Define marketing and explain nature and scope of marketing

The Marketing Concept - The term marketing concept holds that achieving organizational goals depends on knowing the needs and wants of target markets and delivering the desired satisfactions. It proposes that in order to satisfy its organizational objectives, an organization should anticipate the needs and wants of consumers and satisfy these more effectively than competitors.

Production Oriented: The focus of the business is not the needs of the customer, but of reducing costs by mass production. By reaching economies of scale the business will maximize profits by reducing costs.

Sales Orientation: The focus here is to make the product, and then try to sell it to the target market. It is basically a push concept of marketing concerned with selling the produced products and making profits, without caring what the customer needs are?

Market Orientation: Puts the customer first and at the heart of the business. The organization tries to understand the needs of the customers by using appropriate research methods, processes and developing products to satisfy their needs. In essence all activities in the organisation are based around the customer. The customer is the truly king.

In today's competitive world putting the customer at the heart of the operation is strategically important. Whilst some organizations in certain industries may follow anything other than the market orientation concept, those that follow the market orientation concept have a greater chance of being successful.

Apart from these there can be many concepts of marketing like societal concept, product concept, branding concept, etc.

Meaning and definition of Marketing: - According to Philip Kotler, "Marketing Management is the analysis, planning, implementation and control of programmes designed to bring about desired exchanges with target audiences for the purpose of personal and mutual gain. It relies heavily on the adoption and coordination of product, price, promotion and place for achieving responses."

Definition of Marketing - According to American Marketing Association (2004) - "Marketing is an organisational function and set of processes for creating, communicating and delivering value to customers and for managing relationships in a way that benefits both the organisation and the stakeholder."

AMA (1960) - "Marketing is the performance of business activities that direct the flow of goods and services from producer to consumer or user."

According to Eldridge (1970) - "Marketing is the combination of activities designed to produce profit through ascertaining, creating, stimulating, and satisfying the needs and/or wants of a selected segment of the market."

According to Kotler (2000) - "A societal process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others."

Nature of Marketing: - Nature of Marketing evolves from its multidisciplinary coverage of activities which is as follow:

1. **Dynamic Process:** Marketing is an on-going activity which does not stop at any step. After finding customer’s needs and wants it needs to develop such products or services which can satisfy these needs and after this there is need to advertising, promotion, distribution, etc. the process goes on.

2. **Customer Oriented:** Marketing is customer oriented. Marketing is the process of finding needs and wants of customers and satisfying those needs profitably.

3. **All Encompassing:** Marketing is all encompassing, it is not a single process it includes production planning, research, advertising, financial management, budgeting, selling, etc.

4. **Integrating:** It integrates all the departments of an enterprise be it production, finance, IT, HR, etc.

5. **Creative:** Marketing is creative in nature; it looks out for new ideas, views and activities and solves problems or encash opportunities in a creative way.
1. **Marketing is an Economic Function** - Marketing embraces all the business activities involved in getting goods and services, from the hands of producers into the hands of final consumers. The business steps through which goods progress on their way to final consumers is the concern of marketing.

2. **Marketing is a Legal Process by which Ownership Transfers** - In the process of marketing the ownership of goods transfers from seller to purchaser or from producer to the end user.

3. **Marketing is a System of Interacting Business Activities** - Marketing is that process through which a business enterprise, institution, or organisation interacts with the customers and stakeholders with the objective to earn profit, satisfy customers, and manage relationship. It is the performance of business activities that direct the flow of goods and services from producer to consumer or user.

4. **Marketing is a Managerial function** - According to managerial or systems approach - "Marketing is the combination of activities designed to produce profit through ascertaining, creating, stimulating, and satisfying the needs and/or wants of a selected segment of the market."

5. **Marketing is a social process** - Marketing is the delivery of a standard of living to society. According to Cunningham and Cunningham (1981) societal marketing performs three essential functions:-
   1. Knowing and understanding the consumer's changing needs and wants;
   2. Efficiently and effectively managing the supply and demand of products and services; and
   3. Efficient provision of distribution and payment processing systems.

6. **Marketing is a philosophy based on consumer orientation and satisfaction**

7. **Scope of Marketing** - Marketing has a very wide scope it covers all the activities from conception of ideas to realization of profits. Some of them as discussed as below:
   1. **Product Planning**: It includes the activities of product research, marketing research, market segmentation, product development, determination of the attributes, quantity and quality of the products.
   2. **Branding**: Branding of products is adopted by many reputed enterprises to make their products popular among their customers and for many other benefits. Marketing manager has to take decision regarding the brandi
   3. **Packaging**: Packaging is to provide a container or wrapper to the product for safety, attraction and ease of use and transportation of the product.
   4. **Channels of Distribution**: Decision regarding selection of most appropriate channel of distribution like wholesaling, distribution and retailing is taken by the marketing manager and sales manager.
   5. **Sales Management**: Selling is a part of marketing. Marketing is concerned about all the selling activities like customer identification, finding customer needs, persuading customer to buy products, customer service, etc.
   6. **Advertising**: Advertisement decisions like scope and time of advertisement, advertisement message, selection of media, etc comes into marketing.
   7. **Finance**: Marketing is also concerned about the finance, as for every marketing activity be it packaging, advertising, sales force budget is fixed and all the activities have to be completed with in the limit of that budget.
   8. **After Sales services**: Marketing covers after sales services given to customers, maintaining good relationships with customers, attending their queries and solving their problems.

1. **Study of Consumer Wants and Needs** - Goods are produced to satisfy consumer wants. Therefore study is done to identify consumer needs and wants. These needs and wants motivates consumer to purchase.


3. **Production planning and development** - Product planning and development starts with the generation of product idea and ends with the product development and commercialisation. Product planning includes everything from branding and packaging to product line expansion and contraction.

4. **Pricing Policies** - Marketer has to determine pricing policies for their products. Pricing policies differs form product to product. It depends on the level of competition, product life cycle, marketing goals and objectives, etc.

5. **Distribution** - Study of distribution channel is important in marketing. For maximum sales and profit goods are required to be distributed to the maximum consumers at minimum cost.

6. **Promotion** - Promotion includes personal selling, sales promotion, and advertising. Right promotion mix is crucial in accomplishment of marketing goals.
7. Consumer Satisfaction - The product or service offered must satisfy consumer. Consumer satisfaction is the major objective of marketing.

8. Marketing Control - Marketing audit is done to control the marketing activities.

Marketing Myopia - Marketing Myopia is the short sighted and inward looking approach to marketing that focuses on the needs of the firm instead of defining the firm and its products in terms of the customers' needs and wants. Such self-centered firms fail to see and adjust to the rapid changes in their markets and despite their previous eminence falter, fail and disappear. This concept was given by Theodore C Lewitt.

Its theme is that the vision of most organizations is too constricted by a narrow understanding of what business they are in? By the influence of this concept many oil companies redefined their business as “energy” instead of just “petroleum”.

The Marketing Management Cycle

In marketing management, the planning cycle is involved in four basic steps. First, Planning is the process of investigating and understanding the surroundings within which the organization functions. This would include studying and gaining an understanding of such things as; competition, legislation and regulation, social and cultural trends, and technology. Both present and developing trends in each of these areas must be identified and monitored. In planning stage, managers are involved in creating documents that outline the organization’s intended response to these environmental variables. Second stage is implementation in which plans are put into action. It is the changeover from expected reality to existing reality. Third stage is the monitoring process which involves tracking plans and identifying how plans related to changes that take place during program operation when more information is acquired. Correction is the fourth stage in which managers take action to return their plan to the desired state based on feedback obtained in the monitoring stage. It can be concluded that the marketing management cycle is composed of planning, implementing, monitoring, and correcting.

The foundation of modern marketing management has been laid on the concept of marketing mix paradigm. This concept was introduced by Neil Borden in 1950 and popularised by Mc Garthy in 1960. Marketing mix composed of four concepts that include product, price, promotion and place. These factors have evolved the tool of marketing management.

Product: Goods produced by organizations for the customers are called products. Products can be of two types such as Tangible Product and Intangible Product (Services). A product in a market place is something which a retailer sells to the buyers in exchange of money.

Price: The money which a purchaser pays for a product is called as price of the product. The price of a product is indirectly proportional to its availability in the market.

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

Promotion: Promotion refers to the various techniques and ideas executed by the marketers to generate awareness among end users. Promotion includes various techniques employed to promote and make a brand popular amongst the masses.

4 P’s model targeting market segment

Specific functions of marketing management include market research, advertising, sales promotion, sales planning, sales operation, physical planning.

Market research. Marketing management conduct research to collect the data required to perform accurate marketing analysis. As such, they often conduct market research to obtain this information. Marketers employ a variety of techniques to conduct market research that include.

Qualitative marketing research, such as focus groups and various types of interviews

Quantitative marketing research, such as statistical surveys

Experimental techniques such as test markets

Observational techniques such as ethnographic (on-site) observation

Advertising. It is a mass media tool for marketers in consumer goods markets. Advertising is an impersonal presentation and promotion of ideas, products and services paid by the sponsor.
Sales promotion: It is a short term incentive to supplement personal selling and advertising. It is sued by marketers at the time of launching new products.

Sales planning: This function involves the planning of right products at correct prices. It includes formulating sales plans, price and quantity determination, packaging and budgeting.

Sales operations: This function is concerned with transferring of product to the customer point.

Physical distribution: Moving and handling of products come under physical distribution. Order processing, inventory, warehouse and transportation are key decision to be accessed in physical distribution system.

**Functions of marketing management**

Marketing management is essentially demand management. The basic task of marketing function is to simulate and attract demand for the products and services of company. However, it also performs the task of regulating the level, timing and character of demand in a way that would help the company to achieve these objectives. Marketing management must deal effectively under four distinguishable demand states:

*Four basic marketing task (Kotler, 1981)*
Marketing management has gained significance to meet increasing competition and the need for improved methods of distribution to decrease cost and to boost profits. In current business situation, marketing management is the most important function for organization.

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>State of Demand</th>
<th>Marketing Tasks</th>
<th>Formal Name</th>
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</thead>
<tbody>
<tr>
<td>1.</td>
<td>Negative Demand</td>
<td>Reverse the negative demand</td>
<td>Conversional Marketing</td>
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<tr>
<td>2.</td>
<td>Latent Demand</td>
<td>Develop demand</td>
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<td>3.</td>
<td>Faltering Demand</td>
<td>Revitalise demand</td>
<td>Remarketing</td>
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<td>4.</td>
<td>Full Demand</td>
<td>Maintain demand</td>
<td>Maintenance Marketing</td>
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The following are major factors that reveal significance of the marketing management.

i. Introduction of new products in the market.

ii. Increasing the production of existing products.

iii. Reducing cost of sales and distribution.

iv. Export market.

v. Development in the means of communication and modes of transportation within and outside the country.

vi. Rise in per capita income and demand for more goods by the consumers.

Management studies have shown that marketing management uses various tools from economics and competitive strategy to analyse the industry context in which the firm operates. These include Porter's five forces, analysis of strategic groups of competitors, value chain analysis and others. In competitor analysis, marketers develop detailed profiles of each opponent in the market, focusing especially on their relative competitive strengths and weaknesses using SWOT analysis. Marketing managers will scrutinize each competitor's cost structure, sources of profits, resources and competencies, competitive positioning and product differentiation, degree of vertical integration, historical responses to industry developments, and other factors.

**Importance of Marketing Management in Indian Market** – In competitive environment, the industrialization is speedily progressing and effective and well organized methods of marketing are evolved. Due to the planned economic development, there is huge progress in agrarian and industrial spheres. The production of the primate and public sectors has also sufficiently gone up.

In Indian economy, the marketing management has great significance which is described below.

i. **Procuring Maximum Results with Minimum Efforts.** In Indian country, the resources are quite limited; hence the industrial units are essentially required to be alert against their productivity. By the minimum efforts, managers have to achieve the maximum results; it could be possible only when they understand the significance of ‘marketing’.

ii. **Worth from the Export Market Viewpoint.** To enhance economic development rapidly, it is essential to increase the export trade. The success of our Five Year Plans basically depends upon the possibilities and successes of export trade. The export trade could develop only when professional managers possess the knowledge of the latest techniques of marketing. To develop the export trade, managers must have to expand national market, so that whatever they lose in exports could be met by the domestic markets. In this perspective, the marketing occupies sufficient significance. The exporters must pay greater attention on the marketing research and market analysis. The new marketing devices must be developed so that faith among the customers could be created towards the products.

iii. **Significance from the Rural Regions perspective.** Due to the economic development in Five-Year Plans, there has been the change in the habits and expenses not only among the urban population, but also in the rural area. Due to the Green Revolution, there have been enough changes in the villages. Due to the increase in the people's incomes, today there have been development of the demand for new and comfortable products in the villages. In India, there are enough opportunities for the development of the marketing activities in the rural areas.

iv. **Significance of Marketing Along with Rapid Industrialization.** Since the time when the government had determined about improving the economy of the country by means of the Five-Year Plans, main focus is on the industrialization. The attitudes towards the standard of living of people have been changing and there has been sufficient change in the attitudes and interests, wants of the people and along with the same, the importance of marketing management too has begun increasing.

**Improving Marketing Management Skills** – In order to enhance management skills, managers must consider following method.

**Selecting the right market** – It is essential to understand how to choose the best market so as to get new consumers and even retain the old ones. A good marketing manager should understand the forces of demand and supply in the market. This helps in meeting the consumers demand at different times. It will help in increasing in sales for a given period of time. When choosing the right market there is various factors that must be considered such as the location and size of the business.

**Gains and losses assessment.** Understanding the market dynamics is also essential in analysing possibilities of making a gain or incurring a loss in any business.
Effective means of communication. Good communication between the marketer and customers is also very important in business. This helps in attracting more potential customers and therefore increasing the volume of sales. It is important to ensure that the business has an effective customer service support team. This ensures that the consumers review on the product is considered.

Proper management of all marketing departments. Succeeding in marketing management involves proper running of marketing departments such as sales, pricing, operations and finance.

Research on business and the market. It is good to study thorough details about the business that assists in strategizing on the most appropriate ways to market a product. Strategic planning and marketing management should go hand in hand. The major approaches used in strategic planning include; competitor analysis, company analysis and customer analysis. Competitor analysis involves analysing the prices of the competitor products and their nature. This helps the company to prospect the profit.

Making strategic decisions. After in depth study and research on business and other market dynamics, it is easy to design practical marketing strategies.

To sum up, marketing management is described as the process of management of marketing programmes to achieve organisational goals and objectives. According to management theorists, it is the art and science of selecting target markets and getting, keeping, and growing consumers through creating, delivering, and communicating better customer value. It involves planning, implementation and control of marketing programmes or campaigns. The main task of marketing management is to simulate and attract demand for product. Marketing management basically associated with the practical application of marketing practices and the use of the resources and activities to fulfil its task to attain the company objectives.

Company Orientation towards the marketplace

As the market has changed, so has the way the company deals with the marketplace. The company orientation towards marketplace deals with the concepts which a company may apply while targeting a market. There are basically five different orientations which a company takes towards the marketplace.

Production Concept – In this concept the company mainly tries to increase production irrespective of demands of the customer. The production concept is almost extinct now with companies paying more and more attention to the customer.

Selling concept – The selling concept believes that customers will not buy products unless persuaded to do so. As we know, this is true even today in case of certain products such as insurance. Although the customer should use it, they rarely do.

Product Concept – The product concept says that customers will always buy products which are better in terms of quality performance and features. The concept is especially applicable in terms of electronics and other techno gadgets nowadays.

Marketing Concept – Just like selling is a necessity, similarly branding and marketing are a necessity in some products. The marketing concept proposes that the success of a firm depends on the marketing efforts of the company in delivering a value proposition.

Societal Marketing Concept – The societal marketing concept leads to a company orientation which believes in giving back to the society what it had received from the society. This concept believes that the company is profiting because of society and hence it should also take measures to make sure the society also benefits from the company.

What is a company’s orientation towards marketplace

1. Production Concept Widely available and inexpensive products Mass distribution High production efficiency Low costs Useful when 1) Demand exceeds supply 2) Product’s cost is too high Used to expand the market E.g. Lenovo and Haier, in China,

2. Product Concept Innovation Proper distribution Proper advertising Chances of better mousetrap fallacy Quality feature Better Performance Proper pricing

3. Selling Concept Marketing based on hard selling is risky. or Complain to the consumer organization or Bad mouth the product They should not return it back Consumers & Businesses, if left alone, won’t buy enough products Selling unsought goods like insurance or cemetery plots rather Buy the products again

4. Marketing Concept Delivering superior customer values Preoccupied with the idea of satisfying the needs of customers by means of product Needs of Buyer rather than Needs of Seller Better communication Job is to find not the right customers for your product, but the right products for your customers Creating superior values for the buyer
5. Holistic Marketing Integrated marketing Performance marketing Internal marketing Relationship marketing Communications Products & Services Channels Marketing department Senior management Other departments Customers Channel Partners - Brand & customer equity Legal Community Environment Ethics Sales revenue

6. Integrated Marketing The whole is greater than sum of its parts Integrated channel strategy Consistent brand message at every contact Communication option should reinforce and complement each other Marketing activities and programs To create, communicate, and deliver value to customers Integrated communications Direct effect on sales and brand equity

7. Internal Marketing Motivating the employees Vertical alignment with senior management It succeeds when all departments work together It becomes a company wide undertaking Hiring able employees Training the employees Marketing is no longer responsibility of a single department Horizontal alignment with other departments

8. Relationship Marketing Ultimate outcome is a unique marketing network Conduct customer relationship management Effective network with stakeholders and profits will follow Customers, employees, suppliers, distributors, retailers and others Deep, enduring relationship with people and organizations Mutually satisfying long term relationship Consisting of company and stakeholders And partner relationship management

9. Performance Marketing Marketing metrics: quantifying and comparing marketing performance Environmental Ethnical SOCIAL RESPONSIBILITY MARKETING FINANCIAL ACCOUNTABILITY Justify investment in financial and profitability terms Marketing research and statistical analysis Legal Social

10. Presentation by YASH SHARMA (IIT BHU) (during a summer intern under Prof. Sameer Mathur IIM Lucknow)

**Market environment**

According to **American Marketing Association (2004)** - "Marketing is an organisational function and set of processes for creating, communicating and delivering value to customers and for managing relationships in a way that benefits both the organisation and the stakeholder."

According to **Kotler (2000)** - "A societal process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others."

**Marketing Environment**

The term Marketing Environment refers to the forces and factors that affect the organisation ability to built and maintain good relationship with its customers. Marketing environment surrounds the organisation and it impacts upon the organisation. Marketers have to interact with internal and external people at micro and macro level and builds internal and external relationships. The key elements of marketing environment are as follows:


**Internal Environment** - Internal factors like men, machine, money, material, etc., on which marketing decision depends consists internal marketing environment. The internal environment refers to the forces that are within the organisation and affects its ability to serve its customers. It includes marketing managers, sales representatives, marketing budget, marketing plans, procedures, inventory, logistics, and anything within organisation which affects marketing decisions and its relationship with its customers.

**Micro Environment** - Individuals and organisations that are close to the marketing organisation and directly impacts its ability to serve its customers, makes Marketing Micro Environment. The micro environment refers to the forces that are close to the marketing organisation and directly impact the customer experience. It includes the organisation itself, its suppliers, marketing intermediaries, customers, markets or segments, competitors, and publics. Happenings in micro environment are relatively controllable for the marketing organisation.

**Macro Environment** - Macro environment refers to all forces that are part of the larger society and affects the micro environment. It includes demography, economy, politics, culture, technology, and natural forces. Macro environment is less controllable.

**Marketing Environment (Study Notes)**

Marketing activities are influenced by several factors inside and outside a business firm. These factors or forces influencing marketing decision-making are collectively called marketing environment. It comprises all those forces which have an impact on market and marketing efforts of the enterprise. According to Philip Kotler, marketing environment refers to "external factors and forces that affect the company's ability to develop and maintain successful transactions and relationships with its target customers”.

The marketing programme of a firm is influenced and shaped by a firm's inwardly need to begin its business planning by looking outwardly at what its customers require, rather than inwardly at what it would prefer to produce. The firm must be aware of what is going on in its marketing environment and appreciate how change in its environment can lead to changing patterns of demand for its products.
It also needs to assess marketing opportunities and threats present in the surroundings. An environment can be defined as everything which surrounds and impinges on a system. Systems of many kinds have environments with which they interact. Marketing can be seen as a system which must respond to environmental change. Just as the human body may have problems, it fails to adjust to environmental change. Similarly, businesses may fail if they do not adapt to external changes such as new sources of competition or changes in consumers’ preferences.

**Scanning the Environment:**
Marketing activities do not take place in a vacuum, isolated from all external forces. In fact all marketing operations are conducted in a highly complex, dynamic and changing environment. According to Philip Kotler, “A company’s marketing environment consists of the factors and forces outside marketing that affect management’s ability to build and maintain successful relationships with target customers”.

The marketing environment offers both opportunities and threats. Successful companies know the vital importance of constantly watching and adapting to the changing environment. A company’s marketers take the major responsibility for identifying significant changes in the environment.

More than any other groups in the company, marketers must be the trend trackers and opportunity seekers. Although every manager in an organisation needs to observe the outside environment, marketers have two special aptitudes. They have disciplined methods – marketing intelligence and marketing research – for collection of information about the marketing environment.

They also spend time in the customer and competitor environment. By conducting systematic environmental scanning, marketers are able to revise and adapt marketing strategies to meet new challenges and opportunities in the market place.

Marketing as a function is basically all about matching the offerings of the organisation to the outside world, in particular, the market-place. Not surprisingly, many functions within marketing, such as selling, product development and market research, concern themselves with issues, problems and opportunities outside the organisation, and focus on responding to outside events and circumstances. Kotler identifies in this external role the need for marketers to develop an ‘outside-in’ perspective, an ability to work on external cues and stimuli to the profit of the whole organisation.

Environment scanning is a constant, important activity of successful companies. This process includes gathering, filtering and analyzing information related to the marketing environment. It also includes monitoring the changes taking place in the environment and forecasting future status of each factor.

Such analysis helps to spot opportunities and threats in the environment, and pinpoints the ones that are specifically relevant to the company. The company’s marketing people have the responsibility for scanning and identifying significant changes or trends in the marketing environment.

As we know that marketing research and marketing intelligence system are the methods used by companies for environment scanning and gathering vital information about changes. Customers’ behaviour and competitors’ activities are also important factors to be watched in the environment. Successful companies know the vital importance of constantly scanning and adapting to the changing environment. The environment continues to change at a rapid pace.

**Importance of Environment Analysis:** The following are the benefits of environment analysis:

1. It helps in marketing analysis.
2. It can assess the impact of opportunities and threats on the business.
3. It facilitates the company to increase general awareness of environmental changes.
4. It is possible to develop effective marketing strategies on the basis of analysis.
5. It helps to capitalize the opportunities rather than losing out to competitors.
6. It facilitates to understand the elements of the environment.
7. It helps to develop best strategies, in the light of analysing “what is going around the company”.

**Need for Environment analysis:**
Environmental analysis attempts to give an extensive insight as to the current market conditions as well as of impact of external factors that are uncontrollable by the marketers. These variables play an important role in convincing potential customers regarding changes in market trends, market conditions etc.

Facilitating the corporation’s strategic response to the changes taking place in environmental factors is the ultimate purpose of environment analysis. The firm has to come up with alternative programmes and strategies in line with environmental realities. This is possible only with proper environment analysis.

It helps strategic response by highlighting opportunities, the pursuit of which will help the firm to attain its objectives. It helps to assess the attractiveness and probability position of these opportunities, and helps to prepare a shortlist of those which are relevant to the firm and which can be pursued by it.
Spotting the opportunities and threats is the central purpose here. It is in the environment that the firm finds its opportunities; it is in the environment that it finds the threats it has to encounter, and, it is by tapping the opportunities present and countering the threats embedded therein that the firm achieves its growth objective. The starting point is thus to spot the opportunities and threats.

**Concept of Micro and Macro Environment:**
A marketing-oriented company looks outside its premises to take advantage of the emerging opportunities, and to monitor and minimize the potential threats it faces in its businesses. The environment consists of various forces that affect the company’s ability to deliver products and services to its customers.

**The marketing environment is made up of:**
1. **Micro-environment:** The micro-environment of the company consists of various forces in its immediate environment that affect its ability to operate effectively in its chosen markets.

   This includes the following:
   
   (a) The company
   (b) Company’s Suppliers
   (c) Marketing Intermediaries
   (d) Customers
   (e) Competitors
   (f) Public

   A brief explanations are given below:

   **The Company:** - In designing marketing plans, marketing management takes other company groups into account – Finance, Research and Development, Purchasing, Manufacturing, Accounting, Top Management etc. Marketing manager must also work closely with other company departments. Finance in concerned with funds and using funds to carry out the marketing plans. The R&D Department focuses on designing safe and attractive product. Purchasing Department is concerned with supplies of materials whereas manufacturing is responsible for producing the desired quality and quantity of products. Accounts department has to measure revenues and costs to help marketing know-how. Together, all of these departments have impact on the marketing plans and action.

   **Internal Environment (Within the Co.):** The marketing management, in formulating plans, takes the other groups into account:

   1. Top Management
   2. Finance
   3. R&D
   4. Manufacturing
   5. Purchasing
   6. Sales Promotion
   7. Advertisement etc.

   Environmental forces are dynamic and any change in them brings uncertainties, threats and opportunities for the marketers. Changes in the environmental forces can be monitored through environmental scanning, that is, observation of secondary sources such as business, trade and Government, and environmental analysis, that is, interpretation of the information gathered through environmental scanning.

   Marketers try to predict what may happen in the future with the help of tools like marketing research and marketing information or marketing intelligence system, and continue to modify their marketing efforts and build future marketing strategies. The company should think about the consumer and work in harmony to provide customer value and satisfaction.

   **Company’s Suppliers:** Suppliers provide the resources needed by the company to product its goods and services. They are important links in the company’s overall customer “value delivery system”. Supplier developments can seriously affect marketing. Marketing managers must watch supply availability – supply shortages or delays, labour strikes and other events can cost sales in the short run and damage customer satisfaction in the long run. Marketing Managers also monitor the price trends of their key inputs. Rising supply costs may force price increases that can harm the company’s sales volume.

   In business-to-business marketing, one company’s supplier is likely to be another company’s customer and it is important to understand how suppliers, manufacturers and intermediaries work together to create value. Buyers and sellers are increasingly co-operating in their dealings with each other, rather than bargaining each transaction in a confrontational manner in order to make supply chain management most effective and value-added products are sold to the target markets.

   **Marketing Intermediaries:** Intermediaries, or distribution channel members often provide a valuable link between an organisation and its customers. Large-scale manufacturing firms usually find it difficult to deal with each one of their final customers individually in the target markets. So they chose intermediaries to sell their products.

   Marketing intermediaries include resellers, physical distribution firms, marketing service agencies, and financial intermediaries. They help the company to
promote, sell, and distribute its goods to final buyers. Resellers are distribution channel firms that help the company to find customers for goods. These include whole-sellers and retailers who buy and resell merchandise. Selecting and working with resellers is not easy. These organisations frequently have enough power to dictate terms or even shut the manufacturer out of large markets.

**Physical distribution:** Firms help the company to stock and move goods from their points of origin to their destinations. Working with warehouse and transportation firms, a company must determine the best ways to store and ship goods, and safety marketing services agencies are the marketing research firms, advertising agencies, media firms, and marketing consulting firms that help the company target and promote its products to the right markets. When the company decides to use one of these agencies, it must choose carefully because those firms vary in creativity, quality, service and price. Financial intermediaries include banks, credit companies, insurance companies, and other businesses that help finance transactions or insure against the risks associated with the buying and selling of goods. Most firms and customers depend on financial intermediaries to finance their transactions.

**Customers:** Consumer markets consists of individuals and households that they buy goods and services for personal consumption. Business markets buy goods and services for further processing or for use in their production process, whereas reseller markets buy goods and services to resell at a profit. Government markets are made up of government agencies that buy goods and services to produce public services or transfer the goods and services to others who need them. Finally, international markets consist of the buyers in other countries, including consumers, producers, resellers and governments. Each market type has special characteristics that call for careful study by the seller.

**Competitors:** No single competitive marketing strategy is best for all companies. The company’s marketing system is surrounded and affected by a host of competitors. Each firm should consider its own size and industry position compared to those of its competitors. These competitors have to be identified, monitored and outmanoeuvred to gain and maintain customer loyalty. Industry and competition constitute a major component of the micro-environment. Development of marketing plans and strategy is based on knowledge about competitors’ activities. Competitive advantage also depends on understanding the status, strength and weakness of competitors in the market.

Large firms with dominant positions in an industry can use certain strategies that smaller firms cannot afford. But being large is not enough. There are winning strategies for large firms, but there are also losing ones. And small firms can develop strategies that give them better rate of return than large firms enjoy.

**Public:** General public do take interest in the business undertaking. The company has a duty to satisfy the people at large along with competitors and the consumers. A public is defined as “any group that has an actual or potential interest in or impact on a company’s ability to achieve its objectives.

Public relations is certainly a broad marketing operation which must be fully taken care of Goodwill, favourable reactions, donations and hidden potential fixture buyers are a few of the responses which a company expects from the public. Kotler in this regard has viewed that “companies must put their primary energy into effectively managing their relationships with their customers, distributors, and the suppliers, their overall success will be affected by how other publics in the society view their activity. Companies would be wise to spend time monitoring all their publics understanding their needs and opinions and dealing with them constructively”.

Every company is surrounded by seven types of public, as shown below:

1. Financial—banks, stock-brokers, financial institutions.
2. Media—Newspaper, magazines, TV.
4. Citizen—Consumer Organisations; environment groups.
5. Local—neighbourhood residents, community groups.
7. Internal—Workers, officers, Board of Directors.

**Macro Environment:** The macro-environment consists of broader forces that not only affect the company and the industry, but also other factors in the micro-environment.

