprise to automate the analysis* of its data. Some of the models used are stochastic, *i.e.* those containing a probabilistic element whereas others are deterministic models where chance plays no part. Brand switching models are stochastic since these express brand choices in probabilities whereas linear programming is deterministic in that the relationships between variables are expressed in exact mathematical terms.

As per Sticky-Marketing. com, "A Marketing Information System is a routine, planned, gathering, sorting, storage and retrieval system for market information relevant to the operation of a particular business".

The more volatile your markets, the more your organisation wishes to get ahead of the pack, the more you wish to be a winner, the more you are able to respond to emerging opportunities or threats faster than your competition, the more you could perhaps benefit if you organised the routine gathering of up to date pertinent market information from within and without your organisation so that it is to hand, to warn, and to present opportunities to your organisation.

PROMOTION

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Promotion involves disseminating information about a product, product line, brand, or **company**. It is one of the four key aspects of the marketing mix. (The other three elements are product marketing, pricing, and distribution.)

Promotion is generally sub-divided into two parts :

Above the line **promotion:** Promotion in the **media** (*e.g.* TV, radio, newspapers, **Internet** and Mobile Phones) in which the advertiser pays an advertising agency to place the ad.

Below the line **promotion:** All other **promotion**. Much of this is intended to be subtle enough for the consumer to be unaware that **promotion** is taking place. *E.g.* sponsorship, product placement, endorsements, sales **promotion**, merchandising, direct mail, personal selling, public relations, **trade** shows.

The specification of these four variables creates a promotional mix or promotional **plan**. A promotional mix specifies how much attention to pay to each of the four subcategories, and how much **money** to budget for each. A promotional **plan** can have a wide range of objectives, including: sales increases, new product acceptance, creation of brand equity, positioning, competitive retaliations, or creation of a **corporate** image.

The term **"promotion"** is usually an "in" expression used internally by the marketing **company**, but not normally to the public or the **market** - phrases like "special offer" are more common.

In general promotion is a form of corporate communication that uses various methods to reach a targeted audience with a certain message in order to achieve specific organizational objectives. Nearly all organizations, whether for-profit, not-for-profit, in all types of industries, must engage in some form of promotion. Such efforts may range from multinational firms spending large sums on securing high-profile celebrities to serve as corporate spokespersons to the owner of a one-person enterprise passing out business cards at a local businessperson's meeting.

Like most marketing decisions, an effective promotional strategy requires the marketer understand how promotion fits with other pieces of the marketing puzzle (*e.g.*, product, distribution, pricing, target markets). Consequently, promotion decisions should be made with an appreciation for how it affects other areas of the company. For instance, running a major advertising campaign for a new product without first assuring there will be enough inventory to meet potential demand generated by the advertising would certainly not go over well with the company's production department (not to mention other key company executives). Thus, marketers should not work in a vacuum when making promotion decisions. Rather, the overall success of a promotional strategy requires input from others in impacted functional areas.

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In addition to coordinating general promotion decisions with other business areas, individual promotions must also work together. Under the concept of Integrated Marketing Communication marketers attempt to develop a unified promotional strategy involving the coordination of many different types of promotional techniques. The key idea for the marketer who employs several promotional options (we'll discuss potential options later in this tutorial) to reach objectives for the product is to employ a consistent message across all options. For instance, salespeople will discuss the same benefits of a product as mentioned in television advertisements. In this way no matter how customers are exposed to a marketer's promotional efforts they all receive the same information.

CHARACTERISTICS OF DIFFERENT PROMOTIONS

Before we discuss the different types of promotion options available to marketer, it is useful to gain an understanding of the features that set different options apart. For our discussion we isolate seven characteristics on which each promotional option can be judged. While these characteristics are widely understood as being important in evaluating the effectiveness of each type of promotion, they are by no means the only criteria used for evaluation. In fact, as new promotional methods emerge the criteria for evaluating promotional methods will likely change.

For our discussion we will look at the following characteristics of a promotional method:

1. Intended Audience: Mass vs. Targeted
2. Payment Model: Paid vs. Non-Paid
3. Interaction Type: Personal vs. Non-Personal
4. Message Flow: One-Way vs. Two-Way
5. Demand Creation: Quick vs. Lagging
6. Message Control
7. Message Credibility
8. Effective Cost of Promotion

STUDENT ACTIVITY

1. Define MIS.

2. What is promotion. Explain its different method?

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1. Intended Audience : Mass Promotion vs. Targeted Promotion

Promotions can be categorized based on the intended coverage of a single promotional message. For instance, a single television advertisement for a major sporting event, such as the Super Bowl, World Cup or Olympics, could be seen by millions of viewers at the same time. Such mass promotion, intended to reach as many people as possible, has been a mainstay of marketers' promotional efforts for a long time.

Unfortunately, while mass promotions are delivered to a large number of people, the actual number that fall within the marketer's target market may be small. Because of this, many who use mass promotion techniques find it to be an inefficient way to reach desired customers. Instead, today's marketers are turning to newer techniques designed to focus promotional delivery to only those with a high probability of being in the marketer's target market. For example, Google, Yahoo and other Internet search engines employ methods for delivering highly targeted ads to customers as they enter search terms. The assumption made by advertisers is that customers who enter search terms are interested in the information they have entered, especially if they are searching by entering detailed search strings (*e.g.*, phrases rather than a single word). Following this logic, advertisers are much more likely to have their ads displayed to customers within their target market and, thus, receive a higher return on their promotional investment. The movement to highly targeted promotions has gained tremendous traction in recent years and, as new and improved targeting methods are introduced, its importance will continue to grow.

2. Payment Model : Paid Promotion vs. Non-Paid Promotion

Most efforts to promote products require marketers to make direct payment to the medium that delivers the message. For instance, a company must pay a magazine publisher to advertise in the magazine. However, there are several forms of promotion that do not involve direct payment in order to distribute a promotional message. While not necessarily "free" since there may be indirect costs involved, the ability to have a product promoted without making direct payment to the medium can be a viable alternative to expensive promotion options.

3. Interaction Type : Personal vs. Non-Personal

Promotions involving real people communicating with other people is considered personal promotion. While salespeople are a common and well understood type of personal promotion, another type of promotion, called controlled word-of-mouth promotion (a.k.a., buzz marketing), is emerging as a form of personal promotion. Unlike salespeople who attempt to obtain from customers, controlled word-of-mouth promotion uses real people to help spread information about a product but is not designed to directly elicit orders.

One key advantage personal promotions have is the ability for the message sender to adjust the message as they feedback from message recievers (*i.e.,* two-way communication). So if a customer does not understand something in the initial message (*e.g.,* doesn't fully understand how the product works) the person delivering the message can adjust the promotion to address questions or concerns. Many non-personal forms of promotion, such as a radio advertisement, are inflexible, at least in the short-term, and cannot be easily adjusted to address questions that arise by the audience experiencing the ad.

4. Message Flow : One-Way vs. Two-Way Communication

Promotions can be classified based on whether the message source enables the message receiver to respond with immediate feedback. Such feedback can then be followed with further information exchange between both parties. Most efforts at mass promotion, such as television advertising, offer only a one-way information flow that does not allow for easy response by the message receiver. However, many targeted promotions, such as using a sales force to promote products, allow message recipients to respond immediately to information from the message sender.

5. Demand Creation : Quick vs. Lagging

As we discussed earlier, the success of promotional activity may not always be measured by comparing spending to an increase in product sales since marketers may use promotion to achieve other objectives. However, when a marketer is looking to increase demand, certain promotional activities offer advantages in turning exposure to promotion into a quick increase in demand. In general, these activities are most effective when customers are offered an incentive to make the purchase either in a monetary way (*e.g.,* save money) or in psychological way (*e.g.,* improves customer's perceived group role or status level).

6. Message Control

Most promotions are controlled by the marketer who encodes the message (or hires specialists such as advertising agencies to create the promotion) and then pays to have the message delivered. However, no marketer can totally control how the news media, customers or others talk about a company or its products. Reporters for magazines, newspaper and websites, as well as posters to Internet forums may discuss a company's products in ways that can benefit or hinder a company's marketing efforts. This is particularly true with non-paid promotions where a marketer is looking to obtain a free "mention" by an influential message medium (*e.g.,* newspaper article).

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7. Message Credibility

The perceived control of the message can influence the target market's perception of message credibility. For example, many customers viewing a comparative advertisement in which a product is shown to be superior to a competitor's product may be skeptical about the claims since the company with the superior product is paying for the advertisement. Yet, if the same comparison is mentioned in a newspaper article it may be more favourably viewed since readers may perceive the author of the story has possessing an unbaised point-of-view.

8. Cost Effectiveness

Promotional cost is measured in several different ways though the most useful are measured in terms of cost-per-impression (CPI), cost-per-targeted impression (CPTI), and cost-per-action (CPA). The CPI metric (also measured in terms of cost-per-thousand impressions or CPM) relates to how many people are exposed to a promotion in relation to the cost of the promotion. A national or international television advertisement, while expensive to create and broadcast, actually produces a very low CPI given how many people are exposed to the ad. Yet, a low CPI can be misleading if a large percentage of the promotion's audience is not within the marketer's target market, in which a case the CPTI may be a better metric for gauging promotion effectiveness. The CPTI approach looks at what percentage of an audience is within the marketer's customer group and, thus, legitimate targets for the promotion. Clearly, CPTI is higher than CPI, but it offers a better indication of how much promotion is reaching targeted customers.

An even more effective way to evaluate promotional costs is through the cost-per-action metric. With CPA the marketer evaluates how many people actually respond to a promotion. Response may be measured by examining purchase activity, number of phone inquiries, website traffic, clicks on advertisements, and other means within a short time after the promotional message was delivered. Unfortunately, measuring CPA is not always easy and tying it directly to a specific promotion can also be difficult. For example, a customer who purchases a snack product may have first learned about the snack product several weeks before from a television advertisement. The fact that it took the customer several weeks to make the purchase does not mean the advertisement was not effective in generating sales, though if the CPA was measured within a day or two after the ad was broadcast this person's action would not have been counted.

With the growing trend to more targeted promotions, especially those delivered through the Internet, combined with the development of sophisticated customer tracking techniques, the ability to compare promotion to actual customer activity is bound to one day be the dominant method for measuring promotional effectiveness.

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THE PROMOTIONS MIX

Marketers have at their desposal four major methods of promotion. Taken together these comprise the promotion mix.

- **Advertising :** Involves non-personal, mostly paid promotions often using mass media outlets to deliver the marketer's message. While historically advertising has involved one-way communication with little feedback opportunity for the customer experiencing the advertisement, the advent of computer technology and, in particular, the Internet has increased the options that allow customers to provide quick feedback.
- **Sales Promotion :** Involves the use of special short-term techniques, often in the form of incentives, to encourage customers to respond or undertake some activity. For instance, the use of retail coupons with expiration dates requires customers to act while the incentive is still valid.
- **Public Relations :** Also referred to as publicity, this type of promotion uses third-party sources, and particularly the news media, to offer a favorable mention of the marketer's company or product without direct payment to the publisher of the information.
- **Personal Selling :** As the name implies, this form of promotion involves personal contact between company representatives and those who have a role in purchase decision (*e.g.*, make the decision, such as consumers, or have an influence on a decision, such as members of a company buying center). Often this occurs face-to-face or via telephone, though newer technologies allow this to occur online via video conferencing or text chat. Other individual components of the promotions mix are:
  - **Direct Mail :** Direct mail is very highly focussed upon targeting consumers based upon a databese. As with all marketing, the potential consumer is 'defined' based upon a series of attributes and similarities. Creative agencies work with marketers to design a highly focussed communication in the form of a mailing. The mail is sent out to the potential consumers and response are carefully monitored. For example, if you are marketing medical text books, you would use a database of doctors' surgeries as the basis of your mail shot.
  - **Trade Fairs and Exhibitions :** Such approaches are very good for making new contacts and renewing old ones. Companies will seldom sell much at such events. The purpose is to increase awareness and to encourage trial. They offer the opportunity for companies to meet with both the trade and the consumer. Expo has recently finish in Germany with the next one planned for Japan in 2005, despite a recent decline in interest in such events.

- **Sponsorship :** Sponsorship is where an organization pays to be associated with a particular event, cause or image. Companies will sponsor sports events such as the olympics or Formula One. The attributes of the event are then associated with the sponsoring organization.

The elements of the promotional mix are then integrated to form a unique, but coherent campaign.

