MARKETING MANAGEMENT-II

M.Com. (Accountancy/ Banking) Semester-II

Paper-II

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M.COM: Marketing Management-II

Reprint : 2021

No. of Copies

Published by

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Centre for Distance Education

Acharya Nagarjuna University

Nagarjuna Nagar-522510

Printed at

FOREWORD

Since its establishment in 1976, Acharya Nagarjuna University has been forging ahead in the path of progress and dynamism, offering a variety of courses and research contributions. I am extremely happy that by gaining 'A' grade from the NAAC in the year 2016, Acharya Nagarjuna University is offering educational opportunities at the UG, PG levels apart from research degrees to students from over 443 affiliated colleges spread over the two districts of Guntur and Prakasam.

The University has also started the Centre for Distance Education in 2003-04 with the aim of taking higher education to the door step of all the sectors of the society. The centre will be a great help to those who cannot join in colleges, those who cannot afford the exorbitant fees as regular students, and even to housewives desirous of pursuing higher studies. Acharya Nagarjuna University has started offering B.A., and B.Com courses at the Degree level and M.A., M.Com., M.Sc., M.B.A., and L.L.M., courses at the PG level from the academic year 2003-2004 onwards.

To facilitate easier understanding by students studying through the distance mode, these self-instruction materials have been prepared by eminent and experienced teachers. The lessons have been drafted with great care and expertise in the stipulated time by these teachers. Constructive ideas and scholarly suggestions are welcome from students and teachers involved respectively. Such ideas will be incorporated for the greater efficacy of this distance mode of education. For clarification of doubts and feedback, weekly classes and contact classes will be arranged at the UG and PG levels respectively.

It is my aim that students getting higher education through the Centre for Distance Education should improve their qualification, have better employment opportunities and in turn be part of country's progress. It is my fond desire that in the years to come, the Centre for Distance Education will go from strength to strength in the form of new courses and by catering to larger number of people. My congratulations to all the Directors, Academic Coordinators, Editors and Lesson- writers of the Centre who have helped in these endeavours.

Prof. P. Raja Sekhar
Vice-Chancellor (FAC)
Acharya Nagarjuna University

MARKETING MANAGEMENT-II
SYLLABUS

1.PRICING AND PRICING STRATEGIES: Concept – Importance – Objectives – Factors influencing Pricing strategies and policies: Geographic pricing – Skimming and penetration pricing – Unit pricing – Price line – Resale price maintenance – Leader presiding – Psychological pricing – Price Vs. Non-price competition.

2. PLACING PRODUCTS: Marketing Channels: Nature – Functions – Levels – Types of Channel flows – Channel behaviour – Channel design decisions – Channel management – Channel conflict decisions.

3. PROMOTION PRODUCTS:Advertising: Objectives setting – Budget Decision – Message decision Advertising evolution – Sales Promotion: Decisions in Sales Promotion – Sales promotions tools – pre-testing. – Publicity: Objectives – Decisions – Evolution – Personal Selling.

4.MARKETING CONTROL: Marketing Control : Annual Plan control – Strategic control – Profitability control – Marketing audit – Assessing information needs – Developing information needs – Marketing intelligence – Information systems – Marketing Research – Distinction with marketing assessments.

5.MARKETING IN NON-BUSINESS ORGANISATIONS: Nature – Scope – Non-Business attitudes towards marketing – Role of marketing in service sector – Organisation Marketing – Place marketing – Person marketing – Idea marketing.

SUGGESTED READINGS:

1. Gandhi J.C. “Marketing – A Managerial Introduction” Tata McGraw – Hill Publishing Co. Ltd., New Delhi, 1989.
2 Stantor, J. William and Futrell, Charles “Fundamentals of Marketing “ (8th Edn.) McGraw Hill International Editions, 1987.
3. Kotler, Philip “Principles of Marketing” (3rd Edn.) Prentice hall of India Pvt. Ltd, New Delhi, 1987.
4. Mandell, I. Maurice and Rosenberg, J. Larry “Marketing (2nd Edn) Prentice Hall of India, New Delhi, 1987.
5. Amarchand D. and Varadharajan B. “An Introduction to Marketing” Vikas Publishing House Pvt Ltd, New Delhi, 1986.
6. Jha and Shah “Marketing Management in Indian Perspective” Himalaya Publishing House, New Delhi, 1986.
7. Taylor, Jr., L. Jack and Robb, F. James “Fundamentals of Marketing: Additional Dimensions” (Selections from the Literature) (2nd Edn) Tata McGraw Hill Publishing Company Pvt. Ltd, New Delhi, 1978.
8. Britt, Steuart Handerson and Boyd, Jr. Harper. W. “Marketing Management and Administrative Action” (4th Edn.) McGraw Hill Kogakuso Ltd., International Student Edn. 1978.

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Model Question Paper

M.Com. (Accountancy/ Banking)

Semester-II

Paper–II: Marketing Management-II

Time : Three hours Maximum : 70 marks

SECTION A — (4 × 5 = 20 marks)

Answer any FOUR of the following

1. a. Distinguish between skimming pricing and penetration pricing with examples.
   b. Channel conflict
   c. Classify the different advertising objectives and explain DAGMAR method.
   d. Ex[lain the distinct stages of personal selling evolution
   e. Essentials of Good Marketing Information System
   f. Limitations of Marketing Research
   g. Marketing mix strategies in services sector
   h. Concepts of organisation, person, place and idea marketing

SECTION B — (5 × 10 = 50 marks)

Answer All of the following.

2. a. What are the factors that should be considered while making pricing decisions?

(or)

b. "One of the major assets of a firm is its channel of distribution" Discuss.

3.a. What are the different methods of advertising evaluation?

(or)

b. Explain the sales promotion objectives and tools?

4. a. Define Marketing control. Explain the process of marketing control?

(or)

b. What are the various techniques of marketing control?

5. a. Define Marketing Information system. Explain the need for Marketing Information system.

(or)

b. Define Marketing Research. Explain the steps involved in marketing research.?

6. a. Define Services marketing. What are the reasons for the growth of services marketing in India..

(or)

b. Write an essay on social marketing and its application in India.

MARKETING MANAGEMENT-II

CONTENTS

Lesson - I

PRICING DECISIONS

OBJECTIVES

After studying this lesson, you should be able to :

- explain the meaning and significance of pricing in marketing decisions.
- identify the pricing objectives of different firms.
- analyse the factors influencing pricing decision.
- understand different pricing policies and strategies adopted by marketers.
- learn the concepts of price Vs non-price competition and resale price maintenance.

STRUCTURE

1.1 INTRODUCTION

Pricing constitutes one of the four Ps of marketing. The marketing process cannot be consummated without the mechanism of pricing. The right pricing strategy can optimise the revenue and thus maximise the profits. Pricing is the only element in marketing mix that generates revenue. Other elements namely, product, distribution and promotion are cost factors.

Till now, many firms had no problem in getting their products accepted at their price levels. It is because they were in protected market and the customers had no choice except to buy from very limited number of sellers. But in the post liberalisation era, most firms find themselves caught in a price war. The marketing war between Hindustan Lever and Nirma also brings to the fore dilemmas that marketers confront in pricing their products.

Economists define price as the exchange value of a product or service expressed in money. From the customer's point of view, it represents sacrifice and hence it is the perceived value of the product. From the marketer's view point, price is the amount charged for the product including any guarantees, delivery, discounts, services or other items that are part of the conditions of sale and are not paid separately.

Unlike product and distribution decisions, the pricing decisions can be changed quickly. According to Philip Kotler, "..... price competition is the number-one problem facing companies. Yet many companies do not handle pricing well. The most common mistakes are these; Pricing is too cost oriented; price is not revised often enough to capitalise on market changes; price is set independent of the rest of the marketing mix rather than as an intrinsic element of market-positioning strategy; and price is not varied enough for different product items, market segments, and purchase occasions."

1.2 FACTORS INFLUENCING PRICING

The marketer has to consider many factors in setting the pricing policy. Philip Kotler described it as a six-step procedure consisting of the following steps (Figure 1.1) :

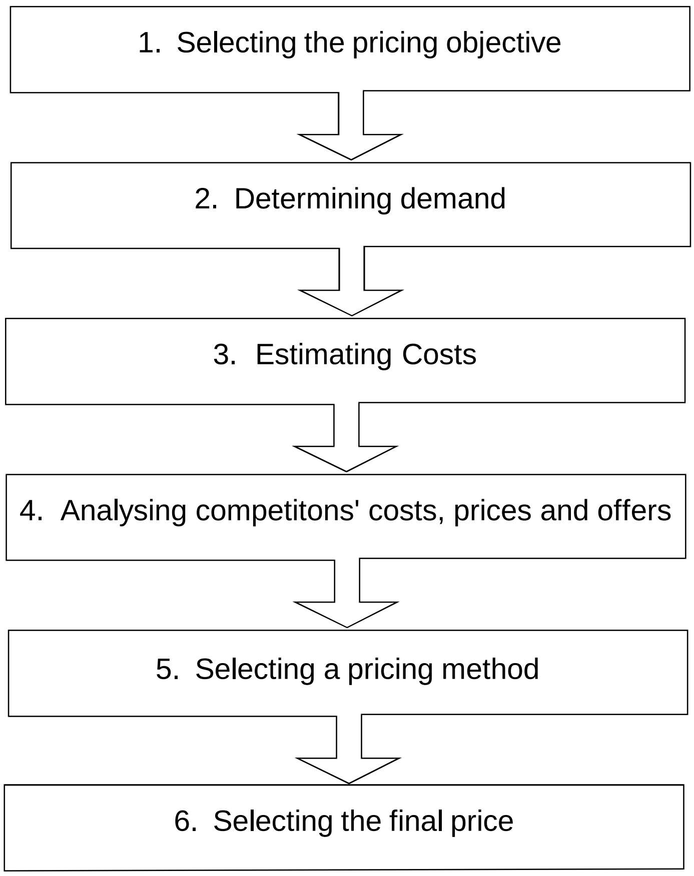


Figure 1.1. Factors Influencing Pricing

1. selecting the pricing objective;
2. determining demand;
3. estimating costs;
4. analysing competitiors' costs, prices, and offers;
5. selecting a pricing method; and
6. selecting the final price.

Selecting the Pricing Objective

Some of the objectives are long-run, while others are short-run. In fact, pricing strategies emanate from the pricing objectives. A firm can pursue any of the five major objectives through pricing; survival, maximum current profit, maximum market share, maximum market skimming, or product-quality leadership.

But no firm can remain satisfied with a single objective in pricing. V. S. Ramaswamy and S. Namakumari listed the following objectives which the firms sought to achieve through pricing:

- Profit maximisation in the short term,
- Profit optimisation in the long term,
- A minimum return on investment,
- A minimum return on sales turnover,
- Target sales volume,
- Target market share,
- Deeper penetration of the market and finding new markets,
- Target profit on the entire product line irrespective of profit level in individual products,
- Keeping competition out, or keeping it under check,
- Keeping parity with competition,
- Fast turn around and early cash recovery,
- Stabilising prices and margins in the market,
- Providing the commodities at prices affordable by weaker sections,
- Providing the commodities/services at prices that will stimulate economic development in the country,

Determining Demand

The marketer has to estimate demand at different price levels. For some products the demand is inelastic to price changes. For example, food and other essential commodities belong to this product group. But, for most of the branded products, the demand is elastic. The marketer has to examine what affects price sensitivity. Nagle has idetified nine factors that contribute to price sensitivity. They are:

Unique Value Effect: More unique the product, lower is the price sensitivity.

Substitute Awareness Effect : Buyers' price sensitivity will be high, if they are aware of substitutes.

Difficult Comparison Effect : Price sensitivity will be low if the buyer has difficulty comparing two alternatives.

Total Expenditure Effect: If the expenditure on the product represents a low proportion of the consumer income, then the price sensitivity will be less visible for such a product.

End-Benefit Effect : Buyers are less price sensitive where the expenditure on the product is low compared to the total cost of the end product.

Shared Cost Effect : If the cost of the product is shared by another party, the buyer will be less prone to price sensitivity.

Sunk Investment Effect : Price sensitivity is low in products which are used along with assets previously bought.

Price Quality Effect : Higher the perceived quality of the product, lower the price sensitivity.

Inventory Effect: If the product cannot be stored, the buyer will be less price sensitive.

Estimating Costs

It is important to estimate the costs of manufacturing and marketing the product. Different firms, within the same industry, operate at different levels of efficiency reflecting their cost structure. More the quantity produced, lower is the cost. The firm can pass this benefit to the customers in the form of lower prices. Many market leaders use this strategy.

Some costs do not change over the production volumes (e.g. rents, salaries, depreciation, R & D cost). These costs are called fixed costs. Certain costs vary directly in proportion to the volume of the product produced. These are raw material and wages. Such costs are called variable costs.

Analysing Competitors' Costs, Prices, and Offers

Competition affects price decisions. The firm has to examine competitors' costs, prices and competitive reactions to a price change.

Philip Kotler summarises the three Cs - the customers' demand schedule, the cost function, and competitors' prices in the form of three Cs model for price setting. Costs set a floor to the price. Competitors' prices and the price of substitutes provide an orienting point. Customers' assessment of unique product features establishes the ceiling price. (Figure 1.2)

High Price No Possible demand at this price
Customers' assessment of Unique product features Competitors' prices and prices of stubstitutes Costs
Low Price (No Possible Profit at this Price)

Figure 1.2. The three Cs Model for Price Setting.

Selecting a Pricing Method

Marketing managers follow certain techniques of setting price. We will examine these techniques in brief :

Full Cost or Mark Up Pricing : The marketer estimates the total cost of producing the product and then adds to it a mark up that the firm wants. This is the most elementary pricing method. This method ensures the firm to make a profit. But, it does not consider the value perception of the customer and the competitors' reaction.

Marginal Cost Pricing : In this method, the company works on the premise of recovering its marginal cost and getting a contribution towards its overheads. As long as the firm is able to recover this cost and get a contribution towards its overheads, it is an acceptable pricing method.

Going-Rate Pricing : This method is competition-oriented. This method is generally used in an oligopolistic market. Despite its advantage of preventing price wars, the method suffers from certain limitations. It is not always true that a decision taken in collective wisdom is the best.

Sealed - Bid Pricing : This is another form of competitive-oriented pricing. Here, the suppliers are asked to submit their quotations, as a part of a tender.

Perceived-value Pricing : Many marketers price their offerings on the basis of customers' perception of their value. This method takes into account the overall marketing strategy and the positioning strategy. Marketing research will play an important role here.

SELECTING THE FINAL PRICE

While selecting the price, the marketer must consider the following additional factors :

- The final price is influenced by other marketing mix variables such as quality of the product, product features (e.g., packaging, size, guarantee, service), promotion effort, distribution channels used and margins offered to distributors.
- The product's price must be consistent with the pricing policies of the firm.
- The company should also consider the reactions of certain groups such as distributors, suppliers, salesmen, competitors and government to the contemplated price.

1.3 PRICING POLICIES AND STRATEGIES

Having considered the factors affecting the pricing decisions, let us now examine different pricing policies and strategies adopted by the marketers.

Skimming Pricing

This involves setting up of high initial price for the new product. In other words, it is a premium price strategy. This pricing delivers results under the following situations:

i) When the target market associates quality of the product with its price;

ii) When the product is intended for high-income customer group;

iii) When the product is a really innovative one for which competition is weak.

Here, the firm's objective is to achieve an early break even point.

Penetration Pricing

As the name suggests, penetration pricing seeks to achieve greater market penetration through relatively low prices. This is an effective pricing strategy:

i) When the product is an imitative one for which there is a strong competition.

ii) When the market is very price sensitive,

iii) When the size of the market is large and a growing one.

Nirma Chemicals adopted penetration pricing stragegy in the case of its washing powder. Of late, Anchor toothpaste employed this strategy as an entry strategy.

Skimming Vs penetration pricing strategies are often known as new product pricing strategies.

Geographical Pricing

Here, the company has to decide how to price its products to different customers in different locations. For instance, should the company charge higher prices to distant customers to cover the additional transportation costs. In geographic pricing, a firm may charge a premium in one market and penetration price in another. Pricing policies may be evolved whereby the buyer pays all the freight, the seller bears the entire costs, or the two parties share the expense.

Discounts

Discount is an allowance made to the buyers. Discount can be of three types: trade, quantity and cash. The purpose of trade discount is to compensate the distributors for their services rendered. A quantity discount is a price reduction to those buyers who buy large volumes. A cash discount is a price reduction to buyers who pay their bills promptly.

Jack Trout provided the following directives to the marketers known as commandments of discounting:

- You should not offer discounts because everyone else does.
- You should be creative with your discounting
- You should use discounts to clear stocks or generate extra business.
- You should put time limits on the deal.
- You should make sure the ultimate customer gets the deal
- You should discount only to survive in a mature market.
- You should stop discounting as soon as you can.

Product -Line Pricing

A multi-product company can evolve a set of pricing strategies in order to manage its product line effectively. They are :

Price Bundling : This strategy is used by a firm to even out the demand for its product or service. For example, stereo music equipment like the disc player, equaliser, speakers and amplifiers may be sold at different prices individually which taken together may amount more than what a customer has to pay if he were to buy it as a composite music system.

Optional -Feature Pricing: Certain companies offer optional products and services along with the main products. For example, a car company has to decide which items to include in the price and which to offer as options.

Captive-Product Pricing : Marketers of razors and cameras normally offer them at a low price and set high markups on razor blades and film. For instance, Gillette offered two twin blades free with its razor to make the buyer purchases its blades. Similarly Kodak offered a film roll free to all buyers who bought its camera.

Two - Part Pricing : Here, the product can be divided into two distinct parts. Telephone companies charge a minimum monthly fee and charge for calls beyond a certain limit.

1.4 PRICE Vs NON-PRICE COMPETITION

The marketer has to decide whether to engage in price competition or in non-price competition. Companies initiate price cuts to meet or prevent competition. Of late, many English newspapers in India reduced their cover price in order to boost up their circulations. But according to Philip Kotler, price cuts involve possible traps:

- Low-quality trap: Consumers will assume that the quality is low.
- Fragile-market-share trap: A low price buys market share but not market loyalty.
- Shallow-pockets trap:The higher-priced competitors may cut their prices and may have longer staying power because of deeper cash reserves.

In non-price competition, marketers maintain stable prices. But they attempt to compete by highlighting non-pricing elements of thir marketing-mix. Promotion and product differentiation are two principal methods of non-price competition.