The components of a macro-environment are:

(a) Demographic Environment
(b) Economic Environment
(c) Physical Environment
(d) Technological Environment
(e) Political Environment
(f) Legal Environment
(g) Social and Cultural Environment

**A. Demographic Environment:** Demography is the study of population characteristics that are used to describe consumers. Demographics tell marketers who are the current and potential customers, where are they, how many are likely to buy and what the market is selling. Demography is the study of human populations in terms of size, density, location, age, sex, race, occupation and other statistics.
Marketers are keenly interested in studying the demography ethnic mix, educational level and standard of living of different cities, regions and nations because changes in demographic characteristics have a bearing on the way people live, spend their money and consume.

For example, one of the demographic characteristic is the size of family. With the number of small families increasing in India, the demand for smaller houses and household items has increased significantly. Similarly, the number of children in a family has reduced significantly over the years. So, per child spending in a family has increased significantly.

According to the World Health Organisation, young people in the age group of 10-24 years comprise 33% of the population and 42% of our population consists of age group, 0-24 years. Teen-agers in the age group below 19 years comprise 23%. The senior citizen age group above 65 years comprise only 8% of total population. About 58% of the working population is engaged in agricultural activities, with highest, that is 78% in Bihar and Chattisgarh and lowest 22% in Kerala.

Since human population consists of different kinds of people with different tastes and preferences, they cannot be satisfied with any one of the products. Moreover they need to be divided in homogeneous groups with similar wants and demands. For this we need to understand the demographic variables which are traditionally used by marketers, to segment the markets.

**Income:** Income determines purchasing power and status. Higher the income, higher is the purchasing power. Though education and occupation shapes one’s tastes and preferences, income provides the means to acquire that.

**Life-style:** It is the pattern of living expressed through their activities, interests and opinion. Life-style is affected by other factors of demography as well. Life-style affects a lot on the purchase decision and brand preferences.

**Sex:** Gender has always remained a very important factor for distinction. There are many companies which produce products and services separately for male and female.

**Education:** Education implies the status. Education also determines the income and occupation. With increase in education, the information is wider with the customers and hence their purchase decision process is also different. So the marketers group people on the basis of education.

**Social Class:** It is defined as the hierarchial division of the society into relatively distinct and homogeneous groups whose members have similar attitudes, values and lifestyle.

**Occupation:** This is very strongly associated with income and education. The type of work one does and the tastes of individuals influence one’s values, life-style etc. Media preferences, hobbies and shopping patterns are also influenced by occupational class.

Age: Demographic variables help in distinguishing buyers, that is, people having homogenous needs according to their specific wants, preferences and usages. For instance, teenagers usually have similar needs. Therefore, marketers develop products to target specific age groups.

The youth are being targeted through advertisements and promotional campaigns, stores are being designed with ‘youthful’ features, youth events are being sponsored, and even new technology is developed with their tastes in mind.

The age groups that attract the attention of marketers can be classified as:

(i) **Infants:** The population of India is growing at an alarming rate. The rate of infant deaths has declined considerably due to the advancement in medicine. Although infants are consumers of products, their parents are the decision makers. The size of a family is decreasing and the average income of family is increasing.

(ii) **School going teens:** In this segment, there is a great demand for school uniforms, bags, shoes, books, stationary, confectioneries, food, albums, bicycles and other similar products.

(iii) **Young Adults:** Marketers target the young adults in the age group 18-30 years with products like motorbikes, music systems, clothes, sports cars etc. Two-wheeler manufacturers in India target this segment of people. In the last five years, various companies like, Bajaj, Hero-Honda, Kinetic, TVS etc. have introduced a large number of models to attract young adults.

(iv) **Adults 35-45:** Consumers, in this age group, are more health conscious and look for stability and financial independence. The industries that are benefited by them are: Pharmaceuticals, personal products, fitness products, gym equipment’s, cars, home appliances, consumer durables, banks, insurance companies, etc. Marketers push products specifically designed for this age group.

(v) **Senior Citizens:** This consumer group boosts the demand for health care services, select skin care products, financial planning etc.

(vi) **Women:** Women constitute nearly 50% of India’s population. They are actively taking up professions. This shift in their role has generated a greater demand for childcare and convenience products that save time in cooking, cleaning and shopping. Marketers are trying to come up with products that are easier to handle, less heavy, convenient to use etc. The change in the role of women is paving the way for a change in the role of men. Advertisements portray men cleaning, cooking and caring for their children, which was unthinkable in the past.
One of the most dramatic forces shaping people's lives in technology. Technology has released such wonders as penicillin, ope...

Technology has brought innumerable changes in human lives, be it in the field of science, medicine, entertainment, communic...

D. Technological Environment

Potential shortages of certain raw materials, for examples, oil, coal, minerals, unstable cost of energy, increased levels of pollution; changing role of Government in environment protection are a few of the dangers the world is facing on physical environment forces. Other aspects of the natural environment which may increasingly affect marketing include the availability and cost of raw materials, energy and other resources, particularly if those resources and energy come from non-renewable sources.

C. Physical Environment

Economic environment describes the overall economic situation in a country and helps in analysis GNP per capita rate of economic growth, inflation rate, unemployment problems etc.

B. Economic Environment

(i) General Economic Conditions: General Economic Conditions in a country are influenced by various factors. They are:

1. Agricultural trends
2. Industrial output trends
3. Per capita income trends
4. Pattern of income distribution
5. Pattern of savings and expenditures
6. Price levels
7. Employment trends
8. Impact of Government policy
9. Economic systems.

(ii) Industrial Conditions: Economic environment of a country is influenced by the prevalent industrial conditions as well as industrial policies of a country.

A marketer needs to pay attention to the following aspects:

1. Market growth
2. Demand patterns of the industry
3. Its stage in product life cycle.

(iii) Supply sources for production: Supply sources required for production determines inputs which are available required for production. They are:

1. Land
2. Labour
3. Capital
4. Machinery and equipment etc.

Economic environment describes the overall economic situation in a country and helps in analysis GNP per capita rate of economic growth, inflation rate, unemployment problems etc.

D. Technological Environment

Technology has brought innumerable changes in human lives, be it in the field of science, medicine, entertainment, communication, and travel or office equipment. Name any field, and one can see changes in product or efficiency and faster services.

One of the most dramatic forces shaping people’s lives in technology. Technology has released such wonders as penicillin, open-heart surgery and birth control pill. It has released such horrors as the hydrogen bomb, nerve gas, and the sub-machine gun.

Every new technology is a force for “creative destruction”. Transistors hurt the vacuum tube industry, xerography hurt the heart surgery and birth control pill. It has released such horrors as the hydrogen bomb, nerve gas, and the sub-machine gun.

Technology essentially refers to our level of knowledge about ‘how things are done’. That is understanding this aspect of the marketing environment is much more than simply being familiar with the latest hi-tech innovations. Technology affects not only the type of products available but also the ways in which people organize their lives and the ways in which goods and services can be marketed.

Computer-aided design (CAD) and computer-aided manufacturer (CAM) have shortened the time required for new products to reach the market and increased the variety of products that can be produced cost effectively. The benefits of CAD/CAM are clearly evident in the car industry. Mass production is in standardized models. Computer systems have also contributed substantially to the growth of various forms of direct marketing such as direct mail, direct response marketing etc.
E. Political Environment: - The political environment consists of factors related to the management of public affairs and their impact on the business of an organisation. Political environment has a close relationship with the economic system and the economic policy. Some Governments specify certain standards for the products including packaging.

Some other Governments prohibit the marketing of certain products. In most nations, promotional activities are subject to various types of controls. India is a democratic country having a stable political system where the Government plays an active role as a planner, promoter and regulator of economic activity.

Businessmen, therefore, are conscious of the political environment that their organisation face. Most Governmental decisions related to business are based on political considerations in line with the political philosophy following by the ruling party at the Centre and the State level.

Substantial number of laws have been enacted to regulate business and marketing to protect companies from each other, to protect consumers from unfair trade practices, to protect the larger interests of society against unbridled business behaviour. Changing Government agency enforcement and growth of public interest groups also bring in threats and challenges.

F. Legal Environment: - Marketing decisions are strongly affected by laws pertaining to competition, price-setting, distribution arrangement, advertising etc. It is necessary for a marketer to understand the legal environment of the country and the jurisdiction of its courts. The following laws affected business in India:

1. Indian Contract Act 1872
2. Factories Act 1948
3. Minimum Wages Act 1948
4. Essential Commodities Act 1955
5. Securities Contracts Regulation Act 1956 (SEBI Act)
6. The Companies Act 1956
7. Trade and Merchandise Act 1958
9. The water (Prevention and Control of Pollution) Act 1974
10. The Air (Prevention and Control of Pollution) Act 1981
11. Sick Industrial Companies (Special Provisions) Act 1985
12. Environment Protection Act 1986
13. Consumer Protection Act 1986
15. Different Taxation Laws.

G. Social and Cultural Environment: - Socio-cultural forces refer to the attitudes, beliefs, norms, values, lifestyles of individuals in a society. These forces can change the market dynamics and marketers can face both opportunities and threats from them. Some of the important factors and influences operating in the social environment are the buying and consumption habits of people, their languages, beliefs and values, customs and traditions, tastes and preferences, education and all factors that affect the business.

Understanding consumer needs is central to any marketing activity and those needs will often be heavily influenced by social and cultural factors. These cover a range of values, beliefs, attitudes and customs which characterize societies or social groups. Changes in lifestyle of people affect the marketing environment.

As health problems in people have increased because of significant changes in their lifestyle, they have become concerned about their food. They prefer to eat low fat, low or no cholesterol food. This is specially true for people above 40 years. To a great extent, social forces determine what customers buy, how they buy, where they buy, when they buy, and how they use the products.

In India, social environment is continuously changing. One of the most profound social changes in recent years is the large number of women entering the job market. They have also created or greatly expanded the demand for a wide range of products and services necessitated by their absence from the home. There is a lot of change in quality-of-lifestyles and people are willing to have many durable consumer goods like TV, fridge, washing machines etc. even when they cannot afford them because of their availability on hire-purchase or instalment basis.

Culture influences every aspect of marketing. Marketing decisions are based on recognition of needs and wants of the customer, a function of customer perceptions. These help in understanding of lifestyles and behaviour patterns as they have grown in the society’s culture in which the individual has been groomed. Thus a person’s perspective is generated, groomed and conditioned by culture.

Marketing environment can also be classified as:

(i) Controllable Forces and (ii) Uncontrollable Forces.

(i) Controllable forces: Controllable forces consist of marketing policies and marketing strategies. Marketing policies are framed by the firm depending on its marketing philosophy. The top management is responsible for framing broad policies. Marketing strategies are developed by middle level management.

Internal forces are inherent to the firm and can be controlled by the management. Marketing mix elements are the tools often used to harmonies the internal variables with that of external variables. The controllable factors are well within the grip of the firm and comparably easy to adjust them to suit the changes.
These factors are combined into what we have referred to earlier as Marketing Mix. For instance, if the price appears to be on the higher side a decision to reduce it for a short term or even a long term is possible and could be implemented as quickly as possible. Off-season prices or discounts are examples in this connection.

(ii) Uncontrollable forces: Various elements called uncontrollable variables affect an organisation and its marketing efforts. It is now recognized by all that even a well conceived marketing plan may fail if adversely influenced by uncontrollable factors. The offering of the firm and the impact of the uncontrollable environment interact to determine the firm's level of success or failure in reaching its objectives.

The external forces are divided into micro-environment and macro-environment. The micro-environment consists of the suppliers, marketing intermediaries, customers etc. while the macro-environment consists of the demography, socio-cultural, political, economic, technical, legal environments etc.

Examples of Threats are:
1. Electronic type-writer with memory replaces manual type-writer.
2. Twin blade shaving system replaces razor shaving system.
3. Fuel efficient small cars against old model cars.
4. Entry of MNCs into Indian market increased competition.

Examples of opportunities are:
1. Marketing opportunities to produce cheap small cars.
2. Marketing opportunities to introduce fully automatic washing machines in the areas where husbands and wife's are working.
3. Marketing opportunities to start business in low cholesterol food items.
4. Dismantling of price controls and introduction of market-driven price policy.

**Environment scanning**

**Environmental scanning** is a review of external sources to discover factors that impact a business. The main goal is to identify and consult sources outside the business. Although these sources are uncontrollable from the business' perspective, it is important to consider them in the decision-making process.

One popular method of environmental scanning is **SWOT analysis**. Each letter stands for one area to review: strengths, weaknesses, opportunities, and threats. The strengths and opportunities are factors within the company, and the weaknesses and threats come from sources outside the company.

**What External Sources Should be Scanned?**

When companies are putting resources and time toward an environmental scan, they want the results to be as comprehensive as possible. Most scans include a thorough look at the competition, economics, technology, legal issues, and social/demographic factors. Let's dive a little deeper into each of these areas using The Pool Stop, an imaginary small business that sells and services swimming pools.

**Competition** - Businesses should scan the competition to find out how they stack up to competitors and how they can earn a customer's business. It's vital to know what the competition is doing so that a business can be in touch with trends and issues. Our example company, The Pool Stop, has been the only pool company in the area for 20 years, but a competitor crept into the market this year. The Pool Stop may have to change the way it does business now that consumers have another option. It should look closely at the competitor's services, products, pricing, location, customer service, and customer feedback. Comparing what the company offers versus the competition opens doors for improvement and opportunities to grow and change.

**Economics** - Businesses need to study the economy to discover the current trends, buying power, and strength. Are people losing their jobs and cutting back on spending? This may be a sign to re-evaluate the pricing strategy, because there are times it may be better to take a 20% profit rather than a 50% profit. Staying on top of what is going on in the economy will save the business from a negative surprise in its finances. It is better to make gradual adjustments with the economy than a big change that scares away customers.

**Technology** - Technology has had a dramatic impact on small businesses. Specifically, the use of social media and the Internet has never been more vital to a business' success. Years ago, a business only used technology in the office to take care of finances and maintain the cash register and customer information. Fast-forward a few years, and businesses were paying $500 and up to have a website built to attract customers. Now, the Internet has evolved to the point that a business can maintain multiple free accounts on different websites to connect with a huge number of customers.

In addition to using technology to share information, businesses are using it to sell to customers around the world. Why is this scary to a small business? These customers can often get a much better price than you can give them. They simply have to be willing to wait for it. Each business must review how much the Internet impacts sales and how to make the Web work for them instead of against them.
The Pool Stop is a small business that does not need a lot of bells and whistles. The company does not want to sell products online, but it does want to keep customers up-to-date on sales, specials, and current products. A scan of available technology reveals that The Pool Stop could accomplish these goals with a free social media page. Promoting what is in the store and available for quick pick-up is ideal for a marketing campaign.

**Internal & External Analysis of Environment**

Organizational environment consists of both external and internal factors. Environment must be scanned so as to determine development and forecasts of factors that will influence organizational success. **Environmental scanning refers to possession and utilization of information about occasions, patterns, trends, and relationships within an organization’s internal and external environment.** It helps the managers to decide the future path of the organization. Scanning must identify the threats and opportunities existing in the environment. While strategy formulation, an organization must take advantage of the opportunities and minimize the threats. A threat for one organization may be an opportunity for another.

**Internal analysis of the environment** is the first step of environment scanning. Organizations should observe the internal organizational environment. This includes employee interaction with other employees, employee interaction with management, manager interaction with other managers, and management interaction with shareholders, access to natural resources, brand awareness, organizational structure, main staff, operational potential, etc. Also, discussions, interviews, and surveys can be used to assess the internal environment. Analysis of internal environment helps in identifying strengths and weaknesses of an organization.

As business becomes more competitive, and there are rapid changes in the external environment, information from external environment adds crucial elements to the effectiveness of long-term plans. As environment is dynamic, it becomes essential to identify competitors’ moves and actions. Organizations have also to update the core competencies and internal environment as per external environment. Environmental factors are infinite, hence, organization should be agile and vigilant to accept and adjust to the environmental changes. For instance - Monitoring might indicate that an original forecast of the prices of the raw materials that are involved in the product are no more credible, which could imply the requirement for more focused scanning, forecasting and analysis to create a more trustworthy prediction about the input costs. In a similar manner, there can be changes in factors such as competitor’s activities, technology, market tastes and preferences.

While in **external analysis**, three correlated environment should be studied and analyzed —

- immediate / industry environment
- national environment
- broader socio-economic environment / macro-environment

Examining the **industry environment** needs an appraisal of the competitive structure of the organization’s industry, including the competitive position of a particular organization and it’s main rivals. Also, an assessment of the nature, stage, dynamics and history of the industry is essential. It also implies evaluating the effect of globalization on competition within the industry. Analyzing the **national environment** needs an appraisal of whether the national framework helps in achieving competitive advantage in the globalized environment. Analysis of **macro-environment** includes exploring macro-economic, social, government, legal, technological and international factors that may influence the environment. The analysis of organization’s external environment reveals opportunities and threats for an organization.

Strategic managers must not only recognize the present state of the environment and their industry but also be able to predict its future positions.

**Environmental scanning** is one of the essential components of the **global environmental analysis.** Environmental monitoring, environmental forecasting and environmental assessment complete the global environmental analysis. The global environment refers to the macro environment which comprises industries, markets, companies, clients and competitors. Consequently, there exist corresponding analyses on the micro-level. Suppliers, customers and competitors representing the micro environment of a company are analyzed within the industry analysis.

Environmental scanning can be defined as ‘the study and interpretation of the political, economic, social and technological events and trends which influence a business, an industry or even a total market’. The factors which need to be considered for environmental scanning are events, trends, issues and expectations of the different interest groups. Issues are often forerunners of trend breaks. A trend break could be a value shift in society, a technological innovation that might be permanent or a paradigm change. Issues are less deep-seated and can be ‘a temporary short-lived reaction to a social phenomenon’. A trend can be defined as an ‘environmental phenomenon that has adopted a structural character’.

**Macro environment** - There are a number of common approaches how the external factors, which are mentioned in the definition of Kroon and which describe the macro environment, can be identified and examined. These factors indirectly affect the organization but cannot be controlled by it. One approach could be the **PEST analysis.** PEST stands for political, economic, social and technological. Two more factors, the environmental and legal factor, are defined within the **PESTEL analysis.**
The segmentation of the macro environment according to the six presented factors of the PESTEL analysis is the starting point of the global environmental analysis.

**PESTEL analysis**

The six environmental factors of the PESTEL analysis are the following:

**Political factors**
- Taxation Policy
- Trade regulations
- Governmental stability
- Unemployment Policy, etc.

**Economic factors**
- Interest rate
- Rate of people in a pension-able age
- Customer liquidations
- Balances of Sharing

**Socio-cultural**
- Values, beliefs
- religion
- literacy
- lifestyle
- language
- education
- time orientation

**Technological factors**
- Internet
- Social Media
- Research and Development
- Rate of technological change
- E-commerce
- Electronic Media

**Environmental factors**
- Competitive advantage
- Waste disposal
- Energy consumption
- Pollution monitoring,

**Legal factors**
- employment law
- Product safety
- Product labeling
- Health and safety
- Advertising regulations
- Labor laws etc.

**Microenvironment** - The micro-level is settled between the macro- and the micro-level. This field deals with the design of the specific environment of the enterprises. It is of decisive importance that the layout of the physical infrastructure (transport, communication and power distribution systems) and of the sector policies, especially of the education, research and technology policy, are oriented towards competitiveness. In addition, the design of the trade policy and systems of rules (for example: environmental norms and technical safety standards), which contributes to the development of national advantages of competition, is relevant. Like on the micro-level, on the micro-level new patterns of organization and steering must be developed. The state shall give impulses and mediate between enterprises, associations, science and intermediate institutions. "The design of locations becomes like that a continuous process on the basis of the efforts of enterprises, science and state as well as of the determined cooperation of private and public agents"

**Marketing Information System versus Market Research**

**Definition** - A *marketing information system* is: A system that analyses and assesses marketing information, gathered continuously from sources inside and outside an organization. Timely marketing information provides basis for decisions such as product development or improvement, pricing, packaging, distribution, media selection, and promotion.

Meanwhile, Philip Kotler, sort of the father of modern marketing management theory defines it slightly differently as: people, equipment, and procedures to gather, sort, analyse, evaluate, and distribute needed, timely, and accurate information to marketing decision makers.

**Market research** is: - The process of gathering, analysing and interpreting information about a market, about a product or service to be offered for sale in that market, and about the past, present and potential customers for the product or service; research into the characteristics, spending habits, location and needs of your business’s target market, the industry as a whole, and the particular competitors you face.

**The difference between market research and a marketing information system**

- Why you need one?
- What to include in one?
- Who should use one?

**Why you need a marketing information system?**

The days of operating a business on the seat of your pants are long over and long live the new king of business management analytics. Today’s hyper-competitive environment quickly punishes businesses that don’t make decisions guided by market intelligence with poor market performance and, ultimately, death.

Need an example? Take a look at the epic failure of companies like GoDaddy to capitalize on their huge Super Bowl advertising campaigns year after year. Even a cursory look at their campaign analytics shows an inability to use market information to successfully plan future campaigns.

Whether you implement a real-time marketing information system like the one above (from NASCAR) or whether yours is composed of less timely metrics, a marketing information system is a key component of decisions related to marketing, product, logistics, pricing and other related marketing activities.
Ideally, a marketing information system should contain recent data that guides decision-making presented in a visual format (because humans process images much better than numbers and because visualizations highlight trends), at the appropriate level of analysis (more granular data for line managers, higher level data for C-suite users), and allow users to perform ad hoc analysis. Moreover, an effective marketing information system should include a variety of metrics encompassing major factors impacting market performance (more about this in the next section), be accurate, and timely.

What metrics to include?
There’s no good answer to this question because every business and industry is different. So, the short answer is to include all metrics that impact market performance paying close attention to metrics comprising both the top and middle of the funnel, not just conversion.
That said, too many firms construct their marketing intelligence using metrics that are easy, rather than ones having the greatest impact on market performance.
Make sure you have metrics representing all your KPIs (Key Performance Indicators) and that KPIs match your marketing and organizational goals. Similarly, make sure KPIs represent the entire conversion funnel, including post-purchase evaluations and behaviours such as recommendations, satisfaction, complaints, and loyalty.
Downloading CSVs (Excel files), APIs, and SQL queries help strip selected data from sources such as Google and social networking analytics tools, your website, other external data sources including industry reports, and internal data. Bringing all the metrics together on a Congo’s or Cyfe dashboard makes it easy to see interconnections between metrics from different sources.

Who needs a marketing information system?
The short answer — everyone who wants to build a successful business or make their business more successful.

Period - That said, a marketing information system is expensive, so you need to perform a cost/benefit analysis to determine how much you should spend to gather market intelligence. In the case of NASCAR’s real-time analytics, the benefit of having accurate, real-time information outweighs the cost of collecting, analysing, and disseminating this information. A smaller organization might opt for a simpler system that fits their budgetary constraints. Opting for NO marketing information system simply isn’t an option, although it’s a common response from businesses who fail to accurately measure the opportunity costs of bad decisions.

Building market research into your marketing intelligence system
Sometimes a marketing information system needs a little help from market research to fill in gaps. For instance, when a business is working on a new product, market research provides specific information on customer needs, willingness to buy, preferences, and pricing that no marketing information system can provide with accuracy, although it can certainly help by providing historical data related to other products produced by the firm or its competitors.

MIS – Marketing information system
A marketing information system (MIS) is a set of procedures and methods designed to generate, analyze, disseminate, and store anticipated marketing decision information on a regular, continuous basis. An information system can be used operationally, managerially, and strategically for several aspects of marketing.
A marketing information system can be used operationally, managerially, and strategically for several aspects of marketing. We all know that no marketing activity can be carried out in isolation, know when we say it doesn’t work in isolation that means there are various forces could be external or internal, controllable or uncontrollable which are working on it. Thus to know which forces are acting on it and its impact the marketer needs to gathering the data through its own resources which in terms of marketing we can say he is trying to gather the market information or form a marketing information system.
This collection of information is a continuous process that gathers data from a variety of sources synthesizes it and sends it to those responsible for meeting the market places needs. The effectiveness of marketing decision is proved if it has a strong information system offering the firm a Competitive advantage. Marketing Information should not be approached in an infrequent manner. If research is done this way, a firm could face these risks:

1. Opportunities may be missed.
2. There may be a lack of awareness of environmental changes and competitors’ actions.
3. Data collection may be difficult to analyze over several time periods.
4. Marketing plans and decisions may not be properly reviewed.
5. Data collection may be disjointed.
6. Previous studies may not be stored in an easy to use format.
7. Time lags may result if a new study is required.
8. Actions may be reactionary rather than anticipatory.

The total information needs of the marketing department can be specified and satisfied via a marketing intelligence network, which contains three components.
1. Continuous monitoring is the procedure by which the changing environment is regularly viewed.
2. Marketing research is used to obtain information on particular marketing issues.
3. Data warehousing involves the retention of all types of relevant company records, as well as the information collected through continuous monitoring and marketing research that is kept by the organization.

Depending on a firm’s resources and the complexity of its needs, a marketing intelligence network may or may not be fully computerized. The ingredients for a good MIS are consistency, completeness, and orderliness. Marketing plans should be implemented on the basis of information obtained from the intelligence network.

**Advantages:**

1. Organized data collection.
2. A broad perspective.
3. The storage of important data.
5. Coordinated marketing plans.
6. Speed in obtaining sufficient information to make decisions.
7. Data amassed and kept over several time periods.
8. The ability to do a cost-benefit analysis.

**The disadvantages** of a Marketing information system are high initial time and labor costs and the complexity of setting up an information system. Marketers often complain that they lack enough marketing information or the right kind, or have too much of the wrong kind. The solution is an effective **marketing information system**.

The information needed by marketing managers comes from three main sources:

1) Internal company information – E.g. sales, orders, customer profiles, stocks, customer service reports etc.
2) Marketing intelligence – This can be information gathered from many sources, including suppliers, customers, and distributors. Marketing intelligence is a catchall term to include all the everyday information about developments in the market that helps a business prepare and adjust its marketing plans. It is possible to buy intelligence information from outside suppliers (e.g. IDC, ORG, and MARG) who set up data gathering systems to support commercial intelligence products that can be profitably sold to all players in a market.

3) Market research – Management cannot always wait for information to arrive in bits and pieces from internal sources. Also, sources of market intelligence cannot always be relied upon to provide relevant or up-to-date information (particularly for smaller or niche market segments). In such circumstances, businesses often need to undertake specific studies to support their marketing strategy – this is market research.

**Marketing information systems and marketing research**

2. **MARKETING INFORMATION SYSTEM [MKIS]**: A marketing information system consists of people, equipment and procedures to gather, sort, analyse, evaluate & distribute needed tiny and accurate information to marketing decision makers. The company’s MKIS should represent a cross between what managers think & they need what managers really need and what is economically feasible. “A structural, interacting complex of persons, machines & procedures designed to generate and orderly flow of pertinent information, collected from both intra and extra firm sources, for use as the basis for decision making in specific responsibility areas of marketing management”.

3. **KINDS / COMPONENTS OF MKIS**: 1. Marketing control system {marketing intelligence system} 2. Marketing planning system {internal record system} 3. Marketing research system 4. Marketing decision support system [DSS]

4. **THE ORGANISATION OF MARKETING INFORMATION SYSTEM [MKIS]**: PRODUCTION SALES GOODS DEALERS GOODS CUSTOMERS MANUFACTURERS PROCESSED INFORMATION MARKETING INFORMATION SYSTEMS

5. **DIFFERENCES B/W MKIS V/S MARKETING RESEARCH**: MKIS - It is future oriented - MKIS is continuous - MKIS became popular in 1960’s – MKIS uses computer - The main objective is to assist decision making - MKIS is wider scope

6. **MARKETING RESEARCH**: - It is post mortem - Marketing research is not continuous - Marketing research became popular in 1950’s - Marketing research may be or may not be. - To achieve certain objective marketing research is conducted. - Marketing research is a part of MKIS.

7. **MARKETING RESEARCH**: - “The systematic gathering, recording and analysing of data about problems relating to the marketing of goods & services”. Such research may be undertaken by impartial agencies or by business firms or their agencies for the solution of their marketing problems and inclusive term which embraces all research activities carried down in connection with the management of marketing work.

8. **OBJECTIVES OF MARKETING RESEARCH**: - To define probable market for a particular product. - To find out general market conditions and tendency’s. - To assess competitive strengths and policies[SWOT analysis] - To indicate the distribution methods best suited to the product & market - To assess the probable volume of future sales - To know customer acceptance [consumer survey]

9. **FUNCTIONS OF MARKETING RESEARCH [M.R]**: - The production of marketable goods The distribution of marketable goods The size. nature & the organization of the sales The demand creation activities It ascertains the position of a company in specific industry It indicates the present & future trends of the industry It helps in the development & introduction of new products It offers guidance for improving the current products of the company – It helps in assessing & enhancing the effectiveness of sales management – It can reduce the risk involved in marketing decisions.

10. **ELEMENTS OF MARKETING RESEARCH**: 1. 2. 3. 4. 5. 6. 7. 8. 9. Market research Sales research Product research Packaging research Advertising research Business economic research Export marketing research Media research Distribution research
ADVANTAGES OF MARKETING RESEARCH – It facilitates planned production To forecast the demand Acceptance of new products is judged It helps to remove wasteful expenditure and cost Marketing research helps to study the effectiveness of pricing policies, channels of distribution, advertising, sales promotion & other activities • To understand consumer behaviour • Helpful in improving relations with dealers • Helpful in overcoming sales resistance

LIMITATIONS OF MARKETING RESEARCH – Marketing research huge amount of time & money • Small business firms cannot afford it • It is the study of human behaviour so, it cannot be 100% accurate • It depends on the quality of research staff • Individual views of executives may give bias/ carelessness • Time lag b/w research study and implementation • It is very difficult to measure the effectiveness of marketing research.


CREATING A RESEARCH DESIGN. 1. 2. 3. 4. Choosing the approach Determining the types of data needed Locating the source of data Choosing a method of collecting data SOURCES OF DATA: 1. Internal sources • Product analysis • Territorial analysis • Customer analysis 2. External sources • Primary sources • Secondary sources

SAMPLING METHODS: 1. Law of statistical regularity 2. Law of inertia of large numbers 3. Qualities of a good sample – It must be random – It must be representative – It must be proportional – It must be adequate

TYPES OF SAMPLES: 1. Probability or random – Systematic sampling – Stratified sampling – Cluster & area sampling – Multi stage – Segmental sampling
2. Non – probability or purposive – Convenience – Judgement – Quota sampling

SOURCES OF PRIMARY DATA: METHODS: 1. Survey method • Personal interview • Mail survey • Telephone • Questionnaire 2. Experimental method • Product testing • Psychological techniques • Consumer panels


MARKETING CONTROLS I. ANNUAL PLAN CONTROL [e.g., budget] Annual plan control aims to ensure that the company achieves the sales, profits and other goals established in its annual plan. It is a management by objectives. – It [management] sets monthly or Quarterly goals. – It monitors its performance in market place. – It determines the causes of serious performance deviations. – It takes corrective action to close the gaps b/w goals & performance. This control model applies to all levels of organisation. Top management sets annual sales & profit goals that become specific goals for lower levels of management.