Strategic decision in the area of promotion concerns the allocation of effort among the three different methods of promotion. **Advertising** refers to nonperson communication transmitted through the mass media (radio, television, print, outdoors, and mail). The communication is identified with a sponsor who compensates the media for the transmission. **Personal selling** refers to face-to-face interaction with the customer. Unlike advertising, personal selling involves communication in both directions, from the source to the destination and back. All other forms of communication with the customer other than those included in advertising and personal selling constitute **sales promotion**. Thus, coupons, samples, demonstrations, exhibits, premiums, sweepstakes, trade allowances, sales and dealer incentives, cents-off packs, rebates, and point-of-purchase material are all sales promotion devices. A variety of new ways have been developed to communicate with customers. These include telemarketing (*i.e.*, telephone selling) and demonstration centers (*i.e.*, specially designed showrooms to allow customers to observe and try out complex industrial equipment). The discussion in this article will be limited to the three traditional methods of promotion. In some cases, the three types of promotion may be largly interchageable; however, they should be blended judiciously to complement each other for a balanced promotional perspective.

Development of an optimum promotion mix is by no means easy. Companies often use haphazard, seat-of-the-pants procedures to determine the respective roles of advertising, personal selling, and sales promotion in a product/market situation. Decisions about the promotional mix are often diffused among many decision makers, impeding the formation of a unified promotion strategy. Personal selling plans are sometimes divorced from the planning of advertising and sales promotion. Frequently, decision makers are not adequately aware of the objectives and broad strategies of the overall product program that the promotion plan is designed to implement. Sales and market share goal, tend to be constant, regardless of decreases or increases in promotion expenditures. Thus they are unrealistic as guides and directives for planning, as criteria for promotional effectiveness, or even as a fair basis for application of the judgment of decision makers. Briefly, the present state of the art in the administration of the promotion function is such that cause-and-effect relationships as well as other basic insights are not sufficiently understood

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to permit knowledgeable forecasts of what to expect from alternate courses of action. Even identifying feasible alternatives can prove difficult.

Product Factors : Factors in this category relate principally to the way in which a product is bought, consumed, and perceived by the customer. For industrial goods, especially technical products, personal selling is more significant than advertising because these goods usually need to be inspected and compared before being bought. Salespeople can explain the workings of a product and provide on-the-spot answers to customer queries. For customer goods such as cosmetics and processed foods, advertising is of primary importance. In addition, advertising plays a dominant role for products that provide an opportunity for differentiation and for those being purchased with emotional motives. The perceived risk of a purchase decision is another variable here. Generally speaking, the more risk a buyer perceives to be associated with buying a particular product, the higher the importance of personal selling over advertising. A buyer generally desires specific information on a product when the perceived risk is high. This necessitates an emphasis on personal selling. Durable goods are bought less frequently than nondurables and usually require a heavy commitment of resources. These characteristics make personal selling of greater significance for durable goods than advertising. However, because many durable goods are sold through franchised dealerships, the influence of each type of promotion should be determined in light of the additional push it would provide in moving be product. Finally, products purchased in small quantities are presumably purchased frequently and require routive decision making. For these products, advertising should be preferable to personal selling. Such products are often of low value; therefore, a profitable business in these products can only be conducted on volume. This underlines the importance of advertising in this case.

Market Factors : The first market factor is the position of a product in its life cycle. The creation of a primary demand, hitherto nonexistent, is the primary task during the introductory stage; therefore, a great promotion effort is needed to explain a new product to potential customers. For consumer goods in the introductory stage, the major thrust is on heavy advertising supported by missionary selling to help distributors move the product. In addition, different devices of sales promotion (*e.g,* sampling, couponing, free demonstrations) are employed to entice the customer to try the product. In the case of industrial products, personal selling alone is useful during this period. During the growth phase, there is increasing demand, which means enough business for all competitors. In the case of consumer goods, however, the promotional effort shifts to reliance on advertising. Industrial goods, on the other hand, begin to be advertised as the market broadens. However, they continue to require a personal selling effort. In the maturity phase, competition becomes intense, and advertising, along with sales promotion, is required to differentiate the product (a consumer good) from competitive brands and to provide an incentive to the customer to buy a particular product. Industrial goods during maturity call for intensive personal selling. During the decline phase, the promotional effort does not vary much initially from that during the maturity phase except that the intensity of promotion declines. Later, as price competition becomes keen and demand continues to decline, overall promotional perspectives are reduced. For a given product class, if market share is high, both advertising and personal selling are used. If the market share is low, the emphasis is placed on either personal selling or advertising. This is because high market share seems to indicate that the company does business in more than one segment and uses multiple channels of distribution. Thus, both personal selling and advertising are used to promote the product. Where market share is low, the perspectives of the business are limited, and either advertising or personal selling will suffice, depending on the nature of the product. If the industry is concentrated among a few firms, advertising has additional significance for two reasons: (*a*) heavy advertising may help descourage other firms from entering the field, and (*b*) heavy advertising sustains a desired position for the product in the market. Heavy advertising constitutes an implied warranty of product performance and perhaps decreases the uncertainty consumers associate with new products. In this way, new competition is discouraged and existing positions are reinforced. Intensity of competition tends to effect promotional blending in the same way that market share does. When competition is keen, all three types of promotion are needed to sustain a product's position in the market. This is because promotion is needed to inform, remind, and persuade customers to buy the product.

On the other hand, if competitive activity is limited, the major function of promotion is to inform and perhaps remind customers about the product. Thus, either advertising or personal selling is emphasized. Hypothetically, advertising is more suited for products that have relatively latent demand. *This is because advertising investment should open up new opportunities in* the run and if the carryover effect is counted expenditure per sales dollar would be more beneficial. If demand is limited and new demand is not expected to be created, advertising outlay would be uneconomical. Thus, future potential becomes a significant factor in determining the role of *advertising.*

Customer Factors : One of the major dimensions used to differentiate business is whether products are marketed for household consumption or for organizational use. There are several significant differences in the way products are marketed to these two customer groups, and these differences exert considerable influence on the type of promotion that should be used.

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In the case of household customers, it is relatively easy to identify the decision maker for a particular product; therefore, advertising is more desirable. Also, the self-service nature of many consumer-product sales makes personal selling relatively unimportant. Finally, household customers do not ordinarily go through a formal buying process using objective criteria as organizational customers do. This again makes advertising more useful for reaching household customers. Essentially the same reasons make personal selling more relevant in promoting a product among organizational customers. The number of customers and their geographic concentration also influence promotional blending. For a small customer base, especially if it is geographically concentrated, advertising does not make as much sense as it does in cases where customers are widely scattered and repersent a significant mass. Caution is needed here because some advertising may always be necessary for consumer goods, no metter what the market perspectives are. Thus, these statements provide only a conceptual framework and should not be interpreted as exact yes/no criteria.

Budget Factors. Ideally, the budget should be based on the promotional tasks to be performed. However, intitively and traditionally, companies place an upper limit on the amount that they spend on promotion. Such limits may influence the type of promotion that may be undertaken in two ways. First, a financially weak company is constrained in undertaking certain types of promotion. For example, television advertising necessitates a heavy commitment of resources. Second, in many companies the advertising budget is, by tradition, linked to revenues as a percentage. This method of allocation continues to be used so that expected revenues indicate how much may be spent on advertising in the future. The allocated funds, then, automatically determine the role of advertising.

CHANNEL MANAGEMENT

The organization of the ways in which companies reach and satisfy their customers. Channel management involves more than just distribution, and has been described as management of how and where a product is used and of how the customer and the product interact. Channel management covers processes for identifying key customers, communicating with them, and continuing to create value after the first contact.

Channel Management. Yet another sales and marketing phrase that is thrown around like everyone knows what it means. But so few companies really comprehend channel management in a way that really helps them. It's really no wonder. Sales channels (being the conduits by which we distribute our products to the end-user) come in many shapes—from direct, to the web, to the traditional retail environment. And, we're just doing whatever we can to get any business from any of them ! But is that the most efficient and effective approach ?

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That's where Channel Management comes in. Channel management, as a process by which a company creates formalized programs for selling and servicing customers within a specific channel, can really impact your business—and in a positive way ! To get started, first segment your channels by like characteristics (their needs, buying patterns, success factors, etc.) and then customize a channel management program that includes:

1. **Goals :** Define the specific goals you have for each channel segment. Consider your goals for the channel as a whole as well as individual accounts. And, remember to consider your goals for both acquisition and retention.
2. **Policies :** Construct well-defined policies for administering the accounts within this channel. Be sure to keep the unique characteristics of each segment in mind when defining policies for account set up, order management, product fulfilment, etc.
3. **Products :** Identify which products in your offering are most suited for each segment and create appropriate messaging. Also, determine where your upsell opportunities lie.
4. **Sales/Marketing Programs :** Design support programs for your channel that meet THEIR needs, not what your idea of their needs are. To do this, you should start by asking your customers within this segment, "How can we best support you in the selling and marketing of our products ?" That being said, the standard considerations are product training, co-op advertising, seasonal promotions, and merchandising. Again, this is not a one-size fits all, so be diligent about addressing this segment's SPECIFIC needs in these areas.

Defining a channel management strategy for each segment allows you to be more effective within each segment, while gaining efficiency at the same time. Still, maintaining brand consistency across all channel segments is critical to your long-term success.

SUPPLY CHAIN MANAGEMENT

A *supply chain* is a network of facilities and distribution options that performs the functions of procurement of materials, transformation of these materials into intermediate and finished products, and the distribution of these finished products to customers. Supply chains exist in both service and manufacturing organizations, although the complexity of the chain may vary greatly from industry to industry and firm to firm.

Below is an example of a very simple supply chain for a single product where raw material is procured from vendors, transformed into finished goods in a single step, and then transported to distribution centers, and ultimately, customers. Realistic supply chains have multiple end products with shared components, facilities and capacities. The flow of materials is not always along an arborescent network, various modes of transportation may be considered, and the bill of materials for the end items may be both deep and large.

Traditionally, marketing, distribution, planning, manufacturing, and the purchasing organizations along the supply chain operated independently. These organizations have their own objectives and these are often conflicting. Marketing's objective of high customer service and maximum sales dollars conflict with manufacturing and distribution goals. Many manufacturing operations are designed to maximize throughput and lower costs with little consideration for the impact on inventory levels and distribution capabilities. Purchasing contracts are often negotiated with very little information beyond historical buying patterns. The result of these factors is that there is not a single, integrated plan for the organization—there were as many plans as businesses. Clearly, there is a need for a mechanism through which these different functions can be integrated together. Supply chain management is a strategy through which such an integration can be achieved.

Supply chain management is typically viewed to lie between fully vertically integrated firms, where the entire material flow is owned by a single firm, and those where each channel member operates independently. Therefore coordination between the various players in the chain is key in its effective management. Cooper and Ellram [1993] compare supply chain management to a well-balanced and well-practiced relay team. Such a team is more competitive when each player knows how to be positioned for the hand-off. The relationships are the strongest between players who directly pass the balon, but the entire team needs to make a coordinated efffort to win the race.

Supply Chain Decisions

We classify the decision for supply chain management into two broad categories—strategic and operational. As the term implies, strategic decisions are made typically over a longer time horizon. These are closely linked to the corporate strategy (they sometimes {/it are} the corporate strategy), and guide supply chain policies from a design perspective. On the other hand, operational decisions are short term, and focus on activities over a day-to-day basis. The effort in these type of decisions is to effectively and efficiently manage the product flow in the "strategically" planned supply chain.

There are four major decision areas in supply chain management: (1) location,

(2) production, (3) inventory, and (4) transportation (distribution), and there are both *strategic* and operational elements in each of these decision areas.

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Location Decisions

The geographic placement of production facilities, stocking points, and *sourcing points is the natural first step in creating* a *supply chain.* The location of facilities involves a commitment of resources to a long-term plan. Once the size, number, and location of these are determined, so are the possible paths by which the product flows through to the final customer. These *dicisions* are of great significance to a firm since they represent the basic strategy for accessing customer markets, and will have a considerable impact on revenue, cost, and level of service. These decisions should be determined by an optimization routine that considers production costs, taxes, duties and duty drawback, tariffs, local content, distribition costs, production limitations, etc. (See Arntzen, Brown, Harrison and Trafton [1995] for a though discussion of these aspects.) Although location decisions are primarily strategic, they also have implications on an operational level.

Production Decisions

The strategic decisions include what products to produce, and which plants to produce them in, allocation of suppliers to plants, plants to DC's and DC's to customer markets. As before, these decisions have a big impact on the revenues, costs and customer service levels of the firm. These decisions assume the existence of the facilities, but determine the exact path(s) through which a product lows to and from these facilities. Another critical issue is the capacity of the manufacturing facilities—and this largely depends the degree of vertical integration within the firm. Operational decisions focus on detailed production scheduling. These decisions include the construction of the master production schedules, scheduling production on machines, and equipment maintenance. Other considerations include workload balancing, and quality control measures at a production facility.