1.5 CHANGING PRICES AND RESPONDING TO COMPETITIONS

When competitors make price changes, there is often little time for careful research on competitors actions or on likely customer responses. Knowing why the competitor made the price change is more critical in determining the most appropriate response. Other questions are :

How will customers interpret and respond to the price change? The marketer has to understand the price elasticity in a particular market. Just as the marketer can misperceive a pricing move by competitors, so can customers. This can be to a firm's advantage or disadvantage. How will other competitors respond to the price change? An extreme response is "following the leader." Other responses include no change, a limited change, or a move to match or exceed the change made by the competitor sometimes, the price response may be combined with nonprice factors, such as an increase in advertising or improving product quality and features. How will customers and competitors respond to our response? The marketers must assess the impact of price changes on customers and competitors. Will a price increase benefit the industry? If the demand is high and buyers are not price sensitive, a hike in prices may be beneficial to all producers.

1.6 RESALE PRICE MAINTENANCE

The discussion on pricing would be incomplete without reference to the concept of resale price maintenance. It is the policy of establishing the minimum resale price below which the middlemen may not sell the products. The purpose of resale price maintenance is to prevent excessive price reduction by wholesalers and retailers.

Resale price maintenance will enable the firm to gain the co-operation and merchandising support of the retailers. The consumers are protected against over-charges by the retailers. However, the arguments against resale price maintenance are: i) it creates higher prices; ii) It protects inefficient retailers; iii) it retards the much warranted free competition.

Generally, resale price maintenance is practised in case of products such as drugs, liquor, cosmetics, cigarettes and books. The legal position of resale price maintenance is totally different. The MRTP Act of 1969 has declared the contracts of RPM as void, subject to certain exceptions. As it subsidises inefficiency, its abolition is justified on economic and social grounds in the Indian context.

1.7 SUMMARY

Pricing is the only element in marketing mix that generates revenue. Other elements are cost factors. In the post liberalisation era, most firms find themselves caught in a price war. Price-setting as a six-step procedure consists of the following steps: selecting the pricing objective; determining demand; estimating costs; analysing competitors' costs, prices and offers; selecting a pricing method; and selecting the final price.

Some of the pricing policies and strategies adopted by the marketers are: Skimming pricing; penetration pricing; geographical pricing; discounts; and product-line pricing. The marketer has to decide whether to engage in price competiton or in non-price competition. Companies initiate price cuts to meet or prevent competition. In non-price competition, the marketers attempt to compete by highlighting non-pricing elements of their marketing mix.

Resale price maintanance is the policy of establishing the minimum resale price below which the middlemen may not sell the products. The MRTP Act of 1969 has declared the contracts of RPM as void, subject to certain exceptions.

1.8 KEY WORDS

Discount: Discount is an allowance made to the buyers.

Fixed Costs: These costs do not change over the production volumes (e.g., rents, salaries, depreciation, R & D cost).

Non-Price Competition: Here, the marketers maintain stable prices and attempt to compete by highlighting non-pricing elements of their marketing-mix.

Penetration pricing : It seeks to achieve greater market penetration through relatively low prices.

Price: It is the exchange value of a product or service expressed in money.

Resale price maintenance : It is the policy of establishing the minimum resale price below which the middlemen may not sell the products.

Skimming pricing: This involves setting-up of high initial price for the new product.

Variable Costs : These costs vary directly is proportion to the volume of the product produced (e.g. raw material costs and wages).

1.9 SELF ASSESSMENT QUESTIONS

1. "Pricing is the only element in marketing mix that generates revenue. Other elements are cost factors." Elucidate the statement. Briefly discuss the pricing objectives.
2. What are the factors that should be considered while making pricing decisions? Would these change in the case of a new product? Why?
3. Distinguish between skimming pricing and penetration pricing with suitable examples.
4. Discuss various pricing policies and strategies.

1.10 FURTHER READINGS

Philip Kotler, *Marketing Management,* Prentice-Hall, India, New Delhi, 1999.

Rajan Saxena, *Marketing Management*, Tata McGraw-Hill, New Delhi, 1999.

V. S. Ramaswamy and S. Namakumari, *Marketing Management,* Macmillan India, Delhi, 1994.

C. N. Sontakki, *Marketing Management,* Kalyans' Publishers, Ludhiana, 1999.

Cravens, Hills and Woodruff, Marketing Mangement. All India Traveller Bookseller, Delhi, 1988.

Lesson - II

PLACING PRODUCTS

OBJECTIVES

After studying this lesson, you are able to :

- understand the role of distribution channel in the overall marketing of products and services
- understand the channel behaviour and channel designs
- discuss the nature and importance of physical distribution
- understand the role and functions of intermediaries in the distribution channel
- observe the potential channel conflict areas and methods to reduce them

STRUCTURE

2.1 INTRODUCTION

A marketing channel performs the work of moving goods from producers to consumers. It overcomes the time, place, and possession gaps that separate goods and services from those who would use them. The goal of marketing is the matching of segments of supply and demand. Most of the products are not sold directly to the customers by the firms. Between the company and the final user there are different market intermediaries performing a variety of functions and bearing a variety of names. Wholesalers, retailers, agents, and distributors are some of them. Each channel member generates a different level of sales and costs. Marketing-channel decisions are very important decisions and influence all other marketing decisions. Company's channel decisions often involve long-term commitments to other firms. Once the distribution channels are established then it very difficult to change them. We have to examine both the management of marketing channels and the management of physical supplies.

2.2 NATURE AND IMPORTANCE OF CHANNELS

According to American Marketing Association, "A channel of distribution, or marketing channel, is the structure of intra-company organisation units and extra-company agents and dealers, wholesale and retail through which a commodity, product or service is marketed. A product or service must reach the end user. Most of the companies develop distribution channel to bring their products to the market.

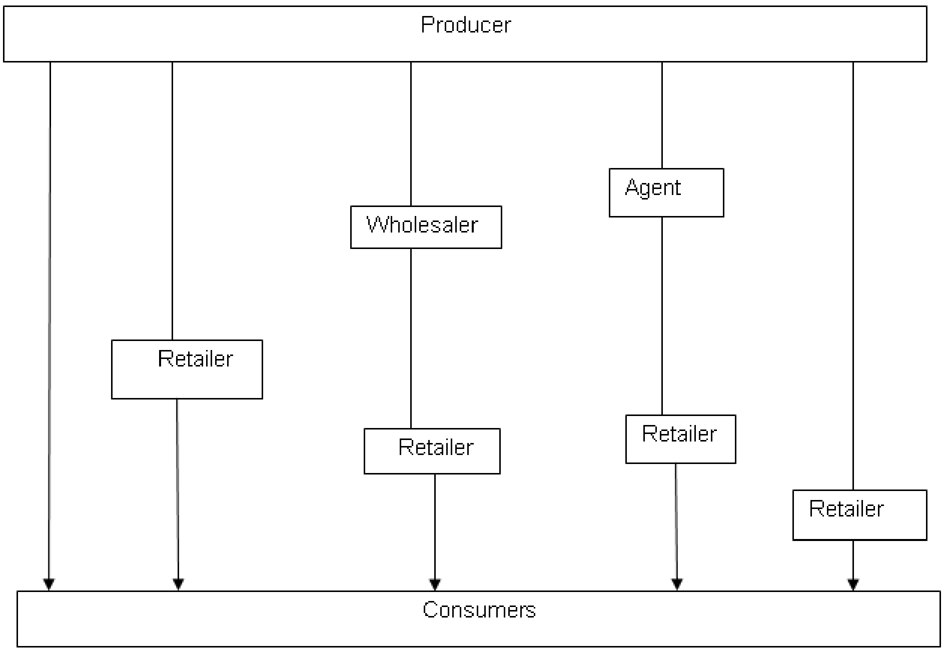
We came to understand that distribution channel is a set of interdependent organizations involved in the process of making a product or service available for use or consumption by the consumer or business use. The intermediaries will reduce the amount of work for both the producers and customers. The intermediaries will add some value to the distribution function with their contacts, experience, specialization, and scale of operation.

Producers produce fewer products in large quantities and customers want more products in smaller quantities. The intermediaries buy large quantities from different producers and break them into smaller quantities and broader assortments wanted by the customers.

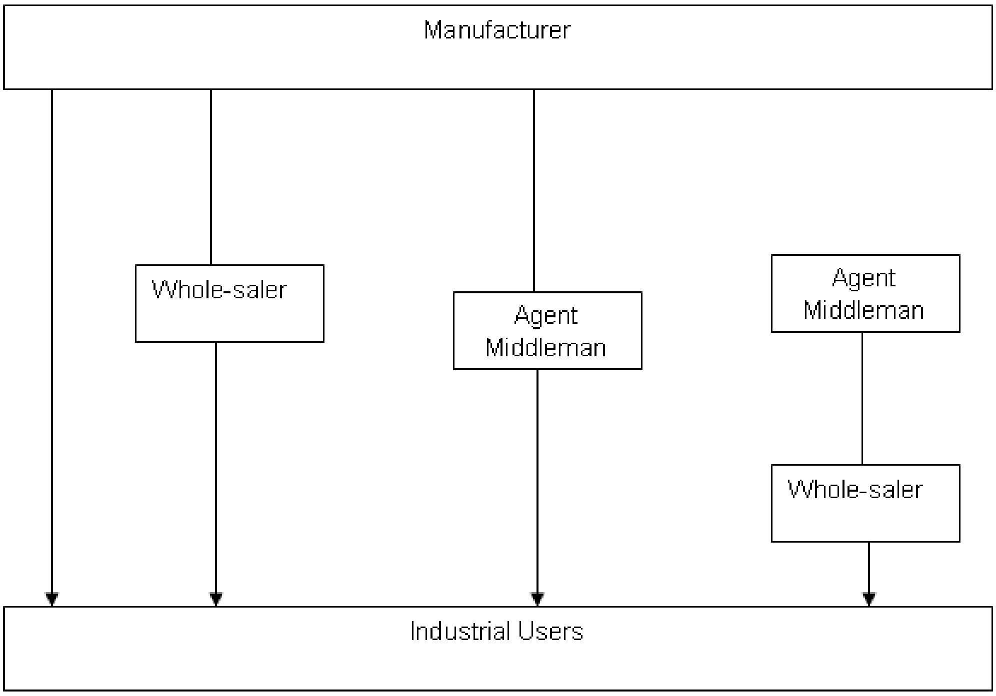
Distribution channel consists of different levels. Each level of marketing intermediaries is representing a channel level. Channel level is a layer of intermediaries that performs some work in bringing the product and its ownership closer to the final buyer. The number of levels determine the length of the channel; the more the levels, the longer is the channel. A marketing channel that has no intermediary levels is known as direct marketing channel. For example, Eureka Forbes, uses direct marketing channel method. A channel containing one or more intermediary levels is known as indirect marketing channel.

Figure 2.1

Distribution Channels



A. Consumer marketing channels



B. Industrial Goods Marketing Channels

Figure 2.1 depicts some of the possible channels in distributing consumer goods as well as industrial goods. If the goods are distributed directly by the produce to the customer, that channel has no intermediary levels. But channels with middlemen are considered to be having intermediary levels.

2.3 DISTRIBUTION CHANNEL FUNCTIONS

Distribution channel moves the goods and services from producers to consumers. It will create time and place utility for the products and services. The channel members perform many important functions. They are listed below.

1. **Information:** The channel members provide information about customers, competitors, and other parties in the marketing environment. They collect and disseminate market information, which is of great importance.
2. **Promotion:** The intermediaries almost work like company sales people and promote the products and services offered by the company to the customers. They spread favourable communication about the product and service.
3. **Contact:** Finding and communicating with prospective buyers.
4. **Matching:** Shaping and fitting the offer to the buyer's needs including activities such as assembling, grading, and packaging.
5. **Negotiation:** They negotiate with both company and buyers to reach final agreement on price and other conditions so that transfer of ownership or possession can takes place.
6. **Ordering:** They provide backward communication regarding the intentions of the buyers and their orders to the manufacturer.

7. **Financing:** The channel members acquire and use funds to cover the costs of distribution.

8. **Risk Taking:** The channel members take the risks of carrying the distribution work.

9. **Physical Flow:** The successive storage and movement of physical products from raw materials to the final customers.

10. **Title:** The actual transfer of ownership from one organization or person to another.

These are the main functions involved in distribution. In allocating these functions to channel members one has to see the costs involved and the level of service which will be performed by these members to the consumers. By and large each channel member should add value to the process of distribution, otherwise there is no use of employing that channel member. Some of the functions like physical, title, promotion constitute a forward flow of activity from the company to the customer; functions like ordering and payment constitute a backward flow from customers to the company. Still other functions like information, negotiation, finance and risk taking occurs in both directions. Generally there are five types of flows that takes place through a distribution channel. They are physical flow, title flow, payment flow, information flow, and promotion flow.

2.4 NEW DEVELOPMENTS IN DISTRIBUTION SYSTEMS

Recently there are some new developments that have taken place in channel management. They are:

- Vertical Marketing Systems
- Horizontal Marketing System
- Hybrid Marketing Systems

a) **Vertical Marketing System:** Vertical marketing systems have emerged in place of conventional distribution channels. In conventional distribution channel producers, wholesalers, and retailers act independently and want to increase their individual profits at the cost of overall channel. No member has control over the other member. There is no proper established mechanism for resolving channel conflicts. Vertical marketing system consists of producers, wholesalers, and retailers acting as one unit. Anyone of the members can dominate the system and act like a leader. The main member owns the other members. This VMS is becoming popular as it can solve channel conflict and control channel behaviour.

b) **Horizontal Marketing Systems:** In horizontal marketing systems, two or more companies at one level join together to follow a new market opportunity. The benefits of working together results in the form of using common production facilities combined marketing efforts, and common distribution systems. For example, India Today magazine is distributed through Eenadu marketing network. BPCL gives facility to Coca-Cola Company to sell their products in their petrol stations.

c) **Hybrid Marketing System:** Hybrid marketing channel is a multichannel distribution system in which a single firm maintains two or more marketing channels to reach one or more customer segments. In addition to its sales force, IBM sells through distributors, telemarketing, large retailers and its website. In large and complex markets one distribution is not suitable for every segment of the market. For example, tyres can be sold directly by the producer to the original equipment manufacturers (OEMs) and through retailers to retail customers.

Disintermediation:

Disintermediation is the elimination of layer of middlemen from a marketing channel or the displacement of traditional resellers by radically new types of intermediaries. Technology also to some extent facilitated this disntermediation. Growth in direct and online marketing like B2C is having great impact on the design of marketing channel. Consumers can buy books, videos, CDs, and other products from Amazon.com, flowers from 1-800-Flowers.com. HCL-Info Systems selling computers directly to consumers, eliminating middlemen.

2.5 CHANNEL DESIGN DECISIONS

Companies have to take channel decisions by considering practical situations in the market. As the conditions in the market changes dynamically one has to review the channel decision accordingly. Selecting the suitable channel and involving the channel members to work towards the common goal is important. If the company is small and having limited capital and confined to local market may consider selling directly to the customers. In smaller markets, the firm might sell directly through retailers, in larger markets it appoints distributors. According to market conditions channel decision is to be made. In some parts of the market it may sell through franchises, and in other parts it may sell in all available outlets.

The following points are to be considered while designing the channel:

- Understanding consumer service Requirements
- Framing channel objectives
- Identifying Alternatives
- Evaluating alternatives

A) Understanding Consumer Service Requirements:

The consumer is interested in different services from the company and the channel must deliver value to the customer. The targeted consumer needs must be identified and the channel must be designed to satisfy this targeted group. Consumer convenience, the mode of delivery, credit, service, installation, the place of purchase, type of product assortment all these factors are to be considered in designing the suitable channel. Cost to the company to provide these services and price to the customers is also to be considered.

B) Framing Channel objectives:

The company should set the channel objectives by considering the level of service delivery offered to the target customers. While setting the channel objectives the company should consider the nature of the company, product characteristics, type of channel members, competitors, and the prevailing business environment. Legal conditions and macro economic situation of the country should also be considered while framing objectives and design. Smart companies change their marketing channels over the product life cycle.

C) Identifying Alternatives:

After setting the channel objectives the company should identify channel alternatives in terms of types of intermediaries, number of intermediaries, and the responsibilities of each channel member.

Types of intermediaries:

a) **Company sales force:** By employing company's direct sales force, firms want to reach the prospective customers.

b) **Manufacturing Agency:** An independent firm may be appointed as manufacturer's agent, whose sales force handles related products from many companies.

c) **Industrial distributor:** Appointing exclusive distributors in different regions by giving them good margins, promotional support, and training.

Supermarkets, Exclusive show rooms, Chain stores, Co-operative net work, Public Distribution System (PDS) , Mail order, Vending machine, Home selling are the different alternatives.

Number of Marketing Intermediaries:

At each level in the channel the company must decide the number of channel members. The strategies are:

- Intensive distribution
- Exclusive Distribution
- Selective Distribution

a) **Intensive Distribution:** Stocking the products in as many outlets as possible. Tooth paste, shampoos, and chocolates and other consumer goods available in many outlets. This will increase the convenience for the consumer and exposure to the brand.

b) **Exclusive Distribution:** Producers giving a limited number of dealers the exclusive right to distribute the company's products in their territories. For example, exclusive distribution rights will be offered in automobile, readymade garments industries. Exclusive dealerships provide greater control for the companies and value-added services from these distributors.

c) **Selective Distribution:** The use of more than one, but fewer than all, of the intermediaries who are willing to carry the company's products. Television, appliances, and furniture brands are distributed in this manner.

D) Evaluating the alternatives:

The company must select the best channel alternative, which will suit its long-term objectives. The company must consider the factors like profitability, share of control, and adaptive nature of each of the channel alternatives. As we said earlier each channel alternative will produce a different level of sales and costs.

Generally the cost per transaction is low for direct marketing channels like internet and telemarketing. At the same time the value addition is also low. With direct sales channels like company sales force the cost per transaction is high and the value addition is also high. Indirect channels like use of retailers, distributors the cost per transaction is moderate and the value addition is also moderate. Using intermediaries means giving them some control over the marketing of the product. The company generally wants to retain as much control as possible. The company wants to maintain long-term relation with the channel and the channel must be flexible enough to suit the changing market conditions.