THE CONTROL PROCESS: Goal setting Performance Measurement Performance diagnosis Corrective action WHAT DO WE WANT TO ACHIEVE? WHAT IS HAPPENING? WHY IS IT HAPPENING? WHAT SHOULD WE DO ABOUT IT?


II. PROFITABILITY CONTROL: Companies need to measure the profitability of their products, territories, customer groups, segments, trade channels and order sizes. This information will help management to determine whether any products or marketing activities should be expanded, reduced or eliminated.

PROFITABILITY ANALYSIS – STEPS: 1. 2. 3. 4. 5. Identifying functional expenses. Assessing functional expenses to marketing entities. Preparing a P&L statement for each marketing entity. Determining corrective action. Direct v/s full costing [ABC]

III. EFFICIENCY CONTROL: More efficient ways to manage the sales force, advertising, sales promotion and distribution in connection with these marketing entities. – Sales force efficiency – Advertising efficiency – Sales promotion efficiency – Distribution efficiency

IV. STRATEGIC CONTROL: From time to time, companies need to undertake a critical review of overall marketing goals and effectiveness. Each company should periodically reassess its strategic approach to the market place with marketing effectiveness reviews and marketing audits. Companies can also perform marketing excellence reviews and ethical & social responsibility reviews.

IMPORTANT Qs: 1. Explain the concept of MKIS? What are the components of a marketing information system? 2. What is marketing research? Explain the process involved in marketing research? 3. Explain various marketing controls? 4. Analyse the market research in India giving suitable examples?

Manufacturer’s Corner: The Difference between Industrial and Consumer Marketing

The majority of college marketing graduates are simply unprepared to go to work for industrial companies. So attests Jack McNally, dealer sales manager of Columbia Steel, a crusher wear parts manufacturer.

"The methods for marketing industrial products are substantially different from consumer marketing," explains McNally. Our industry has to invest considerable time in on-the-job training to teach these people industrial sales and marketing. It would be helpful if college professors went out into the manufacturing sectors to see for themselves how industrial products are bought and sold."

McNally’s experience mirrors my own in training salespeople to sell industrial equipment. For years, we took people who were very familiar with the equipment (like engineers and technicians) and tried to make them salespeople. This only worked part of the time, and because these people never had any education or training in industrial marketing, the on-the-job training was very extensive.
I would much rather have had a non-engineering college graduate who was people-oriented...provided, of course, they had some education in industrial marketing and sales.

This problem has been around for years. It costs industrial corporations a great deal of time and money to train salespeople, and even after they have become good at sales, they still don't know anything about industrial marketing. In short, we need to develop college courses that teach industrial marketing, as well as industrial sales.

To provide you with a better understanding of the problem, let me explain some of the fundamental differences between consumer and industrial marketing:

**Product complexity.** First and foremost, industrial products are very complicated and require a lot of technical knowledge to sell. Industrial and technical products range from off-the-shelf bearings to custom-engineered machines of incredible complexity. The more custom the product, the more custom the marketing strategy.

**Industrial buyers.** Consumer marketing presupposes powerful sellers and passive, inexpert buyers who can be influenced to purchase by a variety of advertising techniques. In contrast, industrial markets consist of very knowledgeable buyers (and often buyer teams) who analyze products and purchases in terms of user benefits or ROI.

**Bids and quotations.** Consumers either buy or don't buy from listed prices. On the other hand, industrial products are often sold by request for quotes that may require a quotation with elaborate specifications to define the product.

**Advertising and promotion.** Developing a newspaper ad for impulsive shoe buyers is relatively straightforward, but it is very difficult to even identify the buying influences of dragline machines or material-handling robots. Inquiries produced by industrial advertising are only the beginning of a long, expensive selling process—sometimes lasting years before the sale occurs.

**Market information.** There is a lot of database information available on consumer products and an enormous amount of consumer demographic information, making consumer market research relatively easy to accomplish. On the other hand, information on industrial market niches is very difficult to acquire and is generally qualitative. This requires considerable industrial experience to gather.

**Case studies.** Cases showing how large consumer products companies market hairspray have little relevance to a small company marketing dragline shovel teeth. In fact, marketing strategies used by large companies aren't even practical for small companies that must market with limited staff, money, and time.

**Product range.** Marketing strategies change drastically with the type of product, length of the sales cycle, product size, and the number of decision makers. For example, the selling, promotion, and pricing strategies used to sell low-unit-price, standard motors to known accounts are fairly straightforward. In contrast, capital equipment designed for production lines is usually large, complex in design, and has high unit prices that must be justified in terms of returns to the company and approved by the board of directors.

Fundamentally, as the industrial products become more complex with higher prices and longer sales cycles, the advertising, selling, pricing, and product development strategies are more complex and more specific to the situation. Manufacturers of industrial products, large and small, need help with industrial marketing. Therefore, large companies have to train new employees on the job, and small companies hope to hire people with industrial marketing experience.

As mentioned earlier, there is definitely a need for college courses, seminars, and training on industrial marketing. Of the 2,500 business schools in the U.S., I believe less than 10 present teach an industrial marketing course. I'd be very curious to hear from marketing professors and get their take on this problem.

**Difference between “Business Markets” and “Consumer Markets”**—There are significant differences between consumer and business markets. It is important to understand and appreciate the difference to be able to design appropriate strategies for the business markets. There are practices in consumer markets like intensive market research that can be very effectively employed in business markets.

Similarly, there are practices in business markets like systems selling, which can be effectively employed in consumer markets.

**Business Markets in Comparison to Consumer Markets:**

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Market Structure</th>
<th>Marketing Perspective</th>
<th>Consumer Behaviour</th>
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<tr>
<td>I</td>
<td>Fewer sellers and buyers</td>
<td>Segmented on basis of industry, end market, served, level of technology, ownership and characteristics of the buying unit</td>
<td>Business suppliers have closer relationships with customers</td>
</tr>
<tr>
<td>II</td>
<td>Business demand derived</td>
<td>Higher investments in capital equipment’s and R&amp;D</td>
<td>Small numbers, large order sizes</td>
</tr>
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<td>III</td>
<td>Business demand fluctuates</td>
<td>Focus on improving profits</td>
<td>Main purchase motive is furthering organizational terms</td>
</tr>
<tr>
<td>IV</td>
<td>Business market larger in size</td>
<td>Innovation via technological push and radical-breakthroughs</td>
<td>Strong interdependence between business buyer and supplier</td>
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<td>---</td>
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<td>----------------------------------------------------------</td>
<td>----------------------------------------------------------</td>
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<tr>
<td>V</td>
<td>Buying process more complex and involves group DM</td>
<td>Suppliers more sensitive to customer requirements</td>
<td>High risk purchase</td>
</tr>
<tr>
<td>VI</td>
<td>Geographic concentration of demand</td>
<td>Key accounts critical</td>
<td>High involvement</td>
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**Market Structure:** - There are fewer numbers of buyers and sellers in business markets. The business market is larger than consumers markets because it includes the business of various intermediaries.

i. Business markets have fewer sellers and buyers in any market segment than do consumer markets.

ii. Customers in consumer markets initiate a direct demand with their purchases. The demand for business products or services depends on the level of activity that the buying organization can create in its own markets. Thus business demand is derived. This derived demand would not exist if the buyer organization could not find customers for its own products or services.

iii. The business buyer may buy an equipment to produce five hundred units a day. A second equipment will be required only if sales are expected to exceed five hundred units. But as soon as the business buyer’s sale exceeds five hundred units, he will buy another equipment, increasing the sale of business marketer’s product by hundred per cent.

As a result, there is no direct one-to-one relationship between the business buyer’s sales fluctuations and the business marketer’s sales. This makes the sales to business buyers more volatile than changes of demand experienced in consumer markets by a retailer.

iv. When business buyers see prices starting to decline, they may postpone buying in the expectation of obtaining an even lower price later. The opposite happens if the business buyer anticipates continuing price increases. In this case, when prices began to rise, more volume than is immediately needed is purchased to avoid paying even higher prices later. Such reverse price elasticity of demand is rare in consumer markets.

v. Business markets include the various early, value-adding stages of manufacturing and distributing consumer goods, and also the sales of business goods and services to manufacturing, processing, commercial, institutional and government organizations. The business market is significantly larger than the consumer market.

vi. The organizational buying unit called decision-making unit involves several individuals because various departments of an organization are affected by the purchase. The purchase of an equipment may affect the quality control department, the plant manager’s budget, the operator’s productivity and the purchase department.

The members of the group are influential people of the buying organization. Each individual imposes different perspectives, expectations and requirements on the purchase.

The group membership removes the decision-making responsibility from any single individual. This can be useful if the decision turns out to be poor. In consumer markets purchase usually involves an individual or at most, one or two of his family members.

vii. Businesses tend to concentrate geographically because of the availability of natural resources or of skilled work force, the distribution advantages, or the desire to be close to customers. Thus, business markets tend to be geographically concentrated and business marketers have to travel long distances from one cluster of customers to another. Consumer markets are more diffuse.

**Marketing Perspective:** - Business marketers are required to have in-depth knowledge of their customers’ requirements. Business markets are global in nature because only technical requirements govern the acceptability of the product in various country markets.

i. Consumer marketers use demographic variables like age, income, location and socio-psychological variables like attitudes, preferences, personality and lifestyle to segment their markets. Business marketers are segmented on the basis of industry, end market served, level of technology, ownership and characteristics of the buying unit.

ii. Business markets have higher investments in capital equipment’s and R&D. Consumer marketers’ investments are directed more toward marketing activities like researching their huge customer base and promoting to mass markets.

iii. Consumer marketers seek regional or national markets because their products are created to appeal to local tastes. Business goods are less dependent on regional tastes and preferences. Also, their specialized technologies and limited applications require that customers be sought outside home markets to achieve economic production volumes and to justify high R&D costs and capital investments.

Therefore business marketers must have more global perspectives of markets, in terms of both customers and competitors.

iv. Most consumer marketers seek market share and sales volumes. Business marketers are more likely to have a sizeable share of highly segmented, smaller, specialized markets, resulting in more restricted sales volumes. Thus business marketers focus on improving profits in the short run.
v. In consumer markets, innovation involves greater emphasis on style and incremental changes to products that can justify model changes. Innovation tends to be more of demand-pull type, i.e., new products are developed as a result of research of customer needs.

Innovation in business markets is characterized by R&D inspired technological push and radical-breakthroughs that may revolutionize the entire industry. Such innovations would not come by trying to identify with unsatisfied customer needs.

vi. Business marketers deal with smaller number of customers, frequently on a face-to-face basis. They are more sensitive and responsive to their customers’ requirements. Thus business marketers are far more customer oriented than consumer marketers.

Consumer marketers’ relations are distanced by long, indirect channels of distribution and are reduced to a mass of indifferent transactions. Business buyers and sellers usually enter stable, long-term relationships in which each party depends on the other for continuing business success.

Thus strong loyalty is developed between buyer and seller in business markets. Consumer marketers are desperately trying to engender loyalty among their customers.

They have not been much successful. Loyalty in business markets is the result of dependence that buyers and sellers have on each other. Unless the state of such dependence is replicated in consumer markets, customers of consumer products will remain fickle-minded.

vii. In business markets, two organizations can be buyers of each other’s products. An automobile manufacturer may require computers for its employees and the computer manufacturer may require automobiles for its employees.

In such situations reciprocity may be practiced i.e., they decide to buy from each other. Reciprocity is rarely possible in consumer markets.

viii. Among the customers of business marketers there are some customers whose business is so important that its loss would seriously erode the marketer’s sales volume and profitability. These important customers are called key accounts.

The marketer must maintain close contact with these important customers to retain its business with them. A similar situation is absent in consumer markets. A small set of customers will not be able to affect the sales of a consumer product severely because the number of customers is very large.

ix. For many business marketers educating their customers is an important task. Business marketers send their technical and other staff to the facility of the buyer for long periods. Employees of the buyer and seller organizations work together to solve problems. Business goods like equipment’s have more complete instruction manuals, specification sheets and maintenance books than consumer equipment’s.

Customer Behaviour: - Business buyers focus on rational benefits of the seller’s offer. Many people of the buyer’s organization are involved in any purchase decision.

i. Because their number of customers is small and there is frequent face-to-face contact, business marketers are closer to customers and more in tune with customers’ buying behaviour.

ii. The number of customers in business markets are small, but there, per order size is normally high. They buy to keep in inventory so that the item can be used in future. They buy in bulk because they want to minimize transportation cost and the cost incurred in placing an order.

They also buy in bulk and keep inventory to minimize chances of disruption in their work if a supplier failed to supply on time. Business buyers may have contracts to purchase items for a year with a supplier.

Long-term contracts lasting for the life-time of the component are becoming common in business markets. Buyers and sellers become interested in each other’s operations in many ways. Such intrusive relationships are not very frequent in consumer markets.

iii. The purchasing motives of business buying are maintaining and furthering organizational goals. These motives are rational, economic, and objective and profit or efficiency oriented. Business buyers are technically qualified purchasing specialists. They may have taken specialized training. In large companies they may be specializing in certain type of products. A purchaser may be responsible for buying paints only. Emotions and self-gratifying motives underlie most consumer purchases.

iv. Business buyers may impose substantial penalties for non-performance by suppliers. Such penalties may be built in contracts with the suppliers. A contract may specify that a supplier pay a certain amount for every day’s delay in delivery of an order or in the completion of equipment installation in a plant. Such penalties have not yet become part of consumer markets.

v. If a business marketer’s plant is running under capacity, or a customer’s order today has the potential of significant follow-on business in the future, or if the order represents a sizeable portion of the marketer’s business, the customer can exert a strong influence on the business marketer’s price, product design, delivery and other dimensions of the supplier’s operations.

The aggressive use of buying power by a buyer organization to persuade a supplier to make a product that more closely meets the buyer’s requirement is called reverse marketing. Such buying power does not exist in consumer markets.
vi. Business buyers show strong loyalty to their current supplier. Such supplier loyalty is an outcome of the strong interdependence between business buyers and their suppliers. The business buyers who change suppliers face high switching costs, such as the costs of training a new supplier in the intricacies of the buyer’s business, the possible loss of confidential trade secrets if the supplier is abandoned, and the high cost of identifying an alternative supplier. In consumer markets, customer loyalty to retailers or brands is weak and the consequence of supplier or brand switching is not severe to customers. vii. The business buyer’s involvement in a purchase is much greater than that of a customer in consumer market. The business buyer must plan his requirements and specify technical and delivery requirements of the purchase, often with the assistance of the supplier.

The business buyer may help the supplier to develop the capability needed to supply the item. Negotiations may go on for a long time about specifications, quality and price. The buyer monitors supplier performance over the life of contract.

viii. The business buying decision process is complex and involves several functional areas of the buying organization. Each function may have a different point of view and interest in the purchase. Committees discuss a purchase using documented data, proposals, specifications and supplier analysis. Business buyers often have the option of making the product themselves instead of buying it. The business decision making process is observable and moves through distinctive stages. The decision making process for major supplies may take a long time. In the consumer markets the customer decision making process is comparatively simple and short. It takes place in the buyer’s mind and cannot be observed. The option of making the product himself is generally not available with the customer.

ix. The business buyer’s risk can be very high. It is greatest in the new-task situation, in which the buyer has not encountered such a buying situation. Risk is least in the straight-rebuy situation, in which the item just has to be reordered. But even in straight rebuy there are risks such as the item not being delivered on time. Performance risk is reduced by purchasing from large, well-known and reputable suppliers and by continuing to buy from the same supplier. In consumer markets the risks to customers are less.

**Market segmentation**

**Market segmentation** is a marketing strategy which involves dividing a broad target market into subsets of consumers, businesses, or countries that have, or are perceived to have, common needs, interests, and priorities, and then designing and implementing strategies to target them. Market segmentation strategies are generally used to identify and further define the target customers, and provide supporting data for marketing plan elements such as positioning to achieve certain marketing plan objectives. Businesses may develop product differentiation strategies, or an undifferentiated approach, involving specific products or product lines depending on the specific demand and attributes of the target segment.

**Types of market segmentation**

The following are the most common forms of market segmentation practices.

**Geographic segmentation** - Marketers can segment according to geographic criteria—nations, states, regions, countries, cities, neighborhoods, or postal codes. The geo-cluster approach combines demographic data with geographic data to create a more accurate or specific profile. With respect to region, in rainy regions merchants can sell things like raincoats, umbrellas and gumboots. In hot regions, one can sell summer clothing. A small business commodity store may target only customers from the local neighborhood, while a larger department store can target its marketing towards several neighborhoods in a larger city or area, while ignoring customers in other continents. Geographic segmentation is important and may be considered the first step to international marketing, followed by demographic and psychographic segmentation.

**Demographic segmentation** – Segmentation according to demography is based on variables such as age, sex, generation, religion, occupation and education level or according to perceived benefits which a product or service may provide. Benefits may be perceived differently depending on a consumer’s stage in the life cycle. Demographic segmentation divides markets into different life stage groups and allows for messages to be tailored accordingly.

A variant of this approach known as firmographic or feature based segmentation is commonly used in business-to-business markets (it’s estimated that 81% of B2B marketers use this technique). Under this approach the target market is segmented based on features such as company size (either in terms of revenue or number of employees), industry sector or location (country and/or region).

**Behavioral segmentation** - Behavioral segmentation divides consumers into groups according to their knowledge of, attitude towards, usage rate, response, loyalty status, and readiness stage to a product. There is an extra connectivity with all other market related sources. Behavioral segmentation divides buyers into segments based on their knowledge, attitudes, uses, or re-
Psychographic segmentation - Psychographic segmentation, which is sometimes called lifestyle, is measured by studying the activities, interests, and opinions (AIOs) of customers. It considers how people spend their leisure, and which external influences they are most responsive to and influenced by. Psychographics are very important to segmentation, because psychographics identify the personal activities and targeted lifestyle the target subject endures, or the image they are attempting to project. Mass media has a predominant influence and effect on psychographic segmentation. Lifestyle products may pertain to high involvement products and purchase decisions, to specialty or luxury products and purchase decisions.

Occasional segmentation - Occasion segmentation focuses on analyzing occasions, independent of the customers, such as considering Coke for occasions of being thirsty, having dinner or going out, without taking into consideration the differences an affluent and middle-class customer would have during these occasions. Occasional customer segmentation merges customer-level and occasion-level segmentation models and provides an understanding of the individual customers' needs, behavior and value under different occasions of usage and time. Unlike traditional segmentation models, this approach assigns more than one segment to each unique customer, depending on the current circumstances they are under.

Segmentation by benefits - Segmentation can take place according to benefits sought by the consumer or customer.

Cultural segmentation - Cultural segmentation is used to classify markets according to cultural origin. Culture is a strong dimension of consumer behavior and is used to enhance customer insight and as a component of predictive models. Cultural segmentation enables appropriate communications to be crafted to particular cultural communities, which is important for message engagement in a wide range of organizations, including businesses, government and community groups. Cultural segmentation can be applied to existing customer data to measure market penetration in key cultural segments by product, brand, channel as well as traditional measures of regency, frequency and monetary value. These benchmarks form an important evidence-base to guide strategic direction and tactical campaign activity, allowing engagement trends to be monitored over time.

Cultural segmentation can also be mapped according to state, region, suburb and neighborhood. This provides a geographical market view of population proportions and may be of benefit in selecting appropriately located premises, determining territory boundaries and local marketing activities.

Census data is a valuable source of cultural data but cannot meaningfully be applied to individuals. Name analysis (onomastics) is the most reliable and efficient means of describing the cultural origin of individuals. The accuracy of using name analysis as a surrogate for cultural background in Australia is 80-85%, after allowing for female name changes due to marriage, social or political reasons or colonial influence. The extent of name data coverage means a user will code a minimum of 99 percent of individuals with their most likely ancestral origin.

Multi-variable account segmentation - In Sales Territory Management, using more than one criterion to characterize the organization’s accounts, such as segmenting sales accounts by government, business, customer, etc. and account size or duration, in effort to increase time efficiency and sales volume.

Using segmentation in customer retention - The basic approach to retention-based segmentation is that a company tags each of its active customers with four values:

Is this customer at high risk of canceling the company's service?  
One of the most common indicators of high-risk customers is a drop off in usage of the company's service. For example, in the credit card industry this could be signaled through a customer's decline in spending on his or her card.

Is this customer at high risk of switching to a competitor to purchase product?  
Many times customers move purchase preferences to a competitor brand. This may happen for many reasons those of which can be more difficult to measure. It is many times beneficial for the former company to gain meaningful insights, through data analysis, as to why this change of preference has occurred. Such insights can lead to effective strategies for winning back the customer or on how not to lose the target customer in the first place.

Is this customer worth retaining?  
This determination boils down to whether the post-retention profit generated from the customer is predicted to be greater than the cost incurred to retain the customer, and includes evaluation of customer lifecycles.

What retention tactics should be used to retain this customer?  
For customers who are deemed worthy of saving, it is essential for the company to know which save tactics are most likely to be successful. Tactics commonly used range from providing special customer discounts to sending customers communications that reinforce the value proposition of the given service.

Market Segmentation - Meaning, Basis and Types of Segmentation

What is Segmentation?
Segmentation refers to a process of bifurcating or dividing a large unit into various small units which have more or less similar or related characteristics.

Market Segmentation

- Market segmentation is a marketing concept which divides the complete market set up into smaller subsets comprising of consumers with a similar taste, demand and preference.
- A market segment is a small unit within a large market comprising of like-minded individuals.
- One market segment is totally distinct from the other segment.
- A market segment comprises of individuals who think on the same lines and have similar interests.
- The individuals from the same segment respond in a similar way to the fluctuations in the market.

Basis of Market Segmentation

**Gender** - The marketers divide the market into smaller segments based on gender. Both men and women have different interests and preferences, and thus the need for segmentation.

Organizations need to have different marketing strategies for men which would obviously not work in case of females. A woman would not purchase a product meant for males and vice versa.

The segmentation of the market as per the gender is important in many industries like cosmetics, footwear, jewellery and apparel industries.

**Age Group** - Division on the basis of age group of the target audience is also one of the ways of market segmentation.

The products and marketing strategies for teenagers would obviously be different than kids.

Age group (0 - 10 years) - Toys, Nappies, Baby Food, Prams
Age Group (10 - 20 years) - Toys, Apparels, Books, School Bags
Age group (20 years and above) - Cosmetics, Anti-Ageing Products, Magazines, apparels and so on

**Income** - Marketers divide the consumers into small segments as per their income. Individuals are classified into segments according to their monthly earnings.

The three categories are:

- High income Group
- Mid Income Group
- Low Income Group

Stores catering to the higher income group would have different range of products and strategies as compared to stores which target the lower income group.

Pantaloons, Carrefour, Shopper’s stop target the high income group as compared to Vishal Retail, Reliance Retail or Big bazaar who cater to the individuals belonging to the lower income segment.

**Marital Status** - Market segmentation can also be as per the marital status of the individuals. Travel agencies would not have similar holiday packages for bachelors and married couples.

**Occupation** - Office goers would have different needs as compared to school/college students.

A beach house shirt or a funky T Shirt would have no takers in a Zodiac Store as it caters specifically to the professionals.

Types of Market Segmentation

**Psychographic segmentation** - The basis of such segmentation is the lifestyle of the individuals. The individual’s attitude, interest, value help the marketers to classify them into small groups.

**Behaviouristic Segmentation** - The loyalties of the customers towards a particular brand help the marketers to classify them into smaller groups, each group comprising of individuals loyal towards a particular brand.

**Geographic Segmentation** - Geographic segmentation refers to the classification of market into various geographical areas. A marketer can’t have similar strategies for individuals living at different places.

Nestle promotes Nescafe all through the year in cold states of the country as compared to places which have well defined summer and winter season.

McDonald’s in India does not sell beef products as it is strictly against the religious beliefs of the countrymen, whereas McDonald’s in US freely sells and promotes beef products.

Ways to Segment Consumer Markets - *Most marketing departments use multiple segmentation strategies*

- Geography
- Psychographics
- Usage rate
- Demographics
- Benefits sought

**Geographic Segmentation** One of the first variables that the team could use in their segmentation strategy is geographic. This would allow the team to break the market into sections by climate, density, market size, world or states. Many companies use climate if their products or services rely on the weather, such as snow shovels, melting pavement salt, wave runners and boats. Our Town USA is more interested in targeting geographic locations that are located near the park in a 100-mile radius. They believe some customers will fly in from out of state, so in addition, they will target large-density areas nearby.
Demographic Segmentation - Demographic segmentation is extremely important to all marketing departments since the data is easily available and does drastically affect buying patterns. Age, income, gender, ethnic background and family life cycle are all important factors of demographic segmentation. The park is going to use an age range of 2-60 years of age so they can include kids, teens, parents and even grandparents. The income level would have to be middle to upper class - $50,000 annual income or above - since park tickets are very expensive. The amusement park is not a gender-specific product, and ethnicity will also not affect the overall plan.

The marketing team is very interested in the family life cycle sub-segments. Family life cycle segmentation is a series of stages determined by a combination of age, marital status and the number of children in a household. Obviously, the park is very interested in the family life cycle of young single, young married with kids, middle-aged married with kids, young divorced with children and middle-aged divorced with kids. They plan on advertising via social media and local cable ads where parents and kids congregate.

Psychographic Segmentation - A very complicated way to segment the market is through using psychographics. Psychographic segmentation is segmenting a market based on personality, motives and lifestyles. When the amusement park team identifies their target market’s psychographic traits, they will look at consumers with personalities who enjoy fun, like spending time with their family, enjoy leisure time and are outgoing in nature. The television ad for the park will consist of people laughing, screaming on exciting rides and enjoying a day of freedom.

Segmentation, Targeting, and Positioning

Segmentation, targeting, and positioning together comprise a three stage process. We first (1) determine which kinds of customers exist, then (2) select which ones we are best off trying to serve and, finally, (3) implement our segmentation by optimizing our products/services for that segment and communicating that we have made the choice to distinguish ourselves that way.

Segmentation involves finding out what kinds of consumers with different needs exist. In the auto market, for example, some consumers demand speed and performance, while others are much more concerned about roominess and safety. In general, it holds true that “You can’t be all things to all people,” and experience has demonstrated that firms that specialize in meeting the needs of one group of consumers over another tend to be more profitable.

Generically, there are three approaches to marketing. In the undifferentiated strategy, all consumers are treated as the same, with firms not making any specific efforts to satisfy particular groups. This may work when the product is a standard one where one competitor really can’t offer much that another one can’t. Usually, this is the case only for commodities. In the concentrated strategy, one firm chooses to focus on one of several segments that exist while leaving other segments to competitors. For example, Southwest Airlines focuses on price sensitive consumers who will forego meals and assigned seating for low prices. In contrast, most airlines follow the differentiated strategy: They offer high priced tickets to those who are inflexible in that they cannot tell in advance when they need to fly and find it impractical to stay over a Saturday. These travelers—usually business travellers—pay high fares but can only fill the planes up partially. The same airlines then sell some of the remaining seats to more price sensitive customers who can buy two weeks in advance and stay over.

Note that segmentation calls for some tough choices. There may be a large number of variables that can be used to differentiate consumers of a given product category; yet, in practice, it becomes impossible cumbersome to work with more than a few at a time. Thus, we need to determine which variables will be most useful in distinguishing different groups of consumers. We might thus decide, for example, that the variables that are most relevant in separating different kinds of soft drink consumers are (1) preference for taste vs. low calories, (2) preference for Cola vs. non-cola taste, (3) price sensitivity—willingness to pay for brand names; and (4) heavy vs. light consumers. We now put these variables together to arrive at various combinations.

Several different kinds of variables can be used for segmentation.

- Demographic variables essentially refer to personal statistics such as income, gender, education, location (rural vs. urban, East vs. West), ethnicity, and family size. Campbell’s soup, for instance, has found that Western U.S. consumers on the average prefer spicier soups—thus, you get a different product in the same cans at the East and West coasts. Facing flat sales of guns in the traditional male dominated market, a manufacturer came out with the Lady Remington, a more compact, handier gun more attractive to women. Taking this a step farther, it is also possible to segment on lifestyle and values.”
- Some consumers want to be seen as similar to others, while a different segment wants to stand apart from the crowd.
Another basis for segmentation is behaviour. Some consumers are “brand loyal”—i.e., they tend to stick with their preferred brands even when a competing one is on sale. Some consumers are “heavy” users while others are “light” users. For example, research conducted by the wine industry shows that some 80% of the product is consumed by 20% of the consumers—presumably a rather intoxicated group.

One can also segment on benefits sought, essentially bypassing demographic explanatory variables. Some consumers, for example, like scented soap (a segment likely to be attracted to brands such as Irish Spring), while others prefer the “clean” feeling of unscented soap (the “Ivory” segment). Some consumers use toothpaste primarily to promote oral health, while another segment is more interested in breathe freshening.

In the next step, we decide to target one or more segments. Our choice should generally depend on several factors. First, how well are existing segments served by other manufacturers? It will be more difficult to appeal to a segment that is already well served than to one whose needs are not currently being served well. Secondly, how large is the segment, and how can we expect it to grow? (Note that a downside to a large, rapidly growing segment is that it tends to attract competition). Thirdly, do we have strengths as a company that will help us appeal particularly to one group of consumers? Firms may already have an established reputation. While McDonald’s has a great reputation for fast, consistent quality, family friendly food, it would be difficult to convince consumers that McDonald’s now offers gourmet food. Thus, McD’s would probably be better off targeting families in search of consistent quality food in nice, clean restaurants.