Inventory Decisions

These refer to means by which inventories are managed. Inventories exist at every stage of the supply chain as either raw materials, semi-finished or finished goods. They can also be in-process between locations. Their primary purpose to buffer against any uncertainty that might exist in the supply chain. Since holding of inventories can cost anywhere between 20 to 40 percent of their value, their efficient management is critical in supply chain operations. It is strategic in the sense that top management sets goals. However, most researchers have approached the management of inventory from an operational perspective. These include deployment strategies (push versus pull), control policies—the determination of the optimal levels of order quantities and reorder points, and setting safety stock levels, at each stocking location. These levels are critical, since they are primary determinants of customer service levels.

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Transportation Decisions

The mode choice aspect of these decisions are the more strategic ones. These are closely linked to the inventory decisions, since the best choice of mode is often found by trading off the cost of using the particular mode of transport with the indirect cost of inventory associated with that mode. While air shipments may be fast, and warrant lesser safety stocks, they are expensive. Meanwhile shipping by sea or rail may be much cheaper, but they necessitate holding relatively large amounts of inventory to buffer against the inherent uncertainty associated with them. Therefore customer service levels, and geographic location play vital roles in such decisions. Since transportation is more than 30 percent of the logistics costs, operating efficiently makes good economic sense. Shipment sizes (consolidated bulk shipments versus Lot-for-Lot), routing and scheduling of equipment are key in effective management of the firm's transport strategy.

Supply Chain Modeling Approaches

Clearly, each of the above two levels of decisions require a different perspective. The strategic decisions are, for the most part, global or "all encompassing" in that they try to integrate various aspects of the supply chain. Consequently, the models that describe these decisions are huge, and require a considerable amount of data. Often due to the enormity of data requirements, and the broad scope of decisions, these models provide approximate solutions to the decisions they describe. The operational decisions, meanwhile, address the day-to-day operation of the supply chain. Therefore the models that describe them are often very specific in nature. Due to their narrow perspective, these models often consider great detail and provide very good, if not optimal, solutions to the operational decisions.

To facilitate a concise review of the literature, and at the same time attempting to accommodate the above polarity in modeling, we divide the modeling approaches into three areas—Network Design, "Rough Cut" methods, and simulation based methods. The network design methods, for the most part, provide normative models for the more strategic decisions. These models typically cover the four major decision areas described earlier, and focus more on the design aspect of the supply chain; the establishment of the network and the associated flows on them. "Rough cut" methods, on the other hand, give guiding policies for the operational decisions. These models typically assume a "single site" (*i.e,* ignore the network) and add supply chain characteristics to it, such as explicitly considering the site's relation to the others in the network. Simulation methods is a method by which a comprehensive supply chain model can be analyzed, considering both strategic and operational elements. However, as with all simulation models, one can only evaluate the effectiveness of a pre-specified policy rather than develop new ones. It is the traditional question of "What If?" versus "What's Best?".

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SALES FORCE MANAGEMENT SYSTEM

Sales force management systems are *information systems* used in *marketing* and *management* that help automate some *sales* and *sales force management* functions. They are frequently combined with a marketing information system, in which case they are often called *Customer Relationship Management* (CRM) systems.

Sales Force Automation Systems (SFA), typically a part of a company's *customer relationship management* system, is a system that automatically records all the stages in a sales process. SFA includes a *contact management system* which tracks all contact that has been made with a given customer, the purpose of the contact, and any follow up that might be required. This ensures that sales efforts are not duplicated, reducing the risk of irritating customers. SFA also includes a *sales lead tracking system*, which lists potential customers through paid phone lists, or customers of related products. Other elements of an SFA system can include *sales forecasting*, *order management* and *product knowledge*. More developed SFA systems have features where customers can actually model the product to meet their required needs through online product builiding systems. This is becoming more and more popular in the automobile industry, where patrons can customize various features such as colour and interior features such as leather vs. upholstered seats.

An integral part of any SFA system is company wide integration among different departments. If SFA systems aren't adopted and properly integrated to all departments, there might be a lack of communication which could result in different departments contacting the same customer for the same purpose. In order to mitigate this risk, SFA must be fully integrated in all departments that deal with customer service management.

PROCESS OF PERSONAL SELLING

Personal selling occurs where individual salesperson sells a product, service or solution to a client. Salespeople match the benefits of their offering to the specific needs of a client. Today, personal selling involves the development of longstanding client relationships. In comparison to other marketing communications tools such as advertising, personal selling tends to:

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Use fewer resources, pricing is often negotiated.

Products tend to be fairly complex (*e.g.* financial services or new cars).

There is some contact between buyer and seller after the sale so that an ongoing relationship is built.

Client/prospects need specific information.

The purchase tends to involve large sums of money.

There are exceptions of course, but most personal selling takes place in this way.

Personal selling involves a selling process that is summarized in the following Five Stage

Personal Selling Process.

The five stages are :

1. Prospecting.

2. Making first contact.

3. The sales call.

4. Objection handling.

5. Closing the scale.

Instruction

A Five Stage Personal Selling Process.

Stage One - Prospecting.

Prospecting is all about finding prospects, or potential new customers. Prospects should be 'qualified' which means that they need to be assessed to see if there is business potential, otherwise you could be wasting your time. In order to qualify your prospects, one needs to:

Plan a sales approach focused upon the needs of the customer.

Determine which products or services best meet their needs.

In order to save time, rank the prospects and leave out those that are least likely to buy.

Stage Two - Making First Contact.

This is the preparation that a salesperson goes through before they meet with the client, for example via e-mail, telephone or letter. Preparation will make a call more focused.

Make sure that you are on time.

Before meeting with the client, set some objectives for the sales call. What is the purpose of the call? What outcome is desirable before you leave?

Make sure that you've done some homework before meeting your prospect.

This will show that you are committed in the eyes of your customer.

To save time, send some information before you visit. This will wet the prospect's appetite.

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Keep a set of samples at hand, and make sure that they are in very good condition.

Within the first minute or two, state the purpose of your call so that time with the client is maximised, and also to demonstrate to the client that you are not wasting his or her time.

Humour is fine, but try to be sincere and friendly.

Stage Three - The Sales Call (or Sales Presentation)

It is best to be enthusiastic about your product or service. If you are not excited about it, don't expect your prospect to be excited.

Focus on the real benefits of the product or service to the specific needs of your client, rather than listing endless lists of features.

Try to be relaxed during the call, and put your client at ease.

Let the client do at least 80% of the talking. This will give you invaluable information on your client's needs.

Remember to ask plenty of questions. Use open questions, *e.g.* TED's, and closed questions *i.e.* questions that will only give the answer 'yes' or the answer 'no'. This way you can dictate the direction of the conversation.

Never be too afraid to ask for the business straight off.

Stage Four - Objection Handling

Objection handling is the way in which salespeople tackle obstacles put in their way by clients. Some objections may prove too difficult to handle, and sometimes the client may just take a dislike to you (aka the hidden objection). Here are some approaches for overcoming objections:

Firstly, try to anticipate them before they arise.

'Yes but' technique allows you to accept the objection and then to divert it. For example, a client may say that they do not like a particular colour, to which the salesperson counter 'Yes but X is also available in many other colors.'

Ask 'Why' the client feels the way that they do.

'Restate' the objection, and put it back into the client's lap. For example, the client may say, 'I don't like the taste of X,' to which the salesperson responds, 'You don't like the taste of X,' generating the response 'since I do not like garlic' from the client. The salesperson could suggest that X is no longer made with garlic to meet the client's needs. The sales person could also tactfully and respectfully contradict the client.

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Stage Five - Closing the Sale

This is a very important stage. Often salespeople will leave without ever successfully closing a deal. Therefore it is vital to learn the skills of closing.

Just ask for the business ! - 'Please may I take an order?' This really works well.

Look for buying signals (*i.e.* body language or comments made by the client that they want to place an order). For example, asking about availability, asking for details such as discounts, or asking for you to go over something again to clarify.

Just stop talking, and let the client say 'yes'. Again, this really works.

The 'summary close' allows the salesperson to summarise everything that the client needs, based upon the discussions during the call. For example, 'You need product X in blue, by Friday, packaged accordingly, and delivered to your wife's office.' Then ask for the order.

The 'alternative close' does not give the client the opportunity to say no, but forces them towards a yes. For example 'Do you want product X in blue or red ?' Cheeky, but effective.

SUMMARY

- A marketing information system (MIS) is intented to bring together disparate item of data into a coherent body of information.
- Marketing research is a proactive search for information.
- Marketing intelligence is the province of entrepreneurs and senior managers within an agribusiness.
- Promotion involves disseminating information about a product, product line, brand, or **company**.
- The term **"promotion"** is usually an "in" expression used internally by the marketing **company**, but not normally to the public or the **market**-phrases like "special offer" are more common.
- Promotions can be categorized based on the intended coverage of a single promotional message.
- **Advertising** refers to nonperson communication transmitted through the mass media (radio, television, print, outdoors, and mail).
- There are several significant differences in the way products are marketed to these two customer groups, and these differences exert considerable influence on the type of promotion that should be used.
- In many companies the advertising budget is, by tradition, linked to revenues as a percentage.

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- Channel management involves more than just distribution, and has been described as management of how and where a product is used and of how the customer and the product interact.
- SFA includes a *contact management system* which tracks all contact that has been made with a given customer, the purpose of the contact, and any *follow up that might be required.*

GLOSSARY

- **MIS.** It is intented to bring together disperate items of data into a coherent body *of information.*
- **Promotion.** It involves disseminating information about a product, product lines brand or company
- **Advertising.** Advertising refers to non person communication transmitted through the mass media.
- **Personal selling.** Face to interaction with the customer.
- **Supply chain.** It is a network of facilities and distribution option that performs the function of procurement of materials, transformation of these finished products to customers.
- **Sales force management system.** It is Information systems used is marketing and management that help automatic some sales force management *function.*

REVIEW QUESTIONS

1. What is marketing research systems?
2. Write the characteristics of different promotions.
3. What do you understand by supply chain management.
4. Describe the process of personal selling ?

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SECTION D : GLOBAL MARKETING

UNIT 4 GLOBAL MARKETING—I

NOTES

★ STRUCTURE ★

- Introduction
- Green Marketing
- Marketing Mix of green marketing
- Why green marketing chosen by most marketors.
- Benefits of green marketing
- Problems of green marketing
- Patho of Greenness
- Green Marketing
- Summary
- Glossary
- Review Questions

LEARNING OBJECTIVES

After completion of this unit, you should be able to :

- Define green marketing
- Discuss marketing mix of green marketing
- Describe benefits of green marketing.
- Define global marketing.

INTRODUTION

According to the American Marketing Association, green marketing is the marketing of products that are presumed to be environmentally safe. Thus green marketing incorporates a broad range of activities, including product modification, changes to the production process, packaging changes, as well as modifying advertising. Yer defining green marketing is not a simple task where several meanings intersect and contradict each other; an example of this will be the existence of varying social, environmental and retail definitions attached to this term. Other similar terms used are Environmental Marketing and Ecological Marketing.

GREEN MARKETING

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"Green Marketing" refers to holistic marketing concept wherein the production, marketing consumption an disposal of products and services happen in a manner that is less detrimental to the environment with growing awareness about the implications of global warming, non-biodegradable solid waste, harmful impact of pollutants etc., both marketers and consumers are becoming increasingly sensitive to the need for switch in to green products and services. While the shift to "green" may appear to be expensive in the short term, it will definitely prove to be indispensable and advantageous, cost-wise too, in the long run.

Why Green Marketing ?

It is really scary to read these pieces of information as reported in the Times recently: "Air pollution damage to people, crops and wildlife in the US totals tens of billions of dollars each year". "More than 12 other studies in the US, Brazil Europe, Mexico, South Korea and Taiwan have established links between air pollutants and low birth weight premature birth still birth and infant death".

As resource are limited and human wants are unlimited, it is important for the marketers to utilize the resources efficiently without waste as well as to achieve the organization's objective. So green marketing is inevitable.

There is growing interest among the consumers all over the world regarding protection of environment. Worldwide evidence indicates people are concerned about the environment and are changing their behavior. As a result of this, green marketing has emerged which speaks for growing market for sustainable and socially responsible products and services.