2.6 PHYSICAL DISTRIBUTION AND LOGISTIC MANAGEMENT

Physical distribution or marketing logistics involves planning, implementing, and controlling the physical flow of materials, final goods, and related information from points of origin to points of consumption to meet customer requirements at a profit. Logistics involves both outbound distribution as well as inbound distribution. Outbound distribution is moving products from factory to customers and inbound distribution is moving products and materials from suppliers to the factory. This is also known as supply chain management (SCM). Suppliers, agents, transport agents, channel members, and customers involved in this chain have to work like a team and should try to eliminate unnecessary bottlenecks and add value at every stage of the chain.

Functions of Logistics Management:

The major functions of logistics management include:

- Order processing,
- Warehousing,
- Inventory management, and
- Transportation

a) **Order Processing:** Order processing involve receiving of the orders, storing, and processing of orders. Orders may be received by telephone, through salespeople, by mail, or through internet. The Enterprise Resource Planning (ERP) software packages may also consist of SCM modules which help the organisations to generate order slips, generating bills, updates the inventory records. Order processing must be fast and accurate.

b) **Warehousing:** Production and consumption cycles are not always matched. Every company requires storage facility to stock the goods, which are to be sold. The number and type of warehouses needed to be identified by each company. Nowadays companies are using distribution centers, which are designed to move goods rather than just store them. These distribution centers are large and highly automated warehouses designed to receive goods from various plants and suppliers, take orders, fill them efficiently, and deliver goods to customers as quickly as possible.

c) **Inventory:** Optimum inventories are to be maintained. Carrying too much inventories result in additional carrying costs, carrying too little may create stock out situation, and more ordering costs, and may lead to customer dissatisfaction. Just-in-time inventory management helps the companies to reduce the inventory levels.

d) **Transportation:** The mode of transport affects the pricing of products, condition of the goods, and delivery performance. The companies can choose different modes of transportation like rail, truck, water, air, and pipeline. Intermodal transportation by combining two or more modes of transportation is becoming popular nowadays.

11.6.1 Integrated Logistics Management

The concept of integrated logistics management is emerging very strongly in the marketing world. Integrated logistics management aims at improving customer service, reducing distribution costs, and eliminating unnecessary delays in distribution channel. Integrated logistics concept emphasizes teamwork, both inside the company and among all the marketing channel organizations, to maximize the performance of the entire distribution system. This requires cross-functional teamwork within the company. Marketing, sales, finance, manufacturing, and purchasing functions are involved in marketing logistics.

Integrated logistics management tries to harmonize all of the company's distribution decisions. Building channel partnerships is the best way to achieve the goals of integrated logistics management. Information sharing is one of the advantages of channel partnership. Companies manage their supply chains through information. The effectiveness of the distribution channel depends on performance of the entire supply chain. One company's distribution system is another company's supply system.

Some of the companies in advanced countries shifted from anticipatory-based distribution system to response-based distribution systems. In anticipatory distribution system according to sales forecast the company produces the goods and pushes them to customers through channel members. It has to build inventories at different supply points, such as plant, depots, distribution centers, and retail outlets. In response-based distribution systems, the producer builds and supplies the stocks after receiving orders. For example, automobile manufacturers take orders from customers then produce them accordingly and then supplies within four days. In this response-based distribution system, company produces what is currently in demand.

Third-party Logistics:

Generally companies perform their own logistic functions, however slowly the trend is towards appointing third part logistics provider to distribute their products and services. Third-party logistics provider is an independent logistics provider that performs any or all of the functions required in bringing their clients' product to market. International courier companies like, UPS Worldwide, Fedex are entering into this third-party logistics business.

2.7 CHANNEL CONFLICT

The success of individual member depends on overall channel success. Each channel member is dependent on the others. All channel members should work together smoothly. They should understand their roles and responsibilities. But channel members are more concerned with their own short-run goals. They often disagree on the roles they should play and this behaviour results in channel conflict.

- **Horizontal channel conflict** occurs among firms at the same level of the channel. Different dealers of the company in same city may complain among themselves because some of them may undersell to attract more sale or selling outside their assigned sales territory.
- **Vertical channel conflict** is conflict between different levels of the same distribution channel. Dealers may have conflict with the company itself if the company insists them with some extra stipulations to comply with. Hindustan Lever Ltd came into conflict with distributors in Kerala regarding commission.
- **Multichannel conflict** is the type of conflict that exists when the manufacturer has established two or more channels that sell to the same market. If the company starts selling through internet the existing dealers may have conflict with the company.

The channel conflict arises because of non-congruence of objectives of the manufacturer, the wholesaler and retailer. It also occurs because of role ambiguity and differences in perceptions of the market. Conflict among some channel members may sometimes lead to healthy competition. But sometimes conflict can damage the channel.

The channel as a whole to perform well, each member's role must be specified and channel conflict must be managed. Cooperation among channel members must be developed. Improving customer satisfaction by adding value to the delivery process should be the objective of each and every channel member.

2.8 SUMMARY

Distribution is one of the key elements in marketing mix. A company's channel decisions directly affect every other marketing decision. Each channel system will have different levels of intermediaries and generate different levels of revenues and costs and reach different segment of target consumers. The role of market intermediaries is to provide market information, maintains price stability, promote the company's product, part finance the manufacturing operations and take title to the goods and services. The distribution decision is influenced by factors like market characteristics, product characteristics, consumer profile, middlemen characteristics and intensity of the competition in the industry. Each firm identifies alternative ways to reach its market. Direct selling is where a company directly selling to customer without any intermediaries and indirect selling involves one or more intermediaries to reach customers.

Marketing logistics involves coordinating the activities of the entire supply chain to deliver maximum value to the customers. The integrated logistics concept recognizes that improved logistics requires teamwork in the form of close working relationships across functional teams inside the company and across various organizations in the supply chain. The channel conflict arises because of non-congruence of objectives of the manufacturer, the wholesaler and retailer. It also occurs because of role ambiguity and differences in perceptions of the market.

2.9 KEY WORDS

Direct Marketing Channel: A marketing channel that has no intermediary levels.

Indirect marketing channel: A channel containing one or more intermediary levels is known as indirect marketing channel.

Vertical Marketing System (VMS): A distribution channel structure in which producers, wholesalers, and retailers act as a unified system.

Hybrid Channels: Multichannel distribution system in which a single firm maintains two or more marketing channels to reach one or more customer segments.

Intermodal Transportation: Combining two or more modes of transportation.

SCM: Supply Chain Management

2.10 SELF ASSESSMENT QUESTIONS

1. "One of the major assets of a firm is its channel of distribution" Discuss.
2. List and briefly discuss the functions of distribution channel.

3. Discuss the future of vertical and horizontal marketing systems in India.
4. Discuss the distribution alternatives available to a firm. Where and how will you use each of these alternatives?
5. Highlight the role of Integrated Logistics Management in competitive business world?
6. How physical can distribution contribute to the creation of time, place, and possession utilities?

2.11 FURTHER READINGS

1. Philip Kotler, Marketing Management (New Delhi: Prentice-Hall India, 2002);
2. V S Ramaswamy, S Namakumari. Marketing Management Planning, Implementation & Control (New Delhi: MacMillan India Ltd, Third edition, 2002);
3. S A Chunawalla, Marketing Principles and Practice (Mumbai: Himalaya Publishing House, 1997);
4. R S N Pillai, Bagavathi, Modern Marketing Principles and Practices (New Delhi: S.Chand & Company Ltd, 1998);

Lesson - III

PROMOTION OF PRODUCTS

OBJECTIVES

After studying this lesson, you are able to :

- understanding meaning, and importance of advertising
- knowing the specific objectives of advertising
- learn different methods of setting advertising budget
- describing the important decisions related with message and media
- observing the various parameters for measuring advertising effectiveness

STRUCTURE

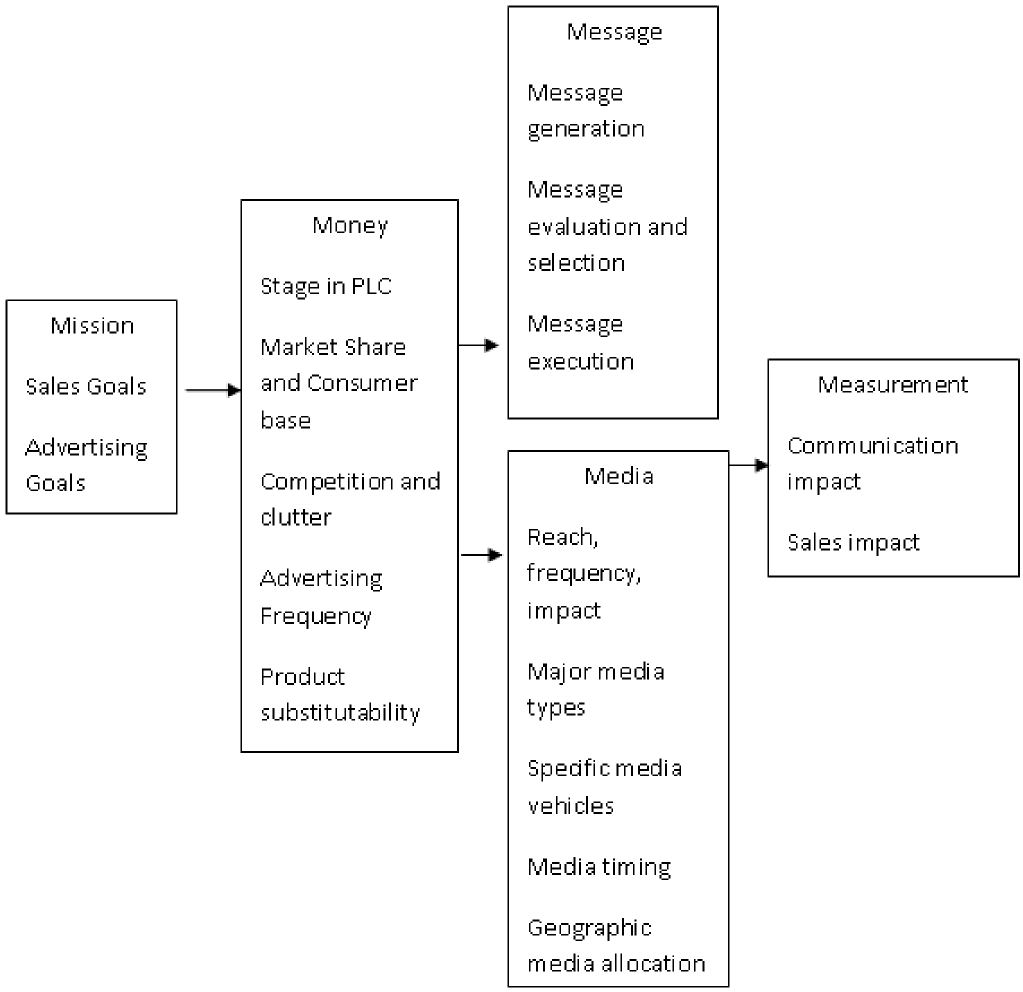
3.1 INTRODUCTION

Advertising and other elements of promotion are an integral part of the marketing process in most organizations. Promotion is best viewed as the communication function of marketing. It is accomplished through a promotional mix that includes advertising, personal selling, publicity, public relations, sales promotion, direct marketing, and interactive marketing. Over the years, the promotional function in most companies was dominated by mass-media advertising. However, more and more companies are recognizing the importance of integrated marketing communications, coordinating the various marketing and promotional elements to achieve more efficient and effective communication programs.

3.2 MEANING AND IMPORTANCE OF ADVERTISING

Advertising is defined as any paid form of non personal presentation and promotion of ideas, goods, or services by an identified sponsor. Business firms, charitable organisations, and government agencies use advertising to promote their products, services, ideas, and concepts. The types of advertising includes, brand, retail, political, business - to - business (B2B), institutional, public service, interactive, etc.,. Advertising plays four different roles in business and in society. They are Marketing, Communication, Economic and Societal in nature.

Figure 3. 1 Major Advertising Decisions



The important decisions to be made in developing an advertising program are depicted in the Figure 3.1 and described in the following sections. The major advertising decisions are:

1. Setting advertising objectives (Mission)
2. Setting advertising budgets (Money)
3. Message decisions (Message)
4. Media decisions (Media)
5. Evaluating advertising campaigns (Measurement)

3.3 OBJECTIVES OF ADVERTISING

An advertising goal or objective is a specific communication task and an achievement level to be accomplished with a specific audience in a specific period of time. Advertising objectives like, organizational objectives, should be operational. They should provide standards with which results can be compared. Operational objectives provide criteria for decision-making, and serve as a communication tool.

Russell Colley lists 52 possible advertising objectives in his book titled Defining Advertising Goals for Measured Advertising Results, popularly known as DAGMAR in which he outlines a method for turning objectives into specific measurable goals.

Advertising objectives can be classified into four categories. They are:

1. **Informative advertising:** This type of advertising aims to create awareness and information of new products or new features of existing products. Repeatedly the name of the product will be promoted. These ads include informing the market about price changes, explaining the customers how the product works, describing available services, correcting false impressions, reducing buyers' fears, building a company image.
2. **Persuasive advertising:** Aims to create liking, preference, conviction, and purchase of a product or service. These types of ads will persuade the customers to purchase now, building brand preferences, encouraging switching to their brands, changing customer perceptions of product attributes. Some persuasive advertisers use comparative advertising, which makes comparison of attributes of two or more brands.
3. **Reminder advertising:** This type of advertising aims to stimulate repeat purchase of products and services. Reminding customers that the product may be needed in the near future, reminding customers where to buy the product, keeping the product in customers' minds during off seasons, maintaining top-of-mind product awareness are some of the objectives of reminder advertising. For example, Pepsi and Coca-Cola ads on television are designed primarily to remind people about their brands, not to inform about the brand.
4. **Reinforcement adverting:** Aims to convince current purchasers that they made the right choice. These ads will reduce post purchase dissonance in the minds of customers. Hero Honda has recently issued ads in newspapers that it's Hero Honda CD Dawn vehicles sold 1,00,000 in 100 days. This will reinforce the existing owners as well as prospective customers.

3.4 ADVERTISING BUDGET

After determining its advertising objectives, the company thinks about the advertising budget. There are five specific factors to consider when setting the advertising budget:

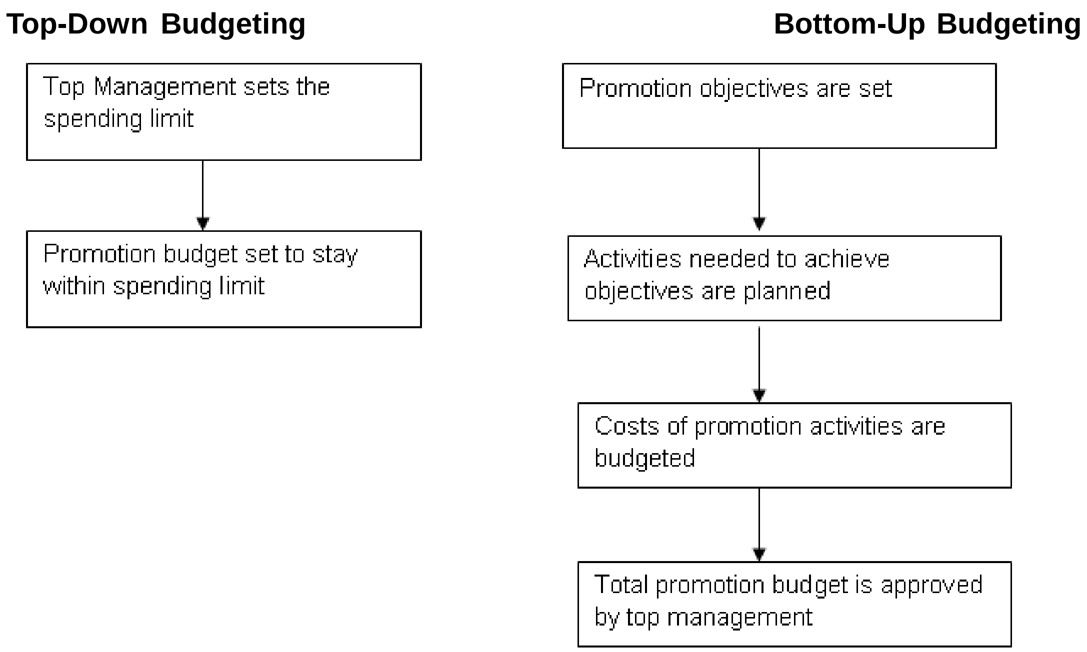
1. **Stage in the product life cycle:** Products, which are in their initial stage of their life cycle, requires large amounts of advertising budget. New products generally require more budgetary support. Mature brands require less advertising budget.
2. **Market Share:** Brands with high market share require less advertising expenditure as a percentage of sales. Usually more advertising budget is required to build market as well as improving the market share.

3. **Competition and clutter:** If in the market there are many competitors and advertising spending is more, a brand must be advertised more heavily to be noticed.

4. **Advertising Frequency:** If the number of repetitions to convey the message is more the budget requirement is more.

5. **Product substitutability:** If the brand belongs to commodity class like soft drinks, detergent, cigarettes, etc., it requires more advertising spending. If the product offers unique physical benefits then there is a scope for more advertising.

Many advertisers implement a number of budgeting methods developed through practice and experience. Many firms employ more than one method, and budgeting approaches vary according to the size and nature of the firm. There are basically two approaches in setting the budget for advertising. They are Top-Down Budgeting and Bottom-Up Budgeting. They are illustrated in Figure 3.2.



Top-down versus bottom-up approaches to budget setting
Figure 3.2

I. Top-Down approach:

In Top-Down approach budgetary amount is established at top management level and the money will be allotted to various departments. These budgets are predetermined and have no theoretical basis. The methods in this approach are:

- Affordable method
- Arbitrary Allocation method
- Percentage of sales method
- Competitive Parity method
- Return on Investment (ROI) method

II. Bottom-Up approach:

Bottom-Up Budgeting also known as Build-Up Approach budget appropriation is linked to the objectives and strategies designed to accomplish them. In this approach first the companies consider the firm's communications objectives and then allocate the budget to achieve these objectives. The methods in this approach are:

- Objective and Task Method
- Quantitative models

Now we examine these methods in detail.