Positioning involves implementing our targeting. For example, Apple Computer has chosen to position itself as a maker of user-friendly computers. Thus, Apple has done a lot through its advertising to promote itself, through its unintimidating icons, as a computer for “non-geeks.” The Visual C software programming language, in contrast, is aimed a “techies.”

Michael Treacy and Fred Wiersema suggested in their 1993 book The Discipline of Market Leaders that most successful firms fall into one of three categories:

- **Operational excellence firms**, which maintain a strong competitive advantage by maintaining exceptional efficiency, thus enabling the firm to provide reliable service to the customer at a significantly lower cost than those of less well organized and well run competitors. The emphasis here is mostly on low cost, subject to reliable performance, and less value is put on customizing the offering for the specific customer. Wal-Mart is an example of this discipline. Elaborate logistical designs allow goods to be moved at the lowest cost, with extensive systems predicting when specific quantities of supplies will be needed.

- **Customer intimate firms**, which excel in serving the specific needs of the individual customer well. There is less emphasis on efficiency, which is sacrificed for providing more precisely what is wanted by the customer. Reliability is also stressed. Nordstrom’s and IBM are examples of this discipline.

- **Technologically excellent firms**, which produce the most advanced products currently available with the latest technology, constantly maintaining leadership in innovation. These firms, because they work with costly technology that need constant refinement, cannot be as efficient as the operationally excellent firms and often cannot adapt their products as well to the needs of the individual customer. Intel is an example of this discipline.

Treacy and Wireman suggest that in addition to excelling on one of the three value dimensions, firms must meet acceptable levels on the other two. Wal-Mart, for example, does maintain some level of customer service. Nordstrom’s and Intel both must meet some standards of cost effectiveness. The emphasis, beyond meeting the minimum required level in the two other dimensions, is on the dimension of strength.

Repositioning involves an attempt to change consumer perceptions of a brand, usually because the existing position that the brand holds has become less attractive. Sears, for example, attempted to reposition itself from a place that offered great sales but unattractive prices the rest of the time to a store that consistently offered “everyday low prices.” Repositioning in practice is very difficult to accomplish. A great deal of money is often needed for advertising and other promotional efforts, and in many cases, the repositioning fails.

To effectively attempt repositioning, it is important to understand how one’s brand and those of competitors are perceived. One approach to identifying consumer product perceptions is *multidimensional scaling*. Here, we identify how products are perceived on two or more “dimensions,” allowing us to plot brands against each other. It may then be possible to attempt to “move” one’s brand in a more desirable direction by selectively promoting certain points. There are two main approaches to multi-dimensional scaling. In the *prior* approach, market researchers identify dimensions of interest and then ask consumers about their perceptions on each dimension for each brand. This is useful when (1) the market researcher knows which dimensions are of interest and (2) the customer’s perception on each dimension is relatively clear (as opposed to being “made up” on
Product mix consists of various products manufactured or marketed by a single company. Product line is a group of related products, manufactured or marketed by a single company. Product mix refers to the number of product lines that an organization offers to its customers. Product decisions bring a change in targeting. A change in targeting will bring a change in positioning. And once the product has been established, a change in one brings a change in the other and vice versa. A change in targeting will bring a change in positioning.

**Product decisions-product mix**

**Meaning of Product Mix**

Product mix or product assortment refers to the number of product lines that an organization offers to its customers. Product line is a group of related products manufactured or marketed by a single company. Such products function in similar manner, sold to the same customer group, sold through the same type of outlets, and fall within the same price range. Product mix consists of various product lines that an organization offers, an organization may have just one product line in its product mix and it may also have multiple product lines. These product lines may be fairly similar or totally different, for example - Dish washing detergent liquid and Powder are two similar product lines, both are used for cleaning and based on same technology; whereas Deodorants and Laundry are totally different product lines.
An organisation's product mix has four dimensions:-

1. **Width** - The width of an organisation's product mix pertains to the number of product lines that the organisation is offering. For example, Hindustan Uni-Lever offers wide width of its home care, personal care and beverage products. Width of HUL product mix includes Personal wash, Laundry, Skin care, Hair care, Oral care, Deodorants, Tea, and Coffee.

2. **Length** - The length of an organisation's product mix pertains to the total number of products or items in the product mix. As in the given diagram of Hindustan Uni-Lever product mix, there are 23 products; hence, the length of product mix is 23.

3. **Depth** - The depth of an organisation's product mix pertains to the total number of variants of each product offered in the line. Variants includes size, colour, flavors, and other distinguishing characteristics. For example, Close-up, brand of HUL is available in three formations and in three sizes. Hence, the depth of Close-up brand is 3*3 = 9.

4. **Consistency** - The consistency of an organisation's product mix refers to how closely related the various product lines are in use, production, distribution, or in any other manner.

**Product Mix Decision** - Product mix decision refers to the decisions regarding adding a new or eliminating any existing product from the product mix, adding a new product line, lengthening any existing line, or bringing new variants of a brand to expand the business and to increase the profitability.

- **Product Line Decision** - Product line managers takes product line decisions considering the sales and profit of each items in the line and comparing their product line with the competitors' product lines in the same markets. Marketing managers have to decide the optimal length of the product line by adding new items or dropping existing items from the line.

- **Line Stretching Decision** - Line stretching means lengthening a product line beyond its current range. An organisation can stretch its product line downward, upward, or both way.
  1. **Downward Stretching** means adding low-end items in the product line, for example in Indian car market, watching the success of Maruti-Suzuki in small car segment, Toyota and Honda also entered the segment.
  2. **Upward Stretching** means adding high-end items in the product line, for example Maruti-Suzuki initially entered small car segment, but later entered higher end segment.
  3. **Two-way Stretching** means stretching the line in both directions if an organisation is in the middle range of the market.

- **Line Filling Decision** - It means adding more items within the present range of the product line. Line filling can be done to reach for incremental profits, or to utilise excess capacity.

**4 Ways to increase business with Product Mix Decisions** - We can identify four ways in which a company can increase its business on basis of the four product mix decisions determined above.

1. Add new product lines to widen the product mix. New lines benefit from and build on the company’s reputation in its other lines.
2. Lengthen the existing product lines. More items in the product lines may result in a more full-line company.
3. Add more versions of each product to deepen the product mix.
4. Make product lines more consistent (or less). This depends on whether the company wants to have a strong reputation in a single field or in several fields of business.

**Difference Between Product Line & Product Mix**

Grasp the fundamentals of product lines within the overall product mix to manage your company's product portfolio. Whether you’re involved in goods or services, your company generates revenue through marketing products: producing, promoting or distributing merchandise for consumption. Understand the relationship between the product mix and the product line or lines of a company, and how to effectively monitor this mix.

**Definition** - Assume the definition of product as a standalone item for consumption, whether a manufactured good or a service. All the products a given company produces comprise the product mix, or product assortment. A product line would be a group of these products associated by function, by consumer group, by distribution channel or by price range. A company could have one line or several lines, but all the products within this line or lines would be the mix.

**Features** - The product mix includes four elements. The Width of the assortment refers to how many product lines the company markets. The Length signifies how many products a given line includes. The term Depth touches on how many versions of a given product a line offers. Finally, Consistency denotes the uniformity relative to how products are used by consumers, or by how they are produced or distributed. For example, an automotive manufacturer could be two product lines "wide:" cars and trucks. The car line "length" could run from sub-compact to full-size, four or five cars long. Within the car line, their sub-
Product Life Cycle Examples

**Decline Stage**
Eventually, the market for a product will start to shrink, and this is what's known as the decline stage. This shrinkage could be due to the market becoming saturated (i.e. all the customers who will buy the product have already purchased it), or because the consumers are switching to a different type of product. While this decline may be inevitable, it may still be possible for companies to make some profit by switching to less-expensive production methods and cheaper markets.

**Maturity Stage**
During the maturity stage, the product is established and the aim for the manufacturer is now to maintain the market share they have built up. This is probably the most competitive time for most products and businesses need to invest wisely in any marketing they undertake. They also need to consider any product modifications or improvements to the production process which might give them a competitive advantage.

**Growth Stage**
The growth stage is typically characterized by a strong growth in sales and profits, and because the company can start to benefit from economies of scale in production, the profit margins, as well as the overall amount of profit, will increase. This makes it possible for businesses to invest more money in the promotional activity to maximize the potential of this growth stage.

**Introduction Stage**
This stage of the cycle could be the most expensive for a company launching a new product. The size of the market for the product is small, which means sales are low, although they will be increasing. On the other hand, the cost of things like research and development, consumer testing, and the marketing needed to launch the product can be very high, especially if it’s a competitive sector.

Product Life Cycle Stages

As consumers, we buy millions of products every year. And just like us, these products have a life cycle. Older, long-established products eventually become less popular, while in contrast, the demand for new, more modern goods usually increases quite rapidly after they are launched.

Because most companies understand the different product life cycle stages, and that the products they sell all have a limited lifespan, the majority of them will invest heavily in new product development in order to make sure that their businesses continue to grow.

**Product Life Cycle Stages Explained**

The product life cycle has 4 very clearly defined stages, each with its own characteristics that mean different things for business that are trying to manage the life cycle of their particular products.

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It’s possible to provide examples of various products to illustrate the different stages of the product life cycle more clearly. Here is the example of watching recorded television and the various stages of each method:

1. Introduction – 3D TVs
2. Growth – Blue ray discs/DVR
3. Maturity – DVD
4. Decline – Video cassette

The idea of the product life cycle has been around for some time, and it is an important principle manufacturers need to understand in order to make a profit and stay in business. However, the key to successful manufacturing does not just understand this life cycle, but also proactively managing products throughout their lifetime, applying the appropriate resources and sales and marketing strategies, depending on what stage products are at in the cycle.

**New product development**

In **business** and **engineering**, **new product development (NPD)** is the complete process of bringing a new **product** to market. New product development is described in the literature as the transformation of a market opportunity into a product available for sale and it can be tangible (that is, something physical you can touch) or intangible (like a service, experience, or belief). A good understanding of customer needs and wants, the competitive environment and the nature of the market represent the top required factors for the success of a new product. Cost, time and quality are the main variables that drive the customer needs. Aimed at these three variables, companies develop continuous practices and strategies to better satisfy the customer requirements and increase their market share by a regular development of new products. There are many uncertainties and challenges throughout the process which companies must face. The use of best practices and the elimination of barriers to communication are the main concerns for the management of NPD process.

**Process structure** - The product development process typically consists of several activities that firms employ in the complex process of delivering new products to the market. Every new product will pass through a series of stages from ideation through design, manufacturing and market introduction. The development process basically has three main phases:

1. **Fuzzy front-end** (FFE) is the set of activities employed before the formal and well defined requirements specification is completed. Requirements are a high-level view of what the product should do to meet the perceived market or business need.
2. **Product design** is the development of both the high-level and detailed-level design of the product: which turns of the requirements into a specific how this particular product will meet those requirements. On the marketing and planning side, this phase ends at pre-commercialization analysis stage.
3. **Product implementation** is the phase of detailed engineering design of mechanical or electrical hardware, or the software engineering of software or embedded software, or design of soft goods or other product forms, as well as of any test process that may be used to validate that the prototype objects actually meet the design specification and the requirements specification that was previously agreed to.
4. **Fuzzy back-end** or commercialization phase represent the action steps where the production and market launch occur.

The front-end marketing phases have been very well researched, with valuable models proposed. Peter Koen et al. provide a five-step front-end activity called front-end innovation: opportunity identification, opportunity analysis, idea genesis, idea selection, and idea and technology development. He also includes an engine in the middle of the five front-end stages and the possible outside barriers that can influence the process outcome. The engine represents the management driving the activities described. The front end of the innovation is the greatest area of weakness in the NPD process. This is mainly because the FFE is often chaotic, unpredictable and unstructured. Engineering design is the process whereby a technical solution is developed iteratively to solve a given problem the design stage is very important because at this stage most of the product life cycle costs are engaged. Previous research shows that 70% - 80% of the final product quality and 70% of the product entire life-cycle cost are determined in the product design stage, therefore the design-manufacturing interface represent the greatest opportunity for cost reduction. Design projects last from a few weeks to three years with an average of one year. Design and Commercialization phases usually start a very early collaboration. When the concept design is finished it will be sent to manufacturing plant for prototyping, developing a Concurrent Engineering approach by implementing practices such as OFD, DFM/DFA and more. The output of the design (engineering) is a set of product and process specifications – mostly in the form of drawings, and the output of manufacturing is the product ready for sale. Basically, the design team will develop drawings with technical specifications representing the future product, and will send it to the manufacturing plant to be executed. Solving product/process fit problems is of high priority in information communication design because 90% of the development effort must be scrapped if any changes are made after the release to manufacturing.
NPD Models - Conceptual models have been designed in order to facilitate a smooth process. The concept adopted by IDEO, a successful design and consulting firm, is one of the most researched processes in regard to new product development and is a five-step procedure. These steps are listed in chronological order:
1. Understand and observe the market, the client, the technology, and the limitations of the problem;
2. Synthesize the information collected at the first step;
3. Visualize new customers using the product;
4. Prototype, evaluate and improve the concept;
5. Implementation of design changes which are associated with more technologically advanced procedures and therefore this step will require more time.

One of the first developed models that today companies still use in the NPD process is the Booz, Allen and Hamilton (BAH) Model, published in 1982. This is the best known model because it underlies the NPD systems that have been put forward later. This model represents the foundation of all the other models that have been developed afterwards. Significant work has been conducted in order to propose better models, but in fact these models can be easily linked to BAH model. The seven steps of BAH model are: new product strategy, idea generation, screening and evaluation, business analysis, development, testing, and commercialization.

A pioneer of NPD research is Robert G. Cooper. Over the last two decades he conducted significant work in the area of NPD. The Stage-Gate model developed in the 1980s was proposed as a new tool for managing new products development processes. The 2010 APQC benchmarking study reveals that 88% of U.S. businesses employ a stage-gate system to manage new products, from idea to launch. In return, the companies that adopt this system are reported to receive benefits such as improved teamwork, shorter cycle time, improved success rates, earlier detection of failure, a better launch, and even shorter cycle times – reduced by about 30%. These findings highlight the importance of the stage-gate model, making it the single most important discovery in the area of new product development.

Marketing considerations - There have been a number of approaches proposed for analyzing and responding to the marketing challenges of new product development. Two of these are the eight stages process of Koen and a process known as the fuzzy front end.

The eight stages

1. Idea Generation is often called the "NPD" of the NPD process.
   - Ideas for new products can be obtained from basic research using a SWOT analysis (Strengths, Weaknesses, and Opportunities & Threats). Market and consumer trends, company's R&D department, competitors, focus groups, employees, salespeople, corporate spies, trade shows, or ethnographic discovery methods (searching for user patterns and habits) may also be used to get an insight into new product lines or product features.
   - Lots of ideas are generated about the new product. Out of these ideas many are implemented. The ideas are generated in many forms. Many reasons are responsible for generation of an idea.
   - Idea for new product can come from many sources, such as customer, scientists, competitors, employees, channel member, and top management.
   - Customer need and wants are the logical place to start the search.
   - Idea Generation or Brainstorming of new product, service, or store concepts - idea generation techniques can begin when you have done your OPPORTUNITY ANALYSIS to support your ideas in the Idea Screening Phase

2. Idea Screening
   - The object is to eliminate unsound concepts prior to devoting resources to them.
   - The screener should ask several questions:
     - Will the customer in the target market benefit from the product?
     - What is the size and growth forecasts of the market segment / target market?
     - What is the current or expected competitive pressure for the product idea?
     - What are the industry sales and market trends the product idea is based on?
     - Is it technically feasible to manufacture the product?
     - Will the product be profitable when manufactured and delivered to the customer at the target price?

3. Idea Development and Testing
   - Develop the marketing and engineering details
   - Product Idea - It is an idea for a possible product that the company can see itself offering to the market.
   - Product Concept - It is a detailed version of the idea stated in meaningful consumer terms.
   - Product Image - It is the way consumers perceive an actual or potential product.
   - Investigate intellectual property issues and search patent databases
Who is the target market and who is the decision maker in the purchasing process?
What product features must the product incorporate?
What benefits will the product provide?
How will consumers react to the product?
How will the product be produced most cost effectively?
Prove feasibility through virtual computer aided rendering and rapid prototyping
What will it cost to produce it?
Testing the Idea may involve asking a number of prospective customers to evaluate the idea

4. Business Analysis
- Estimate likely selling price based upon competition and customer feedback
- Estimate sales volume based upon size of market and such tools as the Fourt-Woodlock equation
- Estimate profitability and break-even point

5. Beta Testing and Market Testing
- Produce a physical prototype or mock-up
- Test the product (and its packaging) in typical usage situations
- Conduct focus group customer interviews or introduce at trade show
- Make adjustments where necessary
- Produce an initial run of the product and sell it in a test market area to determine customer acceptance

6. Technical Implementation
- New program initiation
- Finalize Quality management system
- Resource estimation
- Requirement publication
- Publish technical communications such as data sheets
- Engineering operations planning

7. Commercialization (often considered post-NPD)
- Department scheduling
- Supplier collaboration
- Logistics plan
- Resource plan publication
- Program review and monitoring
- Contingencies - what-if planning
- Fill the distribution pipeline with product
- Critical path analysis is most useful at this stage

8. New Product Pricing
- Impact of new product on the entire product portfolio
- Value Analysis (internal & external)
- Competition and alternative competitive technologies
- Forecast of unit volumes, revenue, and profit

These steps may be iterated as needed. Some steps may be eliminated. To reduce the time that the NPD process takes, many companies are completing several steps at the same time (referred to as concurrent engineering or time to market). Most industry leaders see new product development as a proactive process where resources are allocated to identify market changes and seize upon new product opportunities before they occur (in contrast to a reactive strategy in which nothing is done until problems occur or the competitor introduces an innovation). Many industry leaders see new product development as an ongoing process (referred to as continuous development) in which the entire organization is always looking for opportunities.

Because the NPD process typically requires both engineering and marketing expertise, cross-functional teams are a common way of organizing projects. The team is responsible for all aspects of the project, from initial idea generation to final commercialization, and they usually report to senior management (often to a vice president or Program Manager). In those industries where products are technically complex, development research is typically expensive and product life cycles are relatively short, strategic alliances among several organizations helps to spread the costs, provide access to a wider skill set and speeds up the overall process.

Because both engineering and marketing expertise are usually critical to the process, choosing an appropriate blend of the two is important. Observe (for example, by looking at the See also or References sections below) that this article is slanted more toward the marketing side. For more of an engineering slant, see the Ulrich and Eppinger, Ullman references below.

A new product pricing process is important to reduce risk and increase confidence in the pricing and marketing decisions to be made. Processes have been proposed to break down the complex task of new product pricing into more manageable elements.
The Path to Developing Successful New Products points out three key processes that can play critical role in product development: Talk to the customer; Nurture a project culture; Keep it focused.

**Fuzzy Front End**

The Fuzzy Front End (FFE) is the messy "getting started" period of new product engineering development processes. It is in the front end where the organization formulates a concept of the product to be developed and decides whether or not to invest resources in the further development of an idea. It is the phase between first consideration of an opportunity and when it is judged ready to enter the structured development process (Kim and Wilemon, 2007; Koen et al., 2001). It includes all activities from the search for new opportunities through the formation of a germ of an idea to the development of a precise concept. The Fuzzy Front End phase ends when an organization approves and begins formal development of the concept.

Although the Fuzzy Front End may not be an expensive part of product development, it can consume 50% of development time (see Chapter 3 of the Smith and Reinertsen reference below), and it is where major commitments are typically made involving time, money, and the product’s nature, thus setting the course for the entire project and final end product. Consequently, this phase should be considered as an essential part of development rather than something that happens “before development,” and its cycle time should be included in the total development cycle time.

Koen et al. distinguish five different front-end elements (not necessarily in a particular order):

1. **Opportunity Identification**
2. **Opportunity Analysis**
3. **Idea Genesis**
4. **Idea Selection**
5. **Idea and Technology Development**

- The first element is the opportunity identification. In this element, large or incremental business and technological chances are identified in a more or less structured way. Using the guidelines established here, resources will eventually be allocated to new projects.... which then lead to a structured NPPD (New Product & Process Development) strategy.
- The second element is the opportunity analysis. It is done to translate the identified opportunities into implications for the business and technology specific context of the company. Here extensive efforts may be made to align ideas to target customer groups and do market studies and/or technical trials and research.
- The third element is the idea genesis, which is described as evolutionary and iterative process progressing from birth to maturation of the opportunity into a tangible idea. The process of the idea genesis can be made internally or come from outside inputs, e.g. a supplier offering a new material/technology or from a customer with an unusual request.
- The fourth element is the idea selection. Its purpose is to choose whether to pursue an idea by analyzing its potential business value.
- The fifth element is the idea and technology development. During this part of the front-end, the business case is developed based on estimates of the total available market, customer needs, investment requirements, competition analysis and project uncertainty. Some organizations consider this to be the first stage of the NPPD process (i.e., Stage 0). The Fuzzy Front End is also described in literature as "Front End of Innovation", "Phase 0", "Stage 0" or "Pre-Project-Activities". A universally acceptable definition for Fuzzy Front End or a dominant framework has not been developed so far. In a glossary of PDMA, it is mentioned that the Fuzzy Front End generally consists of three tasks: strategic planning, idea generation, and, especially, pre-technical evaluation. These activities are often chaotic, unpredictable, and unstructured. In comparison, the subsequent new product development process is typically structured, predictable, and formal. The term Fuzzy Front End was first popularized by Smith and Reinertsen (1991). R.G. Cooper (1988) describes the early stages of NPPD as a four-step process in which ideas are generated (I), subjected to a preliminary technical and market assessment (II) and merged to coherent product concepts (III) which are finally judged for their fit with existing product strategies and portfolios (IV).

**Other approaches**

Other authors have divided predevelopment product development activities differently:

1. **Preliminary**
2. **Technical assessment**
3. **Source-of-supply assessment: suppliers and partners or alliances**
4. **Market research: market size and segmentation analysis, VoC (voice of the customer) research**
5. **Product idea testing**
6. **Customer value assessment**
7. **Product definition**
8. **Business and financial analysis**

These activities yield essential information to make a Go/No-Go to Development decision.

One of the earliest studies using the case study method defined the front-end to include the interrelated activities of:

- **product strategy formulation and communication**
- **opportunity identification and assessment**
- **Idea generation**
- **product definition**
- **project planning**
- **executive reviews**

Economic analysis, benchmarking of competitive products and modeling and prototyping are also important activities during the front-end activities. The outcomes of FFE are the:

- **mission statement**
- **customer needs**
- **details of the selected idea**
A conceptual model of Front-End Process was proposed which includes early phases of the innovation process. This model is structured in three phases and three gates:

- **Phase 1:** Environmental screening or opportunity identification stage in which external changes will be analyzed and translated into potential business opportunities.
- **Phase 2:** Preliminary definition of an idea or concept.
- **Phase 3:** Detailed product, project or service definition, and Business planning.

The gates are:

- **Opportunity screening**
- **Idea evaluation**
- **Go/No-Go for development**

The final gate leads to a dedicated new product development project. Many professionals and academics consider that the general features of Fuzzy Front End (fuzziness, ambiguity, and uncertainty) make it difficult to see the FFE as a structured process, but rather as a set of interdependent activities (e.g. Kim and Wilemon, 2002). However, Husig et al., 2005 [10] argue that the front end not need to be fuzzy, but can be handled in a structured manner. In fact Carbone showed that when using the front end success factors in an integrated process, product success is increased. Peter Koen argues that in the FFE for incremental, platform and radical projects, three separate strategies and processes are typically involved. The traditional Stage Gate (TM) process was designed for incremental product development, namely for a single product. The FFE for developing a new platform must start out with a strategic vision of where the company wants to develop products and this will lead to a family of products. Projects for breakthrough products start out with a similar strategic vision, but are associated with technologies which require new discoveries.

Incremental, platform and breakthrough products include:

- **Incremental products** are considered to be cost reductions, improvements to existing product lines, additions to existing platforms and repositioning of existing products introduced in markets.
- **Breakthrough products** are new to the company or new to the world and offer a 5-10 times or greater improvement in performance combined with a 30-50% or greater reduction in costs.
- **Platform products** establish a basic architecture for a next generation product or process and are substantially larger in scope and resources than incremental projects.

**NPD organizations**

- **Product Development and Management Association** (PDMA)
- **Association of International Product Marketing & Management**
- **ISPIM** (The International Society for Professional Innovation Management)
- **Society of Concurrent Product Development (SCPD)**

**NPD strategies**

- **Lean product development**
- **Flexible product development**
- **Design for six sigma**
- **Quality function deployment**
- **Phase–gate model**
- **User-centered design**

**Managing New Product Development**

Companies must take a holistic approach to managing this process and must continue to innovate and develop new products if they want to grow and prosper.

- **CUSTOMER CENTERED New Product Development.** Focuses on:
  - Finding new ways to solve customer problems.
  - Create more customer-satisfying experience
  - Offered a compelling customer value proposition
  - Engaged customer directly

Companies often rely on technology, but the real success comes from understanding customer needs and values. The most successful companies were the ones that:

- Differentiated from others
- Solved major customer problems
- **TEAM BASED New Product Development**

An approach:

- To deserving new products in which various company’s departments work closely together overlapping the steps in the product development process in order to:
  - Save time
  - Increase effectiveness

- Company departments work closely together in cross functional teams overlapping the steps in the product development process (to save time and increase effectiveness).
- Those departments are: legal, marketing, finances, design and manufacturing, suppliers and customer companies.
- If there is a problem, all the company can work.
**SYSTEMATIC New Product Development**

- Development process should be holistic (alternative) and systematic not to good ideas die.
- This process is installed on Innovation Management System that collect, review, evaluate new product ideas and manage
- the company appoints to a senior person to be the Innovation Manager who encourage all the company
- employees, suppliers, distributors and dealers to become involved in finding and developing new products.
- Then, there is a Cross-Functional Innovation Management Committee which:
  - Evaluate new products ideas
  - Help bringing good ideas

- To sum up, New-Product success requires:
  - New ways to create valued customer experience, from generating and screening new product ideas to create and roll out want-satisfying products.

**New Product Development IN TURBULENT TIMES**

- When we are in a tough economic situation usually management reduces spending on: new-product development. Usually it is done from a short-sighted.
- Though times might call for even:
  - Greater new-product development, offering changing customer needs and tastes.
  - Making the company more competitive
  - Positioning it better for future.

**New Product Development Steps & How to Address NPD Challenges**

**What is new product development (NPD)?**

To create the next product in a company’s product line a design team goes through product development process steps. Starting with a product idea, the team moves through several stages to generate all the details and documents needed to get the product built. A NEW product development (NPD) process goes through the same steps, however as this product has not been developed by the team before, new risks and uncertainties are introduced and often additional information is documented and shared with manufacturing.

**Basic new product development steps**

There are five basic steps in a new product development process: Concept, Ideation, Design, Test and Release.

1. **Concept** — The concept step sets basic direction and boundaries for the entire development process by clarifying the type of product, the problem the product solves and the financial and technical goals to be achieved by the product.
2. **Ideation** — During the ideation step the team brainstorms to discover some of the many ways a product can solve the problem and meet internal goals. Ideas are evaluated and the most promising are selected for further investigation.
3. **Design** — It’s in this step that the execution of the “best” way to create and construct the product happens. Engineering details are generated to flesh out the high level concepts from the ideation stage.
4. **Test** — Testing verifies if the product meets the original goals or if additional refinement is needed.
5. **Release** — Once testing has confirmed that the product solves the problem and will meet the company goals; it is ready to start the new product introduction (NPI) process and get the product built.

**New product development steps — iterate as necessary**

The basic steps of the new product development process are listed above as stages that follow each other, but in reality the process is cyclical, not linear. Ideation, Design and Test steps are repeated over and over again, at varying depths of detail and on different subsystems, until the product design is complete.

The pace at which NPD cycles move can be fast with lots and lots of changes to parts, assemblies and BOMs. During design, companies often do not follow the form-fit-function (FFF) rules that get followed in production, but they will use revisions to take snap shots of a design at a moment in time. Teams typically establish new revisions when they want to create prototypes. At this point the design is temporarily frozen as models, drawings, specifications and BOMs get updated to the next revision.

Keeping track of all the different changes made during these cycles can be difficult even if the design team is located within the same building. And if multiple people have access to editable documents (e.g. MS Word specs, MS Excel BOMs) changes made that were not agreed to by all necessary parties will cause misunderstandings. Read-only PDFs can help this matter, but this fix is just a temporary solution for a larger problem. If a company doesn’t have a common understanding around when revisions are created and by whom, and where they are stored, this lack of control can lead to confusion and chaos.

**Address NPD challenges with a little bit of process**
Once all the iteration, design and testing has been completed, it’s time to enter the release stage and get the product built. The release stage is also the beginning of the New Product Introduction (NPI) process where information is handed-off to manufacturing for ramp and product planning. With some revision control, spec and process work in the steps leading up to this point, the time and labour needed to generate the data manufacturing needs can be minimized. Here’s how to tackle challenges during new product development stages:

1. **Take snapshots of the design at major points during the process**, like when releasing files for prototyping. Keep track of modifications of both part and BOM revisions so you won’t have to second guess changes that occurred. Again, using Word or Excel alone to capture this information can be problematic whereas PDFs provide a solid reflection of the design at that point in time.

2. **Collect all the product documents**, including all types of files, and organize them in an easy to navigate folder structure. This will free up time when you need to gather information to give to manufacturing; you won’t have to dig through several different locations if documents are maintained in a centralized location.

3. **Be consistent with the naming conventions for all your files** including manufacturer’s data sheets for off-the-shelf parts as well as internal CAD drawing files. Name files so that they can be easily associated with the right component or assembly within a product. With easily recognizable nomenclature you’ll be able to tell the associated part number and revision from the file name. Everyone will have an easier time knowing what information they have and won’t have to open a lot of documents to find the right data.

**Use systems to help NPD processes**

With revision control processes in place and data collected in one location, everyone will know where to find the latest information and be able to tell what happened along the way. While this can be done through manual edits to files collected on corporate servers there are systems available to help maintain all the documentation and keep related items together while giving access to team members anywhere in the world.