Thus the growing awareness among the consumers all over the world regarding protection of environment in which they live. People do want to bequeath a clean earth to their offspring. Various studies by environmentalists indicate that people are concerned about the environment and are changing their behaviour pattern so as to be less hostile towards it. Now we see that most of the consumers, both individual and industrial, are becoming more concerned about environment-friendly products. Most of them feel that environment-friendly products are safe to use. As a result, green marketing has emerged, which aims at marketing sustainable and socially-responsible products and services. Now is the era of recyclable, non-toxic and environment-friendly goods. This has become the new mantra for marketers to satisfy the needs of consumers and earn better profits.

Green marketing is the process of developing products and services and promoting them to satisfy the customers who prefer products of good quality, performance and convenience at affordable cost, which at the same time do not have a detrimental impact on the environment. It includes a broad range of activities like product modification, changing the production process, modified advertising, change in packaging, etc., aimed at reducing the detrimental impact of products and their consumption and disposal on the environment. Companies all over the world are striving to reduce the impact of products and services on the climate and other environmental parameters. Marketers are taking the cue and are going green.

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Green marketing is a vital constituent of the holistic marketing concept. It is particularly applicable to businesses that are directly dependent on the physical environment; for example, industries like fishing, processed foods, tourism and adventure sports. Changes in the physical environment may pose a threat to such industries. Many global players in diverse businesses are now successfully implementing green marketing practices.

MARKETING MIX OF GREEN MARKETING

When companies come up with new innovations like eco friendly products, they can access new markets, enhance their market shares, and increase profits. Just as we have 4Ps product prices, place and promotion in marketing too, but they are a bit different. They are buttressed by three additional Ps, namely people, planet and profits.

A. Product

The products have to be developed depending on the needs of the customers who prefer environment friendly products. Products can be made from recycled materials or from used goods. Efficient products not only save water, energy and money, but also reduce harmful effects on the environment. Green chemistry forms the growing focus of product development. The marketer's role in product management includes providing product designers with market-driven trends and customer requests for green product attributes such as energy saving, organic, green chemicals, local sourcing, etc. For example, Nike is the first among the shoe companies to market itself as green. It is marketing its Air Jordan shoes as environment-friendly, as it has significantly reduced the usage of harmful glue adhesives. It has designed this variety of shoes to emphasize that it has reduced wastage and used environment-friendly materials.

B. Price

Green pricing takes into consideration the people, planet and profit in a way that takes care of the health of employees and communities and ensures

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efficient productivity. Value can be added to it by changing its appearance, functionality and through customization, etc. Wal Mart unveiled its first recyclable cloth shopping bag. IKEA started charging consumers when they opted for plastic bags and encouraged people to shop using its "Big Blue Bag".

C. Place

Green place is about managing logistics to cut down on transportation emissions, thereby in effect aiming at reducing the carbon footprint. For example, instead of marketing an imported mango juice in India it can be licensed for local production. This avoids shipping of the product from far away, thus reducing shipping cost and more importantly, the consequent carbon emission by the ships and other modes of transport.

D. Promotion

Green promotion involves configuring the tools of promotion, such as advertising, marketing materials signage, white papers, web sites, videos and presentations by keeping people, planet and profits in mind. British petroleum (BP) displays gas station which its sunflower motif and boasts of putting money into solar power. Indian Tobacco Company has introduced environmental-friendly papers and boards, which are free of elemental chlorine. Toyota is trying to push gas/electric hybrid technology into much of its product line. It is also making the single largest R and D investment in the every-elusive hydrogen car and promoting itself as the first eco-friendly car company.

Green marketer can attract customers on the basis of performance, money savings, health and convenience, or just plain environmental friendliness, so as to target a wide range of green consumers.

Consumer awareness can be created by spreading the message among consumers about the benefits of environmental-friendly products. Positing of profiles related to green marketing on social networks creates awareness within and across online peer groups. Marketing can also directly target the consumers through advertisements for product such as energy saving compact fluorescent lamps, the battery-powered Reva car, etc.

WHY IS GREEN MARKETING CHOSEN BY MOST MARKETERS ?

Most of the companies are venturing into green marketing because of the following reasons :

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A. Opportunity

In India, around 25% of the consumers prefer enviromental-friendly products, and around 28% may be considered healthy conscious. Therefore, green marketers have diverse and fairly sizeable segments to cater to. The Surf Excel detergent which saves water (advertised with the message—"do bucket paani roz bachana") and the energy-saving LG consumers durables are examples of green marketing. We also have green buildings which are efficient in their use of energy, water and construction materials, and which reduce the impact on human health and the environment through better design, construction, operation, maintenance and waste disposal. In India, the green building movement, spearheaded by the Confederation of Indian industry (CII) - Godrej Green business Center, has gained tremendous impetus over the last few years. From 20,000 sq ft in 2003, India's green building footprint is now over 25 million sq ft.

B. Social Responsibility

Many companies have started realizing that they must behave in an environment-friendly fashion. They believe both in achieving environmental objectives as well as profit related objectives. The HSBC became the world's first bank to go carbon-neutral last year. Other examples include Coca-Cola, which has invested in various recycling activities. Walt Disney World in Florida, US, has an extensive waste management program and infrastructure in place.

C. Governmental Pressure

Various regulations rare framed by the government to protect consumers and the society at large. The Indian goverment too has developed a framework of legislations to reduce the production of harmful goods and by products. These reduce the industry's production and consumers' consumption of harmful goods, including those detrimental to the environment; for example, the ban of plastic bags in Mumbai, prohibition of smoking in public areas, etc.

D. Competitive Pressure

Many companies take up green marketing to maintain their competitive edge. The green marketing initiatives by niche companies such as Body Shop and Green and Black have prompted many mainline competitors to follow suit.

E. Cost Reduction

Reduction of harmful waste may lead to substantial cost savings. Sometimes, many firms develop symbiotic relationship whereby the waste generated by one company is used by another as a cost-effective raw material. For example, the fly ash generated by thermal power plants, which would otherwise contributed to a gigantic quantum of solid waste, is used to manufacture fly ash bricks for construction purposes.

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BENEFITS OF GREEN MARKETING

Today's consumers are becoming more and more conscious about the environment and are also becoming socially responsible. Therefore, more companies are responsible to consumers' aspirations for environmentally less damaging or neutral products. Many companies want to have an early-mover advantage as they have to eventually move towards becoming green. Some of the advantages of green marketing are,

★ It ensures sustained long-term growth along with profitability.

★ It saves money in the long run, thought initially the cost is more.

★ It helps companies market their products and services keeping the environment aspects in mind. It helps in accessing the new markets and enjoying competitive advantage.

★ Most of the employees also feel proud and responsible to be working for an environmentally responsible company.

PROBLEMS OF GREEN MARKETING

Many organizations want to turn green, as an increasing number of consumers' ant to associate themselves with environment-friendly products. Alongside, one also witnesses confusion among the consumers regarding the products. In particular, one often finds distrust regarding the credibility of green products. Therefore, to ensure consumer confidence, marketers of green products need to be much more transparent, and refrain from breaching any law or standards relating to products or business practices.

PATHS TO GREENNESS

Green marketing involves focusing on promoting the consumption of green products. Therefore, it becomes the responsibility of the companies to adopt creativity and insight, and be committed to the development of environment-friendly products. This will help the society in the long run. Companies which embark on green marketing should adopt the following principles in their path towards "greenness."

STUDENT ACTIVITY

1. What are problems of green marketing ?

2. Write four points which is choosen by the company towards greenness?

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- ★ Adopt new technology/process or modify existing technology/process so as to reduce environmental impact.
- ★ Establish a management and control system that will lead to the adherence of stringent environmental safety norms.
- ★ Using more environmental-friendly raw materials at the production stage itself.
- ★ Explore possibilities of recycling of the used products so that it can be used to offer similar or other benefits with less wastage.

Marketing Strategies

The marketing strategies for green marketing include :-

- ★ Marketing Audit (including internal and external situation analysis)
- ★ Develop a marketing plan outlining strategies with regard to 4 P's
- ★ Implement marketing strategies
- ★ Plan results evaluation

GLOBAL MARKETING

whether an organisation marketing its goods and services domestically or internationally, the definition of marketing still applies. However, the scope of marketing is broadened when the organisation decides to sell across international boundaries, this being primarily due to the numerous other dimensions which the organisation has to account for. Let us, firstly define "Marketing" and then see how, by doing marketing across multinational boundaries, differences, where existing, have to be accounted for.

S. Carter defines marketing as :

"The process of building lasting relationships through planning, executing and controlling the conception, pricing, promotion and distribution of ideas, goods and services to create mutual exchange that satisfy individual and organisational needs and objectives".

The long held tenants of marketing are "customer value", "competitive advantage" and "focus". This means that organisations have to study the market, develop products or services that satisfy customer needs and wants, develop the "correct" marketing mix and satisfy its own objectives as well as giving customer satisfaction on a continuing basis. The focus was shifted from knowing everything about the customer, to knowing the customer in a context which includes the competition, government policy and regulations, and the broader economic, social and political macro forces that shape the evolution of markets. In global marketing terms this means forging alliances (relationships) or developing networks, working closely with home country *government officials and industry competitors* to gain access to a target market. Also the marketing objective has changed from one of satisfying organisational objectives to one of "stakeholder" benefits - including employees, society, government and so on. Profit is still essential but not an end in itself.

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It is important to note that marketing is not just a philosophy of one or some of the operational activities. It is both. In planning for marketing, the organisation has to basically decide what it is going to sell, to which target market and with what marketing mix (product, place, promotion, price and people). Although these tenents of marketing planning must apply anywhere, when marketing across national boundaries, the difference between domestic and international marketing lies almost entirely in the differences in national environments within which the global programme is conducted and the differences in the organisation and programmes of a firm operating simultaneously in different national markets.

It is recognised that in the "postmodern" era of marketing, even the assumptions and long-standing tenents of marketing like the concepts of "consumer needs", "consumer sovereignty", "target markets" and "product/ market processes" are being challenged. The emphasis is towards the emergence of the "customising consumer", that is, the customer who takes elements of the market offerings and moulds a customised consumption experience out of these. Even further, post modernisim, posts that the consumer who is the consumed, the ultimate marketable image, is also becoming liberated from the sole role of a consumer and is becoming a producer. This reveals itself in the desire for the consumer to become part of the marketing process and to experience immersion into "thematic settings" rather than merely to encounter products. So in consuming food products for example, it becomes not just a case of satisfying hunger needs, but also can be rendered as an image - producing act. In the post modern market place the product does not project images, it fills images. This is true in some foodstuffs. The consumption of "designer water" or "slimming foods" is a statement of a self image, not just a product consuming act.

When organisations develop into global marketing organisations, they usually evolve into this from a relatively small export base. Some firms never get any further than the exporting stage. Marketing overseas can, therefore, be anywhere on a continuum of "foreign" to "global" . It is well to note at this stage that the words "international", "multinational" or "global" are now rather outdated descriptions. In fact "global" has replaced the other terms to all intents and purposes. "Foreign" marketing means marketing in an environment different from the home base, it's basic form being "exporting". Over time, this may evolve into an operating market rather than a foreign market. One such example is the Preferential Trade Area (PTA) in Eastern and Southern Africa where involved countries can trade inter-regionally under certain common modalities. Another example is the Cold Storage Company of Zimbabwe.

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Case 4.1 Cold Storage Company Of Zimbabwe

The Cold Storage Company (CSC) of Zimbabwe, evolved in 1995, out of the Cold Storage Commission. The latter, for many years, had been the parastatal (or nationalised company) with the mandate to market meat in Zimbabwe. However, the CSC lost its monopoly under the Zimbabwean Economic Reform Programme of 1990-95, which saw the introduction of many private abattoirs. During its monopoly years the CSC had built five modern abattoirs, a number of which were up to European Union rating. In addition, and as a driving force to the building of EU rated abattoirs, the CSC had obtained a 9000 tonnes beef quota in the EU. Most of the meat went out under the auspices of the Botswana Meat Commission. For many years, the quota had been a source of volume and revenue, a source which is still continuing. In this way, the CSC's exporting of beef to the EU is such that the EU can no longer be considered as "Foreign" but an "Operating" market.

In "global marketing" the modus operandi is very different. Organisations begin to develop and run operations in the targeted country or countries outside of the domestic one. In practice, organisations evolve and Table 1.1 oulines a typology of terms which describes the characteristics of companies at different stages in the process of evolving from domestic to global enterprises.