A. Top-down approach:

a) **Affordable Method:** In the affordable method (also known as "all-you-can-afford method"), the firm determines the amount to be spent in various areas such as production and operations. Then it allocates left over amount to advertising and promotion, considering this to be the amount it can afford. The task to be performed by the advertising is not considered. There is every chance that the firms may over- or underspend on advertising. The firms, which are not marketing driven and do not understand the importance of advertising, will follow this method.

b) **Arbitrary method:** In this method management determines the budget solely on the basis of what is felt to be necessary. In this method no theoretical basis is considered and the budgetary amount is set by fiat. The arbitrary allocation approach has no obvious advantages. The concept and purpose of advertising is ignored in this approach.

c) **Percentage of Sales Method:** This is a very popular method used by the large firms to set their budgets. The advertising and promotions budget is based on sales of the product. In this method the management determines the amount either by taking a percentage of sales value or assigning a fixed amount of the unit product cost to promotion and multiplying this amount by the number of units sold. A variation of the percentage-of-sales method is using projected future sales of the coming year as a base instead of sales of completed year.

d) **Competitive parity Method:** In this method, managers establish advertising budget amounts by matching the competition's percentage-of-sales expenditures. It is always an advantage to know what competitors are doing and how much they are spending. In a market with many competitors and high advertising spending, one should compete with them on similar lines. However this method has limitations, even though spending similar amounts does not have the same results. Creative presentation and media choice play an important role. There is no guarantee that the competitors will continue the same policy and strategies.

e) **Return on Investment (ROI):** In the ROI budgeting method, advertising and promotions are considered investments, like plant and equipment. The investment should result in generation of return. The basis for this method is incremental investments in advertising and promotions leading to increase in sales. However it is very difficult to assess the returns provided by the promotional effort. This is the less popular method used in setting advertising budgets.

B. Bottom-UP approach:

The major limitation of Top-Down methods is that these judgmental approaches lead to predetermined budget appropriations often not linked to objectives and the strategies designed to accomplish them. In Bottom-Up approach the idea is to make objective setting and budgeting go hand in hand.

a) **Objective and task method:** The objective and task method of budget setting uses a buildup approach consisting of three steps: (1) defining the communications objectives to be accomplished, (2) determining the specific strategies and tasks needed to attain them, and (3) estimating the costs associated with performance of these strategies and tasks. The total budget is based on the accumulation of these costs. It is important that objective setting and budgeting go hand in hand rather than sequentially.

b) **Payout Planning**: Payout determines the investment value of the advertising and promotion appropriation. The basic idea is to project the revenues the product will generate, as well as the costs it will incur, over two to three years. Based on an expected rate of return, the payout plan will assist in determining how much advertising and promotion expenditure will be necessary.

c) **Quantitative Models:** These methods employ computer simulation models involving statistical techniques such as multiple regression analysis to determine the relative contribution of the advertising to sales. Because of the problems associated with these methods, their acceptance has been limited.

There is no universally accepted method of setting advertising budget. Limitations in each method may make it unfeasible or inappropriate. Each firm has to decide its own advertising budget by considering pros and cons of each method.

3.5 ADVERTISING MESSAGE

Advertising strategy consists of two major elements: creating advertising messages and selecting advertising media. The message decision involves generating messages, evaluating and selecting among them, and executing them effectively. Advertising effectiveness to a very large extent is dependent on the type of message and copy selected for communication, and the way it is executed. Well conceived advertising objectives guide in the development of effective message and copy.

The creative people develop advertising messages. Advertising agencies get reputation for their creative ability. It is the job of creative people to turn all of the information regarding the product features and benefits, marketing plans, consumer research, and communication objectives into a creative concept that will bring the advertising message to life. Advertising creativity is the ability to generate fresh, unique, and appropriate ideas that can be used as solutions to communications problems. Some people argue that advertising is creative only if it sells the product. Some others judge the creativity of an ad in terms of its artistic or aesthetic value and originality.

3.5.1 Advertising Campaigns:

Majority of ads are part of a series of messages that belongs to a particular advertising campaign. Advertising campaign, which is a set of interrelated and coordinated marketing communication activities that center on a single theme or idea that appears in different media across a specified time period. A campaign theme should be a strong idea, as it is the central message that will be communicated in all the advertising and other promotional activities. Some of the examples of successful long-running advertising campaigns themes are listed down in Table 3.1. A creative strategy that focuses on what must be communicated will guide the selection of the campaign theme and the development of all messages used in the ad campaign.

An important part of creative strategy is determining the central theme that will become the **major selling idea** of the ad campaign. There are different creative approaches that have emerged over the years and widely used by ad agencies throughout the world. They are:

- Using a unique selling proposition.
- Creating a brand image.
- Finding the inherent drama.
- Positioning.

Table 3.1 Examples of successful long-running advertising campaigns

Company or Brand	Campaign Theme
Hero Honda	"Fill it, shut it and Forget it"
Intel	"Intel inside"
Nike	"Just do it"
DHL	"We move the world"
De Beers	"A diamond is forever"
BMW	"Ultimate driving machine"
Pepsi	"Generation Next"

1. **Unique Selling Proposition (USP):** The concept of USP was developed by Rosser Reeves and is described in his influential book 'Reality in Advertising'. He noted three characteristics of unique selling proposition;

   a) the proposition must involve a specific product benefit

   b) the proposition must be unique

   c) the proposition must sell

   There must be a truly unique product or service attribute, benefit, or inherent advantage that can be claimed as unique selling proposition. The USP should dominate the ad and be emphasized through repetitive advertising.

2. **Brand Image:** David Ogilvy popularized the idea of brand image in his famous book 'Confessions of an Advertising Man'. He believes in developing prestige image of the brand. Image advertising has become increasingly popular and is used as the main selling idea for a variety of products and services, including soft drinks, liquour, cars, airlines, perfumes, and clothing.

3. **Inherent Drama:** Leo Burnett proposed this approach and he said "inherent drama is often hard to find but it is always there, and once found it is the most interesting and believable of all advertising appeals." He believed advertising should be based on a foundation of consumer benefits with an emphasis on the dramatic element in expressing those benefits.

4. **Positioning:** Jack Trout and Al Ries introduced the concept of positioning as a basis for advertising strategy in the early 1970s and has become a popular basis of creative development. The basic idea is that advertising is used to establish or position the product or service in a particular place in the consumer's mind. Positioning is often the basis of a firm's creative strategy when it has multiple brands competing in the same market. For example, HLL markets more than 10 brands of toilet soaps and positions each one differently.

The USP, brand image, inherent drama, and positioning approaches are often used as a basis of the creative strategy for ad campaigns. An advertising message can be presented or executed in the following ways:

- Straight sell or factual message
- Scientific/ technical evidence
- Demonstration
- Comparison
- Testimonial
- Humour
- Dramatizations
- Fantasy
- Personality symbol
- Animation

3.5.2 Ad Copy:

The verbal or written material of an advertisement including the headline, illustration, name and address of the advertiser and his signature. It refers to every single element that appears in an advertisement. Message and source are the basic elements of ad copy. The basic components of a print ad are the headline, the body copy, the visual or illustrations, and the layout. The copywriter has to write the message in such a way that it holds the interest of reader. Some of the David Ogilvy's principles of good ad copy are:

- "Never write an advertisement you wouldn't want your own family to read."
- "Big ideas are usually simple ideas."
- "Every word in the copy must count."

3.5.3 Media Planning & Strategy:

Media planning is the series of decisions involved in delivering the promotional message to the prospective purchasers and/or users of the product or brand. The media plan acts like a guide for media selection. It requires development of specific media objectives and specific media strategies designed to attain these objectives. The media strategy must be designed to supplement and support the overall marketing and communications objectives. The media strategy is to determine the best matching of media to the target market, within the budget.

The advertising message is communicated through the medium, which includes broadcast media like TV and radio, print media like newspapers and magazines, direct mail, outdoor advertising, and other support media. Internet is becoming a new media and is slowly getting acceptance from market participants.

Media selection is finding the most cost-effective media to deliver the desired number and type of exposures to the target audience. The effect of exposures on audience depends on the exposures' reach, coverage, frequency, and impact.

Reach is a measure of the number of different audience members exposed at least once to a media in a given period of time. **Coverage** refers to the potential audience that might receive the message through a vehicle. Coverage relates to potential audience; reach refers to the actual audience delivered. **Frequency** refers to the number of times the receiver is exposed to the message in a specified time. **Impact** is the qualitative value of an exposure through a given medium.

Major Media Types:

Media planners should have knowledge about the capacity of the major media types to deliver reach, frequency, and impact. Different media available now for promoting products, services, and concepts like, newspapers, television, direct mail, radio, magazines, outdoor, yellow pages, newsletters, telephone, internet, etc., are having their own advantages and disadvantages.

One has to consider the target audience media habits, product or service characteristics, message characteristics, and cost to select appropriate medium to reach the consumers.

3.5.4 Cost of Advertising:

One of the important decisions in the development of media strategy is cost estimating. Advertising and promotional costs can be categorized in two ways.

1. **Absolute cost:** The absolute cost of the medium is the actual total cost required to place the message.
2. **Relative cost:** The relative cost refers to the relationship between the price paid for advertising time or space and the size of the audience delivered. It is used to compare different media to optimize audience delivery within budget constraints.

Advertisers must compare the relative costs of media as well as vehicles within these media to evaluate various alternatives for promoting their products and services. The following cost bases are used to calculate advertising costs.

- **Cost per thousand (CPM):** Over the years the magazine industry has provided cost breakdowns on the basis of cost per thousand people reached. The formula to calculate CPM is

$$\text{CPM} = \frac{\text{Cost of ad space (absolute cost)}}{\text{Circulation}} \times 1{,}000$$

- **Cost per ratings point (CPRP):** The broadcast media provided a different comparative cost figure, known as cost per ratings point or cost per point. The formula to calculate CPRP is

$$\text{CPRP} = \frac{\text{Cost of commercial time}}{\text{Program Rating}}$$

- **Daily inch rate:** For newspapers, cost effectiveness is based on the daily inch rate, which is the cost per column centimeter of the paper. Normally a newspaper consists of 8 columns. Depending on the number of columns and centimeters booked in the newspaper the cost will be calculated. Nowadays like magazines, newspapers now use the cost-per thousand formula to determine relative costs.

It is difficult for the media planners to make comparisons across various media, as there is no standardized relative costing procedure. The broadcast and newspaper media have begun to provide costs per thousand, using the following formulas:

$$\text{Television} = \frac{\text{Costs of 1 unit of time} \times 1{,}000}{\text{Program rating}}$$

$$\text{Newspapers} = \frac{\text{Cost of ad space} \times 1{,}000}{\text{Circulation}}$$

The comparison of media on a CPM basis is important. However inter media comparisons can be misleading as different media have different advantages and disadvantages. Now we see the profiles of various media types to understand their advantages and limitations.

3.5.5. Media Profiles:

A) Television:

Television and radio comes under broadcast media category. The ability of TV to combine visual images, sound, motion, and colour presents the advertiser with the opportunity to develop the most creative appeals than in any other medium.

Advantages:

1. **Creativity and impact:** The interaction of sight and sound offers tremendous creative flexibility. Television is an excellent medium for demonstrating a product or service. Emotions, moods can also be depicted.
2. **Coverage and cost effectiveness:** Television advertising makes it possible to reach large audiences. Companies selling mass - consumption products are benefited by TV coverage. The cost of reaching large sections of the mass market is relatively low.
3. **Captivity and attention**: Television ads impose themselves on viewers as they watch their favorite programs. TV ads have an effect on consumers simply through heavy repetition and exposure to catchy slogans and jingles.
4. **Selectivity and Flexibility:** Television is basically a nonselective medium because through TV it is difficult to reach a specific market segment. But nowadays some selectivity is possible due to variations in the composition of audiences as a result of program content, broadcast time, and geographic coverage. Growth of Cable TV and regional channels is offering wide opportunity to the advertisers.

Limitations:

1. **Costs:** Absolute costs are very high. Despite the efficiency of TV in reaching large audiences, it is an expensive medium in which to advertise. Producing quality commercial is also quite expensive.
2. **Lack of Selectivity:** Some selectivity is possible in television through variations in programs and cable TV. But television still does not offer as much audience selectivity as radio, magazines, newspapers, or direct mail for reaching precise segments of markets.

3. **Fleeting Message:** TV ads usually of 30 seconds or less duration does not leave tangible evidence for viewer to consider. Ads are becoming shorter and shorter as the demand for limited amount of broadcast time has increased and advertisers try to get more impressions from their media budget.

4. **Clutter:** Advertiser's message is only one of many spots along with other non programming material seen during a commercial break; So it may not be noticed by viewers.

5. **Limited Viewer Attention:** The size of the viewing audience is geting reduced during commercial breaks. The increased usage of remote control has led to the problems of zipping and zapping. Zipping occurs when customers fast forward through the commercials of recorded programs. Zapping refers to changing channels to avoid commercials. With remote control on hand viewers surf channels when the advertisements are telecasted.

B) Newspaper

Newspapers are one of the major forms of print media and are the largest of all advertising media in terms of total money spent.

Advantages:

1. **Extensive Penetration:** Newspapers provide high degree of market coverage or penetration. The extensive penetration makes newspaper a truly mass medium and provides advertisers with an excellent opportunity for reaching all segments of the market with their message.

2. **Flexibility:** Newspaper ads can be written, and prepared in short time. These ads can be produced in various sizes, shapes, and formats. Scheduling can be done in many ways.

3. **Geographic Selectivity:** Newspapers offer advertisers more geographic selectivity. For example, Malayalam Manorama in Kerala, Eenadu in Andhra Pradesh with their local supplements offer more selectivity to the advertisers.

4. **Involvement and Acceptance:** Consumers generally read newspapers to make some consumption decisions. Consumers use newspapers as a source of information.

5. **Services Offered:** The services offered by newspapers in the form of consumer surveys, readership studies, free copy writing and art services, merchandising services makes this medium more popular.

Limitations:

1. **Poor Reproduction:** The newsprint used to publish newspapers is generally of poor quality and may not be suitable for producing good effect.

2. **Short Life Span:** Daily newspaper life span is very short and is less than a day. Beyond the day of publication it may not have any impact. Repeat exposure is very unlikely. Some sections of the newspapers may not be opened by the readers.

3. **Clutter:** like most other advertising media, newspapers suffer from clutter. More than 50% of the newspaper is devoted to advertising the advertiser's message and must compete with other ads for getting consumers' attention.

4. **Lack of selectivity:** Newspapers can offer geographic selectivity, but they are not a selective medium in terms of demographics or lifestyle characteristics.

C) Magazines

Magazines have a number of characteristics that make them attractive as an advertising medium.

Advantages:

1. **Selectivity:** Magazines are the most selective of all media except direct mail. Different magazines are published for different groups. For example in India Woman's Era and Femina are for women, Gentleman for men, Business World, Business Today offers selective reach.
2. **Reproduction Quality:** Magazines offer high reproduction quality. The magazines are generally printed on high quality paper with latest printing technology and provide excellent reproduction.
3. **Creative Flexibility:** Magazines offer advertisers a great deal of flexibility in terms of type, size, and placement of advertising material.
4. **Permanence:** Magazines offer another advantage in the form of long life span. Magazines are generally read over several days and can be referred back.
5. **Prestige:** The product or service may gain from advertising in publications with certain image. By seeing ads in prestigious magazines, consumer's confidence in a particular brand may increase.
6. **Consumer Receptivity and involvement:** Magazines are generally purchased because the information they contain and ads provide additional information that may be of value in making a purchase decision.

Disadvantages:

1. **Costs:** The absolute costs of advertising in magazines are high. Advertisers with limited budgets may not consider relative costs.
2. **Long Lead Time:** One of the important limitations of magazines is the long lead time needed to place an ad. Space must be purchased and the ad must be prepared well in advance of the actual publication date.
3. **Clutter and Competition:** The more successful a magazine becomes, the more advertising pages it attracts, and this leads to clutter.

Other media types include direct mail, radio, outdoor, internet, yellow pages have their own advantages and limitations.

3.6 METHODS OF ADVERTISING EVALUATION

The measurement of advertising effectiveness is done to test both the communication effects and sales effects of an ad. The fundamental research on effectiveness is very little.

Communications-Effect:

Communication-effects of an ad tell whether the ad is communicating well. Copy testing is the method used to test this effect. This can be done before an ad is put into media and after it is printed or broadcast. These are known as pre testing and post testing of an ad.

Consumer Feedback: The consumer feedback method asks consumers certain questions for their reactions on a proposed ad.

Portfolio Tests: Consumers are exposed to a number of advertisements, and are then asked to recall all the ads and the content, aided or unaided by the interviewer. Recall level indicates the ad's effectiveness.

Laboratory Tests: These tests use equipment to measure physiological reactions like heart-beat, blood pressure, pupil dilation, galvanic skin response, perspiration to an ad. These tests measure attention power but reveal nothing about impact on beliefs, attitudes, or intentions.

Post-testing the communication impact of a completed ad campaign is also useful to advertisers. The advertiser can measure how the ad affected consumers recall or product awareness, knowledge, and preference.

Sales-Effect:

Measuring the sales effect of an ad is more difficult than the measuring the ad's communication effect. There are many factors which influence the sales other than advertising at the same time, such as, price, product's features, availability, competition, etc., One method of measuring the sales effect is the **historical approach** which involves correlating past sales with past advertising expenditures using statistical techniques. Another method is **experimental approach**. By altering ad spending in similar markets the advertiser tries to measure the impact on sales by advertising.

3.7 SUMMARY

Advertising is one of the important elements in promotional mix of a firm. Advertising is any paid form of non personal presentation and promotion of ideas, goods, or services by an identified sponsor. The major objectives of advertising are communication and sales. The important players in developing the advertising program are advertiser, advertising agency, media, and audience. With the development of technology different media options are available to the advertiser. Internet is fast becoming one of the important media vehicles especially in business-to-business model. Companies are recognizing the importance of integrating their marketing communications and following integrated marketing communications (IMC). Advertising along with direct mail, personal selling, publicity, and sales promotion plays a crucial role in achieving the promotional objectives.

3.8 KEY WORDS

Advertising goal is a specific communication task and achievement level to be accomplished with a specific audience in a specific period of time.

DAGMAR Defining Advertising Goals for Measured Advertising Results, is a model developed by Russell Colley in 1950. According to DAGMAR, advertising has to perform a specific communication task; the task has to be accomplished among a well-defined audience within a specified time period.

Ad Copy The verbal or written material of an advertisement including the headline, illustration, name and address of the advertiser and his signature.

Advertising agency: A marketing services firm that assists companies in planning, preparing, implementing, and evaluating all or portions of their advertising programs.

AIDA The letters in the acronym denotes Attention Interest Desire Action. The model suggest that any effective impersonal sales presentation should attract attention, gain interest, arouse a desire and result in action.