As mentioned above, the product development process isn’t always ALL brand new; for example, the new product can use several of the exact same resistors that are already used in an existing product. Having a system where you can pull all the related documents of a previously used part will save you time from gathering the information all over again. Not only does this make it easier during the new product development design stage, it helps during the last stage when information is released to manufacturing.

**Transition from NPD to NPI made smooth**

The new product development process is all about creating and defining the next new product. It involves lots of change at all levels of the BOM and NPD steps are often reiterated. By managing changes with basic processes or even a revision control system in place you’ll stop wasting time on tasks like looking for the right documents. You’ll also keep everyone aware of what’s changed and by whom. A centralized system can provide everyone access to the right product information regardless of where they are working— at office headquarters, home office or manufacturing sites. As a result, you get a smoother transition from the final stage in NPD to manufacturing NPI.

**New Product Development in Arena PLM**

*Arena PLM* is a cloud-based solution for bill of materials (BOM) and change management. It gives you a controlled, centralized way to manage your product data from anywhere in the world, and makes it easy to include strategic partners, suppliers and contract manufacturers in your product development process.

- Get your whole team on the same page with centralized product data
- Control product changes with solid process control

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**Branding, Labeling, and Packaging**

*LEARNING OBJECTIVES*

**Branding** - We have mentioned brands periodically throughout this chapter. But what is a brand? A brand is a name, picture, design, or symbol, or combination of those items, used by a seller to identify its offerings and to differentiate them from competitors’ offerings. Branding is the set of activities designed to create a brand and position it in the minds of consumers. Did you know that The Beatles started a recording studio called Apple? When Apple Computer (the iPod company) was formed, Apple Corp., Ltd. (the Beatles’ recording studio), sued Apple Computer because two companies with the same name can create confusion among consumers. This wasn’t much of a problem when Apple was only selling computers, but following the release of the iPod and launch of Apple’s iTunes program, a case could be made that the companies’ offerings are similar enough for consumers to confuse the two companies and their products. In fact, it wasn’t until very recently that the lawsuit over the name was settled, some thirty years after the initial lawsuit was filed. Nonetheless, the situation signifies how important brand names are to the companies that own them.
A successful branding strategy is one that accomplishes what Coke and Apple have done—it creates consumer recognition of what the brand (signified by its name, picture, design, symbol, and so forth) means. Consequently, when marketing professionals are considering whether a potential new offering fits a company’s image, they are very concerned about whether the offering supports the organization’s brand and position in the mind of the consumer. For this reason, many consider branding to be much more than how the product is packaged or labeled, and they are right. Characteristics of the offering, such as pricing and quality, have to support the brand’s position. If Apple (the brand) stands for innovation, then products and services have to be innovative. But branding itself refers to strategies that are designed to create an image and position in the consumers’ minds.

A brand name, like Apple, is the spoken part of a brand’s identity. A brand mark is the symbol, such as Coke’s wave or Apple Computer’s multicolor apple (not to be confused with Apple Records’ green apple), associated with a brand. Brand names and brand marks are important to companies because consumers use them to make choices. That’s why it was important to sort out the Apple brand. Each company wanted to make sure that consumers were getting what they wanted and would know what each brand meant.

An important decision companies must make is under which brand a new offering will be marketed. For example, Black & Decker makes power tools for consumers under its Black & Decker brand, while tools for more serious do-it-yourselfers and professionals are under its Dewalt brand. If Black & Decker decided to add to its Dewalt line new products such as coolers, portable radios, CD players, and other accessories construction professionals might find useful at a job site, the company would be creating a brand extension. A brand extension involves utilizing an existing brand name or brand mark for a new product category. Why would Black & Decker add these accessories to the Dewalt line? If the company did, it would be because Dewalt already has a good reputation for high quality, long-lasting durability, and performance among construction professionals. These same professionals would trust the Dewalt brand to deliver. How a company like Black & Decker goes about building this trust is the subject of later chapters. For now, let’s consider whether it is better for a company to market a new product via a brand extension or create an entirely new brand for the product.

One thing firms have to consider when they’re branding a new offering is the degree of cannibalization that can occur across products. Cannibalization occurs when a firm’s new offering eats into the sales of one of its older offerings. (Ideally, when you sell a new product, you hope that all of its sales come from your competitors’ buyers or buyers that are new to the market.) A completely new offering will not result in cannibalization, whereas a line extension likely will. A brand extension will also result in some cannibalization if you sell similar products under another brand. For example, if Black & Decker already had an existing line of coolers, portable radios, and CD players when the Dewalt line of them was launched, the new Dewalt offerings might cannibalize some of the Black & Decker offerings.

Some marketers argue that cannibalization can be a good thing because it is a sign that a company is developing new and better offerings. These people believe that if you don’t cannibalize your own line, then your competitors will.

**Packaging Decisions** - Another set of questions to consider involves the packaging on which a brand’s marks and name will be prominently displayed. Sometimes the package itself is part of the brand. For example, the curvaceous shape of Coca-Cola’s Coke bottle is a registered trademark. If you decide to market your beverage in a similar-shaped bottle, Coca-Cola’s attorneys will have grounds to sue you.

Packaging has to fulfill a number of important functions, including:

- communicating the brand and its benefits;
- protecting the product from damage and contamination during shipment, as well as damage and tampering once it’s in retail outlets;
- preventing leakage of the contents;
- presenting government-required warning and information labels.

Sometimes packaging can fulfill other functions, such as serving as part of an in-store display designed to promote the offering. A single wholesale unit of a product, such as these empty cartons shown here, is an example of secondary packaging. Each of these boxes might hold, for example, twenty-four cans of car polish or thirty-six cans of bug spray.

Primary packaging holds a single retail unit of a product. For example, a bottle of Coke, a bag of M&Ms, or a ream of printer paper (five hundred sheets) are all examples of primary packages. Primary packaging can be used to protect and promote products and get the attention of consumers. Primary packaging can also be used to demonstrate the proper use of an offering, provide instructions on how to assemble the product, or any other needed information. If warning or nutrition labels are required, they must be on the primary packaging. Primary packaging can be bundled together as well. Consumers can buy bottles of Coke sold in six-packs or cans of Coke in twelve-packs, for example.

Secondary packaging holds a single wholesale unit of a product. A case of M&M bags is an example, as are cartons of reams of paper. Secondary packaging is designed more for retailers than consumers. It does not have to carry warning or nutrition labels but is still likely to have brand marks and labels. Secondary packaging further protects the individual products during shipping.
Tertiary packaging is packaging designed specifically for shipping and efficiently handling large quantities. When a Coca-Cola bottler ships cases of Cokes to a grocery store, they are stacked on pallets (wooden platforms) and then wrapped in plastic. Pallets can be easily moved by a forklift truck and can even be moved within the grocery store by a small forklift.

**BRANDING AND PACKAGING FOR THE GLOBALIZED MARKET**

Product branding and packaging decisions are very important decisions as in the present age of globalization, a large number of brands of various products are available to the consumer to choose and select from. As all brands are not equally liked by a consumer and he selects his brand after a careful analysis of a number of factors associated not only with the product but also the manufacturer, the brand name, the packaging, the price, the contents and also the various other factors.

The marketers of all the competitive brands of a product try to reach to the consumers by the means of marketing communications and appeal them to buy their brand. For making the consumers to take favourable decisions for their products, the marketers need to build strong brands and nourish them overtime so that its market strength is not deteriorated on account of introduction of equally competitive brands by their existing competitors or by the entry of an altogether a new brand with attractive product features including appealing packaging.

The marketers therefore need to continuously undertake research and developmental activities to keep intact the brand image. In order to ensure that the other brands of washing power do not erode the market share of their brand ‘surf’, Hindustan Lever Limited has been taking very cautious measures from time to time about this brand and its packaging.

**Product Branding** - Branding is personalizing the product by giving it a name. Just as all of us have been given names to have our unique identity in the society, similarity the companies give unique brand names for their products to facilitate their distinction from the competitor’s brands.

The word ‘brand’ owes it origin to the Norwegian word ‘brandr’ which means to burn. The farmers, there, used to put some identification marks on the body of their livestock to distinguish their possession. Therefore, the marketers taking clues from it, resorted to branding, in order to distinguish their offerings from the similar products and services provided by their competitors.

Branding with benefits accruing to the consumer is particularly effective as such a brand name would make a product appear as if it had some added value. When placed alongside a competitor offering an identical product, a benefit-based name positions itself above the competition in the consumer’s mind. As a result, the name will register quickly when people make their buying decisions. However there is no one magic formula that can be applied to quickly and efficiently generate a brand name.

The right name has to be the product of a carefully prepared strategic brief, showing creativity, selected with a lot of linguistic and cultural research. A good name is an incredibly valuable asset. Naming, in today’s global market, has evolved into a complex creative process and is also subjected to stringent legal checks.

**Creating Brands** - For launching new brands and for repositioning existing ones in the contemporary competition driven market demand, an abundance of customer loyalty is required to optimize marketing expenditure.

For new brands, the task of designing the brand experience requires creativity to differentiate the brand is unusual ways in the market place. For existing brands, the task includes decision making about which features, look and feel, and messages should be kept, which should be dropped and which should be changed. All this is required to be done before the brand re-launching is to be undertaken. This is also sometimes called brand dressing.

Overall it can be summed that for making a stable position in the mindset of the consumers and hence the market, a new brand requires creativity to differentiate while an existing brand relies on innovations undertaken to enhance the brand’s market image.

**Important Considerations for branding**

The following considerations should be made before making a final choice of brand name in order to make it more effective.

- It should be catchy and easy to recall.
- It should be easy to pronounce.
- It should have a distinctive appeal.
- It should suggest product benefit.
- It should not infringe on existing registered brand names.
- It should be such that it can be registered as a trade mark*.

A brand can be any of the following:

- **Company’s name** (e.g. Cadbury chocolates).
- **Product’s name** (Nescafe).
- **Symbols** (e.g. Symbol of Maharaja in case of Air India).
- **Letters generally standing for companies name e.g. ICICI.**
- **Names or figures unrelated to the product e.g. classic.**
- **Manufacturer’s family name e.g. Godrej.**

Through their meaning and sound, names project the personality of a product and should communicate to customers, the quality, integrity and strength of what they represent. As brand names are the first public act of interaction of a company with the potential customers, these can prove out to be assets of enormous value.

**Kinds of Brands:** The brands of the following kinds.

a) National Brands  
b) Individual Brands  
c) Blanket Brands
Multiple Brands

National Brand - A national brand is a manufacturer’s brand. A successful national brand builds not only the image of the product, it builds also the image of the company. A successful national brand is a great help to a company in introducing new products in future. A disadvantage of the national brand is that if one product fails, it also badly affects the other products of the company. Besides this, creating a national brand is expensive.

Individual Brand - An individual brand means that each product of a company has an individual brand name. It has the advantage of highlighting the benefits of the individual product. It has the further advantage that if an individual brand flops, it does not hurt the other products. Individual brand is however an expensive proposition. Hindustan Lever, HMT etc., have been following this method of giving different names to each of their products.

Blanket Brand - A blanket brand is one brand which covers all the products of a company. It is usually the company’s or the manufacturer’s family name. This practice is also called family branding or umbrella branding. It has the same advantages as well as the disadvantages of a national brand.

Multiple Brand - A multiple brand gives different names to the same product having only minor differences. The idea is to appeal to different segments of the market and have a larger market share. But the customers often see it as a ‘trick’, not a fair play, and they lose faith in the company.

Private Brand - Sometimes, mainly for reasons of cost-saving, the manufacturer hands over the responsibility of branding to the distributor. A private brand is, in fact, the distributor’s brand. It can be highly successful. The manufacturer, however, cannot get all the benefits which accrue from it.

Trademarks - Popular brands are many times imitated. A trademark is a legal right of a firm to protect a brand name or brand mark by getting their brands registered at the patent office. It confers the proprietor a statutory right to exclusive use of that mark or name. It is meant to safeguard against ditto imitation.

Benefits of Branding - Establishing a brand involves a good deal of expenses on advertising and promotion. But once established, a brand has several advantages to offer. If a brand is properly nourished, it grows and has a long shelf life.

a) A brand serves as a guarantee for quality and creates confidence among the consumers.

b) A branded product acquires a special identity and appeal. The customer finds easy to select and buy.

c) The greatest advantage, however, comes from the product differentiation it creates. Once that is done, the product can compete on a non-price basis.

Testing Brand Names - There is no fool proof method for testing brand names but the following are some important considerations which may prove useful in building a successful brand name.

The selected brand name should be:

(i) Emotional; (ii) Stick to the brain; (iii) Have personality; (iv) Have depth

Overall, while the brand name is very important, a brand cannot survive on its name alone. The brand name and its execution are equally important for a successful and sustained brand life. Further, also it is not enough to have a winner brand, in order to stay ahead, the brand must also live up to its promise better than anyone else.

Brand Loyalty - Brand loyalty is the measurement of the attitude or the behavior of the consumer for a particular brand. In other words, it is the intentions of the buyers to make a repeated purchase of a product on account of the previous experiences from the consumption of that brand. Higher loyalty to a brand is an important asset. It can be utilized to persuade customers for more purchase or for spreading word of mouth. Loyalty provides fewer reasons for consumers to engage in extended information search among alternatives. Purchase decisions based on loyalty may become simplified and even habitual in nature which may be out of the satisfaction with the brands being used presently. A base of loyal customers will be advantageous for an organization as it reduces the marketing cost of doing business.

Interest in loyalty in the field of marketing dates back to 1923. Since then the concept of loyalty has been subjected to intense discussion in marketing literature and numerous empirical studies have been conducted with a view to explain this concept. A large number of loyal customers are an asset for any brand and this phenomenon has been identified as major determinant of brand equity.

Loyalty provides fewer reasons for consumers to engage in extended information search among alternatives as purchase decisions based on loyalty may become simplified and even habitual in nature and this may be a result of satisfaction with the current brands. A base of loyal customers will also be advantageous for an organization as it reduces the marketing cost of doing business. The brand loyal customers repeatedly buy the same brand until they are compelled by the strong market forces by offering them a certainly better product which they perceive to be worthy enough to buy shifting from the loyal brand. The marketers which have a strong base of loyal customers need to take extra care of such loyal customers by nourishing and serving them in such a way that they keep intact their loyalty.
Brand Equity - Brand equity is the perceived value of the brand in the corporate world. Companies build brands and nourish them overtime to make them stronger and widely acceptable by the consumers. For building and nourishing brands the companies have to spend a lot of money and by doing so they develop their brand’s equity. Thus the value of a brand’s overall strengths in the market is called brand equity.

Brand equity is the sum total of all the different values people attach to the brand. It may also be termed as the additional income expected from a branded product over an unbranded one.

As it is costly to build brand recognition, some firms prefer to acquire established brands rather than try to build their own. They pay money to take over these brands. This amount varies with the perceived worth of the brand and is termed as brand equity. A brand is nearly worthless unless it enjoys some equity in the market place.

Brand equity refers to a set of assets and liabilities linked to a brand, its name and symbol that add to or subtract from the value provided by a product or service to a firm and or to that firm’s competitors.

Brand equity is a measure of brand’s worth. Strong brands have higher brand equity because they are perceived favorable over the others by the buyers. For evaluating brand equity, the brand’s market share, its profitability and future potential are the crucial considerations.

A brand’s equity is a sum total of the perceived values of the brand’s:
- Customer loyalty
- Perceived quality
- Proprietary assets
- Brand association

A strong brand equity also pushes the market share prices of its parent firms which is the main consideration while selling and buying of firms i.e. acquisition / take over decisions are made. Coca Cola paid Rs. 40 crores (around $7.3 million USD) for buying out Barle’s brands – Thums Up, Limca, Gold Spot and Citra and Heinz paid Rs. 110 crores (around $21.3 million USD) for taking over Glaxo’s food brands.

Thus it can be concluded that strong brands have their equity too and the value of which depends upon their market hare, their level of customer loyalty, its profitability, future potential and also the several other considerations.

Overall it may be said that a brand represents all the tangible and intangible qualities and aspects of a product or service. A brand choice represents a collection of the buyer’s feeling and perceptions about quality, income, life-style and status. A brand promises to deliver value upon which customers and prospective purchasers can rely to be consistent over a long period of time.

Product Packaging - Packaging is an integral component of a product and it plays an important role in its salability. Packaging is no longer a mere outer covering of a product for its protection; it is very much a contributing factor for its increasing marketability. A vividly beautiful packaging of a product, to some extent, develops a positive image about it in the minds of the consumers. Thus packaging is not merely used as a means of product’s protection during transportation and storage but it is also used as a marketing and promotional tool.

Earlier the role of packaging was merely to protect the product from sun and dust and also from damage during handling. With advancement of the nations, new legislation has been incorporated for the merchandising of the goods. This has resulted into the importance as well as the necessity for an appropriate quality and type of packaging.

Today marketing is a game of names of brands who sell the most in the market place. Lee Cooper, Coca-Cola, Pepsi and Reebok are the status icons for young and old alike. These brands speak for the prestigious and social stature of any persons.

The present era of cut throat competition has enabled the consumer to select the brand of product to be consumed from amongst a vast number of competing brands. This availability of brand choice has resulted into a fast eroding of the consumer’s loyalty for a particular brand. Consumers are not resorting to more of impulse buying and are eager to try new brands. Hence the companies today not just take research and development activities for improving the product quality but also try to add value to their products means of via innovative packaging.

Packaging Functions - These days packaging is designed to take care of the convenience for its use and also to differentiate a brand from the others. In case of many products reusable packaging is also used to attract consumers for its purchase.

Packaging is a function of both physical distribution as well as advertising. It is essential that latest techniques and materials of packaging be used. Many institutes, including the Indian Institute of Packaging render useful advice to the marketers on the nature of packaging designs and the materials to be used which would be suitable for a particular product.

Importance of Packaging - Depending on the products and the industry, the packaging can have different levels of importance. Sometimes packaging becomes the most important way of delivering the good, and its cost represents the largest part of the total cost of the product.

Packaging becomes the most important way of delivering the goods, and its cost represents the largest part of the total cost of the product”. Packaging serves a number of utilities which the marketer’s want to communicate to the consumer to attract him
to purchase his brand. Through packaging the important information about the product, price, manufacturer and the consumption precautions etc. can be conveyed to the buyer.

Product packaging decisions are very important and the marketers need to be very careful about it, as packaging is sometimes the key factor of success or failure of a new launch.

Packaging, as a function, has two separate dimensions – the science and technology and the behavioural aspect related to the art of product design which enhances the value of the contents and passes on the impression to the consumer directly or subtly.

Overall it can be concluded that packaging is an integral and an important component of the product. It not only helps in protecting the product from being damaged during its handling but also protects it as an attractive packaging works as a silent salesman.

Packaging Decisions - Packaging decisions are very important for the marketing because now-a-days the consumers pay a lot of attention and care for selecting a product. They usually prefer a product which is adequately packaged; the outer cover contains all the necessary information about the product and the manufacturer and also the method of using, consuming or operating the product. More so, packaging carries some aesthetic value also. So, in the modern days, the marketing managers pay a lot of care for making the packaging decisions of the products being marketed by them.

The marketers, in the present era of cut throat competition, are also turning to innovative packaging in order to establish a distinctive edge over the competitor’s brands. This is especially true in the case of marketing of consumer products, cosmetics, perfumes, toiletries and other personal care products. Marketers try to add value to their brands by way to packaging as a tool. Thus they want to pass on greater benefits to the customers and attempt to increase their brand’s value.

The marketers have to take the packaging decisions which should meet the twin tasks of keeping the packaging cost low and yet carry it safely enough up to the customer without any damage. It might not always be possible to merely reduce the cost of packaging without affecting the various components of the marketing mix because the packaging decisions affect all the four components of the marketing mix. Good and attractive packaging adds to product attraction but not without adding to its cost. It may also add to the convenience of handling and act as a tool of promotion. So, the marketing firms have to take such decisions which will be beneficial for all and the overall equation of cost benefit analysis is favorable for each.

Packaging designs are also of vital importance as they often help the consumer to recognize the product and literally sell it off the shelf, especially at the point of sale. The labeling used on the packaging also serves as a means of communication about the product contents, quality, quantity etc. e.g. eco-labeling on the packaging of a product is a proof that the product is environmentally friendly.

Since the last few years, the packaging material has become more and more an object of creativity of the marketing people rather than the domain of the production and technical engineers. From being functional initially and addressing the need for protection during the time in-between production and consumption of the products, packaging is becoming vehicle for communication, used to effectively influence the end consumer.

These days when we talk about innovation, we not only refer to product quality but include its packaging also. These days the consumer readily pays the price of the packaging if it helps in adding to its quality and hygiene, so therefore, the marketers should take decisions in favor of improving the acceptance level of their brand by adopting appropriate packaging designs made with appropriate materials.

Useful Features of Packaging - Packaging deals with the nature of the container/wrapper, its size, shape, color and the message printed on it. It represents the talents of the various specialists viz. researcher, designer, engineer, marketer and others.

The packaging of a product may also attract the attention of the consumers at the very first sight if its features appear to be attractive. The marketers need to take care of these marketing aspects also.

The usual features of packaging are the following:

- The container should be strong so that it can stand the strain of transportation and handling. It should be strong also to ensure a long shelf-life.

- While being strong, it should avoid being too heavy so that it remains easy to handle and inexpensive on freight. Over and above the usual features, the packaging should also have certain features from the marketing angle, as a well-designed packaging is often described as the silent sales representative. These marketing features of packaging are as follows:
  - It must advertise the brand and the manufacturer.
  - It must be distinctive and capable of ‘differentiating’ the product.
  - It must be suitable for display.
  - It must be helpful in identifying the product.
  - It must carry the brand name, brand / trade mark and all the other required information.
  - It must be attractive.
  - It must be so designed as to add convenience for carrying and handling the product.
It should require the minimum shelf space.

The colours and the material used for outer packaging must not create any socially or psychologically bad image about the product.

Packaging must be capable of keeping intact the hygiene of the product for its shelf life. However, due care must be taken as an overenthusiastic approach may lead to cost over-runs as packaging has a direct bearing on the product cost. Therefore, the cost aspect of packaging should be strictly controlled so that the product may not be over-priced.

**Brand Positioning** - Brand positioning is the conscious promotional efforts which the marketers undertake to develop an image, in the mind-set of their target consumers, about the benefits and quality stands of the promoted brand. In positioning, the marketer decides how and around what parameters, the product offer has to be placed before the target consumers.

The consumers vary on the benefits which they seek to draw from a product and no single brand of a product category can incorporate all the features which can satisfy these needs of all the types of the consumers. Hence, the marketers need to first incorporate such features in their brands which would be able to meet the desired benefits of one or more segments of the consumer and then promote their brands by highlighting these product features so as to target their brands on these segments of consumers. Thus brand positioning is the process of developing a positive association between the target segments of the consumers and the promoted brands.

Brand positioning decisions are consciously taken because if the promoted brand fails to deliver consumers the benefits claimed by it, the consumers will rather develop a negative image about the product. Thus for product positioning to succeed, it must be based on an identifiable, meaningful and compelling value proposition. The brand should match the value gained by the consumers (after its consumption) to the value promised by it.

A value proposition is the assertion/statement of the benefits and satisfaction that the marketers claim in the brand. According to Kotler and Keller, “Positioning is the act of designing the company’s offering and image to occupy a distinctive place in the mind of the target market. The goal is to locate the brand in the minds of the consumers to maximize the potential benefit to the firm. A good brand positioning helps guide marketing strategy by clarifying the brand’s essence, what goals it helps the consumer achieve and how it does in a unique way. The result of positioning is the successful creation of a customer focused value proposition a cogent reason why the target market should buy the product.

Thus, the overall conclusion from the concept of brand positioning, can be drawn that it is the act of building an image for perception about a brand’s ability or capability to provide the perceived satisfaction/benefits to the consumers.

**Packaging Scene in India** - The Indian market has been rapidly changing during the last ten years or so due to the entry of some worldwide players who have upgraded the market standards.

There is emerging a strong change in the packaging scene in India and rather there is a packaging revolution. The total packaging volumes for consumer packaging in India reached a total of 39,906 million units by 2002. The packaging industry in India in growing and the market is dominated by flexible packaging formats. There is a great level of change in the product packaging particularly in the material used for it.

More and more Indians are now becoming health conscious and a majority of the products here are now available in hygiene packaging. Even the common man is now becoming conscious about the quality of water, the standard of cooking oil and calorie intake etc. This has resulted in a significant shift away from loose unbranded low quality cooking oil to the branded oil packaged in PET and HDPE bottles. Further healthier living has also resulted in a growing demand for PET bottles in the potable water sector.

More and more consumers in India now are also realizing the need for nutritive drinks, thus showing a preference for juice drinks, 100% juices, milk drinks etc. which is further pushing up demand for liquid cartons.

Packaging revolution in India has resulted in the supply and hence the consumption of a wide variety of consumer products. Marketers have introduced various packaged sizes of their products suitable to different pockets and needs besides tetra pack packaging for food products etc. have helped in increasing their shelf life. The market size for various products has registered a significant growth rate just because of this packaging revolution. The long run survival for many of the brands has been possible only due to their adapting to the new and innovative packaging materials for their products.

Overall it can be concluded that product packaging represents the talents of the various specialists’ viz. research, designer, engineer and others. Packaging deals with the nature of the container, its size, shape, color and the message printed on it. The packaging should be strong enough so that it can withstand the strain of transportation and handling. It should also be adequate to ensure a long shelf-life. Besides these, the packaging should be so designed so as to be capable of differentiating the product and it must be suitable for display. However the cost aspect of packaging must be strictly controlled otherwise it may lead to cost over-runs.
Methods of Pricing: Cost-Oriented Method and Market-Oriented Method

The two methods of pricing are as follows: A. Cost-oriented Method B. Market-oriented Methods.

There are several methods of pricing products in the market. While selecting the method of fixing prices, a marketer must consider the factors affecting pricing. The pricing methods can be broadly divided into two groups—cost-oriented method and market-oriented method.

A. Cost-oriented Method: - Because cost provides the base for a possible price range, some firms may consider cost-oriented methods to fix the price.

Cost-oriented methods or pricing are as follows:

1. Cost plus pricing: - Cost plus pricing involves adding a certain percentage to cost in order to fix the price. For instance, if the cost of a product is Rs. 200 per unit and the marketer expects 10 per cent profit on costs, then the selling price will be Rs. 220. The difference between the selling price and the cost is the profit. This method is simpler as marketers can easily determine the costs and add a certain percentage to arrive at the selling price.

2. Mark-up pricing: - Mark-up pricing is a variation of cost pricing. In this case, mark-ups are calculated as a percentage of the selling price and not as a percentage of the cost price. Firms that use cost-oriented methods use mark-up pricing.

Since only the cost and the desired percentage markup on the selling price are known, the following formula is used to determine the selling price: - Average unit cost/Selling price

3. Break-even pricing: - In this case, the firm determines the level of sales needed to cover all the relevant fixed and variable costs. The break-even price is the price at which the sales revenue is equal to the cost of goods sold. In other words, there is neither profit nor loss. For instance, if the fixed cost is Rs. 2,00,000, the variable cost per unit is Rs. 10, and the selling price is Rs. 15, then the firm needs to sell 40,000 units to break even. Therefore, the firm will plan to sell more than 40,000 units to make a profit. If the firm is not in a position to sell 40,000 limits, then it has to increase the selling price.

The following formula is used to calculate the break-even point: - Contribution = Selling price – Variable cost per unit

4. Target return pricing: - In this case, the firm sets prices in order to achieve a particular level of return on investment (ROI).

The target return price can be calculated by the following formula:

\[ \text{Target return price} = \text{Total costs} + \frac{(\text{Desired} \% \text{ ROI investment})}{\text{Total sales in units}} \]

For instance, if the total investment is Rs. 10,000, the desired ROI is 20 per cent, the total cost is Rs. 5000, and total sales expected are 1,000 units, then the target return price will be Rs. 7 per unit as shown below:

\[ \text{Target return price} = 5000 + \frac{(20\% \times 10,000)}{7000} \]

Target return price = 7

The limitation of this method (like other cost-oriented methods) is that prices are derived from costs without considering market factors such as competition, demand and consumers’ perceived value. However, this method helps to ensure that prices exceed all costs and therefore contribute to profit.

5. Early cash recovery pricing: - Some firms may fix a price to realize early recovery of investment involved, when market forecasts suggest that the life of the market is likely to be short, such as in the case of fashion-related products or technology-sensitive products.

Such pricing can also be used when a firm anticipates that a large firm may enter the market in the near future with its lower prices, forcing existing firms to exit. In such situations, firms may fix a price level, which would maximize short-term revenues and reduce the firm’s medium-term risk.

B. Market-oriented Methods:

1. Perceived value pricing: - A good number of firms fix the price of their goods and services on the basis of customers’ perceived value. They consider customers’ perceived value as the primary factor for fixing prices, and the firm’s costs as the secondary.

The customers’ perception can be influenced by several factors, such as advertising, sales on techniques, effective sales force and after-sale-service staff. If customers perceive a higher value, then the price fixed will be high and vice versa. Market research is needed to establish the customers’ perceived value as a guide to effective pricing.

2. Going-rate pricing: - In this case, the benchmark for setting prices is the price set by major competitors. If a major competitor changes its price, then the smaller firms may also change their price, irrespective of their costs or demand.

The going-rate pricing can be further divided into three sub-methods:

a. Competitors ‘parity method: - A firm may set the same price as that of the major competitor.

b. Premium pricing: - A firm may charge a little higher if its products have some additional special features as compared to major competitors.

c. Discount pricing: - A firm may charge a little lower price if its products lack certain features as compared to major competitors.
The going-rate method is very popular because it tends to reduce the likelihood of price wars emerging in the market. It also reflects the industry's coactive wisdom relating to the price that would generate a fair return.

3. **Sealed-bid pricing:** This pricing is adopted in the case of large orders or contracts, especially those of industrial buyers or government departments. The firms submit sealed bids for jobs in response to an advertisement.

   In this case, the buyer expects the lowest possible price and the seller is expected to provide the best possible quotation or tender. If a firm wants to win a contract, then it has to submit a lower price bid. For this purpose, the firm has to anticipate the pricing policy of the competitors and decide the price offer.

4. **Differentiated pricing:** Firms may charge different prices for the same product or service.