The four stages are as follows :

1. **Stage one :** domestic in focus, with all activity concentrated in the home market. Whilst many organisations can survive like this, for example raw milk marketing, solely domestically oriented organisations are probably doomed to long-term failure.
2. **Stage two :** home focus, but with exports (ethnocentric). Probably believes only in home values, but creates an export division. Usually ripe for the taking by stage four organisations.
3. **Stage three :** stage two organisations which realise that they must adapt their marketing mixes to overseas operations. The focus switches to multinational (polycentric) and adaption becomes paramount.
4. **Stage four :** global organisations which create value by extending products and programmes and focus on serving emerging global markets (geocentric). This involves recognising that markets around the world consist of similarities and differences and that it is possible to develop a global strategy based on similarities to obtain scale economies, but also recognises and responds to cost effective differences. Its strategies are a combination of extension, adaptation and creation. It is unpredictable in behaviour and always alert to opportunities.

There is no time limit on the evolution process. In some industries, like horticulture, the process can be very quick.

Table 4.1 Stages of domestic to global evolution

Management emphasis	*Stage one Domestic*	*Stage two International*	*Stage three Multinational*	*Stage four Global*
Focus	Domestic	Ethnocentric	Polycentric	Geocentric
Marketing strategy	Domestic	Extension	Adaption	Extension
Structure	Domestic	International	Worldwide area	Adaption Creation matrix/mixed
Management style	Domestic	Centralised top down	Decentralised bottom up	Integrated
Manufacturing stance	Mainly domestic	Mainly domestic	Host country	Lowest cost worldwide
Investment policy	Domestic	Domestic used worlwide	Mainly in each host country	Cross subsidization
Performance evaluation	Domestic market share	Against home country market share	Each host country market share	Worldwide

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Factors which have led to interpotentials

There have been many underlying forces, concepts and theories which have emerged as giving political explanation to the development of international trade. Remarkably, despite the trend to world interdependency, some countries have been less involved than others. The USA, for example, has a remarkably poor export record. About 2000 US companies only account for more than 70% of US manufacturer's exports. This has been mainly due to its huge statewide domestic market, which is almost tantamount to "international trade", for example, Californian fruit being sold three thousand kilometres away in New Jersey. Japan has risen fast to dominate the export ranking, with countries of Africa struggling to make a significant mark, mainly because of their emphasis on exporting primary products. This section will briefly examine the forces which have been instrumental in the development of world trade.

Theoretical Approaches

These include the theory of comparative advantage described in the book Wealth of Nations (Adam Smith and David Ricardo), the product trade cycle (Raymond Vernon) and The Business Orientation (Howard Perlmutter).

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The Theory of Comparative Advantage :

The theory can be relatively complex and difficult to understand but stated simply this theory is a demonstration (under assumptions) that a country can gain from trade even if it has an absolute disadvantage in the production of all goods, or it can gain from trade even if it has an absolute advantage in the production of all goods. Even though a country has an absolute production advantage it may be better to concentrate on its comparative advantage. To calculate the comparative advantage one has to compare the production ratios, and make the assumption that the one country totally specialises in one product. To maximise the wellbeing of both individuals and countries, countries are better off specialising in their area of competitive advantage and then trading and exchanging with others in the market place. Today there are a variety of spreadsheets that one can use to calculate comparative advantage, one such is that of the Food and Agriculture Organization (FAO). Calculation of comparative advantage is as follows :

Example :

It may be assumed that Holland is more efficient in the production of flowers than Kenya. Yet Kenya succeeds in exporting thousands of tonnes of flowers to Europe every year. Kenya flower growers Sulmac and Oserian have achieved legendary reputations, in the supply of fresh cut flowers to Europe, How?

Take the simple two country - two product model of comparative advantage. India grows apples and South Africa oranges, these are two products, both undifferentiated and produced with production units which are a mixture of land, labour and capital. To use the same production units South Africa can produce 100 apples and no oranges, and India can produce 80 apples and no oranges. At the other extreme South Africa can produce no apples and 50 oranges and India no apples and 30 oranges. Now if the two countries specialise and trade the position is as follows:

Product	***South Africa***			***India***		
	Production	***Imports***	***Consumers***	***Production***	***Imports***	***Consumers***
Apples (000's)	0	30	30	80	30	50
Oranges (000's)	50	14	36	30	14	44

The trading price is 30:14 = 2.14 apples = 1 oranage

14:30 = 4.67 oranges = 1 apple

So in apples, South Africa has an advantage of 1.25 (100/80) but in oranges 1.67 (50/30). So South Africa should concentrate on the production of oranges

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as its comparative advantage is greatest here. Unfortunately the theory assumes that production costs remain relatively static. However, it is a well known fact that increased volumes result, usually, in lower costs. Indeed, the Boston Consulting Group observed this phenomenon, in the so-called "experience curve" effect concept. And it is not only "production" related but "all experience" related; including marketing. The Boston Consulting group observed that as an organisation gains experience in production and marketing the greater the reduction in costs. The theory of comparative advantage also ignores product and programme differentiation. Consumers do not buy products based only on the lowest costs of production. Image, quality, reliability of delivery and other tangible and non-tangible factors come into play. Kenyans may well be prepared to pay extra for imported French or South African wines, as the locally produced paw paw wine may be much inferior.

The Product Trade Cycle :

The model describes the relationship between the product life cycle, trade and investment (see figure 4.1) and is attributable to Venon[1] (1966)

The international product trade cycle model suggests that many products go through a cycle during which high-income, mass consumption countries which are initial exporters, lose their export markets and finally become importers of the product. At the same time other countries, particularly less developed but not exclusively so, shift from being importers to exporters. These stages are reflected in figure 4.1.

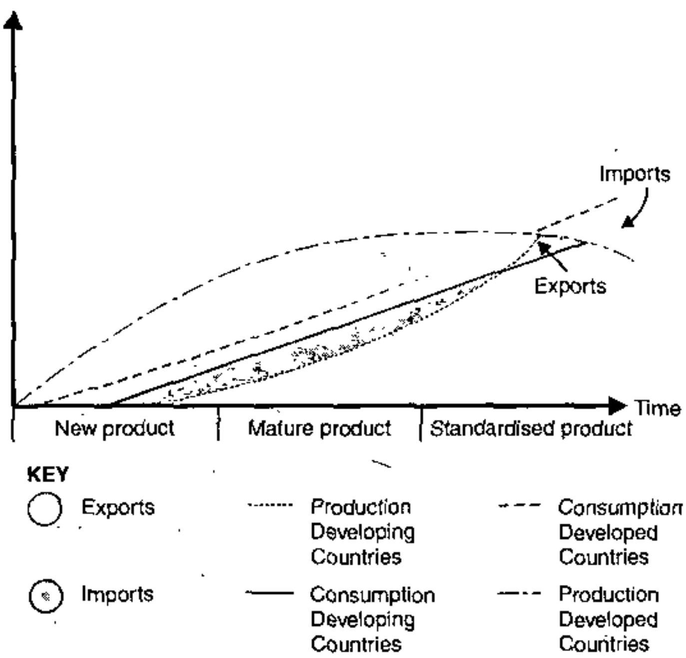

Fig. 4.1. *International product trade cycle.*

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From a high income country point of view phase 1 involves exporting, based on domestic product strength and surplus-to phase 2, when foreign production begins, to phase 3 when production in the foreign country becomes competitive, to phase 4 when import competition begins. The assumption behind this cycle is that new products are firstly launched in high income markets because (a) there is most potential and (b) the product can be tested best domestically near its source of production. Thus new products generally emanate from high income countries and, over time, orders begin to be solicited from lower income countries and so a thriving export market develops. High income country entrepreneurs quickly realise that the markets to which they are selling often have lower production costs and so production is initiated abroad for the new products, so starts the second stage.

In the second stage of the cycle, foreign and high income country production begins to supply the same export market. As foreign producers begin to expand and gain more experience, their competition displaces the high income export production source. At this point high income countries often decide to invest in foreign countries to protect their share. As foreign producers expand, their growing economies of scale make them a competitive source for third country markets where they compete with high income exporters. The final phase of the cycle occurs when the foreign producer achieves such a scale and experience that it starts exporting to the original high income producer at a production cost lower than its original high income producer at a production cost lower than its original high income supplier. High income producers, once enjoying a monopoly in their own market, now face competition at home.

The cycle continues as the production capability in the product extends from other advanced countries to less developed countries at home, then in international trade, and finally, in other advanced countries home markets.

Whilst the underlying assumption behind the International Product Trade Cycle is that the cycle begins with the export of new product ideas from high income countries to low income importers, then low income countries begin production of the product etc., things do not always turn out as the cycle suggests. Sometimes a high or even low income exporter may put a product into a high/low income country which is simply unable to respond.

Orientation of Management :

Perlmutter[1] (1967) identified distinctive "orientations" of managment of international organisations. His "EPRG" scheme identified four types of attitudes or orientations associated with successive stages in the evolution of international operations.

- Ethnocentrism home country orientation - exporting surplus.
- Polycentrism - host country orientation - subsidiary operation.

• Regiocentrism - regional orientation - world market strategies.

• Geocentrism - world orientation - world market strategies.

The latter two are based on similarities and differences in markets, capitalising on similarities to obtain cost benefits, but recognising differences.

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Market Forces and Development

Over the last few decades internationalism has grown because of a number of market factors which have been driving development forward, over and above those factors which have been attempting to restrain it. These include market and marketing related variables.

Many global opportunities have arisen because of the clustering of market opportunities worldwide. Organisations have found that similar basic segments exist worldwide and, therefore, can be met with a global orientation. Cotton, as an ingredient in shirtings, suitings, and curtain material can be globally marketed as natural and fashionable. One can see in the streets of New York, London, Kuala Lumpar or Harare, youth with the same style and brand of basketball shirts or American Football shorts. Coca Cola can be universally advertised as "Adds Life" or appeal to a basic instinct "You can't beat the Feeling" or "Come alive" as with the case of Pepsi. One can question "what feeling?", but that is not the point. The more culturally unbounded the product is, the more a global clustering can take place and the more a standardised approach can be made in the design of marketing programmes.

This standardised approach can be aided and abetted with technology. Technology has been one of the single most powerful driving forces to internationalism. Rarely is technology culturally bound. A new pesticide is available almost globally to any agricultural organisation as long as it has the means to buy it. Computers in agriculture and other applications are used universally with IBM and Macintosh becoming household names. The need to recoup large costs of research and development in new products may force organisations to look at global markets to recoup their investment. This is certainly true of many veterinary products. Global volumes allow continuing investment in R and D, thus helping firms to improve quality. Farm machinery, *for example, requires volume to generate profits for the* development of new products.

Communication and transport are shrinking the global market place. Value added manufacturers like Cadbury, Nestle, Kelloggs, Beyer, Norsk Hydro, Massey Ferguson and ICI find themselves "under pressure" from the market place and distributors alike to position their brands globally. In many cases this may mean an adaption in advertising appeals or massages as well as packaging and instructions. Nestle will not be in a hurry to repeat its disaster *us experience of the "Infant formula" saga, whereby it failed to realise that* the ability to find, boiled water for its preparations, coupled with the litracy

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level to read the instructions properly were not universal phenomenon.

Marketing globally also provides the marketer with five types of "leverage" or "advantages", those of experience, scale, resource utilisation and global strategy. A multi-product global giant like Nestle', with over £10 billion turnover annually, operates in so many markets, buys so much raw material from a variety of outgrowers of different sizes, that its international leverage is huge. If it consume and third of the world's cocoa output annually, then it is in a position to dominate terms. This also has its dangers.

The greatest lift to producers of raw agricultural products has been the almost universal necessity to consume their produce. If one considers the whole range of materials from their raw to value added state there. is hardly a management which cannot be tapped globally. Take, for example oranges. Not only are Brazilian, Israeli, South African and Spanish oranges in demand in their raw state worldwide, but their downstream developments are equally in demand. Orange juice, concentrates, segments and orange pigments are globally demanded. In addition the ancillary products and services required to make the orange industry work, find themselves equally in global demand. So insecticides chemicals machinery, transport services financial institutions, warehousing, packaging and a whole range of other production and marketing services are in demand, many provided by global.............

Of course, many raw materials are at the mercy of world prices, and so many developing countries find themselves at the mercy of supply and demand fluctuations. But this highlights one important global lesson - the need to study markets carefully. Tobacco producing countries of the world are finding this out. With a growing trend away from tobacco products in the west, new markets or increasing volumes into consuming markets have to be prospected and developed. Many agricultural commodities take time to mature. An orange grove will mature after five years. By that time another country may plant or have its trees mature. Unless these developments are picked up by global intelligence the plans for a big profit may be not realised as the extra volume supplied depresses prices. This happened in 1993/94 with the Malawian and Zimbabwean tobacco companies. The unexpected release of Chinese tobacco depressed the tobacco price well below expectations, leaving farms with stock and large interest carrying production loans.