CPM Cost per reaching thousand

3.9 SELF ASSESSMENT QUESTIONS

1. It is said that advertising is a waste of scarce resources in a developing country like India. Do you agree?
2. Classify the different advertising objectives and explain DAGMAR method.
3. Describe the methods of setting up of advertising budget.
4. Describe the important advertising media and mention their advantages and limitations.
5. Explain how advertising messages are created?
6. What are the different methods of advertising evaluation?

3.10 FURTHER READINGS

1. George E. Belch & Michael A. Belch., Advertising and Promotion An integrated communications perspective (2001), Tata McGraw-Hill Publishing Company Limited, New Delhi.
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Lesson - IV

SALES PROMOTION

OBJECTIVES

After studying this lesson, you are able to :

- understand the role of sales promotion in a company's promotion mix
- examine sales promotion tools and the factors to consider them
- recognize the role of publicity in the promotional mix
- understand the role of personal selling in the integrated marketing communications program
- know ways to determine the effectiveness of the personal selling effort

STRUCTURE

4.1 INTRODUCTION

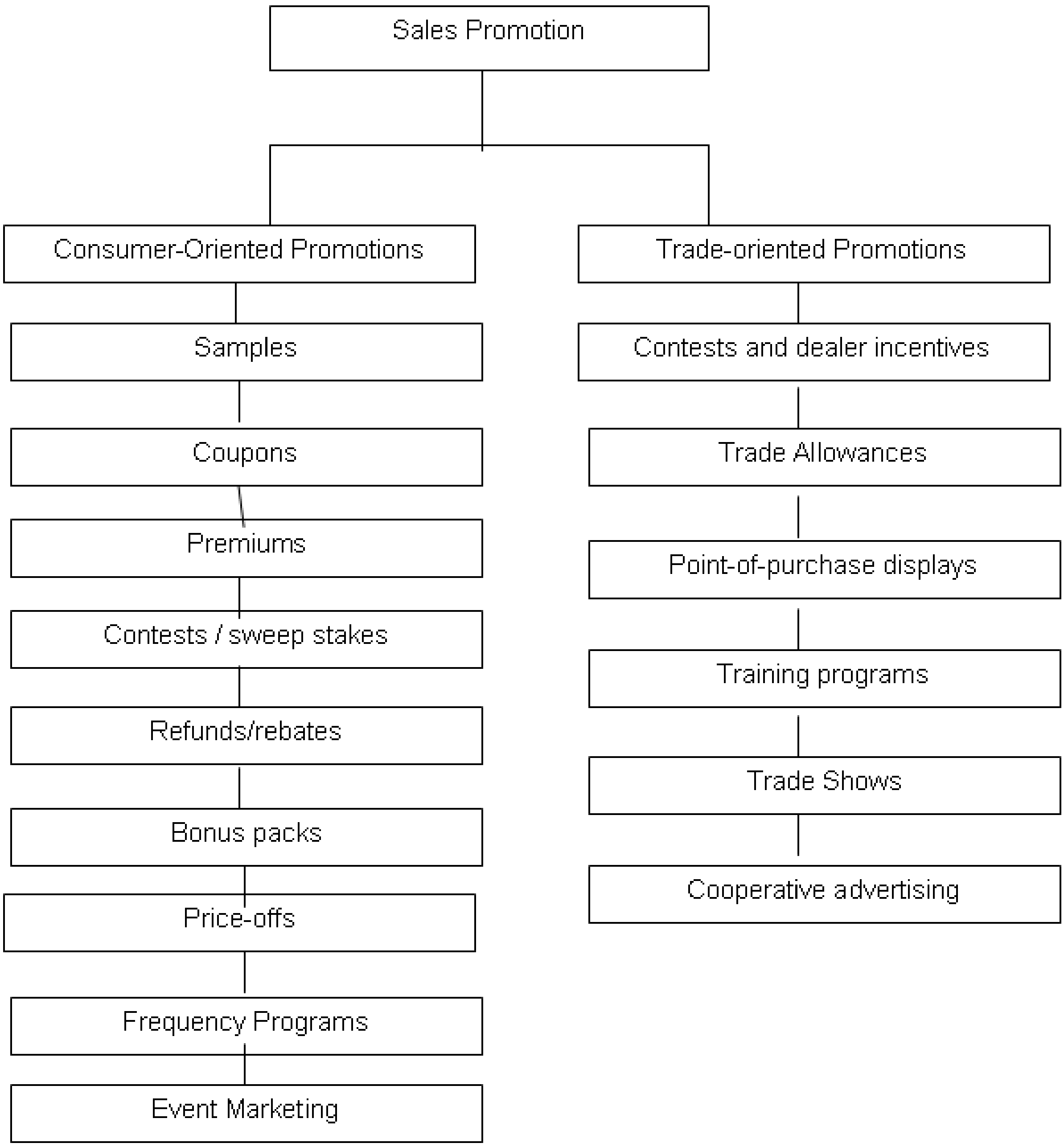
Marketers have come to recognize that advertising alone is not always enough to move their products into the hands of consumers. Companies also use sales promotion methods targeted at both consumers and the wholesalers and retailers that distribute their product to stimulate demand. Advertising appeals to the mind and emotions to give the consumer a reason to buy sales promotion appeals more to the pocket and provides an incentive for purchasing a brand. Advertising tells what products to buy and sales promotion tells when to buy. Sales promotion programs oriented towards both consumers as well as trade. Integrated marketing communications programs include consumer and trade promotions that are coordinated with advertising, direct marketing, and publicity / public relations campaigns as well as sales force efforts.

4.2 MEANING AND IMPORTANCE OF SALES PROMOTION

Sales promotion has been defined as "a direct inducement that offers an extra value or incentive for the product to the sales force, distributors, or the ultimate consumer with the primary objective of creating an immediate sale."

Figure 4.1

TYPES OF SALES PROMOTION ACTIVITIES



According to American Marketing Association, sales promotion refers to those activities other than personal selling, advertising and publicity, that stimulate consumer purchasing and dealer effectiveness, such as display shows and exhibitions, demonstrations, and various other non-recurrent selling efforts not in ordinary routine.

According to Council of Sales Promotion Agencies "Sales promotion is a marketing discipline that utilizes a variety of incentive techniques to structure sales-related programs targeted to consumers, trade, and/or sales levels that generate a specific measurable action or response for a product or service." These definitions suggest that sales promotions are short-term incentives to encourage purchase or sale of a product or service.

Sales promotion involves some type of inducement that provides an extra incentive to buy. This incentive is usually the main element in a promotional program. For example price reduction, coupons, contests, rebate, money-back, extra amount of a product, free sample of the product. Sales promotion can also provide an inducement to marketing intermediaries such as wholesalers and retailers.

Sales promotion is essentially an accelerating tool, designed to speed up the selling process and maximize the sales volume. Sales promotion programs encourage customers and dealers to take immediate action. This will shorten the purchase cycle. Sales promotion attempts to motivate consumers who have not responded to advertisement. Sales promotion activities can be targeted into two categories: consumer-oriented and trade-oriented promotions. These activities are illustrated in Figure 4.1.

Consumer-oriented sales promotions are part of a promotional **pull** strategy. They work along with advertising to encourage consumers to purchase a particular brand and thus create demand for it. Trade-oriented sales promotions are part of **push** strategy designed to motivate distributors and retailers to carry a product and make an extra effort to push it to their customers.

4.3 GROWTH OF SALES PROMOTION

As there is pressure on management to earn short-term profits, and other changes in the market place companies are spending more and more money on sales promotion programs. The following factors also contributed to the shift in spending to sales promotion from media advertising.

1. **The Growing Power of Retailers:** The growing influence of retailers is forcing the companies to listen to them and declare several sales promotional programs. Companies that fail to support retailers with trade support are losing shelf space for their products.
2. **Declining Brand Loyalty:** Consumers have become less loyal to brands and are purchasing more on the basis of price, value, and convenience. Consumers are looking for better deals and switch back and forth among a set of brands. They feel that brands are interchangeable and purchase whatever brand is on special offer.
3. **Increased Promotional Sensitivity:** Companies are using sales promotion programs because consumers respond favourably to the incentives it provides. An obvious reason for this is that they save money. Consumers who are time-sensitive make many purchase decisions at the point of purchase where sales promotion offers are more appealing.
4. **Brand Proliferation:** The market has become saturated with new brands, which often lack any significant advantages that can be used as the basis of an advertising campaign. Thus, companies increasingly depend on sales promotion.

5. **Fragmentation of the Consumer Market:** As consumer market becomes more fragmented and mass-media-based advertising less effective, companies are turning to sales promotion to reach effectively the targeted segments.

6. **Short-term Focus:** The marketing plans and reward systems are oriented towards short-term performance and the immediate generation of sales through sales promotion is becoming an important element in promotional mix.

7. **Increased Accountability:** Many companies are demanding to know what they are getting for their promotional expenditure. Sales promotion is economically accountable than advertising. Sales promotion provides measurable and accountable ways to relate promotional expenditure to sales and profitability.

8. **Competition:** As the markets for many products are mature and stagnant it is difficult to increase sales through advertising. Many companies in collaboration with retailers are designing promotional programs to achieve mutual objectives.

9. **Clutter:** A sales promotional offer in an ad can break through the clutter that is prevalent in most media today. An offer will attract consumer's attention.

4.4 SALES PROMOTION OBJECTIVES AND TOOLS

Consumer-oriented Sales Promotion:

Companies must consider what they want to achieve through their consumer-oriented sales promotion programs and how to mix these with other promotional activities such as advertising, direct marketing, and personal selling. Marketers have to consider the impact of sales promotion on brand's image in the long term while designing sales promotion programs. The basic goal of most consumer-oriented sales promotion programs is to induce purchase of a brand. However the marketer may have a number of different objectives for example:

- obtaining trial and repurchase,
- increasing consumption of an established brand,
- defending current customers,
- targeting a specific market segment, or
- enhancing advertising and marketing efforts.

4.4.1 Consumer-oriented Sales Promotion Techniques:

Marketers use various sales promotion techniques to meet the objectives. The following are the sales promotion techniques.

1. **Sampling:** Consumers are given some quantity of a product for no charge to induce trail. Although it is expensive sampling is generally considered the most effective way to generate trial. Manufacturers of packaged goods products such as food, health care items, cosmetics, and toiletries are using this method.

2. **Couponing:** Coupon is one of the oldest and most effective sales promotion tools used by marketers. These coupons may be mailed directly to customers or by publishing ads in newspapers and magazines along with Re off coupon offer customers will get them. Re off coupon is most

appealing to price sensitive consumers. Coupons encourage nonusers to try a brand, encourage repeat purchase among current users, and make users to try new, improved version of a brand.

3. **Premiums (Gifts):** A premium is an offer of an item of merchandise or service either free or at a low price that is an extra incentive for purchasers. Free premiums are usually free gifts or merchandise included in the product package. For example, Hindustan Lever Ltd, offering with their Brooke Bond BRU 50 gm coffee pack an attractive glass bowl.

4. **Contests and Sweepstakes:** A contest is a promotion where consumers compete for prizes or money on the basis of skills or ability. A sweepstake is a promotion where winners are determined purely by chance; it cannot require a proof of purchase as a condition for entry.

5. **Refunds or Rebates:** Refunds also known as rebates are offers by the manufacturer to return a portion of the product purchase price, usually after the consumer supplies some proof of purchase. Products such as cameras, sports goods, appliances, television, audio and video equipment, computers, and cars frequently use rebate offers to appeal to price-conscious consumers.

6. **Bonus packs:** Bonus packs offers the consumer an extra amount of a product at the regular price by providing larger containers or extra units. Bonus packs provide more value for consumers as they get extra product for the money they spend. Colgate offers 25gm extra on their 200gm pack at the same price.

7. **Price-off deals:** This is the direct price-off deal offered by manufacturer by reducing the price of a brand. Price-off reductions are typically offered right on the package through specially marked price packs. For example, on Palmolive shaving brush Rs 8/- reduction is offered. Nature Fresh edible oil 1 liter pack is available at Rs.55/- where as the MRP is Rs.70/-.

8. **Frequency Programs:** One of the fastest growing areas of sales promotion is the use of frequency programs also known as continuity or loyalty programs. Consumers get points on every purchase and get the offers from the companies as points accumulate. Airline companies introduced frequent flyer programs, where the customer gets points on every trip and gets discount in the form of extra miles or in the form of price reduction.

9. **Event Marketing:** Event marketing is a type of promotion where a company or brand is linked to an event or where a themed activity is developed for the purpose of creating experiences for consumers and promoting a product or service.

These are some of the sales promotion techniques adopted by the marketers to accomplish the desired objectives.

4.4.2 Trade-Oriented Sales Promotion:

Trade-oriented sales promotion programs are designed to get the trade support. These trade promotions are targeted to marketing intermediaries such as wholesalers and retailers. The objectives of this program are:

- Obtaining distribution and support for new products,
- Maintaining support for established brands,
- Encouraging retailers to display established brands, and
- Building retail inventories.

Types of Trade-Oriented Promotions:

1. **Contests and Incentives:** Manufactures may develop contests or special incentive programs to stimulate greater selling effort and support from resellers. Contests or incentive programs can be directed toward managers, salespeople who work for a wholesaler, distributor as well as retailer. These programs may involve cash payments made directly to the retailer's or wholesaler's sales staff to encourage them to promote and sell a manufacturer's product.

2. **Trade Allowances:** A discount or deal offered to retailers or wholesalers to encourage them to stock, promote, or display the manufacturer's products. These allowances may be in the form of buying allowances, promotional or display allowances, and slotting allowances. Buying allowances are offered to resellers in the form of price discounts on the goods ordered during a fixed period. Retailers get promotional allowances for merchandising support. Slotting allowances also known as stocking allowances, or introductory allowances, are fees received by retailers for giving a slot to accommodate the new product.

3. **Displays and Point-of-purchase Materials:** Point-of-purchase (POP) displays are an important promotional tool because they are more effective in store merchandising efforts. These POP materials include banners, posters, shelf cards, motion pieces, end-of-aisle displays, and stand-up racks. Manufacturers helping retailers in using their shelf space with the help of computer based programs.

4. **Sales Training Programs:** Another form of manufacturer-sponsored promotional assistance is conducting sales training programs for reseller personnel. Many products sold at the retail shops require knowledgeable sales people who can provide consumers with information about the features, benefits, and advantages of various brands and models.

5. **Trade Shows:** A trade show is a forum where manufacturers can display their products to current as well as prospective buyers. In many industries, trade shows, exhibitions are a major opportunity to display products and interact with the customers.

6. **Cooperative Advertising:** In cooperative advertising the cost of advertising is shared by more than one party. The most common form of cooperative advertising is the trade-oriented form, vertical cooperative advertising, in which a manufacturer pays for a portion of the advertising and retailer shares the other portion.

4.5 EVALUATION OF SALES PROMOTION

Many observers noted that overuse of sales promotion can be detrimental to a brand in several ways. A brand that is constantly promoted may loose perceived value. Consumers purchase the brand because it is on discount sale, or they get a free gift, or have a coupon, rather than a favourable attitude towards the brand. When several competitors use promotions extensively they may fall into a sales promotion trap. If a company is successful its sales promotion efforts attracts other competitors also into the same lines and no one gets good profits. This may lead to price wars and companies have to pay penalty for that. Promotions can be more expensive than they appear. Some benefits are distributed to wrong customers. Retailers may demand extra trade allowances or refuse to cooperate if the promotions are more consumer-oriented. Companies must consider short-term impact of promotion and its long-term effect on the brand. If the sales are falling the companies are tempted to resort to sales promotion techniques, but the other factors like channel relation, price, packaging, product quality, or advertising must also be considered.

4.6 PUBLICITY

Publicity refers to the generation of news about a person, product, or service that appears in broadcast or print media. For many people in business publicity and public relations are synonymous. In fact, publicity is really a subset of the public relations effort. But there are several major differences. Publicity is typically a short-term strategy, while public relations are a long-term program. Public relations is designed to provide positive information about the firm and is usually controlled by the firm or its agent. Publicity, on the other hand, is not always positive and is not always under the control of organization. Both positive and negative publicity originates from sources outside the firm.

Publicity can make or break the product or even a company. For example, the Cola majors Pepsi and Coke getting lot of publicity for the wrong reason and the companies do not have any control over the news items published in the media. The allegation is that the Cola companies are using contaminated water for producing their products, which consist of pesticide residues, and immediately their sales were dropped by 30-40% in India.

Publicity is much more powerful than advertising or sales promotion because it is highly credible. People believe news items that appear in the media than the advertisements in the same media. Consumers perceive this information as more objective and have more confidence in it. Publicity information may be perceived as endorsed by the medium in which it appears. For example publicity in the form of a news item appearing in Eenadu telugu daily is perceived by readers as an endorsement from the daily.

Publicity is free of cost unlike advertising which is a paid form of promotion. Publicity is news, and people like to pass on information that has news value. Publicity thus results in a significant amount of free, credible, word-of-mouth information regarding the firm and its products.

But however timing of the publicity is not always completely under the control of the marketer. The media has the control over the timing of press release. A major way to get publicity is the press release. But sometimes the information gets lost in translation. We may observe the difference between the press release and news item which appeared in the media. But if the marketers produce video news release of a publicity piece and give it to television stations they may air it as a news item.

4.7 PERSONAL SELLING

Personal selling involves selling through a person-to-person communications process. This directs and inter personal communication gives immediate feedback from the receiver. This communication process, known as dyadic communication helps companies to tune the message suitable to the respective buyers. Personal selling often plays an important role in industrial firms. The role of personal selling varies from firm to firm depending on a variety of factors, including the nature of the product or service, size of the organization, and type of industry. The role of personal selling is constantly changing along with the changes in the marketing environment. The distinct stages of personal selling evolution are as follows.

1. **Provider stage:** Selling activities are limited to accepting orders of the available products of seller and delivering them to buyer.
2. **Persuade stage:** Selling involves an attempt to persuade market members to buy the supplier's offerings.
3. **Prospector stage:** Reaching the prospective buyers who are interested in the company offering and having the resources and authority to buy it.

4. **Problem-solver stage:** Selling involves matching the available offerings to solve customer problems.

5. **Procreator stage:** Selling defines the buyer's problems or needs and their solutions through active buyer-seller collaboration and then creates a market offering to match the customer need.