   The following are some the types of differentiated pricing:

   a. **Customer segment pricing:** Here different customer groups are charged different prices for the same product or service depending on the size of the order, payment terms, and so on.

   b. **Time pricing:** Here different prices are charged for the same product or service at different timings or season. It includes off-peak pricing, where low prices are charged during low-demand tunings or season.

   c. **Area pricing:** Here different prices are charged for the same product in different market areas. For instance, a firm may charge a lower price in a new market to attract customers.

   d. **Product form pricing:** Here different versions of the product are priced differently but not proportionately to their respective costs. For instance, soft drinks of 200, 300, 500 ml, etc., are priced according to this strategy.

**Pricing Strategy**

One of the four major elements of the marketing mix is price. Pricing is an important strategic issue because it is related to product positioning. Furthermore, pricing affects other marketing mix elements such as product features, channel decisions, and promotion.

While there is no single recipe to determine pricing, the following is a general sequence of steps that might be followed for developing the pricing of a new product:

1. **Develop marketing strategy** - perform marketing analysis, segmentation, targeting, and positioning.
2. **Make marketing mix decisions** - define the product, distribution, and promotional tactics.
3. **Estimate the demand curve** - understand how quantity demanded varies with price.
4. **Calculate cost** - include fixed and variable costs associated with the product.
5. **Understand environmental factors** - evaluate likely competitor actions, understand legal constraints, etc.
6. **Set pricing objectives** - for example, profit maximization, revenue maximization, or price stabilization (status quo).
7. **Determine pricing** - using information collected in the above steps, select a pricing method, develop the pricing structure, and define discounts.

   These steps are interrelated and are not necessarily performed in the above order. Nonetheless, the above list serves to present a starting framework.

**Promotion of an Employee: Definition, Scheme and Advantages of Promotion Schemes**

Promotion is the upward reassignment of an individual in an organization’s hierarchy, accompanied by increased responsibilities, enhanced status, and usually with increased income, though not always so. On being promoted, the promotes duties and responsibilities increase, and the higher one goes in an organization the greater the implications of the individual’s decisions on the viability of the enterprise. After promotion, an individual’s duties and responsibilities usually become qualitatively different from those of his earlier job.

As against promotion, a wage/salary increase, with a possible change of designation, is usually referred to as an upgrading of a post. Frequently, status symbols are attached to the higher positions, such as more important job title, a bigger desk, more expensive office decor, less supervision, and greater freedom of movement.

The criteria for promotion decisions may include the following, though the crux of the issue centres around the dilemma over seniority versus merit:

1. Performance—length of service (seniority) or merit and ability
2. Educational/technical qualifications
3. Assessment of potential
4. Career and succession plan
5. Organization chart based vacancies
6. Motivated strategies—job enlargement
7. Spacing of the promotion and career span of the individual
8. Training

The promotion policy should seek to optimize the interests of the organizations as well as the needs and aspirations of the individual employee.

Over the years, organizational practices and pressures from trade unions and industrial jurisprudence produced the following types of broad options in promotion policies:
**Promotion Scheme:**

First requirement of a sound promotion scheme is that it must provide for a uniform distribution of promotional opportunities throughout the organisation. This means that the ratio of internal promotions to external recruitment must be the same at various levels in all departments. If this ratio differs greatly from one department to another morale of employees may be seriously impaired in the department notorious for its low ratio of promotions.

Second requirement of a sound promotion scheme is that it must tell employees in advance what avenues for advancement exist. Companies generally make use of various types of charts for this purpose. These charts variously known as ‘promotion charts’, ‘opportunity charts’, or ‘fortune sheets’ do not promise or guarantee the promotion of any individual. They merely point out how various positions in the organisation are related to each other. There are two broad categories of these charts: three position charts and multiple chain promotion charts.

In three—position charts each position is related to other positions—one from which employees are promoted and another to which promotions are made. In multiple chain promotion charts each position is linked to several others from which promotions can be made and to several others to which incumbents may be promoted.

Third requirement of a sound promotion scheme is that there should be some definite system for the selection of employees who are to be promoted from within the promotion zone. This, of course, calls for the choice of promotion criteria.

In the absence of a contract to the contrary the employer has the right to establish any criteria for evaluating promotion ability if they are reasonable, pertinent to the job and are not applied in a discriminatory manner. The two criteria often used for making promotion decisions are merit and seniority.

Fourth requirement of a sound promotion scheme is that all promotions should be finally sanctioned by the concerned line heads. The personnel department may only propose the names of potential candidates and send their history records to the department making the requisition to fill vacancies. In this way, the staff position of the personnel department does not intrude upon the authority of the department served. In addition, subordinates are impressed favorably by their line supervisor’s concern for their progress.

Finally, a sound promotion policy must provide for a suitable system of follow-up, counseling and review. Say, month or two after the change the personnel department should hold a brief interview with the promoted employee and his new superior to determine whether all is going on well.

All promotions should be made for a trial period so that if the promoted employee is not found capable of handling the job he can be reverted to his former post and his former pay scale. Since the number of potential candidates is very often more than the number of promotional openings, some candidates are bound to lose in the competitive struggle.

Rowland refers to them as “also rans”. Generally also rans accept the outcome philosophically. For the few who do not, counseling services should be provided by the management. Review of a promotional decision by higher management may also sometimes become essential to satisfy employees to accuse management of being unfair and unjust.

Advantages of Promotion Schemes:

A promotion scheme is of little significance for a small organisation where there are only few roads to the job and, therefore it is difficult for a current job holder to progress readily from one job to another. The scheme is of significance for a big organisation only which has a large number of vertical and horizontal job relationships.

The advantages of having promotion schemes are as follows:

1. They provide an opportunity to the present employees to move into jobs that provide greater personnel satisfaction and prestige.
2. They offer opportunities to management to provide recognition and incentives to the better employees, to correct initial mistakes in appointments and to ‘freeze’ inefficient personnel.
3. They generate within an organisation beneficial pressures on work performance and desired behaviour of all its members.
4. Finally, they serve as an orderly, logical and prompt source of recruitment for management to fill vacancies as they arise.

A good promotion policy may include the following:

1. Encouragement of promotion within the organization, instead of looking outside to fill vacancies in higher posts;
2. An understanding that ability as well as seniority will be taken into account in making promotions;
3. Drawing up an organization chart to make clear to all the ladder of promotion. Where there is a job analysis and a planned wage policy, such a chart is quite easy to prepare;
4. Making it clear to all concerned who may initiate and handle cases of promotion. Though departmental heads may initiate promotion, the final approval should lie with top management, after the personnel department has been asked to check whether any repercussion is likely to result from the proposed promotion;

5. All promotions should be for a trial period, in case the promoted person is not found capable of handling a job. Normally during this trial period he draws the pay of the higher post, but it should be clearly understood that if “he does not make the grade” he will be reverted to his former post and his former pay scale.”

**Different Kinds of Promotion Decisions**

In a small business, it's vital to your bottom line that you make good promotion decisions to put the right person in the right role. Some decisions are easy, especially if a succession plan is already in place. However, other promotion choices are difficult when you have several qualified employees from which to choose.

**Established Criteria** - Some promotions are based entirely on pre-established criteria of what is expected of the employee. Requirements, qualifications and experience may be criteria used to promote a worker to a new position. For example, some jobs may require a bachelor's degree in a particular field, a license, certification training or a specific number of years of work experience. Abilities and skills are also criteria that create a foundation for decision-making processes. These might include leadership skills, management experience, marketing abilities or budgeting capabilities.

**Personnel Files** - Personnel files can come in handy when making promotion decisions. Many managers refer to information about an employee's performance reviews and evaluations, skills appraisals, disciplinary actions, and attendance records. An employee who rates well in all areas may be chosen for a promotion over one who has repeated attendance or disciplinary problems.

**Employee Potential** - Managers often see potential in young employees and give them opportunities to prove themselves. Good attitudes, willingness to do whatever it takes and the ability to learn are often perceived as good attributes in employees, even if they lack the qualifications or full job requirements. Employers often see the skills necessary to become a good manager or supervisor in an inexperienced employee.

**Discrimination Avoidance** - Above all, promotion decisions should be made that will avoid discrimination. Regardless of the role, all employees should be considered without regard to physical disability, race or sex, among other categories.

**Favouritism** - Despite attempts to guard against it, many promotions are still based on favouritism, connections and friendships, according to a 2011 Georgetown University study. In these situations, objective information is avoided in choosing someone for promotion. Employers often promote employees they like and enjoy spending time with. Being a good communicator is often cited as a reason for promotion; however some supervisors promote employees simply because they have a good rapport with the boss.

**Factors That Influence the Promotion Decisions of a Company for Rural Market**

Rural consumers are deferential to elders, people in authority and highly educated people. And the village is a closely-knit community. Because of these characteristics of rural societies, word-of-mouth promotion can play a huge role in rural markets. But companies have to engender word-of-mouth promotion. They have to make sure that their products are used by influential people of the village.

If a particular brand of fertilizer is being used by the most educated and progressive farmer, all the farmers will start using the same brand of fertilizer. In buying products like fertilizers, seeds, pesticides, cement and farming equipment, rural consumers consult and emulate the most educated farmer of the village. It is important for the company to ensure that the educated farmers of the village use its brand.

Celebrity endorsements can be very useful in rural markets. Rural consumers are very fond of quoting statements of politicians, film stars and cricketers. Celebrity endorsements are very useful among such audiences as it gives them something to talk about.

Celebrities are still some sort of novelty for rural consumers. They even discuss what the celebrity said about the product in the advertisement. Television is a good medium for celebrity endorsements, but even print media is useful.

Rural consumers are fanatic about listening to and viewing news programmes. People will gather around transistors to listen to the evening news. They are good slots for airing advertisements. Television news is also catching up, but youngsters are also keen on watching other programmes. Rural consumers are avid readers of newspapers. They will scan every page but they would be more interested in local news. Advertisements in pages where local news appears will be more useful.
Promotional mix

In marketing, the promotional mix describes a blend of promotional variables chosen by marketers to help a firm reach its goals. It has been identified as a subset of the marketing mix. It is believed that there is an optimal way of allocating budgets for the different elements within the promotional mix to achieve best marketing results, and the challenge for marketers is to find the right mix of them. Activities identified as elements of the promotional mix vary, but typically include the following:

- **Advertising** is the paid presentation and promotion of ideas, goods, or services by an identified sponsor in a mass medium. Examples include print ads, radio, television, billboard, direct mail, brochures and catalogs, signs, in-store displays, posters, mobile apps, motion pictures, web pages, banner ads, emails.
- **Personal selling** is the process of helping and persuading one or more prospects to purchase a good or service or to act on any idea through the use of an oral presentation, often in a face-to-face manner or by telephone. Examples include sales presentations, sales meetings, sales training and incentive programs for intermediary salespeople, samples, and telemarketing.
- **Sales Promotion** is media and non-media marketing communication used for a pre-determined limited time to increase consumer demand, stimulate market demand or improve product availability. Examples include coupons, sweepstakes, contests, product samples, rebates, tie-ins, self-liquidating premiums, trade shows, trade-ins, and exhibitions.
- **Public relations** or **publicity** is information about a firm’s products and services carried by a third party in an indirect way. This includes free publicity as well as paid efforts to stimulate discussion and interest. It can be accomplished by planting a significant news story indirectly in the media, or presenting it favorably through press releases or corporate anniversary parties. Examples include newspaper and magazine articles, TV and radio presentations, charitable contributions, speeches, issue advertising, seminars.
- **Direct Marketing** is a channel-agnostic form of advertising that allows businesses and nonprofits to communicate directly to the customer, with methods such as mobile messaging, email, interactive consumer websites, online display ads, fliers, catalog distribution, promotional letters, and outdoor advertising.
- **Corporate image** campaigns have been considered as part of the promotional mix.
- **Sponsorship** of an event or contest or race is a way to generate further positive publicity.
- **Guerrilla marketing** tactics are unconventional ways to bring attention to an idea or product or service, such as by using graffiti, sticker bombing, posting flyers, using flash mobs, doing viral marketing campaigns, or other methods using the Internet in unexpected ways.
- **Product placement** is paying a movie studio or television show to include a product or service prominently in the show.

4 Most Important Elements of Promotion Mix | Business Marketing

Some of the most important elements used in promotion are as follows: advertising, sales promotion, personal selling and public relation!

The promotional communication aims at informing and persuading the customer to buy the product and informing him about the merits of the products.

**Promotion mix:** It refers to all the decisions related to promotion of sales of products and services. The important decisions of promotion mix are selecting advertising media, selecting promotional techniques, using publicity measures and public relations etc.

There are various tools and elements available for promotion. These are adopted by firms to carry on its promotional activities. The marketer generally chooses a combination of these promotional tools.

**Following are the tools or elements of promotion. They are also called elements of promotion mix:**

1. Advertising  
2. Sales promotion  
3. Personal selling  
4. Public relation

**1. Advertising:** Advertisement can be defined as the “paid form of non-personal presentation and promotion of idea, goods or services by an identified sponsor”.

It is an impersonal presentation where a standard or common message regarding the merits, price and availability of product or service is given by the producer or marketer. The advertisement builds pull effect as advertising tries to pull the product by directly appealing to customer to buy it.

From the above definition we can find that the three distinct features of advertising are:

1. **Paid Form:** - The sponsor has to pay for advertising he has to bear a cost to communicate with customers.
2. **Impersonality:** - There is no face to face contact between customers and advertiser. It creates a monologue and not a dialogue.
3. **Identified Sponsor:** - Advertisement is given by an identified company or firm or individual.

**Features of Advertising and Advantages/Merits of Advertisement:**
(i) Reach: - Advertising can reach a large market. As through various media of advertising there is benefit of mass reach for example, any message given on All India Radio or TV can reach in different corners of the country wherever TV and Radio network is available.

(ii) Choice: - There is wide variety of media available for advertising for video, audio, visual audio, print media etc. Under each category large variety is available for example, in print media we can select from magazines, newspaper, banner etc. This variety or choice helps the marketer to select the media, keeping in mind the target customer.

(iii) Legitimacy: - In advertisement the messages regarding the product or service are given publicly to customers so there is always a proof for it and customers believe that publicly the company will not give false information of the product. The customer feels comfortable to buy a product which is widely advertised.

(iv) Expressiveness: - Advertising provides enough opportunities to marketers to dramatize the message with the help of drawings, colours, pictures, music, dance etc. They can easily express the use of product through various techniques, and can add multimedia effect also.

(v) Economy: - It is always felt that advertising increases the cost of product or service but advertising is considered economical as compared to other promotional techniques because it reaches masses and if we calculate cost per customer it is very low or nominal.

(vi) Enhancing Customer Satisfaction and Confidence: - Customer feel more assured about quality and feel more comfortable if sponsors claim these benefits in advertising.

Disadvantages of Advertising:

(i) It is an Impersonal Communication/Less Forceful: - In advertising there is no direct communication between the customer and marketer. The marketer assumes that the message is communicated but the audience or customers do not pay any attention to impersonal messages conveyed through advertising. The response of customer cannot be known in advertising.

(ii) Advertising is less effective: - In advertising there is only one way communication i.e., communication from seller only, but two way communication is always more effective as in two way communication the customer gets chance to clarify his or her queries. Sometimes customers have many doubts regarding the use of product, these doubts can be clarified only when there is two way communication.

(iii) Difficulty in Media Choice: - In advertising various media are available. Each media have its own advantages and disadvantages. So the effectiveness of advertisement depends to a great extent on the right choice of media. When choice of media is faulty or wrong no matter how good the advertisement is it will not reach the target customer.

(iv) Inflexibility: - It is very difficult to change advertisement as companies use standardised messages which cannot be changed according to the need of customers.

(v) Lack of Feedback: - The evaluation of effectiveness of advertisement is very difficult as there is no immediate and accurate feedback given by the customers.

Objections to Advertising or Criticism of Advertising: - Advertising has been subject to lot of criticisms. The following are main objections raised on advertisements by a group of people. Along with objections the answers to these objections are also mentioned below:

(i) Effect of Advertising on Values, Materialism and Life Styles: - The major objection on advertisement is that it promotes materialism. The advertisements inform people about more and more products, the use of existing products and the new products are shown dramatically to attract the customers.

This knowledge about more and more products induces the customers to buy more and more products. They start demanding the products which they don’t even require. If there was no advertising we would be less aware of material things and we can be more contented.

We do not agree with this objection as it is wrong to say that a person who is least informed is most contented or satisfied. The advertisement increases the knowledge of customers by informing them about various products along with their utilities. The advertisement only informs the customers, the final choice of buying or not, lies with the customers only.

(ii) Advertising Encourages Sale of Inferior and Dubious Products: - The advertisements show all types of products irrespective of their quality. With the help of advertising anything can be sold in the market.

The objection to sale of inferior goods is not correct because what is inferior and what is superior depends upon the economic status and preference. Every one cannot afford to buy superior quality expensive products but it does not mean they should not use the product.

The lower income group people satisfy their needs with low cost inferior goods for example; those who cannot afford to buy shoes of Nike or Reebok have to satisfy with local brand only. So it is not advertisements which encourage sale of inferior goods, it is one’s pocket or financial capacity which decides this.
The real criticism of advertisement is that it encourages sale of duplicate products. Some producers exaggerate the use of products and innocent consumers get trapped in and buy duplicate products.

(iii) Advertising Confuses Rather than Helps: - The number of advertisements shown in TV and Radio are increasing day by day for example, if we take TV, there are so many advertisements of different companies shown such as LG, Onida, Sony, BPL, Samsung, Videocon etc. each brand claiming they are the best. These claims by different companies confuse the customer and it becomes very difficult for him to make choice.

We do not agree with this objection because advertisements give wide choice to customers and today’s customer is smart enough to know and select the most suitable brand for him.

(iv) Some Advertisements are in Bad Taste: - Another objection to advertisements is that advertisements use bad language, the way they are speaking may not appeal everyone, sometimes women are shown in the advertisements where they are not required for example, a woman in after shave lotion and in advertisements of suiting etc. Some advertisements distort relationship between employer-employee, mother-in-law and daughter-in-law etc. for example, in advertisement of Band Aid, Detergent Bar, Fevistick, etc.

Although those types of advertisements should be avoided but it can’t be an objection because good or bad taste differs from person to person. It is a matter of personal opinion as to what was not accepted by yesterday’s generation is accepted by today’s generation and they may not find it of bad taste.

(v) Advertisement Costs are passed on to the Customers in the Form of Higher Price: - The most serious objection to advertisement is that it increases the price of product because the firms spend a huge amount on advertisements and these expenses are added to cost and consumer has to pay a higher price for the product or service.

This objection is also not correct because with advertisements the demand for product increases which brings increase in sale and this leads to increase in production. With increase in production the companies can get the economies of scale which reduces the cost of production and thus the increase in cost due to expenses on advertisements gets compensated. So if advertisement is used properly it brings reduction in cost the in long run.

2. Sales Promotion: - Sales promotion refers to short term use of incentives or other promotional activities that stimulate the customer to buy the product. Sales promotion techniques are very useful because they bring:

(a) Short and immediate effect on sale.
(b) Stock clearance is possible with sales promotion.
(c) Sales promotion techniques induce customers as well as distribution channels.
(d) Sales promotion techniques help to win over the competitor.

Sales Promotion Techniques for Customers: - Some of the sales promotion activities commonly used by the marketer to increase the sale are:

(i) Rebate: It refers to selling product at a special price which is less than the original price for a limited period of time. This offer is given to clear off the stock or excessive inventory for example; coke announced 2 liter bottles at Rs 35 only.

(ii) Discounts: - This refers to reduction of certain percentage of price from list price for a limited period of time. The discounts induce the customers to buy and to buy more. Generally at the end of season big companies offer their products at discounted price to clear off the stock e.g., season’s sale at Snow-White Jain Sons, Paul Garments, Bhuvan Garments, etc.

(iii) Refunds: - This refers to refund or part of price paid by customer on presenting the proof of purchase for example, Rs 2 off on presentation of empty pack of Ruffle Lays.

(iv) Premiums or Gifts/or Product Combination: - These are most popular and commonly used promotion tool. It refers to giving a free gift on purchase of the product. Generally the free gift is related to product but it is not necessary for example, Mug free with Bourn vita, Shaker free with Coffee, Toothbrush free with Toothpaste, etc.

(v) Quantity Deals: - It refers to offer of extra quantity in a special package at less price or on extra purchase some quantity free for example, buy three get one free e.g., this scheme of buy three get one free scheme is available on soaps.

(vi) Samples: - It refers to distribution of free samples of product to the customers. These are distributed when the seller wants the customer must try the product. Generally when a new product is launched for example, when Hindustan Level launched Surf Excel it distributed the samples as it wanted the customers to try it.

(vii) Contests: - It refers to participation of consumers in competitive events organized by the firm and winners are given some reward for example, Camlin Company organizes painting competition, Bourn vita quiz contest and some companies organize contest of writing slogans and best slogan is awarded prize.

(viii) Instant Draws and Assigned Gifts: - It includes the offers like ‘scratch a card’ and win instantly a refrigerator, car, T-shirt, computer etc.

(ix) Lucky Draw: - In this draws are taken out by including the bill number or names of customers who have purchased the goods and lucky winner gets free car, computer, A.C., T.V., etc. Draw can be taken out daily, weekly, monthly, etc.
(x) Usable Benefits: - This includes offers like ‘Purchase goods worth Rs 5000 and get a holiday package’ or get a discount voucher, etc.

(xi) Full Finance @ 0%: - Many marketers offer 0% interest on financing of consumer durable goods like washing machine, T.V. etc. e.g., 24 easy instalments 6 paid as front payment and remaining 18 with post-dated cheques. In these types of scheme customers should be careful about the file charges etc.

(xii) Packaged Premium: - In this type of sales promotion the free gift is kept inside the pack. The gift is kept in limited products but the excitement of getting the gift induces the customer to buy the product for example, gold pendant in soap, gold coin in Tata tea etc.

(xiii) Container Premium: - This refers to use of special container or boxes to pack the products which could be reused by the customer for example, Pet Bottles for Cold Drinks. This bottles can be used for Steering Water, Plastic Jars for Bourn vita, Maltova, etc. which can be reused by the housewives in kitchen.

Merits of Sales Promotion:
1. Attention Value: - The incentives offered in sales promotion attract attention of the people.
2. Useful in New Product Launch: - The sales promotion techniques are very helpful in introducing the new product as it induces people to try new products as they are available at low price or sometimes as free sample.
3. Synergy in Total Promotion Efforts: - Sales promotion activities supplement advertising and personal selling efforts of the company. Sales promotion adds to the effectiveness of advertisement efforts.
4. Aid to other Promotion Tools: - Sales promotion technique makes other promotion techniques more effective. Salesmen find it easy to sell products on which incentives are available.

Demerits of Sales Promotion:
1. Reflect Crisis: - If firm is offering sales promotion techniques again and again it indicates that there is no demand of product which can create crisis situation.
2. Spoil Product Image: - Use of sales promotion tool may affect the image of product as buyer feel that product is of low quality that is why firm is offering incentives.

3. Personal Selling: - Personal selling means selling personally. This involves face to face interaction between seller and buyer for the purpose of sale.

The personal selling does not mean getting the prospects to desire what seller wants but the concept of personal selling is also based on customer satisfaction.

Features of Personal Selling:
(i) Personal Interaction: - In personal selling the buyers and sellers have face to face interaction. This closeness allows both the parties to observe each other’s action closely.
(ii) Two Way Communication: - In personal selling the sellers give information about the product, at the same time the buyer get a chance to clarify his doubts. It is suitable for sale of complex products where buyer wants to interact with the manufacturer.
(iii) Better Response: - When seller is personally explaining the utilities of product to the customers then customer do pay some attention and listen to the information.
(iv) Relationship: - When the seller and buyer come together this may improve relation between the customer and seller. Salespersons normally make friendly relations with the customers.
(v) Better Convincing: - Personal selling is most effective form of promotion because with this the sales person can convince the buyer by demonstrating the use of product and making changes in the product according to the need of customer.

Qualities of a Good Salesman:
1. Physical Qualities: - A salesman must have good health and pleasing personality. He must be well built and free from physical defects. A pleasing and charming personality boosts self-confidence. Good grooming, appropriate dress, clean and tidy appearance and a good posture will go a long way in creating a first impression. More importantly, a salesman must always have a cheerful smile on his face.

2. Social Qualities: - A salesman must have good manners, courtesy in dealing with customers. The practice of greeting and thanking customers, using polite expression are necessary for success in personal selling. He should not be shy or reserved but an extrovert and a good listener. He must have the ability to say the proper things and do the right thing without offending others.
3. Mental Qualities: A good salesman must have a high degree of intelligence, initiative and foresight. He must be intelligent and imaginative enough to understand the customer quickly and read his mind accurately. Salesmen must have two basic qualities i.e., empathy and ego drive. Empathy means he must have ability to understand the problem from customer’s point of view. Ego drive means salesman must pursue sale not just for money but for recognition and personal success. A good salesman must have presence of mind and good common sense.

4. Technical Quality: The salesman must have full technical knowledge about the product.

5. Other Qualities: Other qualities, a salesman must possess, are:
   (i) A salesman must have a good power of memory and observation.
   (ii) A salesman must be honest and should not try to win the customer through false and misleading representation.
   (iii) A salesman must be a man of sound character, loyal and dependable. He must perform his duties sincerely.
   (iv) The salesman must have wide knowledge about the product he is selling and company he is representing.
   (v) He must have capacity to inspire trust.

Role of Personal Selling: Personal selling plays a very important role in marketing of goods and services. It is important tool for businessmen, customers and society.

1. Importance to Businessmen: Personal selling is an important tool to increase the sale. It is important for businessmen due to following reasons:
   (i) Effective Promotion Tool: Personal selling is an effective tool to increase the sale of product. Salesmen explain the merits of products to customers.
   (ii) Flexible Tool: Personal selling efforts can be changed according to the type of customer salesmen are attending. They may change the offer in varying purchase situations.
   (iii) Minimum Wastage of Efforts: As compared to other methods of promotion in personal selling the wastage of efforts is minimum.
   (iv) Consumer Attention: Through personal selling it is easy to get the attention of customer as there is face to face interaction between salesman and customers.
   (v) Relationship: Personal selling helps to create lasting relationship between customers and sales-persons which help in increasing sale.
   (vi) Personal Support: Through personal selling salesmen can create personal support with the customers. This can improve competitive strength of organisation.
   (vii) Very Effective to Introduce New Product: Personal selling is very effective to introduce a new product as salesman can explain the merits, show the demonstration and clarify the doubts of customers.
   (iv) Importance to Customers: Personal selling is very important from customer’s point of view, as customers can get required information about the product from customers. Customers are benefits by personal selling in the following ways:
   1. Helps in Identifying Needs: Salesmen help the customers to discover their needs and wants and they also help customers to know how these needs and wants can be satisfied.
   2. Latest Market Information: In personal selling salesmen provide information regarding the new products available in market, uses of those products etc.
   3. Expert Advice: Customers can get expert advice and guidance in purchasing various goods and services.
   4. Induces Customers: Personal selling induces customers to buy products for satisfying their needs.
   (v) Importance to Society: Personal selling brings following positive effects for society
   1. Converts Latest Demand into Effective Demand: Personal selling creates effective demand which results in increasing sale and more income. With more income there will be more products and services which in turn bring economic growth.
   2. Employment Opportunities: Unemployed youth can work as salesman and earn their livelihood.
   3. Career Opportunities: Personal selling offers attractive career with job satisfaction and security.
   4. Mobility of Sales Persons: Salespeople move from one place to other, this promotes travel and tourism industry.
   5. Product Standardisation: With the help of personal selling there can be uniformity of consumption by supplying standardised products.

4. Public Relations: Apart from four major elements of marketing mix, another important tool of marketing is maintaining Public Relations. In simple words, a public relations means maintaining public relations with public. By maintaining public relations, companies create goodwill.

Public relations evaluate public attitudes; identify the policies and procedures of an organisation with the public interest to earn public understanding and acceptance.

Public does not mean only customers, but it includes shareholders, suppliers, intermediaries, customers etc. The firm’s success and achievement depends upon the support of these parties for example, firm needs active support of middle men to survive in
market, it must have good relations with existing shareholders who provide capital. The consumers’ group is the most important part of public as success of business depends upon the support and demand of customers only.

**Role, significance, advantages of public relations:** - Public relations are significant in the following ways:

1. Help to convey the policies and programmes of the organisation.
2. Help to collect information about public opinion about the organisation, management activities etc.
3. To overcome the complaints and dislikes of public.
4. To mould people’s attitude in favour of organisation.
5. To maintain goodwill and understanding between organisation and public.
6. To build an image of the organisation.

**Ways/Methods and Tools of Public Relations:** The companies can use the following tools to improve their relations with public:

1. **News:** Sometimes companies get involved in such kind of activities or make such policies so that they get some positive coverage in news. For example, a company’s name may be covered in news for reservation of jobs for women or for introducing new technology etc.
2. **Speeches:** The speeches given by the leaders of corporate sectors influence various members of public specially banks, shareholders etc. Public relations department creates occasion when the speeches are delivered by the leader of company.
3. **Events:** Events refer to organizing press conferences, multimedia presentation, matches, stage shows etc.
4. **Written Materials:** Sometimes written materials such as Balance Sheet, Annual Reports, Special documents, Brochures etc. are circulated to various parties to improve and maintain public image of the company.
5. **Public Service Activities:** Big business houses often associate themselves with various social service projects such as women welfare programmes, charity shows, up-keeping of parks, planting trees on road side, training schools, running schools, colleges, hospitals etc.

<table>
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<tr>
<th>BASIS FOR CUSTOMER</th>
<th>PERSONAL SELLING</th>
<th>SALES PROMOTION</th>
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<tr>
<td>Meaning</td>
<td>Personal Selling is a marketing tool in which the sales person presents the goods to the customers and instigates them to purchase it.</td>
<td>Sales Promotion is a range of non-personal marketing activities that are carried on to initiate sales of product and service.</td>
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<tr>
<td>Consequence</td>
<td>Long term increase in sales</td>
<td>Short term increase in sales</td>
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<tr>
<td>Cost involved</td>
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<td>Communication</td>
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<td>Incentive schemes and offers</td>
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<td>Always present</td>
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<td>Nature of product</td>
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</tr>
<tr>
<td>Method used for which kind of product</td>
<td>High value</td>
<td>Low value</td>
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**Selecting & Managing Marketing Channels**

**What are Marketing Channels?**

Sets of interdependent organizations involved in the process of making a product or service available for use or consumption.