A number of suppliers of agricultural produce can take advantage of "off season" in other countries, or the fact that they produce speciality products. This is the way by which many East African and South American producers established themselves in Europe and the USA respectively. In fact the case of Kenya vegetables to Europe is a classic, covering many of the factors which have just been discussed-improved technology, emerging global segments, shrinking communications gaps and the drive to diversify product ranges.

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Whilst the forces, market and otherwise, have been overwhelming in their push to globalisation, there remain a number of negatives. Many orgnisations have been put off or have not bothered going into global industry due to a variety of factors. Some have found the need to adapt the marketing mix, especially in many not culture bound products, too dauting. Similarity brands with a strong local history may not easily transfer to other markets. National Breweries of Zimbabwe, for example, may not find their Chibuku brand of beer (brewed especially for the locals) an easy transboundary traveller. More often than not sheer management myopia may set in and management may fail to seize the export opportunity although products may be likely candidates. Similarly organisations may refuse to devolve activities to local subsidiaries.

Other negative forces may be created by Governments. Simply by creating barriers to entry, local enterprises may be protected from international competition as well as the local market. This is typical of many developing countries, anxious to get their fledging industries off the ground.

SUMMARY

- Green marketing incorporates a broad range of activities, including product modification, changes to the production process, packaging changes, as well as modifying advertising.
- Green marketing is the process of developing products and services and promoting them to satisfy the customers who prefer products of good quality, performance and convenience at affordable cost, which at the same time do not have a detrimental impact on the environment.
- Green marketing is a vital constituent of the holistic marketing concept.
- Green pricing takes into consideration the people, planet and profit in a way that takes care of the health of employees and communities and ensures efficient productivity.
- Indian Tobacco Company has introduced environmental-friendly papers and boards, which are free of elemental chlorine.
- Consumer awareness can be created by spreading the message among consumers about the benefits of environmental-friendly products.
- Green marketing involves focusing on promoting the consumption of green products.
- The scope of marketing is broadened when the organisation decides to sell across international boundaries, this being primarily due to the numerous other dimensions which the organisation has to account for.

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- Organisations begin to develop and run operations in the targeted country or countries outside of the domestic one.
- Value added manufacturers like Cadbury, Nestle, Kelloggs, Beyer, Norsk Hydro, Massey Ferguson and ICI find themselves "under pressure" from the market place and distributors alike to position their brands globally.

GLOSSARY

- **Green Marketing.** Green marketing is the marketing of products that are presumed to be environmentaly safe.
- **Marketing Mix.** Product, price, place and promotion *i.e.* 4p's called marketing mix.

REVIEW QUESTIONS

1. Define green marketing.
2. What are the benefits of green marketing.
3. Define global marketing.
4. Why green marketing choosen by most marketing.

❑❑❑

UNIT 5 GLOBAL MARKETING—II

NOTES

★ STRUCTURE ★

- Introduction
- Impetus to Global Marketing involvement
- Planning to meet the opportunities and challenges of global marketing
- Internation Environment
- Product Life/Marketin Life Cycle
- Global Marketing advantages and disadvantages
- Retailing in India
- Broad Management
- Broad Architecture
- Techniques
- Challenges
- Summary
- Glossary
- Review Questions

LEARNING OBJECTIVES

After completion of this unit, you should able to :

- Describe impetus to global marketing involvement
- Define Market Life Cycle
- Explain global marketing advantages and disadvantages
- Describe retailing in India
- Define Broad Management

INTRODUCTION

Individuals or organisations may get involved in International Marketing in a rather unplanned way which gives the impetus to more formal and larger operations. This may happen in a number of ways.

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IMPETUS TO GLOBAL MARKETING INVOLVEMENT

Foreign Customers

Unsolicited enquiries through word of mouth, visits, exhibitions, and experience through others may result in orders. This is often typical of small scale organisations.

Importers

Importers may be looking for products unavailable in domestic markets, for example, mangoes in the UK, or products which can be imported on more favourable terms. An example of these is flowers from Kenya to Holland.

Intermedriaties

These may be of four types—domestic based export merchants, domestic based export agents, export management companies or cooperative organisations. These will be expanded on later in this text. Sometimes an intermediary may provide export services in an attempt to reduce their own costs on the export of their own produce by acting as a representative for other organisations. This is called "piggybacking".

Other Sources

These may include banks, export organisations like ZIMTRADE, parastatals like the Kenyan Horticultural Crop Development Authority or even individual executives.

Attitudes as Precursors to Global Involvement

Cavusgil[3] (1984) developed a three stage model of export involvement, based on the fact that the opportunity to export may arise long before exporting behaviours became manifest. See figure 5.1.

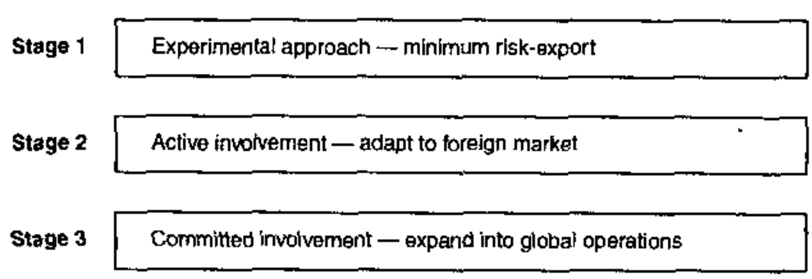

Fig. 5.1. *Cavusgil's three stage model of export involvement.*

According to Cavusgil attitudes are determined by the operating style of the organisation and cultural norms which prevail in the domestic market. An organisation's style may be defensive or prospective. The letter type of organisation may systematically, or in an ad hoc manner, search out international opportunities.

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Culture plays a vital part in the internationalisation process. Hakansson et al[4]. (1982) demonstrated that German and Swedish firms internationalise much earlier in their corporate history than do French or British companies. African culture is not littered with international marketers of note. This may be due to colonialisation late into the twentieth century.

Behaviour as a Global Marketing Impetus

We saw earlier in the internationalisation process that organisations may *evolve from exporting* surplus *or serving* ad hoc enquiries to a more committed global strategy. This gradual change may involve moving from geographically adjacent markets to another, *say, for example from the* Southern African Development Conference (SADC) to Europe. However, not all globalisation takes place like this. In the case of fresh cut flowers, these may go to major, developed country consumer centres, for example from Harare to London or Amsterdam and Frankfurt. Lusaka or Nairobi may never see Zimbabwe flowers. In analysing behaviour one has not to generalise. What is certain, is that in all stages, the balance of opportunity and risk is considered.

The Context of Internationalisation

It is essential to see in what *context individual organisations* view internationlisation. The existing situation of the firm will affect its interest in and ability to internationalise. Such may be the low domestic quality and organisation that a firm could never export. It may not have the resources or the will.

Internationalisation Infrastructure

Johanson and Mattison[5] (1984) have explored the notion of differences in tasks facing organisations which internationalise. In low and high infrastructure situations. "Early *starters" are likely to experiment or* depend on contacts with experienced organisations which know the process. "Late starters" may use existing contacts as a "bridge" to new opportunities. They may also be pressurised by customers, supplies or competitors to get into joint venturing. Joint venturing, with its added infrastructure, may lead to rapid progress. If the organisation faces intense competition then it may be forced to up the pace and scale of foreign investment. Rising protectionism in recent years has given impetus to late starters to establish production facilities in target markets. Infrastructure for foreign operations may also change *(firms also* reduce their investment as well as invest). When this happens the perceived risk changes also.

This discussion on international infrastructure concludes the factors which have led to internationalisation. It is a complex focus of internal and external factors and looking carefully at risk versus opportunities.

PLANNING TO MEET THE OPPORTUNITIES AND CHALLENGES OF GLOBAL MARKETING

In order to take advantage of global opportunities, as well as meet the challenges presented by so doing a number of concepts can be particularly useful. Every organisation needs an understanding of what is involved in "strategy", or else the haphazardness involved in chance exporting can be accepted as the norm with all inherent dangers involved. Also potential exporters need to know what is going on in the global "environment". Just as in domestic marketing "Goverment" "competition", "social" and other factors need to be accounted for, such is the case in international marketing. If one can place products or services at a point on an environmental sensitivity / insensitivity continuum, one can see more clearly the need to account for differences in the marketing mix. By comparing the similarities and differences between domestic and international marketing needs and planning requirements, then the organisation is in a better position to isolate the key factors critical to success. This section examines all these concepts in brief.

Strategy

Whatever business we are in, haphazard organisation often leads to haphazard results. In planning for international marketing organisations need a clear picture of the steps involved. "Strategy" gives such a picture. Strategy is the response of the organisation to the realities of shareholders and the business environment. The phases in the strategy formulation process are given on figure 5.2.

Stake holders, organisational and environmental dimensions and values

↓

SWOT analysis and PEST analysis

↓

Importance, impact, alternative and distinctive competences

↓

Determination of objectives and goals

↓

Product market capability analysis

↓

Development of functional plan and programme

↓

Plan implementation

Fig. 5.2. *Strategy formulation.*

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The Global Environment

Of all the steps in formulating strategy, no one step is as important as the ability to assess the "environment" factors in international marketing. Taking account of cultural, economic and political differences is a must when dealing with different markets. More will be said on these factors in later chapters. Environmental analysis allows the organisation to cluster markets according to similarities and differences, based on the environmental "uncontrollable" factors. The international "uncontrollables" are in addition to the organisation's domestic "uncontrollables" so need to be treated with extra care. Figure 5.3 shows the major environmental factors to be considered. It must be noted that according to the "relationship" marketing school of thought, the so called "incontrollables" can be made more "controllable" by building relationships with the influences of these factors. For example, if an exporter of horticultural produce wishes to be able to anticipate changes in the political environment, it may build a relationship with certain politicians who may have intimate knowledge of the political system. This should not, of course, be misconstrued as "insider information". However, having made this caveat, this text will treat the "incontrollables" in the conventional way.

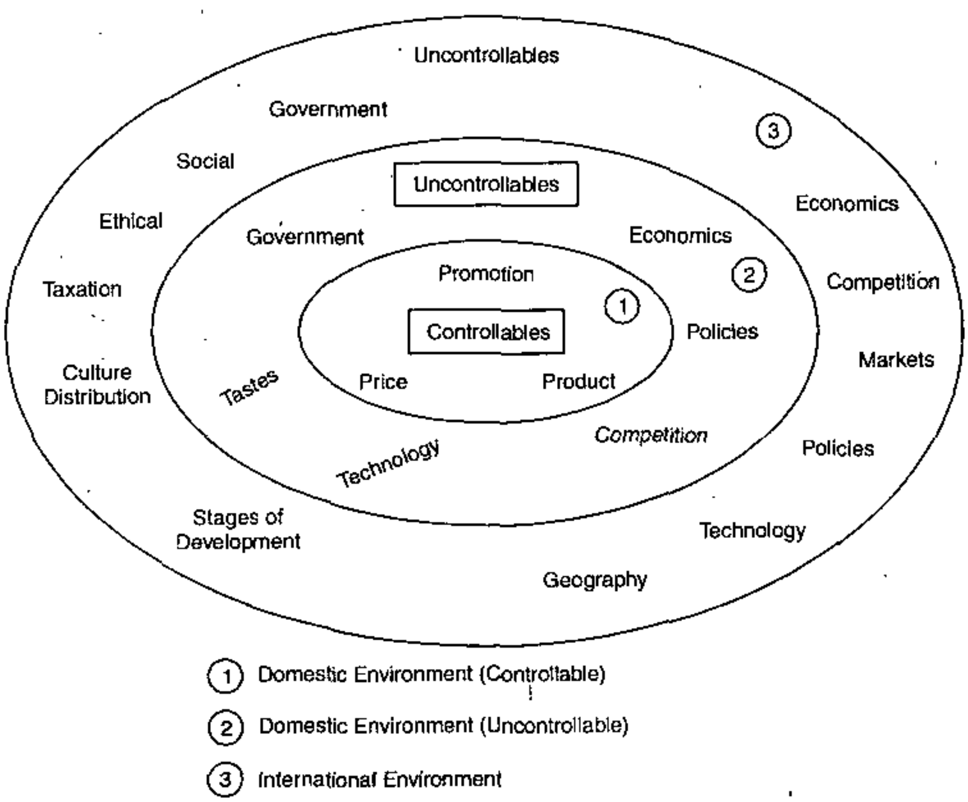

Fig. 5.3. *Foreign "uncontrollables" -in the global macroenvironment.*

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INTERNATIONAL ENVIRONMENT

An analysis of the environmental uncontrollables allows the potential marketers to place products on a continuum of environmental sensitivity. At the one end are environmentally insensitive products and at the other end, those more sensitive to economic, sociocultural, physical and other factors. The greater the sensitivity, the greater the need for the organisation to learn the way the product interacts with the environment. An example is given below (figure 5.4).