Firms evolving through these five stages have to adopt different promotional strategies, each integrated with personal selling to achieve the maximum communications effect. Personal selling evolves into a much broader role to establish a long-term, symbiotic relationship with clients, working closely with them as a solutions provider. Relationship marketing is defined as "an organization's effort to develop a long-term, cost-effective link with individual customer for mutual benefit." The personal selling efforts help the companies to build relationships with customers effectively.

Personal Selling Responsibilities:

The job responsibilities of sales people include:

1. **Locating prospective customers:** The process of locating new customers known as prospecting involves the search for and qualification of prospective customers. Sales people must follow up the leads (those who may become customers) and prospects (those who need the product or service). They must also determine whether these prospects are qualified prospects that means whether they are able to make the buying decision and pay for the product.

2. **Determining customers' needs and wants:** The sales person must determine what the customer needs and wants are and in some cases they may have to assist the customer in determining what he or she needs.

3. **Recommending a way to satisfy the customer's needs and wants:** Here the sales person recommends a possible solution to the problem of potential customer.

4. **Demonstrating the capabilities of the firm and its products:** The sales person demonstrates the capabilities of the firm and the product and show the prospect why their offer is the best.

5. **Closing the sale:** The important element in any sales presentation is closing the sale. Managers have to work with their sales force to close the sale and help reluctant or uncertain buyers make a decision.

6. **Following up and servicing the account:** The responsibilities of the sales force do not end once the sale has been made. Maintaining customer loyalty, generating repeat sales, and getting the opportunity to cross sell - that is, sell additional products and services to the same customer - are some of the advantages of keeping customers satisfied through follow-up activities.

Personal selling helps the company sales people an opportunity to assess the situation first-hand and choose appropriate sales message accordingly. No other promotional element provides this opportunity.

Advantages and Disadvantages of Personal Selling:

Advantages:

1. **Allowing for two-way interaction:** The ability to interact with the receiver allows the sender to determine the impact of the message. This gives immediate feedback to the company. In mass communication this direct feedback is not available.

2. **Tailoring of the message:** Because of the direct interaction, message can be tailored to the receiver. The specific message addresses the consumer's specific problems, concerns, and needs.

3. **Lack of distraction:** In many personal-selling situations, a one-to-one presentation is conducted. The likelihood of distractions is minimised and the buyer is paying close attention to the sales message.

4. **Involvement in the decision process:** Through building relationship marketing and consultative selling, the seller becomes more of a partner in the decision process. This leads the buyer to rely more on the salesperson and his or her products and services.

5. **Sources of research information:** Sales representatives can collect information on competitors' products and services, promotions, pricing, and so on, firsthand. They understand about the buying needs and wants of customers and potential customers.

Disadvantages:

1. **Inconsistent message:** Sometimes the lack of standardized message can become a disadvantage. The message is generally designed with some specific communications objective by marketing staff. But the salesperson may alter this message in a way that the marketer did not intend.

2. **Conflict between sales and marketing staff:** The marketing staff may not understand the problems faced by the sales staff, or the sales people may not understand why marketing people do things the way they do. The communication is not effective due to internal conflicts.

3. **High cost:** The cost per sales call is high when compared to cost per message delivered through other media. In majority of the cases one sales call is not enough to close the deal. Overall, personal selling is an expensive way to communicate. However the returns may be bigger.

4. **Poor reach:** Personal selling cannot reach as many members of the target audience as other elements of promotional mix. Because of time limitation and limited sales force the reach may not be sufficient. Further, the frequency of reaching the buyers is also low.

5. **Poor ethical problems:** As sales personnel incentives are directly related to the sales that they generate, sometimes the sales people may bend the rules. They may give false promises and do things, which are not ethical.

Personal selling is rarely used alone. This promotional tool supports and is supported by other promotional element.

Criteria for evaluating Personal selling:

The following criteria may be used to evaluate the contribution of the personal selling effort to the promotional program.

1. **Provision of marketing intelligence:** The ability of the sales force to feed back information regarding competitors programs, customer reactions, market trends, and other factors that may be important in the development of promotional program.

2. **Follow-up activities:** The distribution of promotional brochures, and correspondence with new and existing customers, feed back on the effectiveness of various promotional programs.

3. **Program implementations:** The number of promotional programs implemented, the number of counter displays used, the implementation and assessment of cooperative advertising programs.

4. **Attainment of communication objectives:** The number of presentations made to prospective customers, the number of trial offers accepted etc.,

By using the above criteria the promotional manager along with the sales department should be able to assess the effectiveness of the personal selling program. This requires inter departmental cooperation.

4.8 SUMMARY

Sales promotion techniques provide consumers with an extra incentive or reward for engaging in a certain form of behaviour such as purchasing a brand. For some type of sales promotion tools the incentive the consumer receives is immediate, while for others the reward is delayed and is not realized immediately. Marketers often evaluate sales promotion tools in terms of their ability to accomplish specific objectives. Publicity is basically a subset of public relations and is often not under the control of the company. Both positive and negative publicity originates from sources outside the firm. Personal selling involves selling through a person-to-person communications process. All these promotional elements like sales promotion, publicity, and personal selling along with advertising should compliment each other. Direct mail, tele marketing, internet also helping the organizations in developing a suitable promotional strategy.

4.9 KEY WORDS

Relationship Marketing: An organization's effort to develop a long-term, cost-effective link with individual customer for mutual benefit.

Dyadic Communication: One-to-one communication between two people or groups

CRM Customer Relationship Management

Publicity: Refers to the generation of news about a person, product, or service that appears in broadcast or print media.

Public relations: The management function which evaluates public attitudes, identifies the policies and procedures of an organization with the public interest, and executes a program of action to earn public understanding and acceptance.

4.10 SELF ASSESSMENT QUESTIONS

1. Discuss how sales promotion can be used as an acceleration tool to speed up the sales process and maximize sales volume.
2. Why companies are shifting to sales promotion from media advertising? Discuss the pros and cons of this reallocation of marketers' advertising and promotion budgets.
3. What are the differences between consumer-oriented and trade-oriented sales promotion?
4. Many companies are now trying to generate as much free publicity as they can. Cite some examples of this, discuss the advantages and disadvantages associated with this strategy.
5. Explain the role of personal selling in promotional strategy of a firm.

4.11 FURTHER READINGS

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Lesson - V

MARKETING CONTROL

OBJECTIVES

The objectives of this lesson are to :

- provide an insight into the concept and scope of marketing control
- highlight the significance of marketing control
- present the types and techniques of marketing control

STRUCTURE

5.1 INTRODUCTION

Marketing control is the last step in the planning and implementation of marketing activities Marketing Planning is the decision making with reference to various marketing strategies. Implementation of marketing strategies is a part of analysis of marketing performance. Analysing marketing performance is the part of the continuing process of developing plans for marketing activity centres, implementing those plans, controlling the performance and adjusting plans with the performance. In this lesson, efforts are made to present various aspects of marketing control viz., concept, scope, significance and techniques.

5.2 MARKETING CONTROL - DEFINED

The marketing control may be defined by Cravens and other two authors as "concerned with analysing the performance of marketing decisions, uncovering the performance problems of opportunities and taking corrective actions to resolve the problems or to take advantage of the opportunities." In the words of Philip Kotler" Marketing Control is the process of taking steps to bring actual results and desired results closer together." Marketing control is expected to identify and measure all deviations from the marketing plan to identify the roots of the problem and to provide a mechanism for corrective action. It is to monitor and get feedback of marketing performance and its measurement and the evaluation against standard performance. It is also understood as a multi-dimensional activity. It analyses the past performance and directs future improvements.

5.3 SCOPE OF MARKETING CONTROL

The scope of marketing of control can be understood from four important aspects viz.,

a) Annual Plan Control : Annual plan control is related to those steps taken by the management to check the performance against the marketing plan over a period of a year and to suggest corrective steps to solve the deviations. The major aspects of annual plan control are as under :

i Establishment of clear goals for each responsibility centre.

ii. Periodic measurement of performance to find out gaps.

iii. Analysis of performance gaps to find out a change in the standards fixed.

iv. Taking corrective measures to reduce the gaps between the goals and performance. The performance measurement is done by using the tools like market share analysis, financial analysis and consumer attitude change.

b) Profitability : Periodic research is also undertaken to determine profitability of the different components of the marketing inputs. Thus, profitability is ascertained relating to the firm's products, territories, customer groups, trade channels, salesmen and other marketing variables. Profitability analysis is basically concerned with the task of marketing the marketing and non-marketing costs to specific marketing activities to have a clear view of the performance in terms of contribution. This analysis helps the marketing executive to make decisions relating to different marketing activities.

c) Efficiency Control: This is the outcome of profitability analysis, poor profitability results for improving the efficiency of marketing activities like personal selling, sales promotion and physical distribution. The marketing manager has to judge the efficiency of various marketing activities like personal selling, sales promotion and distribution. Many ratios and percentages are designed to measure improvements in the efficiency.

d) Strategic control : This is the task of ensuring that the firm's marketing objectives, policies and strategies are optimally adopted to the present and future marketing environments. Two important tools are used for this purpose viz., rating review and marketing audit. Rating review takes into account the ratings on customer philosophy, integrated matching information, adequacy of marketing information, strategic orientation and operational efficiency. The marketing audit is designed to evaluate the overall marketing strategy through the study of the components of marketing mix.

Development of a viable marketing control system is only a part of developing a successful marketing system. Marketing control system is necessary to check at regular intervals whether the organisations are moving in the right direction at the expected speed and accuracy. The three major aspects of marketing control are :

1. Implementation of Sales plan

2. Utilisation of marketing opportunities.
3. Profitability of marketing actions.
4. Process of marketing control.

The process of marketing control consists of different steps which may be explained as under :

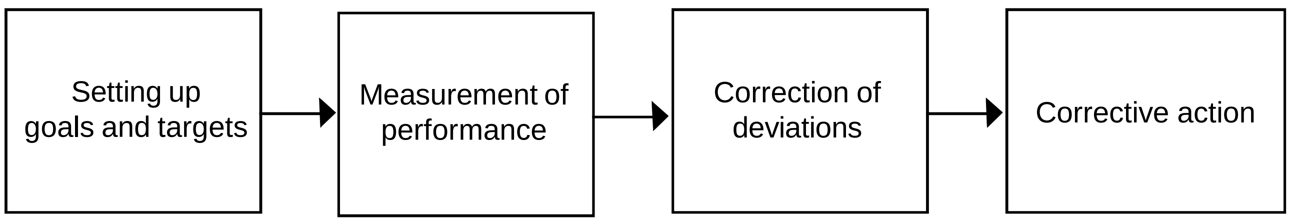
1. **Setting Performance Standards :** The performance standards are the parameters of expected performance against which the actual marketing performance is evaluated. The standards are the expectations of managers over a plan period. It is the basis or the acknowledged measure of comparison. These can be quantitative or qualitative. Quantitative standards define performance expectations in physical or monetary terms. The qualitative standards are those defined in intangible and behavioural values like level of consumer satisfaction, relations among sales force, change in consumer attitudes and brand image etc., The former standards are difficult to define and easy to apply while the latter standards are easy to define and difficult to apply.

2. **Appraisal of Performance :** This calls for collecting and coordinating the information about performance, analysing it and relating it to the standards with a view to find out deviation and the causes thereof. This can be achieved only when the organisations have installed a management information system which receives, stores, and presents authentic, adequate and timely feedback from the market performance of different components of marketing mix. This appraisal of performance may be made continuously or periodically. It is however not an easy task of measurement of performance because it deals with many intangibles such as consumer statisfaction, consumer attitudes, brand image etc., which is not possible through marketing efforts.

3. **Correction of Deviations :** It is the performance appraisal that reveals the deviations or variations from the standard performance. These deviations may be favourable or unfavourable. Favourable deviations are acceptable while the unfavourable deviations need to be corrected. Under both cases, correction is required as equal performance is to be equated or near equated to the standard performance. Whether the performance is continuous or periodic, corrections are to be introduced through implementing various strategies.

4. **Reformulating the plans :** The final step in the process of marketing control is to reformulate the plan on the basis of information provided by the marketing performance, analysis and evaluation. This feed back of performance makes the personnel more wise and to make practical application of policies, strategies, resources and targets etc., more relevant and effective.

The following is the diagram which shows the process of marketing control :



5.5. SIGNIFICANCE OF MARKETING CONTROL

Marketing control implies adoption of plans, laying down standards, review and analysis of performance to rectify actions. It is the natural sequence of marketing planning, organising and implementation of marketing plans. Marketing control as a matter of establishing a logical process for monitoring, evaluating and improving performance in each marketing activity and area, provides the following benefits :

a) Places the organisation in the right direction : A well designed and properly implemented marketing control system helps the management in tracing the deviations from the expected course. It keeps the programme of plan implementation in the right direction. Thus the organisation is placed in the right direction.

b) Identifies Responsibility : Marketing control helps to identify the responsibility for the actions of the executives. It is also useful to identify the strengths and weaknesses of the various executives. The executives can also change their attitudes and makes an attempt to use their efforts to achieve organisational goals.

c) Respond to Changes in Environment : The continuous feedback of marketing performance makes an attempt to match the efforts of marketing to the changes in the environmental forces like economic, social, political, cultural etc., The response of the organisation is updated and adjusted to the maintain the balance between variables of environment and marketing strategies.

d) Absorbs organisational complexity : The organisations of today are expanding in size and more complex in nature. This size in growth created problems of control and co-ordination has become more complex. The complex systems in the organisation can be offset by developing, designing and implementing a control system that is simple in nature and more effective.

e) Changes in formulation of plans : A well developed and effectively operated marketing system is capable of introducing changes in the formulation of plans. The control system makes the appraisal of performance in an easier way. The control system also provides the benefits of realistic formulation of marketing plans. It considers the facilities available, competencies of staff, and an evaluation of the constraints in the implementation of the control system.

5.6. TECHNIQUES OF MARKETING CONTROL

The techniques that are used to assess the marketing performance over a given period are classified into four broad categories viz.,

1. Annual Plan Control
2. Profitability Control
3. Efficiency Control
4. Strategic Control

The techniques help in the measurement of maketing performance and also bring out the deviations in the performance to suggest suitable meaures to rectify them.

1. Annual Plan Control : This is designed to monitor current marketing efforts and result to ensure that the annual sales and the profit goals are achieved. This also makes verification of continuous performance against the annual plan to take the necessary corrective actions. The purpose of this control is to examine whether planned results are being achieved in terms of sales, profits, costs, finance, attitudes of participants in marketing operations. The major technique of annual plan control is the management by objectives. This implies the following steps :

1. Setting up periodic goals in the annual plan

2. Monitoring the actual performance of plans
3. Determining of causes for deviations
4. Taking necessary corrective action.

This process also helps in changing original plans, and goals,. For the effective implementation of this technique, five important tools are being used :

a) **Sales Analysis :** It refers to a detailed study of sales performance under taken to develop a detailed understanding of its multi-dimensional aspects and its overall behavioural pattern. The objective of this analysis is to trace and understand sales pattern over a period of time, compare it with target pattern, analyse deviations and suggest corrective action. This analysis may be undertaken into different segments like total sales, sales by areas, products and customers. This analysis estimates the increase or decrease in the sales over a period of time to provide guidelines for necessary corrective action.

b) **Market share analysis :** It is the study of firm's sales in relation to its competitors performance. The objective of this analysis is to identify the company's hold in the industry. If this is used with sales analysis, market share analysis will provide certain useful limits relating to the firm's marketing performance. This technique also helps to understand the rank in the industry in relation to competetors.

c) **Marketing expense analysis :** The purpose of this analysis is to make sure that the managers are not spending more than the set limits on marketing expenses to achieve the sales goals. The expenses are determined with reference to sales achieved or expected to be achieved. The components of these expenses are sales force expenses, sales promotion expenses, marketing research expenses and sales administration expenses. This technique is used with the help of control charts. Control of costs implies control of profits.

d) **Financial Analysis :** Financial Analysis is under taken with the objective of using profitable strategies through sales analysis. Ratio analysis is popularly used for this purpose. Financial analysis reveals the nature of relationship between two marketing variables. Some of the important ratios are related to profitability ratios and turn over ratios. These include Gross Profit ratio, Rate of Return on Net worth, Net profit ratio, debtors turnover and creditors turnover ratios.

e) **Customer Attitude tracking :** It is a qualitative measure that monitors changes in market share. It is a process of identification of the attitudes of customers, dealers and other employees in the marketing activity. This is done with the help of the following :

i) Complaint suggestion system - to record, analyse and respond to the oral and written complaints and suggestions from customers.

ii) Customer panel - consists of a group of customers who have agreed to share their views periodically on different aspects of marketing.

iii) Customer surveys - surveys conducted periodically to get responses from customers for various marketing efforts.

2. Profitablility Control : This control is to determine the actual profitability of the firm's products, territories, market segments and intermediaries. This is exercised to examine where the company is gaining or losing. This is very much important as it helps the management to expand, diversify or to cancel marketing activities which are unprofitable. This analysis involves a definite methodology consisting of three steps viz.,

i) Identification of functional expenses

ii) Assigning the expenses to marketing divisions

iii) Preparation of income statement for each marketing division

The validity of this analysis depends on the validity of sales and marketing costs analysis

3. **Efficiency Control:** It is the task of improving the efficiency of different marketing activities like advertising. Personal selling, sales promotion and distribution. This is undertaken to evaluate and improve the spending efficiency and impact of marketing expenditure on the marketing operations. There is a close association between profitability and efficiency. If the profits are less, the marketing activities are not efficient. The efficiency control is exercised in different areas viz., sales, advertising, sales promotion and distribution.

4. **Strategic Control :** This is the crucial task of making sure that the company's marketing objectives, strategies and systems are optimally adopted to the current and forecasted marketing environment. This control refers to the indepth study undertaken to examine whether the company is pursuing its best opportunities with respect to markets and products. This analysis is necessary because the marketing objectives, policies, strategies and programmes are to be reviewed and changed periodically. This is done with the help of two important tools :

a) **Marketing effectiveness rating review :** The marketing effectiveness of an organisation is reflected in the degree to which it exhibits the major attributes like marketing orientation, customer philosophy, integrated marketing organisation, adequate marketing information, strategic orientation etc., in the marketing efforts. For this purpose, a marketing effectiveness rating instrument was devised based on five attributes which include the above aspects. The total scores are summarised in six point ranking and evaluated accordingly.

b) **Marketing Audit :** Marketing audit is an indepth assessment of the marketing function. In the words of Professor Philip Kotler "Marketing audit is a comprehensive, systematic, independent, and periodic examination of company's or business units marketing environment, objectives, strategies and activities with a view to determining problem areas and opportunities and recommending a plan of action to improve the company's marketing performance". Thus, it is an independent and critical appraisal of the marketing operations of a company so as to ascertain their effectiveness and suggest the future course of action to improve upon them. It is a systematic, critical and unbiased review and appraisal of the basic objectives and the policies of the marketing function and of the organisation, methods, procedures and personnel employed to implement those policies and to achieve those objectives.