Why are They Used?

- Because producers lack resources to carry out direct marketing.
- Because direct marketing is not feasible.
- Because rate of return on manufacturing > rate of return on retailing.
- Because they reduce the amount of work that must be done.

**Channel Functions & Flows** - Info-Promotion-Negotiation-Ordering-Financing-Risk taking-Physical possession-Payment-Title

All of the functions have 3 things in common:

1. They use up scarce resources.
2. Can be performed better through specialization.
3. They are shiftable among channel members.

**Channel Levels** - Each intermediary that performs work in bringing the product & its title closer is a channel level.

- Zero-channel level (direct-marketing channel) consists of a manufacturer selling directly to the final customer (i.e. door-to-door sales, mail order. Telemarketing, TV selling)
- One level channel contains one selling intermediary (i.e. retailer)
- Two level...(wholesalers, retailers)
- Three level...(wholesalers, jobbers, retailers)

The longer the channel, the more difficult it is to exercise control.
Channel Design Decisions - Designing a channel system calls for analyzing customer needs, establishing channel objectives, & identifying & evaluating the major channel alternatives.

Analyzing Customers’ Desired Service Output Levels

Channels produce 5 service output levels:
1. Lot size: # of units that the marketing channel permits a typical customer to purchase on a purchase occasion
2. Waiting time: Average time that customers of that channel wait for receipt of the goods.
3. Spatial convenience: Degree to which the marketing channel makes it easy for customers to purchase the product.
5. Service backup: add-on services provided by the channel (installation, repairs, credit).

Establishing the Channel Objectives & Constraints
- Channels objectives vary with product characteristics.
- Channel design must take into account the strengths & weaknesses of different types of intermediaries.
- Channel design is also influenced by the competitors’ channels.
- Channel design must also adapt to the larger environment.
- Legal regulations & restrictions also affect channel design.

Identifying the Major Channel Alternatives - A channel alternative is described by three elements:

1. Types of intermediaries - Depends on the service outputs desired by the target market & the channel’s transactions costs.
   - The company must search for the channel alternative that promises the most long-run profitability.

2. Number of intermediaries
   - Exclusive distribution
   - Selective distribution
   - Intensive distribution

3. Terms & responsibilities of channel members - The producer must determine the rights & responsibilities of the participating channel members, making sure that each channel member is treated respectfully & given the opportunity to be profitable.

Evaluating the Major Channel Alternatives

Each alternative needs to be evaluated against three criteria.

1. Economic Criteria
   - The first step is to determine whether a company sales force or a sales agency will produce more sales.
   - The next step is to estimate the costs of selling different volumes through each channel.
   - The final step is comparing sales & costs.
   - Each channel will produce a different level of sales & costs.

2. Control Criteria
   - The agents may concentrate on other customers’ products or they may lack the skills to handle our products.

3. Adaptive Criteria
   - The channel members must make some degree of commitment to each other for a specified period of time.

Channel Management Decisions - After a company has chosen a channel alternative, individual intermediaries must be selected, motivated & evaluated.

Selecting Channel Members - For some producers this is easy; for others it’s a pain in the ass.
Anyway, in order to select them, producers should determine what characteristics distinguish the better intermediaries (years in business, other lines carried, solvency, reputation, etc.)

Motivating Channel Members - Constant training, supervision & encouragement. Producers can draw on the following types of power to elicit cooperation:
- Coercive power. Manufacturer threatens to withdraw a resource or terminate a relationship if intermediaries fail to cooperate. Produces resentment.
- Reward power. Manufacturer offers intermediaries extra benefits for performing specific acts.
- Legitimate power. Manufacturer requests a behavior that is warranted by the contract.
- Expert power. Manufacturer has special knowledge that the intermediaries value.
- Referent power. Intermediaries are proud to be identified with the manufacturer.

Evaluating Channel Members - Underperformers need to be counseled, retrained or re-motivated. If they do no shape up, it might be best to terminate their services.

Modifying Channel Arrangements - Periodic modification to meet new conditions in the marketplace. Modification is necessary when:
- Distribution channel is not working as planned.
- Consumer buying patterns change.
- Market expands.
- New competition arises.
Innovative channels emerge.

Product moves into later stages in the product life cycle.

3 levels of channel adaptation can be distinguished:
1. Adding or dropping individual channel members.
2. Adding or dropping particular market channels.
3. Developing a totally new way to sell goods in all markets.

Channel Dynamics

Conventional marketing channel
• Comprises an independent producer, wholesaler(s) & retailer(s).
• Each is a separate entity.
• No channel member has complete or substantial control over the other members.

Vertical Marketing Systems
1. Producer, wholesaler(s) & retailer(s) act as a unified system.
2. They all cooperate.
3. Can be dominated by any of the three members of the system.
4. It arose as a result of strong channel members’ attempts to control channel behavior & eliminate the conflict that results when independent channel members pursue their own objectives.
5. Has become the dominant mode of distribution in the U.S. consumer marketplace.

3 types of VMS:
1. Corporate VMS - Combines successive stages of production & distribution under single ownership. (Sears).
2. Administered VMS - Coordinates successive stages of production & distribution through the size & power of one of members (Kodak, Gillete, P&G)
3. Contractual VMS - Independent firms at different levels of production & distribution integrating their programs on a contractual basis to obtain more economies &/or sales impact than they could achieve alone. 3 types:
   • Wholesaler-sponsored voluntary chains
   • Franchise organizations
   • Retailer cooperatives

Horizontal Marketing Systems - Two or more unrelated companies put together resources or programs to exploit an emerging marketing opportunity.

Multichannel Marketing Systems - A single firm uses two or more marketing channels to reach one or more customer segments. By adding more channels, companies can gain 3 important benefits: increased market coverage, lower channel cost, more customized selling.

Roles of Individual Firms in the Channel
• Insiders. Members of the dominant channel.
• Strivers. Firms seeking to become insiders.
• Complementers. Not part of the dominant channel
• Transients. Outside the dominant channel & do not seek membership. Short-run expectations.
• Outside innovators. Real challengers & disrupters of the dominant channels.

Channel Cooperation, Conflict & Competition

Types of conflict & competition
• Vertical channel conflict exists when there is conflict between different levels within the same channel.
• Horizontal channel conflict exists when there is conflict between members at the same level within the channel.
• Multichannel conflict exists when the manufacturer has established two or more channels that compete with each other in selling to the same market.

Causes of Channel Conflict
• Goal incompatibility
• Differences in perception
• Intermediaries’ great dependence on the manufacturer
• Unclear roles & rights
• Intermediaries’ great dependence on the manufacturer

Managing Channel Conflict
• Some channel conflict can be constructive. It can lead to more dynamic adaptation to a changing environment. But too much is dysfunctional.
• Perhaps the most important mechanism is the adoption of superordinate goals. Working closely together might help them eliminate or neutralize the threat.
• Exchange of persons between two or more channel levels is useful.
• Cooptation is an effort by one organization to win support of the leaders of another organization by including them in advisory councils, boards of directors, etc.
• Encouraging joint membership in & between trade associations.
• When conflict is chronic, the parties may have to resort to diplomacy, mediation or arbitration.
Conflict Management: Characteristics, Types, Stages, Causes and other Details

Conflicts are natural in all walks of daily life – both at workplace and home. Thus, conflict is ever present and both charming and maddening. But conflict is a complex and big subject. There are many sources of conflict. Conflict occurs when individuals or groups are not obtaining what they need or want and are seeking their own self-interest.

Sometimes the individual is not aware of the need and unconsciously starts to act out. Other times, the individual is very aware of what he or she wants and actively works at achieving the goal. It would be better to identify conflict at an early stage and come to an understanding.

The concept of conflict is controversial. Psychologists and sociologists have given different meanings. It is being defined as a process by few, an obstructive behavior, and goal incompatibility by others. Conflict can be expressed as:
Conflict is a process, where perception (real or otherwise) leads to disruption of desirable state of harmony and stability in an interdependent world.

Characteristics of Conflict:
1. **Conflict is a Process**: - Conflict occurs in 'layers'. First layer is always misunderstanding. The other layers are differences of values, differences of viewpoint, differences of interest, and interpersonal differences. It is also called a process because it begins with one party perceiving the other to oppose or negatively affect its interests and ends with competing, collaborating, compromising or avoiding.
2. **Conflict is Inevitable**: - Conflict exists everywhere. No two persons are the same. Hence they may have individual differences. And the differences may be because of values or otherwise, lead to conflict. Although inevitable, conflict can be minimized, diverted and/or resolved. Conflict develops because we are dealing with people’s lives, jobs, children, pride, self-concept, ego and sense of mission. Conflict is inevitable and often good, for example, good teams always go through a “form, storm, norm and perform” period.
3. **Conflict is a Normal Part of Life**: - Individuals, groups, and organisations have unlimited needs and different values but limited resources. Thus, this incompatibility is bound to lead to conflicts. The conflict is not a problem, but if it is poorly managed then it becomes a problem.
4. **Perception**: - It must be perceived by the parties to it, otherwise it does not exist. In interpersonal interaction, perception is more important than reality. What we perceive and think affects our behaviour, attitudes, and communication.
5. **Opposition**: - One party to the conflict must be perceiving or doing something the other party does not like or want.
6. **Interdependence and Interaction**: - There must be some kind of real or perceived interdependence. Without interdependence there can be no interaction. Conflict occurs only when some kind of interaction takes place.
7. **Everyone is inflicted with Conflict**: - Conflict may occur within an individual, between two or more individuals, groups or between organisations.
8. **Conflict is not Unidimensional**: - It comes into different ways in accordance with degree of seriousness and capacity. At times, it may improve even a difficult situation.

**Concept of Conflict Management**: - ‘Conflict management is the principle that all conflicts cannot necessarily be resolved, but learning how to manage conflicts can decrease the odds of non-productive escalation. Conflict management involves acquiring skills related to conflict resolution, self-awareness about conflict modes, conflict communication skills, and establishing a structure for management of conflict in your environment.’ All members of every organisation need to have ways of keeping conflict to a minimum – and of solving problems caused by conflict, before conflict becomes a major obstacle to your work.

**Types of Conflict**: - Conflicts can be of different types as described below:

**On the basis of involvement**:  
Conflicts may be intrapersonal (conflict with self), interpersonal (between two persons) and organisational. Organizational conflict, whether real or perceived, is of two types - intraorganizational and interorganizational. Interorganizational conflict occurs between two or more organizations.

Different businesses competing against each other are a good example of interorganizational conflict. Intraorganizational conflict is the conflict within an organization, and can be examined based upon level (e.g. department, work team, individual), and can be classified as interpersonal, intragroup and intergroup.

Interpersonal conflict - once again - whether it is substantive or affective, refers to conflict between two or more individuals (not representing the group of which they are a part of) of the same or different group at the same or different level, in an organization.

Interpersonal conflict can be divided into intergroup and intergroup conflict. While the former — intragroup—occurs between members of a group (or between subgroups within a group), intergroup—occurs between groups or units in an organization.

**On the basis of Scope**:
Conflicts may be substantive and Affective. A substantive conflict is associated with the job, not individuals, while an affective conflict is drawn from emotions. Substantive conflicts may be over the facts of a situation, the method or means of achieving a solution to the problem, ends or goals, and values. Thus it includes task conflict and process conflict in its scope. Procedural conflicts can include disagreements about factors such as meeting dates and times, individual task assignments, group organization and leadership, and methods of resolving disagreements. Unresolved procedural conflicts can prevent work on collaborative projects. Substantive conflict can enhance collaborative decision-making. Substantive conflict is also called performance, task, issue, or active conflict.

On the other hand, an affective conflict (also called as relationship or opposite of agreeable conflict) deals with interpersonal relationships or incompatibilities and centres on emotions and frustration between parties. Affective conflicts can be very destructive to the organisation, if remains unresolved. Relationship conflict comes under the scope of affective conflicts. An affective conflict is nearly always disruptive to collaborative decision-making. The conflict causes members to be negative, irritable, suspicious, and resentful.

For example, when collaborators disagree on the recognition and solution to a task problem because of personal prejudices (e.g. prejudices stemming from strong social, political, economic, racial, religious, ethnic, philosophical, or interpersonal biases) they are seldom able to focus on the task. Affective conflicts can be very destructive to the organisation, if remains unresolved. Relationship conflict comes under the scope of affective conflicts. An affective conflict is nearly always disruptive to collaborative decision-making. The conflict causes members to be negative, irritable, suspicious, and resentful. For example, when collaborators disagree on the recognition and solution to a task problem because of personal prejudices (e.g. prejudices stemming from strong social, political, economic, racial, religious, ethnic, philosophical, or interpersonal biases) they are seldom able to focus on the task. Affective conflicts can be very destructive to the organisation, if remains unresolved. Relationship conflict comes under the scope of affective conflicts. An affective conflict is nearly always disruptive to collaborative decision-making. The conflict causes members to be negative, irritable, suspicious, and resentful. For example, when collaborators disagree on the recognition and solution to a task problem because of personal prejudices (e.g. prejudices stemming from strong social, political, economic, racial, religious, ethnic, philosophical, or interpersonal biases) they are seldom able to focus on the task. Affective conflicts can be very destructive to the organisation, if remains unresolved. Relationship conflict comes under the scope of affective conflicts. An affective conflict is nearly always disruptive to collaborative decision-making. The conflict causes members to be negative, irritable, suspicious, and resentful. For example, when collaborators disagree on the recognition and solution to a task problem because of personal prejudices (e.g. prejudices stemming from strong social, political, economic, racial, religious, ethnic, philosophical, or interpersonal biases) they are seldom able to focus on the task. Affective conflicts can be very destructive to the organisation, if remains unresolved. Relationship conflict comes under the scope of affective conflicts. An affective conflict is nearly always disruptive to collaborative decision-making. The conflict causes members to be negative, irritable, suspicious, and resentful. For example, when collaborators disagree on the recognition and solution to a task problem because of personal prejudices (e.g. prejudices stemming from strong social, political, economic, racial, religious, ethnic, philosophical, or interpersonal biases) they are seldom able to focus on the task.

The two concepts are related to each other. If one could make a distinction between good and bad conflict, substantive would be good and affective conflict would be bad. Substantive conflict deals with disagreements among group members about the content of the tasks being performed or the performance itself.

On the basis of Results:

Conflict can be Constructive or Destructive, creative or restricting, and positive or negative. Destructive conflicts are also known as dysfunctional conflicts, because such conflicts prevent a group from attaining its goals. Conflict is destructive when it takes attention away from other important activities, undermines morale or self-concept, polarises people and groups, reduces cooperation, increases or sharpens difference, and leads to irresponsible and harmful behaviour, such as fighting, name-calling.

On the other hand, constructive conflicts are also known as functional conflicts, because they support the group goals and help in improving performance. Conflict is constructive when it results in clarification of important problems and issues, results in solutions to problems, involves people in resolving issues important to them, causes authentic communication, helps release emotion, anxiety, and stress, builds cooperation among people through learning more about each other; joining in resolving the conflict, and helps individuals develop understanding and skills.

On the basis of Sharing by Groups:

Conflicts may be Distributive and Integrative. Distributive conflict is approached as a distribution of a fixed amount of positive outcomes or resources, where one side will end up winning and the other losing, even if they do win some concessions. On the other hand, integrative – Groups utilizing the integrative model see conflict as a chance to integrate the needs and concerns of both groups and make the best outcome possible. This type of conflict has a greater emphasis on compromise than the distributive conflict. It has been found that the integrative conflict results in consistently better task related outcomes than the distributive conflict.

On the basis of Strategy:

Conflicts may be competitive and cooperative. Competitive conflict is accumulative. The original issue that began the conflict becomes irrelevant. The original issue is more of a pretext than a cause of the conflict. Competitive conflict is marked by the desire to win the fight or argument, even if winning costs more and causes more pain than not fighting at all. Costs do not matter in competitive conflict, and therefore, irrationality remains its main mark. Competitive conflict is characterized by fear, which is one of the important ingredients in a conflict becoming irrational. If one is personally invested in the outcome, this too leads to irrational conclusions, especially if issues of self-esteem, whether personal or national, are involved. Competitive conflict can either begin by, or be rationalized by, conflicts of ideology or principle. Even more, when the desire to win overtakes any specific reason for the conflict, irrationally develops. Importantly in history, when powers are roughly equal, such as the World War I alliances were, conflict that becomes competitive and irrational nearly always develops. In economic competition customers are the winners and the firms may be at risk. But in sports competition is encouraged.

In a cooperative situation the goals are so linked that everybody ‘sinks or swims’ together, while in the competitive situation if one swims, the other must sink. A cooperative approach aligns with the process of interest-based or integrative bargaining, which leads parties to seek win-win solutions. Disputants that work cooperatively to negotiate a solution are more likely to develop a relationship of trust and come up with mutually beneficial options for settlement.

On the basis of Rights and Interests:
Conflict of rights means where people are granted certain rights by law or by contract or by previous agreement or by established practice. If such a right is denied, it will lead to conflict. Such a conflict is settled by legal decision or arbitration, not negotiation.

On the other hand conflict of interests means where a person or group demands certain privileges, but there is no law or right in existence. Such a dispute can be settled only through negotiation or collective bargaining.

**Stages of Conflict:** - A manager must know various stages of conflict to handle it. The solution to conflict becomes easy before it becomes serious, if he knows of the real issue behind the conflict and how the conflict developed. Normally a conflict passes through the following stages:

- People recognise lack of resources, diversity of language or culture. Sensitiveness may possibly result in conflict.
- If there are serious differences between two or among more than two groups, the latent conflict in a competitive situation may turn out into conflict.
- An incident may trigger a latent conflict into an open conflict.
- Once a problem has been solved, the potential for conflict still remains in the aftermath. In fact the potential is bigger than before, if one party perceives that the resolution has resulted into win-lose situation.

**Are Conflicts Bad and Undesirable?**

There are three viewpoints. The traditionalists view conflict as bad and be avoided. In most of the cultures, this is what is being taught – 'If you cannot speak well, keep mum', 'don't fight with anyone', and alike.

The followers of human relations school opine that conflict is natural and can be functional at sometime and dysfunctional at other time. According to them, conflict provides an avenue to know of opinions and an opportunity for creativity and persuasion. Thus, it calls for an open approach to conflict.

The integrationists view conflict as inevitable and stimulating conflict to some extent is helpful. Conflict is viewed as a positive force except that when it is misdiagnosed, mishandled, or improperly avoided.

We are of the opinion that conflicts are inevitable, not always bad or the same as discomfort, but key to them is proper diagnosis and their resolution. Conflict is often needed as it-

- Helps to raise and address problems,
- Energizes work to be on the most appropriate issues,
- Helps people ‘be real’, for example, it motivates them to participate, and
- Conflict becomes a problem when it:
  - Hampers productivity,
  - Lowers morale,
  - Helps people learn how to recognize and benefit from their differences.
  - Causes more and continued conflicts, and
  - Causes inappropriate behaviours.

**Conflict Indicators:**

- Body language
- Colleagues not speaking to each other or ignoring each other
- Deliberately undermining or not cooperating with each other, to the downfall of the team
- Airing disagreements through media
- Helps to raise and address problems, and
- Energizes work to be on the most appropriate issues,
- Helps people “be real”, for example, it motivates them to participate, and
- Conflict becomes a problem when it:
  - Hampers productivity,
  - Lowers morale,
  - Helps people learn how to recognize and benefit from their differences.
  - Causes more and continued conflicts, and
  - Causes inappropriate behaviours.

**Causes/Reasons/Sources of Conflicts:** Conflicts may be caused by any one or more of the following reasons:

**Cognitive (Recognition and Understanding) Dissonance (Difference of opinion):**

It is a conflict between convergent (ability to narrow the number of possible solutions to a problem by applying logic and knowledge) and divergent thinking (thinking outwards instead of inward).

**Status:** - Status is a state, condition, or situation. When there is a need for status and a “wrong” person is promoted.

**Incongruence:** - A party is required to engage in an activity that is incongruent with his or her needs or interests.

**Incompatibility:** - A party holds behavioural preferences like attitudes, values, skills, goals, and perceptions, the satisfaction of which is incompatible with another person’s implementation of his or her preferences. Economics: Insufficient remuneration to employees.

**Stress:** - Conflicts from stress from external sources; i.e., functional or dysfunctional situations. Poor or Inadequate Organisational Structure and Lack of Teamwork.
Seeking Power: Often a conflict for power struggle takes place when everyone wants to be a leader and nobody wants to be a follower.

Weak Leadership: Conflict is bound to result if someone of less stature leads a more qualified and experienced worker. Arbitrary interpretation and application of rules and policies: Lack of transparency and openness creates dissatisfaction among the affected people.

Differing viewpoints among colleagues about each other: In case of joint action two parties may have partially exclusive behavioural preferences.

Managerial Actions: Poor communication (employees being not informed of new decisions, programmes etc., not involved in decision making, and rumor mongering allowed); insufficient resources (Disagreement on allotment of work, stress from inadequate financial, equipment, facilities, and other resources and privileges); absence of personal chemistry between managers and employees (both sides having rigidity, dislike for absence of self-trait); lack of clarity in roles and responsibilities, arbitrariness in employees’ performance appraisal; weak leadership, and inconsistent, too-strong, or unformed leadership (lack of openness, buck-passing with little follow-through, lingering on issues, first-line managers failing to understand their subordinates’ jobs). All these factors cause dissatisfaction.

Conflict Management Styles: Conflict management must aim at minimizing affective conflicts at all levels, attain and maintain a moderate amount of substantive conflict, and also to match the status and concerns of the two parties in conflict. Many styles of conflict management behavior have been researched in the past century. Mary Parker Follett described them as domination, compromise, and integration (involves openness, exchanging information, looking for alternatives, and examining differences to solve the problem in a manner that is acceptable to both parties).

She also mentioned avoidance and suppression as other forms of handling conflicts. Robert R. Blake and Jane S. Mouton then presented five styles: forcing, withdrawing, smoothing, compromising, and problem solving. The five styles in currency in 21st century, as shown in Figure 20.2, are:

1. Avoidance (Leave-lose/win): It is non-assertive and non-cooperative. The manager may think or pretend that no conflict exists or just ignore it. This strategy is used when the effort to resolve is not worth the salt. But this approach over the time worsens the situation.

Avoidance might take the form of diplomatic sidestepping the issue or postponing resolution in time to come or simply withdrawing from a situation. A turtle is a symbol for avoidance, because it can avoid everything by pulling its head and legs into the shell to be off to everything.

2. Accommodating (Yield-lose/win): Accommodating is non-assertive and cooperative, just opposite of competing. To solve the conflict, if someone puts his interests last so as to satisfy concerns of other people by giving in, sacrificing, or accepting, or yielding to other’s view point, it is called accommodation.

However, being too accommodating too often can weaken your position to the point where your voice is never heard. There will be high relationship orientation. This style is also used when the new approach is to be used in the very near future. It may solve the conflict for the other party, but a conflict will begin in manager. This style is not objective.

A chameleon is a symbol of the accommodating style since it changes its color to match the color of its environment. By changing its color to accommodate its surroundings, the chameleon fits quietly into its environment.

3. Competing (Win/lose): The style is assertive and non-cooperative. A person puts his/her interests before anyone else’s interests. It is also known as dominating style. One stands up for his rights and uses all the power to win his position. There is low relationship orientation. Managers, using this style, want others to follow his dictates or get his way.

This style can be used only when one’s leadership is established. There would be low relationship orientation. Low relationships orientation a lion can be a symbol of a competitive style. The lion’s roar helps the lion to satisfy its interests.

4. Compromising (Mini-win/mini-lose): It is some assertive and some cooperative. Compromise is on the path toward collaboration, somewhere between competition and accommodation. The style means mutual give-and-take to satisfy both parties, or both may say, “Something is better than nothing.” It has equal distance between competing and accommodating.

There would be negotiated relationship orientation. When the objective is to move on, not to stop the journey, the manager may compromise. A zebra can be a symbol for the compromising style. A zebra’s unique look seems to indicate that it didn’t care if it was a black horse or a white horse, so it “split the difference” and chose black and white stripes.

5. Collaborating (Win/win): It is assertive as well as cooperative, just opposite of avoiding. It may also be called integrative style. This style focuses on satisfying the underlying concerns of both the parties, meeting many current needs by working to-
It is an organisation of poor, marginal peasants. The Cooperative Planning Committee, constituted in 1946, has defined the cooperatives in the context of Indian peasantry.

Cooperatives is quite technical and has the context of village cooperatives in India. In one form or the other some kind of cooperative societies are found all over the world.

Some of us use assertive conflict modes because of our gender and particular kind of socialisation. Some males, because they are male, were taught to “always stand up to someone, and, if you have to fight, then fight”. If one was socialized this way he will be more likely to use assertive conflict modes versus using cooperative modes.

The basic of conflict resolution and conflict management is how effectively we communicate. People using effective communication will be able to resolve conflicts with greater ease and success.

How to Minimise (Manage) Inter-Personal Conflicts? - The Managerial Action:

A manager should take following actions to minimize conflicts:

1. Regular Review of Job Descriptions: - With the pace of change the job description must also change. But this will be possible only when the job descriptions are regularly reviewed.

2. Establish Rapport and build Relationship with all of Your Subordinates: - For it, meet them at regular intervals; ask them about their achievements, problems, and challenges.

3. Regular Reports: - A manager must get progress report about his subordinates regularly, indicating achievements, current needs and future scenario.

4. Training: - Every manager needs to be provided training in interpersonal communication, conflict management, and delegation of authority.

5. Mutual Development of Procedures: - For routine tasks, the procedures should be developed keeping in mind the inputs received from employees. If possible, encourage them to write. Such written procedures should be distributed to all concerned. If the need be, concerned employees be trained in those procedures.

6. Holding Regular Meetings: - The managers need to hold regular management meetings to inform subordinates about new initiatives to be taken and the progress of current programmes.

7. Anonymous Suggestion Box: - Consider such a box in which employees can provide suggestions.

Factors affecting Conflict Styles:

1. Gender: - Some of us use assertive conflict modes because of our gender and particular kind of socialisation. Some males, because they are male, were taught to “always stand up to someone, and, if you have to fight, then fight”. If one was socialized this way he will be more likely to use assertive conflict modes versus using cooperative modes.

2. Self-concept: - The way we think and feel about ourselves and opinions about others affects as to how we approach conflict with the other person.

3. Expectations: - If we believe that our team or the other person wants to resolve the conflict, we would be positive to resolve the conflict?

4. Position/Power: - Where do we stand in power status relationship with the person we are in conflict? It means whether the other man is equal to, more than, or less than us in status.

5. Life Experience: - Through knowledge and experience we might have gained skills about conflict and “conflict management understanding”. It enables us to determine what conflict mode to use with the particular person with whom we are in conflict.

6. Communication skills: - The basic of conflict resolution and conflict management is how effectively we communicate. People using effective communication will be able to resolve conflicts with greater ease and success.

**Meaning of Cooperation and Cooperative Societies**

The dictionary meaning of cooperation is “to work together”. How-ever, the meaning of cooperative societies is quite technical and has the context of peasant that he describes the cooperative societies.

He writes:

Cooperation is the act of poor persons voluntarily unites for utilising reciprocally their own forces, resources or both under their mutual management, to their common profit or loss.

Thus, Herrick brings out a few elements which are essential to any cooperative society:

(1) It is an organisation of poor,

(2) It is voluntary, and

(3) It is sharing common resources.

The author stresses that the poor peasantry has meager resources and, therefore, they unite together to pull their resources for common good. The basic idea of cooperative society excludes the role of big peasants. It is sup­posed to be a union of small and marginal peasants.

(2) The Cooperative Planning Committee, constituted in 1946, has defined the cooperatives in the context of Indian peasantry.
Cooperation is a form of organisation in which persons voluntarily associate together on the basis of equality for the promotion of their common interest. The committee has elaborated further the meaning of cooperatives. It says that the objective of a cooperative society is to promote the economic interests of the common peasants. The association of members is based on equality. The functions of the cooperative society cannot be fulfilled by individuals. The idea is that what individual cannot do because, of his limitations can be done by economic enterprise.

(3) P.R. Dubhashi brings out the meaning of cooperative society in an evolutionary way. He says that cooperative societies have undergone a historical change in their structure and meaning. His argument is that we can understand cooperative society not as an institution but as a movement. This movement is not static and is always changing with the changing needs of the peasantry. Dubhashi’s definition of co-operative movement runs as below:

The cooperative movement in the beginning was confined to the credit structure. It was only during the First World War that the co-operative movement was extended to the consumer business. In the case of the scarcity during the war period, the cooperative movement was given the role of making commodities, in short supply, available to the people.

The cooperatives were managed essentially by part-time workers. There was an element of social service in the cooperative activities undertaken in the colonial times. This must be considered to be a very precious element in India’s cooperative movement in pre-independence phase, despite the rapid development in that period.

The above definition brings out four important objectives of co-operative societies. In the initial stage cooperatives in India as elsewhere in the world were meant only to advance credit to the peasants. Credit was essential owing to several reasons, such as investment in farm production, failure of crop or making provision for irrigation.

Yet another meaning of cooperatives was to serve the consumers in case of a scarcity that could be caused by war, flood, drought, etc. Then, in the 1940s, the idea of social service emerged. It means help given to the peasants. Recently the meaning of cooperatives has undergone a revolutionary change.

The cooperatives today are formed for the attainment of development. In other words, cooperatives are constituted to provide loans for agricultural inputs, like purchase of implements, manure, digging of wells, etc.

Vertical Marketing
What Is Vertical Marketing?
A vertical marketing system refers to a group effort by the major members of a distribution channel to meet consumer needs. The fast food industry is an example of a vertical marketing system, whereby livestock producers, meat packers and retailers join forces in order to maximize the advantage to all. Vertical marketing can be very advantageous by promoting brand recognition and lowering consumer cost. Conversely, disadvantages to the vertical marketing system arise when heads of companies on the vertical spectrum are unable to work together efficiently to promote the brand.