Environmental Insentivity				Environmental Sensitivity
←				→
Computers Airplanes Oranges Apple Salt		Beer Soft Drink Tobacco		Ethnic Processed Food Maize Meal
	Tractor		Insecticides Pesticides	

Fig. 5.4. *Environmental sensitivity.*

PRODUCT LIFE/MARKET LIFE CYCLE

Just as in domestic marketing the concept of the Product Life Cycle has often been cited as a useful (but often maligned!) planning concept, so it can be useful in international marketing. Figure 5.5 gives an outline of the Market Life Cycle across international boundaries.

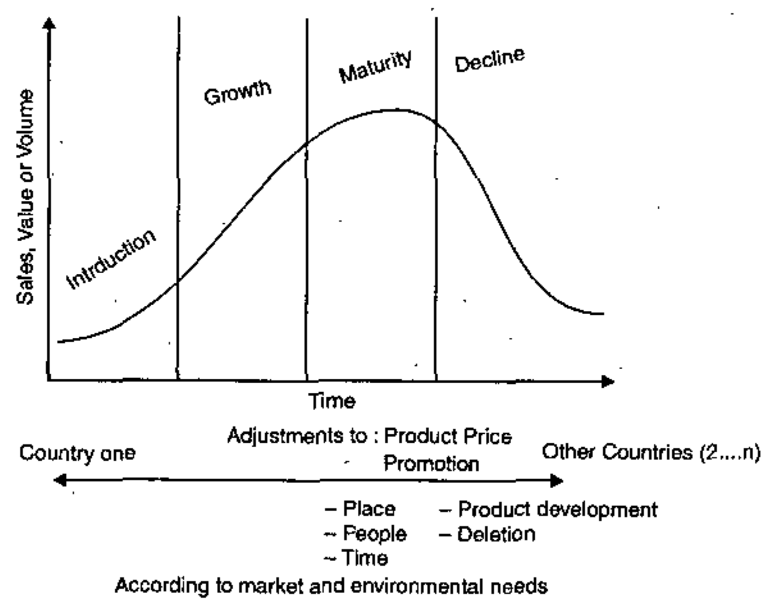

Fig. 5.5. *The product/market life cycle.*

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The traditional four stage life cycle - introduction, growth, maturity, decline is a well documented phenomenon. Attempts are made in the maturity stage to extend the cycle. The market life cycle is very similar and what global marketers have to be wary of is that not all markets are at the same stage globally. It may be appropriate to have tractor mounted ditchers and diggers in Africa or the UK where labour is not too plentiful, but in India, they may be the last thing required where labour is plentiful and very cheap. So the appropriate marketing strategy will be different for each market.

It would be very easy to discuss the global marketing decision as a case of deciding whether to export or standardise or adapt your product / market offering. This is far from the case. Even the smallest nuance of change in the global environment can ruin a campaign or plan. Whilst the above discussion has tended to be theoretical in nature, most of it, if not all of it, is essential in practice. In food marketing systems many transaction and discussions take place across international boundaries. This involves a close look at all the necessary environmental factors. If one considers food marketing as the physical and economic bridge linking raw materials production and consumer purchases then a whole series of interdependent decisions, institutions, resource flows and physical and business activities take place. Food marketing stimulates and supports raw material production, balances commodity supply and demand and stimulates end demand and enhances consumer welfare. This process often transcends several different industries and markets, many of them crossing international boundaries. The product may change form, be graded, packed, transported and necessitate information flows, financial resources, invoice and retailing or wholesaling functions. In addition regardless of normal office hours. Effectively, Internet marketing makes business hours, quality standards designed for producers and transporters may apply as may product improvements. In other words, the bridge may involve a whole set of utilities afforded to the end user (time, place and form), and add value at each stage of the transaction. This system involves numerous imdepedent and interdependent players and activities.

International marketing is, therefore, quite a complex operation, involving both an understanding of the theoretical and practical aspects involved. Prescriptions are totally inappropriate.

This concludes the discussion on the reasoning why internationalism has grown and the next chapter's took more closely at the environmetal factors which have to be taken into account when considering to market internationally.

GLOBAL MARKETING ADVANTAGES AND DISADVANTAGES

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Advantages

- Economies of scale in production and distribution.
- Lower marketing costs.
- Power and scope.
- Consistency in brand image.
- Ability to leverage good ideas quickly and efficiently.
- Uniformity of marketing practices.
- Helps to establish relationships outside of the "political arena".
- Helps to encourage ancillary industries to be set up to cater for the needs of the global player.

The benefits of eMarketing over traditional marketing

Reach

The nature of the internet means businesses now have a truly global reach. While traditional media costs limit this kind of reach to huge multinationals, eMarketing opens up new avenues for smaller businesses, on a much smaller budget, to access potential consumers from all over the world.

Scope

Internet marketing allows the marketer to reach consumers in a wide range of ways and enables them to offer a wide range of products and services. eMarketing includes, among other things, information management, public relations, customer service and sales. With the range of new technologies becoming available all the time, this scope can only grow.

Interactivity

Whereas traditional marketing is largely about getting a brand's message out there, eMarketing facilitates conversations between companies and consumers. With a two way communication channel, companies can feed off of the responses of their consumers, making them more dynamic and adaptive.

Immediacy

Internet marketing is able to, in ways never before imagined, provide an immediate impact. Imagine you're reading your favourite magazine. You see a double-page advert for some new product or service, may be BMW's latest luxury sedan on Apple's latest iPod offering. With this kind of traditional

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media, it's not that easy for you, the consumer, to take the step from hearing about a product to actual acquisition. With eMarketing, it's easy to make that step as simple as possible, meaning that within a few short clicks you could have booked a test drive or ordered the iPod. And all of this can happen 24 hours per day, 7 days per week for every week of the year. By closing the gap between providing information and eliciting a consumer reaction, the consumer's buying cycle is speeded up and advertising spend can go much further in creating immediate leads.

Demographics and targeting

Generally speaking, the demographics of the Internet are a marketer's dream. Internet users, considered as a group, have greater buying power and could perhaps be considered as a population group skewed towards the middle-classes. Buying power is not all though. The nature of the Internet is such that its users will tend to organise themselves into far more focussed groupings. Savvy marketers who know where to look can quite easily find access to the niche markets they wish to target. Marketing messages are most effective when they are presented directly to the audience most likely to be interested. The Internet creates the perfect environment for niche marketing to targeted groups.

Adaptivity and closed loop marketing

Closed Loop Marketing requires the constant measurement and analysis of the results of marketing initiatives. By continuously tracking the response and effectiveness of a campaign, the marketer can be far more dynamic in adapting to consumers' wants and needs. With eMarketing, responses can be analysed in real-time and campaigns can be tweaked continuously. Combined with the immediacy of the Internet as a medium, this means that there's minimal advertising spend wasted on less than effective campaigns. Maximum marketing efficiency from eMarketing creates new opportunities to seize strategic competitive advantages. The combination of all these factors results in an improved ROI and ultimately, more customers, happier customers and an improved bottom line.

Disadvantages

- Differences in *consumer needs, wants,* and usage patterns for products.
- Differences in consumer response to *marketing mix* elements.
- Differences in *brand* and *product development* and the *competitive* environment.
- Differences in the legal environment, some of which may conflict with those of the home market.
- Differences in the institutions available, some of which may call for the creation of entirely new ones (*e.g.* infrastructure).

- Differences in administrative procedures.
- Differences in product placement.

NOTES

RATAILING IN INDIA

The India Retail Report 2009 compiled by research group Images F and R Research is again optimistic about Indian Retail Industry. As per the report, spiralling income and rising economic growth (I don't know where it is) will fuel the growth of industry and it will touch Rs. 18,10,000 crore by 2010. Organized Retail is expected to constitute 13% of it *i.e.* Rs. 2,30,000 crore. The report says that though people are perceiving that organized retail will hit mom and pop format hard, but modernizing retail will generate employment for 15 million people in different activities.

The report is based on rising economic growth rate of 8-9 per cent and a hike in average salaries by about 15 per cent which may trigger the rate of consumption. But with subprime crisis in US, Indian companies are also affected in big way, and even stock market is suffering. We hear news of cost cutting and layoffs daily. So, I don't know how far it is right to believe growth rate of 8-9% and hike of 15%.

Food and grocery dominated the retail segment with 59.5 per cent share valued at Rs 7,92,000 crore, followed by clothing and accessories with a 9.9 per cent share at Rs 1,31,330 crore.

The Indian retail market, which is the fifth largest retail destination globally, has been ranked the second most attractive emerging market for investment after Vietnam in the retail sector by AT Kearney's seventh annual Global Retail Development Index (GRDI), in 2008. The share of retail trade in the country's gross domestic product (GDP) was between 8–10 per cent in 2007. It is currently around 12 per cent, and is likely to reach 22 per cent by 2010.

A McKinsey report 'The rise of Indian Consumer Market', estimates that the Indian consumer market is likely to grow four times by 2025. Commercial real estate services company, CB Richard Ellis' findings state that India's retail market is currently valued at US$ 511 billion.

Banks, capital goods, engineering, fast moving consumer goods (FMCG), software services, oil marketing, power, two-wheelers and telecom companies are leading the sales and profit growth of India Inc in the fourth quarter of 2008-09. India continues to be among the most attractive countries for global retailers. At US$ 511 billion in 2008, its retail market is larger than ever and drawing both global and local retailers. Foreign direct investment (FDI) inflows as on January 2009, in single-brand retail trading, stood at approx. US$ 25.18 million, according to the Department of Industrial Policy and Promotion (DIPP).

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India's overall retail sector is expected to rise to US$ 833 billion by 2013 and to US$ 1.3 trillion by 2018, at a compound annual growth rate (CAGR) of 10 per cent. As a democratic country with high growth rates, consumer spending has risen sharply as the youth population (more than 33 per cent of the country is below the age of 15) has seen a significant increase in its disposable income. Consumer spending rose an impressive 75 per cent in the past four years alone. Also, organised retail, which accounts for almost 5 per cent of the market, is expected to grow at a CAGR of 40 per cent from US$ 20 billion in 2007 to US$ 107 billion by 2013.

India has emerged the third most attractive market destination for apparel retailers, according to a new study by global management consulting firm AT Kearney. It further says that in India, apparel is the second largest retail category, representing 10 per cent of the US$ 37 billion retail market. It is expected to grow 12-15 per cent per year. Apparel, along with food and grocery, will lead the organised retailing in India. India has one of the largest numbers of retail outlets in the world. A report by Images Retail estimates the number of operational malls to grow more than two-fold, to cross 412, with 205 million square feet by 2010, and a further 715 malls to be added by 2015, with major retail developments even in tier-II and tier-III cities in India.

- Marks and Spencer Reliance India is planning to open 35 more stores over the next five years, according to Mark Ashman, CEO of the company. The 51:49 joint venture between UK's Marks and Spencer and Reliance Retail Ltd already has 15 stores in India.
- Future Group has been restructured to test the new rules on FDI under Press Notes 2, 3 and 4 issued in February 2009. The company plans to bring in up to US$ 148.7 million in foreign investment. Although FDI is permitted only in single-brand retail and not permitted in multi-brand retail businesses like Future Group's, the conglomerate has created two layers of operations to take advantage of the three Press Notes that allow FDI up to 49 per cent in operating-cum-investment companies as long as they are owned and controlled by Indians.
- Carrefour SA, Europe's largest retailer, may start wholesale operations in India by 2010 and plans to set up its first cash-and-carry outlet in the National Capital Region. Currently, Carrefour exports goods worth US$ 170 million from India to Europe, UAE, Indonesia, Europe, Thailand, Singapore and Malaysia.

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- Jewellery manufacturer and retailer, Gitanjali Group and MMTC are jointly setting up a chain of exclusive retail outlets called Shuddi–Sampurna Vishwas. The joint venture, which plans to open around 60 stores across India by end of this year, will retail hallmarked gold and diamond jewellery.
- Mahindra Retail, a part of the US$ 6.7-billion Mahindra Group, plans to invest US$ 19.8 million by 2010 to step up its specially retail concept 'Mom and Me'.

Policy Initiatives

100 per cent FDI is allowed in cash-and-carry wholesale formats. Franchisee arrangements are also permitted in retail trade.

51 per cent FDI is allowed in single-brand retailing.