The Basic Features of Marketing Audit :

There are four basic features of marketing audit that emerge from the definitions and descriptions given above. These are :

1. It is comprehensive. The phrase' marketing audit covers all the major activities of a business and business house, it is not spot - lighting on only the trouble points. It covers the thorough and critical analysis of total environment - its objectives, strategies and the systems and the sub-systems. A comprehensive marketing audit is more effective in locating the real source of the firm's marketing problems as nothing is left to chance.

2. It is systematic. Marketing audit is not a haphazard activity. It involves orderly sequence of diagnostic steps covering the firm's marketing activities. Further diagnosis is followed

by a corrective action plan involving both short-run and long-run proposals to improve the firm's overall marketing effectiveness.

3. It is independent. Marketing audit is an independent activity in that it can be conducted at least in six alternative ways as - self audit, audit from across, audit from above, company auditing office, company task - force audit and outsider audit. The experience has proved beyond doubt that best results have been achieved through outsider audit - consultants who have necessary objectivity and independence, broad and requisite experience and undivided time and devotion.

4. It is periodic. A sound marketing audit is one which is conducted periodically as a weapon to signal the dangers or the signs of success. It is unfortunate that the market audits are ordered only when sales have dwindled or sales - force morale has fallen or any other such unavoidable problem has cropped up. It is wrong because, periodic marketing audit promises benefits for all types of firms - namely those doing very well, those doing so so and those which are in trouble. What is important is the firm, should learn from the adage "precaution is better than cure" that pays.

The components of Marketing Audit : The marketing audit consists of the detailed examination of six major components of the company's marketing situation. Each component is semi autonomous in status in case the firm want less than total marketing audit. These six major components are made up of sub-components which can be outlined as under :

1. **Marketing Environment Audit :** It is divided into two broad groups as macro and task environment. Macro environment audit is the analysis of forces relating to demography, geography, economy, politics and culture. Task environment audit-refers to audit of marketers, customers, competitors, distributors, and public etc.,
2. **Marketing Strategy Audit :** This audit requires critical review of the marketing strategies like objectives and goals and to analyse how these are adopted to the present and future environment.
3. **Marketing organisation Audit :** It is an appraisal of the marketing organisation in implementing the necessary marketing strategies to review the structure and efficiency of the marketing organisation.
4. **Marketing System Audit :**It is an analysis of the marketing information system, planning system and control system to study the quality of these systems and to make necessary changes in these systems.
5. **Marketing Productivity Audit :** It is a critical examination of the profitability and effectiveness of different types of marketing expenditure.
6. **Marketing functional Audit :** This is a functional audit which covers a variety or marketing functions like assembling, branding, distribution, promotion etc.,

5.7. ESSENTIALS OF MARKETING CONTROL

The following are the essentials for a successful implementing of marketing control.

i) Set matching standards : The control system is to provide the standards for measuring the performance in each branch or functional area of marketing. Being distinct, they need specific and matching standards of performance. An acceptable standard keeps up the morale of the employees and helps to improve productivity.

ii) Early detection of deviations : An effective control system is expected to detect the deviations and reports them quickly. Any delay in detection results in making the control system an ineffective one.

iii) Make it understandable : Any control system can be effective only if it is properly understood and used by the people in the organisation. Each marketing function needs to be defined in clear terms.

iv) Flexibility in implementation : The control system should be made more flexible. Adaptability should be in terms of standards of performance and techniques of performance appraisal. It should be an open system to accommodate any unforeseen circumstances that obstructs its smooth functioning.

v) Economical in cost : The control system developed must be economical so that the company can afford it. The control system should provide for the desired benefits with least cost.

5.8. SUMMARY

Marketing control is to do with monitoring and getting feedback of marketing performance and its measurement and the evaluation against the standard performance to identify the deviations so as to correct them as and when they take place. The scope of marketing control includes annual plan control, profitability control, efficiency control and the strategic contorl. The marketing control is a process which consists of a series of steps. The marketing control provides a number of benefits to the organisation. The control is organised with the help of a number of techniques like annual plan control, profitability control, efficiency control and strategic control. The marketing control can be effective if it is flexible, economical and easily understandable.

5.9. SELF ASSESSMENT QUESTIONS

1. Define Marketing control. Explain the process of marketing control?
2. What are the various techniques of marketing control?
3. Explain the significance of marketing control? What are the essentials of marketing control?

5.10. FURTHER READINGS

1. Philip Kotler "Marketing Management - Analysis, Planning and Control: Pearson Education (Asia) New Delhi. 11th Edition.
2. C.N. Sontakki "Marketing Management" Kalyani Publishers, New Delhi.
3. Rajan Saxena "Marketing Management" Tata Mc Graw Hill, New Delhi, 2nd Edition.
4. G S Monga and Shalim Anand "Marketing Management" Deep & Deep Publications, 2003.

Lesson - VI

MARKETING INFORMATION SYSTEM

OBJECTIVES

The objectives of this lesson are to :

- explain the importance of information to the company
- define the marketing information system and discuss its components
- outline the process of Marketing Research

STRUCTURE

6.1 Introduction

6.2 Importance of information

6.3 Need for Marketing information

6.4 Marketing information system - Defined

6.5 Components of Marketing Information system

6.6 Essentials of good marketing information system

6.7 Marketing Research - Defined

6.8 Scope of Marketing Research

6.9 Marketing Research - Process

6.10 Role of Maketing Research

6.11 Summary

6.12 Self assessment Questions

6.13 Further Readings

6.1. INTRODUCTION

This is an era of information revolution. Information is of central importance for any organisation. The quality of the decisions made will be influenced by the quality of information. The managers are particularly concerned with having complete and high quality information available since their job of planning and controlling the organisation's activities involves a steady stream of complex choice situations. Success of any organisation is dependant on sound decisions and sound decisions are the outcome of relevant, clear, complete, accurate, timely, objective and authentic information.

6.2. IMPORTANCE OF INFORMATION

The term 'information' consists of evaluated data, data being expressed in words, symbols, numbers, graphs and other form of presentation. It stands for the cues or the guidelines which have the potential of influencing the decisions Information is any perceived fact, opinion, or thought Information means relevant data that help managers to reduce uncertainity. Organisations also nead information on competitors, consumers, suppliers, Government and other groups for appropriate decision making. During the century, many factors have necessitated the need for more and more information. As organisations became national or international, in scope, they need more information on larger, more distant markets. Fortunately, increasing information requirements have been met by an exploision of information technologies. During the last twenty years, the emergence of computers, fax machines, video conferencing, Internet etc., have revolutionized information handling and processing.

6.3. NEED FOR MARKETING INFORMATION

Marketing of today operates in a dynamic and highly competitive environment. The ever changing environmental forces do affect the internal situation and such an adaptive system can survive successfully when it takes warranted decisions on the basis of marketing information. The need for marketing information can be out lined as under :

a) **Consumer expectations :** The consumer expectations are ever changing and no marketer can afford to succeed without the perfect knowledge of consumer's needs, tastes, likes and dislikes, actions and reactions which are constantly changing. Whetever, the marketer decides for the consumers should be based on facts, and not on guesswork.

b) **Conplexity in marketing :** With the growth and expansion of marketing activities, the marketing system has become complicated. The complexities require more marketing intelligence Marketing Intelligence is an organised feed back process of marketing communication regarding the marketing environment. The organisations need census data, trade associations data, data from news papers and other media, trade fairs and exhibitions etc.

c) **Changes in economic Parameters :** The forces of demand and supply determine the price of inputs and outputs and hence the general market and marketing conditions. Hence a study of changes in economic conditions by observing changes in the economic parameters like national income, population, price level, money flow, growth rate changes and so on. This is possible when the relevant and up-to-date economic data is available.

d) **Changes in competetive conditions :** Modern marketing efforts and activities are not only on mass scale but are highly sensitive to the changing forces of keen competetion. A successful manketer is one who estimates the nature, extent and size of competition. Such exercise is based on relevant, authentic and latent market information regarding competition.

e) **Growing Consumerism :** Mass marketing efforts have widened the gap between the marketers and consumers. The marketers are not able to understand the consumers and the consumers have not been able to understand the marketers. This gap has led to Consumer dissatisfaction resulting in consumer movement. The consumerism also necessitated the marketers to establish an information system.

f) **Improvements in science and technology :** The improments in science and technology have led the marketers to introduce new products, services with the help of changes in science and technology, keeping pace with the technological change is a challege to which all firms will have to respond in shaping the availability, cost and consumption of goods.

g) **Improve credibility :** Any organisation expects to impress their image in the market and to improve credibility in the society. This requires collection of latest information so as to plan and implement necessary strategies to boost their goodwill in the sonety.

6.4. MARKETING INFORMATION SYSTEM - DEFINED

Marketing Information system is an internal arragement designed to support management - decision making and action. Marketing Information system is to provide management with current or conditional future states of the marketing environment and the marketers responses to company and or competetions. It is an interacting, an going and future oriented structure of persons, machines and procedures designed to generate an orderly flow of evaluated data from internal and external sources for the use of managerial decision making in the dynamic area of marketing. It collects, roots out, classifies, analysis and evaluates the data and stores for using in the future for decision making. In the words of Prof. Alder Lee "marketing information system is an interacting, continuing, future oriented structure of people, equipment and procedure designed to generate and process an information flow which can aid business executives in the management of their marketing programmes."

6.5. COMPONENTS OF MARKETING INFORMATION SYSTEM

The different components of marketing information system will have the following four :

1) Internal marketing information
2) Marketing Intelligence.
3) Marketing Research
4) Management Science

There components will help in planning and implementing an effective marketing information system. These can be out lined as under :

1) **Internal Marketing Information system :** The internal marketing information can be designed with the help of information collected from internal sources. The internal sources include accountants, sales force, production staff, human resource division etc, forms the basis for internal marketing information system. The internal accounting system involves using marketing data available from within the company as a means of indicating cost effectiveness of the firm. The internal forces and their relationship influences the decision making of marketers . The details on intenal sales, cost, inventories, accounts receivables and payables. The data from sales force indicates the sales according to area, region, products, marketer, and consumers. Both cash sales and credit sales are also observed.

2) **Marketing Intelligence system :** Marketing Intelligence system involves the collection of qualitative and quantitative data on changing conditions in the marketing and projects the charges in the macro enviornment variables. The infomation relating to competetion, customers, demographic, socio -cultural factors which influence the marketing decisions. In addition to these, an estimation of national and international political and legal environments will also be judged by the experts in the marketing field. The intelligence system acts as the

mirror of marketing environment which reflects the changes that will take place in the marketing. It is a systematic and organised effort in the marketing process which provides a projected information on the marketing system.

3) **Marketing Research :** Marketing Research is a very important component of the marketing information system. Marketing Research offers special indepth information on the problems relating to marketing of goods and services. The marketing reserch covers a wide range of marketing decisions which include markets, products, pricing, promotion, distribution,, competetion and the consumers etc., A systematic survey is organised to collect information on the problems releting to marketing. The data so collected, is analysed, tabulated and interpreted with the help of statistical tools and techinques and a structured report is prepared and presented.

4) **Management Science system :** The management Science involves use of latest quantitative techniques like operations Research, game theory, queueing theory etc. Operations Research is the application of scientific methodology and quantitative techniques to business problems. The marketing executives are assisted in the various complex decisions like new product devolopment, selection of locations for warehouses, allocation of marketing expenses etc.

Thus marketing information system provides a link between the variables of the marketing environment and the marketing managers in decision - making. The objective of marketing information system is to provide a reliable and accurate information to find solutions to the problems in the decision - making process. In addition to these, it provides an opportunity to reduce uncertainities in the marketing environment.

6.6. ESSENTIALS OF GOOD MARKETING INFORMATION SYSTEM

A good and an effective marketing information system must have some features which makes it an effective :

1) The marketing information system should be organised into an unified and centralised system. These components are to be integrated into a single agency. The chief executive of the system should co-ordinate the various components of the marketing information system.

2) The present marketing information is viewed as a decision support system. It is not only a system which provides the data, but also helps in decision making.

3) Any marketing information system should be viewed as a part of the organisation and designed to match the mission, objectives, policies, and strategies. The marketing information system is to establish the relationship with marketing organisation to outside groups on the society.

4) The marketing information system should be purpose - orented and user defined. It must provide relevant information to suit to the purpose of the user groups.

5) The marketing information system must provide fast and quick decision making. The decisions which are taken fast will provide better results .

6) The system should provide future direction to the organisation and help to lay a strong foundation for decision making.

6.7. MARKETING RESEARCH - DEFINED

With ever increasing complexity of marketing and business activities, the collection,analysis and interpretation of information has become much more intricated requiring the services of speciasized skills and refined techiques. This has given to another important function of marketing called Marketing Research. Marketing Research refers to the finding and analysing facts to assist managers in making rational marketing decisions. In the words of American Marketing Association Marketing Research is the systematic gathering, recording, and analysing of data about the problems relating to the marketing of goods and services".

6.8. SCOPE OF MARKETING RESEARCH

The scope of Marketing Research includes the following :

a) **Product Research :** The areas of product research are product changes, development of new products, testing and evaluation of new competetive products. This also includes product modifications; as to their quality, design, variety, analysis of product diversification plans etc.

b) **Market Research :** The aspects to be covered in market research include ascertaining the size and nature of customers, estimation of sales and demand, analysis of strengths and weeknesses of competetiors, impact of Governmental policies etc.

c) **Consumer Research :** The research deals with understanding the demographic features of consumers of both actual and potential, identifing consumer needs, ascertaining the levels of consumer satisfaction, locating the factors which influence purchase decision etc.

d) **Promotion Research :** The promotion research covers the areas of identifying the consumer motives, attitudes, and the reasons influencing buying decision, to find out ways and means of motivating people, determining the advertising massages and their effectiveness etc.,

e) **Pricing Research :** The research in pricing include ascertainining the price expectations of the consumers in different markets, studying the price policies and strategies, measuring consumer reactions and responses to the price offers etc.,.

f) **Distribution Research :** The distribution research to cover the aspects like study the existing and potential channels with evaluation of channel performance, deciding dealer needs, to determine optimum inventory levels, modes of tranport and their suitability etc.

6.9. MARKETING RESEARCH PROCESS

Marketing Research is a systematic process of collection, analysis and interpretation of data related to marketing problems of goods and services. As it is stated as a process, it consists of a series of steps which include :

a) Identification of the problem

b) Formulation of Research Design

c) Collection of data

d) Analysis and interpretation of data

e) Presentation of report.

These steps are closely interlinked and inter dependant. Each of these steps has to be carefully planned and implemented. Each of these steps may be explained as under :

a) Identification of the Problem : Identification of the problem is the first step in the research process. If the problem is properly identified, the research process will yield most suitable results. If the problem is wrongly defined, the cost, time and effort of the total research results in waste. A research problem is one in respect of which the data is to be collected to find a solution. For ex., the research problem may be "decrease in sales", low perfermance of sales force" low impact of advertising" etc., For these problems, the solutions are to be find out with the help of research problem.

b) Formulation of Research Design : A research design is a master plan or a model for the conduct of investigation. It is a blue print of research action which provides a framework within which the researcher has to work. This design keeps the study right on the track to keep pace with the problem requirements and makes possible to get best result with minimum possible resources. The Research Design may be in three different, forms viz., explorative, experimental and descriptive. Explorative in the design to explore the discovery of ideas and insights. Descriptive Design in the one that simply describes something such as demographic characteristics of consumers who use the product. Experimentation design is used to find out the result of experiments in the markets.

The Research Design is to provide answers to the questions :

i) What are the objectives of research ?

ii) What is the scope of research ?

iii) What are the methods of collection of data ?

iv) How the data will be analysed and interpreted ?

v) What is the estimated time and resources ?

vi) How the data is to be reported ?

c) Collection of data : A comprehensive research requires two types of data viz primary and secondary. Primary data is one which is collected by reseachers based on sampling. Primary data is a time consuming and money spending activity. It may be collected by any one of the methods like survey, observation and experimentation. It is an unpublished but latest and relevant to the problem and most accurate. Secondary data is both published or unpublished which is readily available, The sources of secondary data are published surveys of industries, Government publications, publications of trade associations, chambers of commerce, general libraries, umiversities and surveys and reports of voluntary research organisations.

d) Analysis and interpretation of data : Analysis and interpretation of data in done with the help of editing, tabulating, analysis and interpretation. Editing is an activity related to verifications of data as per the instructions given so that the answers are consistent and logical. Coding is also done to feed data into electronic processing units. Tabulation implies arrangement of data into classes and weights. To analyses the data, mathematical and statistical tools like percentages, averages, rank correlation co - efficients etc., are used. The data also may be interpreted with the help of charts, graphs etc,. Intepretation of data is a careful activity which uses sound judgment and clear vision to reach the objectives.

e) Presentation of Report : The researcher has to present his findings in the form of a report. The findings are to be communicated effectively, clearly and accurately to decision makers. The reports may be written or oral. The report should contain the objectives or purpose of the study, tools and techniques employed, sampling methods used and assumptions or limitations of the study. The contents of a research report may be as under :

i) Title Page

ii) Contents

iii) List of Tables and graphs

iv) Statement of the problem

v) Objectives of the study

vi) Methodology employed

vi) Findings and recommendations.

At the end of the report, a copy of appendixes, copy of the questionaire, bibliography and other information necessary for a report are to be included.

6.10. ROLE OF MARKETING RESEARCH

The importance of marketing research can be understood from the benefits it offers :

1) The Marketing Research is very much useful in producing new products, and in providing new uses of the existing products.

2) The most important benefit of marketing researchs is that it provides valuable information about the buying habits, motives, likes and dislikes of consumers. This information is very much useful to decide various marketing policies, strategies programmes.

3) Marketing Research helps to project the future demand based on past demand. The study of demand is very much useful to decide goods and services at the right time and right place.

4) A systematic marketing research is useful for planning advertising messages, selection of channels of distribution for better marketing of goods and services.

5) A planned marketing research helps to reduce wasteful expenditure on the marketing programmes. Since the marketers know the information about products and services which are required for the market, unnecessary expenditure can be avoided.

6) Since the marketing research collects the data on competetive environment, it helps to

evaluate the effectiveness of competetion and to make suitable marketing strategies.

7) Marketing Research is useful in establishing priorities amongst categories of behaviour and understanding psychological variables like beliefs, opinions and attitudes.

8) Marketing Research is useful for obtaining sufficient background information where nothing is known about the problem area or products.

9) It is also useful in obtaining large amount of data about beliefs, attitudes etc., which is useful for multivariate analysis.

10) Since the universe or total population can not be studied, a sample which represents the universe is to be studied and generalisations can be drawn.

Limitations of Marketing Research :

The marketing research also suffers from certain limitations which can be as under :

1) Marketing Research uses the techniques of science but it itself is not an exact science, therefore the results obtained may not be accurate as compared to physical sciences.

2) Marketing Research is conducted on consumers, dealers, wholesalers, retailers etc., who are human beings. The responses of these people are subjected to verification and change according to situations.

3) Lack of appropriate training to researchers leads to misinterpretation of data anlysed. They may not be able to collect the data and present it in a systematic manner.

4) The Marketing Research projects generally take longer periods and results in waste of time and resources.

6.11. SUMMARY

The term marketing information system play a dominant role in solving the problem of marketing relating to goods and services. The marketing research is a systematic process of collection, analysis and interpretation of data. The research uses a number of techniques from mathematics and statistics to report the findings of the study. If properly used, marketing research will provide a number of benefits to the marketing organisations.

6.12. KEY WORDS

6.13. SELF ASSESSNMENT QUESTIONS

1. Define Marketing Information system.Explain the need for Marketing Information system.
2. Write an essay on the components of the marketing information system.
3. Define Marketing Research. Explain the steps involved in marketing research.
4. What are the advantages and limitations of marketing rerearch ?

6.14 FURTHER READINGS

1) D D Sharma : " Marketing Research - Principles, applications and cases" Sultan Chand & Sons, New Delhi.

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4) Philip Kotler : "Marketing Management" 11th Edition Pearson Education Asia Ltd., New Delhi.

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Lesson - VII

MARKETING IN NON-BUSINESS ORGANISATIONS

OBJECTIVES

The objectives of this present lesson is to help you to understand :

- the attitude of Non-business organisations towards marketing.
- definition and growth of services marketing.
- marketing mix strategies for service sector.
- concept of organisation, person, place, idea marketing.
- social marketing and its different applications.
- problems in the marketing in these areas.

STRUCTURE

7.1 Introduction

7.2 Non-Business Orgnisations and Marketing

7.3 Definitions of Services Marketing

7.4 Reasons for the Growth of Services Marketing

7.5 Features of Services

7.6 Classification of Services

7.7 Marketing Strategies in Service Sector

7.8 Concepts of Organisation, Person, Place and Idea Marketing.

7.9 Concept of Social Marketing

7.10 Aspects of Social Marketing

7.11 Applications of Social Marketing

7.12 Summary

7.13 Key words

7.14 Self Assesement Questions.

7.15 Further Readings

7.1 INTRODUCTION

The marketing approach is very much useful in case of products including consumer and industrial products. The marketing strategies have also been gaining importance of Non-profit organisations. The service sector which has assumed greater significance in the recent past has also been employing marketing strategies. The organisations, places and persons are also being marketed. Social marketing has also been widely employed in the organisations in the world.

7.2 NON-BUSINESS ORGANISATIONS AND MARKETING

There is a considerable increase in the number of non-business organisations. These organisations include educational, religious, political, charitable, health, tourism, banking and insurance organisations. Some of these are service organisations which are adopting marketing strategies to market their products. For ex: banking and insurance organisations have been adopting marketing approach to sell their deposits, loans and insurance policies. The political organisations are marketing their candidates in the elections. This is an example of person marketing. Tourism centres are marketing the places of tourist interest. This is an example of place marketing. Some of the Government and Non-Government organisations (companies, Telecommunications, Museums etc.,) try to create a favourable image on their organisations which is known as organisation marketing. It has become evident that today most of the organisations are adopting marketing as a philosophy and practice in their regular operations.

7.3 DEFINITIONS OF SERVICE MARKETING

The American Marketing Association defines services as activities, benefits or satisfactions which are offered for sale or are provided in connection with sale of goods.

William J Stanton defines "services are those seperately identifiable essentially intangible activities that provide wants satisfaction and that are necessarily tied to the sale of a product or other service."

7.4 REASONS FOR THE GROWTH OF SERVICE MARKETING

The role of customer satisfying services assumes unique importance in the customer - oriented marketing approach. Since 1960, services of infinite variety have grown up in importance. A number of services have been offered to customers viz., restaurants, entertainment, lodging, transport, banking, insurance, communication, engineering, consultancy, office services, tours and travels etc., The following are the main reasons for the growth of service sector :

1) **Increase in disposable income :** The consumers have more disposable income. They are prepared to buy services they are unable to perform or they are unwilling to perform. Due to adequate purchasing power in h ighly industrialised countries, people want to buy many services so that they get more time for leisure.

2) **Growing specialisation :** Industrial development resulted in technological developments. This resulted in specialisation and division of labour. Organisation prefer to hire the services of consultants and specialists. Numerous developments took place in the field of consultancy like advertising, marketing research, promotion, merchant banking, transport, warehousing, physical distribution etc.,

3) **Increase in the Sophistication :** The increase in the sophistication in the market also contributes to the development of service sector. The modern shopping centres offer cultural and recreation facilities to the buyers mainly to attract them.

4) **Growing Fashion :** The growing trends in fashion or culture has also been instrumental in marketing favourable environment for the development of the services sector. The establishment of beauty parlours, dry cleaning centres etc., are the examples of growing fashions.

5) **Changes in Education:** For the development of services sector, the professionalisation of education has also been found a vital factor. There are a number of professional educational institutions which have been offering special courses in hotel management, communication management, transport management, hospital management etc.,

6) **Expansion of Government Activities :** The expansion of Government activities have also paved the way for the development of service sector. The development of tourism which is undertaken by the central and state Governments in a big way to attract the foreign tourists is an example.

7.5 FEATURES OF SERVICES

The features or characteristics of services can be outlined as under :

a) **Intangibility :** A physical product can be seen and touched. But the service product is intangible. For ex: the services provided by a doctor, lawyer, teacher etc., cannot be seen but the benefits of these services can be felt by the consumers. A service by nature is an abstract phenomenon. Few services are provided with products. For ex: Restaurants which supply delicious food (a physical product) in an atmosphere which is intangible.

b) **Inseperability :** Services are inseperable from the people who are providing it. Personal service cannot be seperated from the individual or organisation providing it. For ex: A doctor cannot provide his service without his physical presence in the room. This feature limits the scale of operations also. For ex: a LIC agent can provide services to few customers in a day.

c) **Perishability :** Services have high degree of perishability. The services cannot be stored for future requirements. Unutilised services are lost forever. For ex: If a room in a restaurant is not occupied on one day, the income for that day is lost. Hence a marketing strategy is called for to manage or influence the sales of service products.

d) **Heterogenity :** The services offered by a number of persons or organisations cannot be of same quality. The services cannot be standardised. The quality of the output of services offered by one seller cannot be uniform for all people. For ex: the services of a repair person (for products like TV, Car, Refrigerator etc.,) cannot be uniform or standard for all sets.

e) **Ownership :** When a product is purchased, the buyer becomes the owner for the product. If a service is purchased, the buyer canot be the owner, but can use the service for the price paid. For ex: A ticket is purchased to see a musical programme, the buyer has the right to watch the programme for the show, the ticket is intended for.

f) **Limited marketing functions :** The services do not require all the marketing functions. Functions like transportation, storage and inventory control are not required to be performed in case of services. As such, the services can be directly marketed or distributed through agents.

g) Personal relationship with customer: Though the customer is viewed as the central point in the marketing of products, the personal relationship with customer is found more in case of services. For ex: Lawyer - Client, Teacher - student, etc. The relationship is more direct in nature. The customer normally follows the suggestions given by the seller because of personal relationship.

h) Pricing of services : In case of organised services, cost plus pricing is followed. In case of unorganised services, variable pricing policy in followed which include discounts and other schemes. The above mentioned features play an important role in pricing of services. However, competition and demand are the two important factors which influence demand.

7.6 CLASSIFICATION OF SERVICES

The services may be broadly classified into

I. 1) Consumer Services

2) Industrial services

II. 1) Services provided by Government Agencies

2) Services provided by Non-Government Agencies.

However, the classification of services on the basis of consumer services and industrial services is more popular. Hence this classification is adopted.

I. 1) Consumer services :

These include

i) Catering and entertainment (Hotels, Theaters)

ii) Personal care (Beauty parlours, Hair dressers, Yoga and Zym centres)

iii) Hospital (Nursing Homes, Super Speciality Hospitals etc.,)

iv) Transport (Railway, Bus, Air ways, Water ways, Taxi, Auto etc.,)

v) Communication (Postal, telephone, telegraph, fax, internet, E-mail)

vi) Insurance (Life and General insurance)

vii) Education (Schools, Colleges, and Universities which run formal and distance education programmes)

viii) Personal Security (Security Guards, Watchman)

ix) Tourism (Places of educational and pilgrimage value)

x) Financial (Banks, Chit Fund Companies, UTI, LIC, etc.,)

2) Industrial Services

i) Financial (Banks, Investment companies, Accounting firms)

ii) Transport (Trucks, Lorries, Railways, Airways, Water ways)

iii) Engineering (R & D firms, consultancies involved in construction of buildings, Plant and machinery etc.,)

iv) Office (stationery sellers, duplicating and Xerox machine suppliers, cleaning and security services)

v) Consultancy (Production, Financial, personnel, marketing etc.,)

7.7 MARKETING STRATEGIES IN SERVICE SECTOR

The marketing mix strategies in services sector may be enumerated as under :

1) **Product :** A service product refers to an activity or an activities that a marketer offers to perform which results in satisfaction of a need or want of a predetermined target customer. For ex: a restaurant implies providing food as is understood by the owner. But the customers expect a good atmosphere, relaxation, entertainment or even status.

2) **Pricing :** Services are intangible in nature. Due to this a marketer faces greater difficulty in fixing his price in services marketing. In the case of services, different terms of pricing are used. For ex: fee, rent, commission, toll, interest. Intangibility creates a problem in price determination.

3) **Promotion :** Promotion places an important role in educating, persuading and reminding the customer. Now-a-days banks, colleges, hospitals, religious institutions etc., are using promotion to sell their services. The role of promotion in services becomes more important where there is a high degree of intangibility.

4) **Place :** The distribution in services marketing is important as services are inseperable and perishable. The perishable nature of services means it is essential for the service to be available to consumers in the right place at the right time. For ex: The bank branch is a place where it provides service. Doctor has to physically present in the consulting room to provide service to patients.

5) **People :** People as the fifth element in the service marketing mix applies not only to service personnel but also recognises the role that other people, customers play in service delivery. People constitute an important dimension in the management of services in their role both a performers of services and as customers. Employees need to understand their role in the service exchange. Human resource managers working with managers in other functional areas should look after the people in an organisation.

6) **Physical evidence :** Physical evidence has great importance in the service marketing mix because it gives satisfaction to the customers. Some services are product based and service providers will focus an ensuring that any facilitating goods which form a part of the service should be of appropriate quality and standard. For ex: Cleanliness in a clinic, interior decoration of a restaurant etc.,

   There are two types of physical evidence :

   a) Peripheral evidence which is actually possessed as a part of the purchase of service but by itself has no value. For ex: an airline ticket, a cheque book, a receipt for hotel accommodation etc.,

   b) Essential evidence which is seen in the form of a building size, design, interior decoration etc.,

7) **Process :** Process has been a subject of study in manufacturing sector. But it has gained importance even in the service sector recently. The principles by which service delivery pro-

cesses can be designed, implemented and monitored are influenced by a number of factors. For ex: taking coupons, from one counter, collection of items from another counter are common now-a-days in many service organisations.

7.8 CONCEPTS OF ORGANISATION, PERSON, PLACE AND IDEA MARKETING

Recently, many new concepts of marketing have emerged. There are :

a) **Organisation Marketing :** The marketing efforts of the organisations to improve their image and to sell their products and services is called organisation marketing. Both Government and private organisations, service organisations have been using the concept of organisation marketing For ex: Hospitals, Restaurants, Airlines, Banks, Life insurance organisations, cultural clubs, companies like BPL, BHPV, Postal organisations and police, telecommunication organisations have been using marketing strategy to improve their image and to sell their services. Some of the State Governments have been giving publicity to their activities through media to gain an advantage in the elections.

b) **Person marketing :** The marketing efforts to improve and change the attitude towards persons is called person marketing. The person marketing includes the marketing of celebrities, (Popular cinema, Sports and model artists) political candidates and candidates who are applying for jobs. The celebrities use media, agents or products to market them. The political parties market their candidates at the time of elections. The unemployed youth use bio-data to sell their qualifications, skills etc., in the employment market.

c) **Place Marketing :** Various places of public interest are also being marketed. The plots, flats, commercial buildings, resorts etc., form part of place marketing. In addition to these, places of tourist interest are also included int he marketing compaign. Visit to places like Simla, Kashmir, Agra, Delhi, Jaipur, Madras and Bangalore attract the tourists. Hotels also advertise for the important tourist places. Today the Central and State Governments in India have been promoting the tourist centres to get foreign exchange.

d) **Idea Marketing :**The marketers also market a number of ideas. The idea marketing is purpose oriented. Ideas given by Government and other voluntary organisations form part of idea marketing. For ex: use of helmets to avoid damage to life, tips to save fuel or oil, health compaigns to create awareness about AIDS etc., These programmes can be successful only when the attitudes of target groups are identified and analysed properly. On the basis of evaluation, proper marketing plans may be prepared and implemented.

Preparation and implementation of marketing strategy in case of above is not an easy task as it involves the following difficulties :

1. Market segmentation and positioning is a difficult task.
2. Analysis of the market is another difficulty because of non-availability of secondary data.
3. Problems also exist in pricing, promotion and distribution system.

7.9 CONCEPT OF SOCIAL MARKETING

Social marketing in a process of changing behaviour and altitudes of the public (target groups) for achieving social, economical, political and business objectives. Social marketing refers to the development of awareness among consumers, organisations and general public regarding long term interests of the society and business world. Social marketing aims to achieve the following objectives:

1) Satisfaction of customer Needs
2) Improvement of quality of life
3) Implementation of long term policy for customers and society's welfare
4) Freedom from all sorts of pollution and ecological destruction

7.10 ASPECTS OF SOCIAL MARKETING

Over the past few years, marketing experts and practitioners have tried to identify basic aspects of social marketing. These can be summarised as under :

i) Need based and eco-friendly product mix : The social market product may be a physical product like contraceptives or services like health examination, or ideas like environmental protection. The social marketer has to make the people aware about their needs, problems and sell the need based products. Social marketing products must be essentially eco-friendly.

ii) Rational Promotional Policy : Social marketing sells ideas, thoughts, attitudes and behaviours For the purpose of promoting social products, social marketer uses the advertising media, public relations, door to door selling, public meetings etc., Social marketing gives emphasis on adoption of rational promotional policy by organisations. The promotion of products/services should not be anti-societal, anti-ethical and anti-ecological.

iii) Reasonable Price of the product : The price of social marketing product may be in the form of money, time, labour or in the form of trouble. While making pricing decisions, he must consider factors such as purchasing power of the target groups and quality of the product.

iv) Effective and efficient distribution : Social marketing products may be tangible (eg. body building equipments), intangible ideas (Spiritual development), Services (Transportation communication etc.,) and practices (Morning walk, use of condoms etc.,) The marketer has to provide social products to the customers at the right time and at the right place so that they are really benefited.

v) Partnership between organisation and Society: Social marketing aims at achieving long term goals such as health promotion, propulation control, environmental conservation etc., These issues are complex and require combined efforts by various organisations (Government, Non-Government, health and educational institutions etc.,) to give better results.

vi) Suitable Govt. Policies : Social marketing programmes may attract resistance from the target group. Hence social marketing seeks political support to implement controversial social issues such as prevention of child marriages, population control etc., This creates environment suitable to behavioural changes required for social programmes.

7.11 APPLICATION OF SOCIAL MARKETING

In recent years, social marketing is attracting the interests of non-profit institutions like educational institutions, hospitals Government and Non-Government organisation for marketing their services. Social marketing techniques have been used successfully in health promotion programmes (family health care, heart care, human organ donations, physical fitness, immunisation, awareness against AIDS, Smoking and drinking). These techniques are also used in important areas like provision of safe drinking water, soil conservation, preservation of wild life, forestation, protection of environment etc., Social leaders have been applying social marketing strategies in the areas like protection of human rights, abolition of racism. Business organisations have been applying social marketing strategies for implementation of their business policies satisfying the consumers, long term welfare of the society, attracting investors, motivating and training workers.

In the 21st Century, social marketing principles could really benefit the organisations, the consumers and change the socio-economic and environmental systems. The information technology has made the communication systems dynamic, interactive and effective. In future, social marketers have to, adopt information technology to build rapport with target groups, gain support of masses to social reform campaigns, health promotion campaigns, and creating awareness regarding environment protection for themselves and for future generations.

7.12 SUMMARY

The concept of marketing not only covers products, but also services, organisations, persons and places. In all the aspects, the sellers are trying to exchange their 'offers' with buyers. The motives in these aspects are different. The marketing efforts are directed to create awareness, provide information, communicate results and seek co-operation from customers. The marketing concept calls for identifying the target audience and use of actions to satisfy the desires and wants of these groups.

7.13 KEY WORDS

7.14 SELF ASSESSMENT QUESTIONS

1. Define Services marketing. What are the reasons for the growth of services marketing in India.
2 What are the marketing strategies to be used in case of services marketing
3. Define the concepts organisation, place, person and idea marketing.
4. Write an essay on social marketing and its application in India.

7.15 FURTHER READINGS

1. Kotler, Philip "Marketing Management - Analysis, Planning and Control" - 11th Edition, Pearson India Ltd., New Delhi.
2. Ramaswamy V. S. and Namakumari "Marketing Management - Planning, Implementation and Control" 3rd edition, 2002, Mac Millian India Ltd. New Delhi