Road Ahead

According to industry experts, the next phase of growth is expected to come from rural markets, with rural India accounting for almost half of the domestic retail market, valued over US$ 300 billion. Rural India is set to witness an economic boom, with per capita income having grown by 50 per cent over the last 10 years, mainly on account of rising commodity prices and improved productivity.

According to retail and consumer products division, E and Y India, basic infrastructure, generation of employment guarantee schemes, better information services and access to funding are also bringing prosperity to rural households. The rural market, product design will need to go beyond ideas like smaller sizes (such as single use sachets) to create genuinely new products, according to Ramesh Srinivas, national industry director (consumer markets), KPMG India.

According to the Investment commision of India, the overall retail market is expected to grow from US$ 262 billion to about US$ 1065 billion by 2016, with organised retail at US$ 165 billion (approximately 15.5 per cent of total retail sales). India is expected to be among the top 5 retail markets in the world in 10 years.

According to new market research report by RNCOS titled, "Booming Retail Sector in India", organised retail market in India is expected to reach US$ 50 billion by 2011.

- Number of shopping malls is expected to increase at a CAGR of more than 18.9 per cent from 2007 to 2015.
- Rural market is projected to dominate the retail industry landscape in India by 2012 with total market share of above 50 per cent.
- Organised retailing of mobile handset and accessories is expected to reach close to US$ 990 million by 2010.

- Driven by the expanding retail market, third party logistic market is forecasted to reach US$ 20 billion by 2011.

Exchange rate used: 1 USD = 50. 5047 INR

NOTES

Brand Management is the application of *marketing* techniques to a specific *product, product line,* or *brand*. It seeks to increase the product's perceived value to the customer and thereby increase brand franchise and *brand equity*. Marketers see a brand as an implied promise that the level of *quality* people have come to expect from a brand will continue with future purchases of the same product. This may increase sales by making a comparison with competing products more favourable. It may also enable the manufacturer to charge more for the product. The value of the brand is determined by the amount of profit it generates for the manufacturer. This can result from a combination of increased sales and increased price, and/or reduced COGS (cost of goods sold), and/or reduced or more efficient marketing investment. All of these enhancements may improve the profitability of a brand, and thus, "Brand Managers" often carry *line-management* accountability for a brand's P and L (*Profit and Loss*) profitability, in contrast to marketing *staff* manager roles, which are allocated budgets from above, to manage and execute. In this regard, Brand Management is often viewed in organizations as a broader and more strategic role than Marketing alone.

Principles

A good brand should :

- be protected (or at least protectable) under trademark law.
- be easy to pronounce.
- be easy to remember.
- be easy to recognize.
- be easy to translate into all languages in the markets where the brand will be used.
- attract attention.
- suggest product benefits (*e.g.* : *Easy-Off*) or suggest usage (note the tradeoff with strong trademark protection.)
- suggest the company or product *image*.
- distinguish the product's *positioning* relative to the competition.
- be attractive.
- stand out among a group of other brands.

STUDENT ACTIVITY

1. Define brand equity.

2. What is the difference between individual branding?

TYPES OF BRANDS

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A number of different types of brands are recognized. A "premium brand" typically costs more than other products in the same category. An "economy brand" is a brand *targeted* to a high *price elasticity market segment*. A "fighting brand" is a brand created specifically to counter a competitive threat. When a company's name is used as a product brand name, this is referred to as *corporate branding*. When one brand name is used for several related products, this is referred to as *family branding*. When all a company's products are given different brand names, this is referred to as *individual branding*. When a company uses the *brand equity* associated with an existing brand name to introduce a new product or *product line*, this is referred to as "brand leveraging." When large *retailers* buy products in bulk from manufacturers and put their own brand name on them, this is called *private branding, store brand*, white labelling, *private label* or own brand (UK). Private brands can be differentiated from "manufacturers' brands" (also referred to as "national brands"). When different brands work together to market their products, this is referred to as "co-branding". When a company sells the rights to use a brand name to another company for use on a non-competing product or in another geographical area, this is referred to as "brand licensing." An "employment brand" is created when a company wants to build awareness with potential candidates. In many cases, such as *Google*, this brand is an integrated extension of their customer.

BRAND ARCHITECTURE

The different brands owned by a company are related to each other via brand architecture. In "product brand architecture", the company supports many different product brands with each having its own name and style of expression while the company itself remains invisible to consumers. Procter and Gamble, considered by many to have created product branding, is a choice example with its many unrelated consumer brands such as Tide, Pampers, Ivory and Pantene.

With "endorsed brand architecture", a mother brand is tied to product brands, such as The Courtyard Hotels (product brand name) by Marriott (mother brand name). Endorsed brands benefit from the standing of their mother brand and thus save a company some marketing expense by virtue promoting all the linked brands whenever the mother brand is advertised.

The third model of brand architecture is most commonly referred to as "corporate branding". The mother brand is used and all products carry this name and all advertising speaks with the same voice. A good example of this brand architecture is the UK-based conglomerate Virgin. Virgin brands all its businesses with its name (*e.g.,* Virgin Megastore, Virgin Atlantic, Virgin Brides) and uses one style and logo to support each of them.

TECHNIQUES

Companies sometimes want to reduce the number of brands that they market. This process is known as "Brand rationalization." Some companies tend to create more brands and product variations within a brand than *economies of scale* would indicate. Sometimes, they will create a specific service or product brand for each market that they target. In the case of product branding, this may be to gain retail shelf space (and reduce the amount of shelf space allocated to competing brands). A company may decide to rationalize their portfolio of brands from time to time to gain production and marketing efficiency, or to rationalize a brand portfolio as part of corporate restructuring.

A recurring challenge for brand managers is to build a consistent brand while keeping its message fresh and relevant. An older brand identity may be misaligned to a redefined target market, a restated corporate *vision statement*, revisited *mission statement* or values of a company. Brand identities may also lose resonance with their target market through demographic evolution. *Repositioning* a brand (sometimes called *rebranding*), may cost some brand equity, and can confuse the target market, but ideally, a brand can be repositioned while retaining existing brand equity for leverage.

Brand orientation is a deliberate approach to working with brands, both internally and externally. The most important driving force behind this increased interest in strong brands is the accelerating pace of globalization. This has resulted in an ever-tougher competitive situation on many markets. A product's superiority is in itself no longer sufficient to guarantee its success. The fast pace of technological development and the increased speed with which imitations turn up on the market have dramatically shortened *product lifecycles*. The consequence is that product-related *competitive advantages* soon risk being transformed into competitive prerequisites. For this reason, increasing numbers of companies are looking for other, more enduring, competitive tools – such as brands. Brand Orientation refers to "the degree to which the organization values brands and its practices are oriented towards building brand capabilities."

CHALLENGES

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There are several challenges associated with setting objectives for a *brand* or *product* category.

- Brand managers *sometimes limit themselves to setting* financial and market performance objectives. They may not question strategic objectives if they feel this is the responsibility of senior management.
- Most product level or brand managers limit themselves to setting short-term objectives because their compensation packages are designed to reward short-term behaviour. Short-term objectives should be seen as milestones towards long-term objectives.
- Often product level managers are not given enough information to construct strategic objectives.
- It is sometimes difficult to translate corporate level objectives into brand- or product-level objetives. *Changes in shareholders' equity are easy for a* company to calculate. It is not so easy to calculate the change in shareholders' equity that can be attributed to a product or category. More complex *metrics* like changes in the net present value of shareholders' equity are even more difficult for the product manager to assess.
- In a diversified company, the objectives of some brands may conflict with those of other brands. Or worse, corporate objectives may conflict with the specific needs of your brand. This is particularly true in regard to the *trade-off* between stability and riskiness. Corporate objectives must be broad enough that brands with high-risk products are not constrained by objectives set with *cash cows* in mind (see *B.C.G. Analysis*). The brand manager also needs to know senior management's harvesting strategy. If corporate management intends to invest in brand equity and take a long-term position in the market (*i.e. penetration* and growth strategy), it would be a mistake for the product manager to use short-term cash flow objectives (*i.e. price skimming* strategy). Only when these conflicts and tradeoffs are made explicit, is it possible for all levels of objectives to fit together ina coherent and mutually supportive manner.
- Brand managers sometimes set objectives that optimize the performance of their unit rather than optimize overall corporate performance. This is particularly true where compensation is based primarily on unit performance. Managers tend to ignore potential *synergies and inter-unit* joint processes.
- Brands are sometimes criticized within social media web sites and this must be monitored and managed.

NOTES

The term *customer loyalty* is used to describe the behaviour of repeat customers, as well as those that offer good ratings, reviews, or testimonials. Customer loyalty describes the **tendency of a customer to choose** one business or product over another for a particular need. In the packaged goods industry, customers may be described as being "brand loyal" because they tend to choose a certain brand of soap more often than others. Note the use of the word "choose" though; customer loyalty becomes evident when choices are made and actions taken by customers. Customers may express high satisfaction levels with a company in a survey, but satisfaction does not equal loyalty. Loyalty is demonstrated by the actions of the customer; customers can be very satisfied and still not be loyal.

Some customers do a particular company a great service by offering favourable word of mouth publicity regarding a product, telling friends and family, thus adding them to the number of loyal customers. However, customer loyalty includes much more. It is a process, a program, or a group of programs geared toward keeping a client happy so he or she will provide more business.

Customer loyalty can be achieved in some cases by offering a quality product with a firm guarantee. Customer loyalty is also achieved through free offers, coupons, low *interest rates* on financing, high value trade-ins, extended warranties, rebates, and other rewards and incentive programs. The ultimate goal of customer *loyalty programs* is happy customers who will return to purchase again and persuade others to use that company's products or services. This equates to profitability, as well as happy stakeholders.

Customer Loyalty has become a catch-all term for the end result of many marketing approaches where customer data is used. You can say *Relationship Marketing* or *Database Marketing* or *Permission Marketing* or *CRM*, and what you are really talking about is trying to increase customer loyalty - getting customers to **choose** to buy or visit more. Increased customer loyalty is the end result, the desired benefit of these programs. All of the above approaches have two elements in common - they increase both *customer retention* and the *Life Time Value* of customers.

Customer loyalty is **the result** of well-managed *customer retention* programs; customers who are targeted by a retention program demonstrate higher loyalty to a business. All customer retention programs rely on **communicating with customers**, giving them encouragement to remain active and choosing to do business with a company.

Customer loyalty may be a one-time program or incentive, or an ongoing group of programs to entice conumers. Buy-one-get-one-free programs are very popular, as are purchases that come with rebates or free gifts. Another good incentive for achieving customer loyalty is offering a risk free trial period for a product or service. Also known as *brand name loyalty*, these types of incentives are meant to ensure that customers will return, not only to buy the same product again and again, but also to try other products or services offered by the company.

NOTES

Excellent customer service is another key element in gaining customer loyalty. If a client has a problem, the company should do whatever it takes to make things right. If a product is faulty, it should be replaced or the customer's money should be refunded. This should be standard procedure for any reputable business, but those who wish to develop customer loyalty on a large-scale basis may also go above and beyond the standard. They may offer even more by way of free gifts or discounts to appease the customer.

SUMMARY

- Johanson and Mattison[5] (1984) have explored the notion of differences in tasks facing organisations which internationalise.
- An analysis of the environmental uncontrollables allows the potential marketers to place products on a continuum of environmental sensitivity.
- The traditional four stage life cycle - introduction, growth, maturity, decline is a well documented phenomenon.
- Food marketing stimulates and supports raw material production, balances commodity supply and demand and stimulates end demand and enhances consumer welfare.
- Internet marketing is able to, in ways never before imagined, provide an immediate impact.
- India's overall retail sector is expected to rise to US$ 833 billion by 2013 and to US$ 1.3 trillion by 2018, at a compound annual growth rate (CAGR) of 10 per cent.
- A "premium brand" typically costs more than other products in the same category.
- A "fighting brand" is a brand created specifically to counter a competitive threat.
- When a company uses the *brand equity* associated with an existing brand name to introduce a new product or *product line*, this is referred to as "brand leveraging."
- Brand managers sometimes limit themselves to setting financial and market performance objectives.

- The term *customer loyalty* is used to describe the behaviour of repeat customers, as well as those that offer good ratings, reviews, or testimonials.

NOTES

GLOSSARY

- **Brand Management.** The marketing technique to a specific product, product line or brand.
- **Co-branding.** When different brand, work together to market their production, is called 'co-branding'.
- **Family branding.** When one brand name is used for several related product, this refers to family branding.

REVIEW QUESTIONS

1. Define Brand ?
2. Discuss the retaling in India ?
3. What are the advantage and disadvantage of global marketing.
4. What do you understand by brand management ?

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