Concept of Vertical Marketing - In a vertical marketing system, all participants in the chain of production work together as a unified group to advertise and market the product to consumers. This generally includes the producer, wholesaler and retailer, but can include many other players depending on the industry. In non-vertical marketing campaigns, each member of the chain operates as an independent business seeking to maximize profits. The vertical marketing concept eliminates the competition and joins all participants together with the same united goal.

Strategies - Strategies for implementing a vertical marketing system depend partly upon the nature of the industry and its consumers. Certain over-arching principals apply to all vertical marketing strategies, starting with research into consumer needs and market analysis. Once the nature of the audience is isolated, companies can then market directly to consumers through email, telemarketing, mail or education. Vertical marketing takes on many forms, including the administered marketing system, where one company owns all participants. A contractual marketing system is one where each company maintains its own autonomy but is contractually obligated to contribute to marketing for the best interests of the group.

Advantages - Brand recognition is one of the top advantages to vertical marketing, as consumers see the same brand, image or logo marketed by multiple market participants, resulting in steadfast brand loyalty and positive word-of-mouth referrals. Another advantage is that, with all participants involved in all stages of development, it is easier to identify and isolate problem areas, visualize the whole picture and increase efficiency.

Disadvantages - In the vertical marketing concept, all production and sales participants are working closely with the ultimate goal of maximizing profit. This means that all members must agree upon the marketing strategy, which often leads to conflict and a clash of personalities. Market experts suggest developing a close relationship with members of the vertical chain prior to entering into a marketing agreement to ensure that all involved are able to get along and work together to promote the brand.

IMPLEMENTING THE MARKETING PLAN
The Steps in Implementing the Marketing Plan - Implementation has two dimensions: organising and executing.
Organising - Because of the number and diversity of marketing activities, firms must develop organisational structures to manage and implement them. An organisational structure should make clear who will carry out the marketing plans for each market and what the reporting relationships among managers and other staff will be. Certain organisational concepts can facilitate implementation, such as the product manager. Firms may also form implementation teams consisting of representatives from the business functions and/or marketing activities involved.

Executing - Each of the organisation's units must execute its assigned tasks in an effective and efficient manner to make the plan work. Many of the organisation's departments and people will be involved – as will be a number of outside firms and people (suppliers, distributors and specialist intermediaries such as marketing researchers and advertising agencies).

Unfortunately, there are no guaranteed routes to effective execution. Managers can enhance the level of execution to the extent that they are effective in:

- ensuring activities are goal and objective directed;
- assigning resources to facilitate performance;
- Building interpersonal relationships and networks. (dealt with later in the section)

Ensuring goal-directed actions - Managers who want to ensure that activities will be properly directed toward implementing the plan must be sure that those involved in executing the plan are given clearly stated goals, targets and objectives and support and motivational packages designed to support these goals.

Assigning resources - When the performance of the sales force or distributors is critical to the successful execution of a strategy, managers should identify ways of facilitating performance through the assignment and allocation of resources. These resources include money, equipment, and time.

The marketing plan should establish which organisational units and managers are responsible for implementing the various activities in the plan. Deadlines or milestones indicate the time available for implementation.

Implementation Planning involves:

- Scheduling activities and assigning responsibilities
- Budgeting
- Internal marketing (communicate the plan to the staff)
- Communicating the plan to suppliers and intermediaries
- Assigning resources

Facilitating Implementation

Managers are important facilitators in the implementation process and some are more effective than others. To be effective implementers, managers need:

- The ability to understand how others feel and good negotiating skills;
- The strength to be tough and fair in putting people and resources where they will be most effective;
- To be able to focus on the critical aspects of performance in managing marketing activities;
- The ability to create a necessary informal network to match each problem with which they are confronted.

Effective Evaluation And Control Plan

Good implementation needs buy-in from those who are to carry out the plan. The best way to get their buy-in is to have them participate in the plan's development. Thus salespeople are more likely to accept the marketing plan if a sales representative participated in its development and if the target volumes and prices are plausible. So the planner's first need is to sell the plan inside, not outside.

Control is the way that we catch failures in implementation or strategy. The company may have implemented poorly, set the wrong marketing mix, aimed at the wrong target market, or done poor initial research. Control is not a singular thing but a host of tools for making sure that the company is on track. One of the five types of marketing control system, needed by the companies to evaluate their marketing effort. Its aim is to ensure that the company achieves the sales, profit and other goals established in the beginning of the year.

Annual-plan control - The basis of annual-plan control is managerial objectives—that is to say, specific goals, such as sales and profitability, that are established on a monthly or quarterly basis. Organizations use five tools to monitor plan performance. The first is sales analysis, in which sales goals are compared with actual sales and discrepancies are explained or accounted for. It comprises at least five performance gauging tools:

I. Sales analysis (comparing sales targets to actual sales and accounting for discrepancies).
II. Market-share analysis (comparing the country's "sales" with those of its competitors). The country should also compare its own sales to the total sales in the global market and to sales within its "market segment" (neighboring countries, countries which share its political ambience, same-size countries, etc.).
III. Expense-to-sales analysis demonstrates the range of costs - both explicit and hidden (implicit) - of achieving the country's sales goals.
IV. Financial analysis calculates various performance ratios such as profits to sales (profit margin), sales to assets (asset turnover), profits to assets (return on assets), assets to worth (financial leverage), and, finally, profits to worth (return on net worth of infrastructure).
V. Customer satisfaction is the ultimate indicator of tracking goal achievement. The country should actively seek, facilitate, and encourage feedback, both positive and negative by creating friendly and ubiquitous complaint and suggestion systems.

**Profitability control** - Profitability control and efficiency control allow a company to closely monitor its sales, profits, and expenditures. Profitability control demonstrates the relative profit-earning capacity of a company’s different products and consumer groups. Companies are frequently surprised to find that a small percentage of their products and customers contribute to a large percentage of their profits.

**Efficiency control** - Efficiency control involves micro-level analysis of the various elements of the marketing mix, including sales force, advertising, sales promotion, and distribution. For example, to understand its sales-force efficiency, a company may keep track of how many sales calls a representative makes each day, how long each call lasts, and how much each call costs and generates in revenue.

**Strategic control** - Strategic control processes allow managers to evaluate a company’s marketing program from a critical long-term perspective. This involves a detailed and objective analysis of a company’s organization and its ability to maximize its strengths and market opportunities. Companies can use two types of strategic control tools.

**Marketing audit** - The marketing audit is, in some respects, the raw material for the strategic control. Its role is to periodically make sure that the marketing plan emphasizes the country’s strengths in ways that are compatible with shifting market sentiments, current events, fashions, preferences, needs, and priorities of relevant market players. This helps to identify marketing opportunities and new or potential markets.

**Globalization: Introduction, Meaning, Definition and History**

There is no single globalization. There are several globalizations. Its avatar is plural, its processes are historical and its outcomes are varying. And, therefore, instead of calling it globalization, we should call it globalizations. Globalization, the world over, does not have a Cakewalk. Challenges given to it are by no means ordinary.

The legacy of this society goes back to the enlightenment era. It was during this era that we developed a modern social thought which believed that the universal community of humankind is in all respects the end object of the highest moral Endeavour. Underlying this vision is an assumption that at root the needs and interests of all human beings are universally similar. Such a vision has shaped the emancipatory aspirations of both liberalism and Marxism, which have been committed to the eradication of those structures – the state and capitalism respectively deemed to suppress the realization of a cosmopolitan world order based upon liberty, justice and equality for all of humanity.

Society is now changing so fast that globalization seems to be the only alternative for the world. Revolution in information technology and an ever-increasing role of mass media have strengthened the ideology put forward by enlightenment and modernity.

Moreover, ‘surface’ events, such as the end of cold war, the collapse of communism and the Soviet Union, the transition from industrialism to post-industrialism, the global diffusion of democratic institutions and practices, together with the intensification of patterns of worldwide economic, financial, technological and ecological interdependence, have all signalled to many observers the final clearing away of the old world order, with all its menacing features, and the inauguration of a new world order which contains the promise of an evolving world, society, a single global community of fate.

Certainly, there can be little doubt that the world is being re-made around us, that radical changes are under way which may be transforming the fundamental parameters of modern human, social and political existence.

There is always a fear that the nation-state would lose its identity and importance. And, who knows, the state itself would die.

There is yet another fear that the gap between the rich and the poor would increase. It is also argued that globalization is nothing short of a cultural bombardment on the developing countries by the western modernity – capitalism, industrialism and the nation-state system.

And, the supporters of globalization – its intellectual lobby, keep on threatening as Fukuyama would say – there is end of history; there is no alternative to capitalism, since socialism has collapsed. And again, to quote a line of Bob Dylan: “You’d better start swimming, or you’ll sink like a stone.” Where is the alternative? Let us explore globalization from the perspective of sociology.

**Globalization: Meaning and definitions:** - Any discussion on globalization – its meaning and content – should necessarily begin with Roland Robertson, who could be said to be father of globalization. It was in the year 1990 that Mike Featherstone edited a book, Global Culture (Sage Publications, London) which appeared in the market.

Robertson had contributed an article, ‘Mapping the Global Condition: Globalization as the Central Concept’. It is here that Robertson for the first time explained the concept of globalization. He says in his introduction: “My primary aim in this discussion is with the analytical and empirical aspects of globalization.”

Surely, global culture is not the culture of a particular nation-state, say, U.S or Europe, the culture of a nation-state cannot be global culture because it is homogeneous and integrated. Global culture is, therefore, necessarily trans-societal culture which takes a variety of forms which have preceded the inter-state relations into which nation-states can be regarded as being embedded, and processes which sustain the exchange and flow of goods, people, information, knowledge and images which give rise to communication processes which gain sane autonomy on a global level. Robertson refers to political upheavals, which took place at the world level in the beginning of 1990. The shaking events, which took place in China, the U.S.S.R. and Europe, disturbed the traditional world order.
Robertson writes: We have entered a phase of what appears to us in 1990s as great global uncertainty — so much so that the very idea of uncertainty promises to become globally institutionalized. Or to put it in a very different way, there is an eerie relationship between the ideas of postmodernism and post-modernity and the day-by-day geopolitical ‘earthquakes’ which we (the virtually global we) have recently experienced.

For Robertson, the beginning of the idea of globalization goes back to the global uncertainty of the relations between world nation-states. In his effort to define globalization, Robertson links it with modernity and post-modernity. He also mentions about the politics of the global human conditions.

Robertson writes: I deal with globalization as a relatively recent phenomenon. In fact, I argue that it is intimately related to modernity and modernization, as well as to post-modernity and post-modernization... All that I am maintaining is that the concept of globalization per se should be applied to a particular series of developments concerning the concrete structuration of the world as a whole.

In other words, globalization is a comprehensive process, which includes both modernization and post-modernization. It would be wrong to say that the origin of globalization is from intra-societal relations. Nor is the origin from inter-state relations. Its making, according to Robertson, has been much more complex and culturally richer than that. It is inclusive of both modernity and post-modernity.

Robertson (1992) defines it as under:
I maintain that what has come to be called globalization is, in spite of differing conceptions of that theme, best understood as indicating the problem of the form in terms of which the world becomes united, but by no means integrated in naive functionalist mode.

Globalization as a topic is, in other words, a conceptual entry to the problem of world order in the most general sense — but, nevertheless, an entry which has no Cognitive purchase without considerable discussion of historical and comparative matters. It is exciting to know that the International Sociology decided ill the year 2000 to bring out a special issue of the journal on ‘globalization’ for the practice of social science and also for the understanding of world issues.

The issue grew out of a multidisciplinary committee on global processes that was set up by the Swedish Council for the Planning and Coordination of Research. Consequently, a thematic research programme on globalization had also been made. The International Sociology has shown its concern for the world society as late as 2000.

Its guest editor for the June 2000 issue, Groan their born, has defined globalization as under: - In comparison with the preoccupations of the social sciences 100 years earlier, the current overriding interest in globalization means two things. First of all, a substitution of the global for the universal, a substitution of space for time.... In a sense, globalization may be interpreted as modernity’s flight into space.

This issue of International Sociology is concerned with the implications of globalizations as plural, historical, social processes both for the practice of social science and for the understanding of world issues.

What Therborn means by globalization is?
1. It is global; it replaces universal.
2. It is space, and replaces time.
3. It is modernity plus a flight into space.
4. It is plural, that is, globalizations.
5. It consists of several social processes.

Therborn has further elaborated the subject matter of globalization and includes in it five major topical discourses, namely:
(1) Competition economy;
(2) Socio-critical;
(3) State impotence in the face of world economy;
(4) Cultural; and
(5) Globe as a whole, i.e., a planetary eco-system. We shall discuss all these discourses on globalization at a later state.

Anthony Giddens’s has written extensively on modernization. He assumes importance in the discussion of globalization for the simple reason that for him globalization is the direct consequence of modernization. Robertson did not think this way. He did not link modernization with globalization. Giddens argues that each of the three main dynamics of modernization implies universalizing tendencies which render social relations even more inclusive.

They make possible global network of relationships (e.g., the system of international relations or the modern social system of capitalism), but they are also, for Giddens, more fundamental in extending the temporal and spatial distance of social relationships. Time-space distant citation, disembodying and reflexivity mean that complex relationships develop between local activities and interaction across distances. Giddens defines globalization in his book.

The Consequences of Modernity (1990) as under: - Globalization can thus be defined as the intensification of worldwide social relations, which links distant localities in such a way that local happenings are shared by events occurring many miles away and vice versa. This is a dialectical process because such local happenings may move in an obverse direction from the very distanced relations that shape them. Local transformation is as much a part of globalization as the lateral extension of social connections across time and space.

What is particular about Giddens’ definition of globalization is that he links it with modernization. For him, modernization means a capitalist system, which is concerned with the commodity production, where there are social relations between the owners of private capital and non-owners who sell their labour for wages.

The second feature of modernity is industrialism, third is the nation-state, and finally, nation-state’s power to keep surveillance. All these features of modernity are involved in the process of globalization. He adds to these features the process of time-space distanciation as a prime ingredient of globalization. Malcolm Waters have done quite a helpful work on globalization in his book Globalization (1995). The book has come out after a serious ‘grinding’ by the author.

In this work, he has defined globalization as under: - We can therefore define globalization as a social process in which the constraints of geography on social and cultural arrangements recede and in which people become increasingly aware that they
are receding. Actually, Waters, quite like Giddens, associates globalization with the wider social processes such as post-industrialization, post-modernization and the disorganization of capitalism. We have argued earlier that globalization has several aspects. Waters has dealt with three major theoretical assumptions or arenas of globalization.

These arenas give meaning and content to globalization:

1. **The economy arena**: It includes social arrangements for the production, exchange, distribution and consumption of goods and tangible services.

2. **The polity arena**: It includes social arrangements for the concentration and application of power, especially in so far as it involves the organized exchange of coercion and surveillance (military, police, etc.) as well as such institutionalized transformations of these practices as authority and diplomacy that can establish control over populations and territories.

3. **The cultural arena**: It includes social arrangements for the production, exchange and expression of symbols that represent facts, affects, meanings, beliefs, preferences, tastes and values. Waters has tried to develop a theory of globalization. The main thrust of his theory is that globalization has relationship between social organization and territoriality.

**The theorem of globalization in terms of theoretical paradigm as developed by Waters (1995) is as under:**

In summary, the theorem that guides the argument of this book is that: material exchanges localize; political exchanges internationalize; symbolic exchanges globalize. It follows that the globalization of human society is contingent on the extent to which cultural arrangements are effective relations to economic and political arrangements. We can expect the economy and the polity to be globalized to the extent that they are culturalized.

Thus, a broad survey of the definitions of globalization brings forth two major aspects. One is the economic context and the other is non-economic context. The non-economic context broadly includes socio-cultural, historical and political dimensions of globalization. Economic context of globalization seems to be stronger and louder.

**The European Commission defined globalization as below**: - Globalization is the process by which markets and productions in different countries are becoming increasingly interdependent due to dynamics of trade in goods and services and flows of capital and technology. However, the economic interpretation of the European Commission is contested by several authors, important among them is Thompson (1999). He argues that the nature of the internationalized world economy would be a non-timed nationally embedded capital.

Here, the principal private actors are the multinational corporations having a clear national base and working under the control of the home country, authorities. In contrast, the globalized world economy represents a new structure of disembodied economic relationships independent of national economics.

**The definition of globalization which is contested by Thompson makes five important improvements:**

1. Private sectors in globalization are international and are independent of national economy;

2. New markets and productions are independent;

3. Global economy is controlled by neo-liberal regulations;

4. Under globalization new world economic system has emerged, and

5. The world economic system is transformed into capitalist system.

Actually, the world capitalist system has undergone several changes. The Marxist theory of capitalism, as an explanatory tool to analyze capitalism, has become irrelevant after the disintegration of Soviet Russia. In this context, the economic explanation of globalization has provided a new dynamic of capitalism known as ‘flexible accumulation’.

This capitalism has considerably altered the structure of global financial system, and with the computerization and communication, the significance of instantaneous international coordination of financial flows increased and intensified the reduction of spatial barriers (Harvey, 1989).

**I. Wallerstein is a Marxist economist**: He has applied Marxian theory to the understanding of globalization. According to him, the existing integrated world capitalist economy dates back to the 16th century.

**Wallerstein (1983) observed**: The transition from feudalism to capitalism involves first of all (first logically and first temporary) the creation of a world economy. This is to say, social division of labour was brought into being through the transformation of long-distance trade from a trade in ‘luxuries’ to a trade in ‘essentials’ or ‘bulk goods’ which tied together processes that were widely dispersed into long commodity chains. Such commodity chains were already there in the 16th century, and pre-dated anything that could meaningfully be called ‘national economics’.

Wallerstein says that the national economics got a shift during 20th century. It has ultimately resulted in the shift of capitalist world economy from its primary location in Europe to the entire globe. Wallerstein’s main argument in defining globalization revolves round capitalist system.

What he argues is that the capitalism, which was restricted to Europe, went beyond it and covered the whole world. Malcolm Waters questions Wallerstein’s economic model of globalization and argues that globalization does not end up in the proliferation of capitalism only. It also integrates political and cultural variables.

There is yet another perspective of globalization which does not put emphasis mainly on economic system of capitalism. This approach is best represented by Leslie Sklair in his book, Sociology of the Global System (1991). According to him, environmental processes can be analyzed not by inter-state relations but by transnational practices.

Sklair has defined transnational practices as those “that cross state boundaries but do not necessarily originate at the level of the state. The transnational corporation, the transnational capitalist class and the culture-ideology of consumerism that together constitute transnational practices, are the dominant institutions found in the economic, political and cultural domains respectively as the driving forces of globalization”.
According to them: which extends the social and economic impact of globalization. Stuart Hall, David Held and Gregor McLennan consider globalization as a complex process. Yet another economist, Michael Chossudovsky (1991) also reports about the negative impacts of globalization:

- Landlessness, food insecurity, child labour, casualisation of work, wage gaps between skilled and unskilled labour, and the increase in income between the poorest and richest people; and countries have continued to widen. Furthermore, the new rules of globalization—privatization, liberalization and intellectual property rights—are shaping the path of technology, creating new risks of marginalization and vulnerability.

Some of the other negative impacts of globalization include global crime in terms of illegal trafficking in weapons, cross-border terrorism, spread of HIV/AIDS, environmental degradation and fundamentalist movements as a part of assertion of local culture. A.K. Bagchi (1999) reports from India on the basis of field data that "globalization as a policy expression of neo-liberal regime has failed to improve macro-economic management and capacity in the region."

It has also been observed that globalization driven by liberal economic policy in India has actually increased rural indebtedness, landlessness, food insecurity, child labour, casualisation of work, wage gaps between skilled and unskilled labour, and the incidence of social pathologies such as violence and intimidation even as global culture has brought in its wake some changes in the lifestyles of the non-poor.

Yet another economist, Michael Chossudovsky (1991) also reports about the negative impacts of globalization: "The overall impact of globalization has been a global crisis of which India and many other Asian and Eastern European countries have been made victims. The British authors Stuart Hall, David Held and Gregor McLennan consider globalization as a complex process which extends the scope of modernization."

According to them: Modernization is a process which reaches back to the earliest stages of modernity and continues to shape and reshape politics, economics and culture at an accelerated pace and scale. The extension of globalizing processes operating
Anthony McGrew (1992) views globalization as a process, which operates at a global scale. He writes: - Globalization refers to those processes, operating at a global scale, which cut across national boundaries, integrating on connecting communities and organizations in space-time combinations, making the world in reality and in experience more interconnected. Globalization implies a movement away from the classifiable sociological idea of a ‘society’ as a well-bounded system, and its replacement by a perspective which concentrates on “how social life is ordered across time and space”.

**What McGrew means by globalization is?**

1. National identities are being eroded as a result of the growth of cultural homogenization and the global postmodernism.
2. National and other ‘local’ or particularistic identities are being strengthened by the resistance to globalization.
3. National identities are declining but new identities of hybridity are taking their place.

We have thus tried to define globalization at length in the above pages and in doing that we have, as far as possible, included all those scholars who have provided specific perspectives on globalization.

Globalization is a vast process taking place at a global scale. But recently, there are scholars who have developed some theories on globalization. The definitions of globalization also raise certain issues.

**Some of the major themes which emerge from the definitions and meaning of globalization are put below:**

1. Building of a universal community of human kind. The objective goes with the assumption that the needs and interests of mankind all over the world are similar. The vision of globalization as a world community would give liberty, justice and equality for all humanity.
2. Capitalism occupies a central place in globalization.
4. Globalization involves a profound reordering of time and space in social life. Giddens refers to it as time-space distanciation or compression. Today, we have to learn how to cope with an overwhelming sense of compression of our spatial and temporal worlds. Harvey argues that there is need to speed up or intensify time-space compression. It is in this context that Harvey talks about ‘global village’.
5. Globalization is associated with technological progress.
6. Globalization is a product of political factors, in particular the existence of a permissive global order.
7. The theory of globalization involves the analytical separation of the factors which have facilitated the shift towards a single world, e.g., the spread of capitalism, western imperialism and the development of a global media system.
8. Globalization is interrelationship between the political, economic and cultural dimensions of social life.
9. Globalization is dialectical having both positive and negative consequences.

**It contains certain dualities or binary oppositions:**

1. Universalisation versus particularization;
2. Integration versus fragmentation;
3. Homogenisation versus differentiation;
4. Centralization versus decentralization;
5. Juxtaposition versus syncretization.

For some sociologists, globalization gives a danger signal. For instance, Ian Roxborough (2002) traces the appropriation of globalization concept by American military strategists. Roxborough argues that the end of cold war has raised the question of hegemony. And, in this race for power, the U.S. has occupied a dominant position in the post-cold war world. After the disintegration of communism in Europe, globalization has come as a ready alternative. It has become a tool in the hands of U.S.

**Roxborough writes:** - Of all possible answers, globalization as a diagnosis of the new world order rapidly emerged as the winner, certainly in the rhetoric of the Washington Beltway. It seemed to explain the triumph of free market capitalism over state regulation, it offered a technological underpinning (the internet) for the changes, and, most notoriously articulated as the end of history (Fukuyama, 1992), it celebrated the victory of the USA in the cold war.

The concept of globalization provided a bridge between past (the cold war) and future by arguing that victory in the cold war was based on economic growth, political freedom and the promotion of democracy. It was founded on an appeal to the values of humanity and liberty.

**History of globalization:** - The history of globalization is not very old. It is quite recent. If postmodernism was the concept of the 1980s, globalization is the concept of the 1990s. And, interestingly, postmodernism despite its longer history is even today controversial, whereas globalization is not that much debatable.

Countries like U.S. and France have accepted globalization as their nation-state policy. The globalization issue of International Sociology (June 2000) traces the origin of the concept of globalization. It says that basically globalization is a concern of the second half of the 1990s, although, there were significant sociological contributions in the first half, such as Ian (1992) and Robertson (1992).

In the major dictionaries of English, French, Spanish and German of the 1980s or the first half of the 1990s, the word is not listed. In Arabic, at least four different words render the notion. Whereas in Japanese business the word goes back to the 1980s, it entered academic Chinese only in the mid-1990s.

The Social Citation Index records only a few occurrences of globalization in the 1980s, but shows its soaring popularity from 1992 onwards, which accelerated in the last year of the past century. While tracing the history of globalization, we must refer
to the work of Anthony Giddens, namely. The Consequences of Modernity (1990). Giddens argues that post-modernity is not actually a break with modernity. The ‘radicalized’ or ‘high’ version of modernity is post-modernity.

And globalization, therefore, carries all the elements of modernity and post-modernity. In fact, when we discuss globalization, we discuss both modernity and post-modernity. However, Giddens makes a difference in modernity and globalisation. Modernity and post-modernity are often considered to be culturalistic while globalization is taken as an economic phenomenon. The difference between the three concepts, viz., modernity, post-modernity and globalization, is, therefore, only of emphasis. Basically, all the three deal with institutional forms of modern society.

Malcolm Waters has traced the history of globalization in his book, Globalization (1995). He says that the word ‘global’ has been in usage for about 400 years from now. But, it was not used in its technical connotation. The words ‘globalization,’ ‘globalize’ and ‘globalizing’ did not exist until about 1960.

The Economist (4/4/59) reported, “Italy’s globalized quota for imports of cars has been increased”; and in 1961 Webster became the first major dictionary to offer definitions of globalism and globalization. The Spectator (5/10/62) recognized that “globalization is, indeed, a staggering concept”. It also mentioned about globalism, globalization, globalize and globalized.

Robertson (2000) reported that the word ‘globalization’ was not recognized as academically significant until the early or possibly the mid-1980s, but thereafter its use has become well established. Although he says that its pattern of diffusion is virtually impossible to trace, it is beyond reasonable doubt that he is himself centrally responsible for its currency in sociology.

The many items he himself has published on the topic include what is possibly the first sociological article (1985) to include the word in its title although he had used the concept of ‘globality’ somewhat earlier. Waters (1995) says that after Robertson, the word ‘global’ has reached five figures in its use.

Waters further informs: “As at February 1994 the catalogue of the Library of Congress contains only 34 items with the term or one of its derivatives in the title.” None of these was published before 1987.

**Robertson’s mapping of globalization history:**

- Robertson argues that the history of globalization is not new. In fact, globalization emerged before the coming of modernity. It came even before capitalism.

**He has made a mapping of globalization in five major phases. They are discussed below:**

**Phase 1: The germinal phase (Europe, 1400-1750):**
- It was the beginning of international trade relations in Europe, churches were considered to be global, i.e., universal with the coming of enlightenment, the ideas about progress, humanism and individualism were becoming general and Gregorian Calendar had become common for all the western countries.

In short, globalization had begun in Europe during the period 1400-1750. The areas, which received the beginning of globalization include: Catholic Church, notions of justice and humanity, universal calendar, and global exploration and colonialism.

**Phase 2: The incipient phase (Europe, 1750-1825):**
- There was a sharp shift towards the idea of the homogeneous, unitary state. Formal international relations began to take shape. The areas of life which received some kind of globalization include: emergence of nation-states, diplomatic relations between nation-states, international agreements, first non-European nations, and first ideas about internationalism and universalism.

**Phase 3: The take-off phase (1875-1925):**
- It was the period when the idea of acceptable national society came up. There appeared very sharp increase in the number and speed of global forms of communications. Development of global competitions, e.g., Olympics, Nobel Prizes, Implementation of World Time, First World War, and League of Nations etc. also took place. During the take-off phase, globalization took the form of conceptualization of the world in terms of the four globalizing reference points: the nation-state, the individual, a single international society, and a single (masculine) humanity.

**Phase 4: The struggle for hegemony (1925-1969):**
- Disputes and wars about the fragile terms of the globalization process was established by the end of the take off period. Globe-wise international conflicts increased concerning forms of life. Nature of ideas and prospects for humanity was sharply focused by nuclear bomb and United Nations.

Each nation-state in its own way struggled to establish its hegemony. The areas of hegemony include: League of Nations and United Nations, Second World War, cold war, conceptions of war crimes and crimes against humanity, and universal nuclear threat of the atomic bomb.

**Phase 5: The uncertainty phase (1969-1992):**
- There is heightening of global Consciousness in the world community. Also, there is an accentuation of post-materialist values and increase in global institutions and movements. Conceptions of individual are rendered more complex by gender, ethnic and racial considerations.

The uncertainty phase includes: exploration of space, post-materialist values, world communities, international relations, global environmental problems, and global mass media via space technology (satellite television, etc.).

Robertson is a serious analyst of globalization. Earlier, we have called him as the father of globalization. He is credited to have employed the term ‘globalization’ in its technical sense for the first time. In his book, Globalization (1992), he makes certain careful reservations about his argument.

The uncertainty phase is one in: which the world community itself is not certain about its future direction. Robertson claims that globalization is neither necessarily good nor a bad thing – its moral character will be accomplished by the inhabitants of the planet.

He is also not saying that the world is, as a consequence of globalization, a more integrated or harmonious place but merely that it is a more unified or systematic place. He means by this, that events in any part of the world will increasingly have consequences for, or will be referenced against events in other distant parts. This gelatination may not always be positive. Indeed, the world as a system may well be driven by conflicts that are far more intractable than the previous disputes between nations.
Consumerism: Definition and Characteristics

Consumerism is defined as social force designed to protect consumer interests in the market place by organising consumer pressures on business. Consumerism challenges the very basis of the marketing concept. According to P.F. Duckers, consumerism challenges four important premises of the marketing concept.

(i) It is assumed that consumers know their needs.
(ii) It is assumed that business really cares about those needs and knows exactly how to find about them.
(iii) It is assumed that business does provide useful information that precisely matches product to needs.
(iv) It is presumed that product and services really fulfil customer expectations as well as business promises.

Consumerism is a protest of consumers against unfair business practices and business industries. It aims to eliminate those unfair marketing practices e.g. misbranding, spurious products, unsafe products, adulteration, fictitious pricing, planned obsolescence, deceptive packaging, false and misleading advertisements, defective warranties, hoarding, profiteering, black-marketing, short weights and measures etc.

Consumerism covers the following areas of consumer dissatisfaction and remedial efforts:

(i) Removal or reduction of discontent and dissatisfaction generated in the exchange relationships between buyers and sellers in the market.
(ii) Consumerism has interest in protecting consumers from any organization with which there is an exchange relationship.
(iii) Modern consumerism also takes keen interests in environmental matters affecting the quality of life.

The social demand that marketing deliver a rising standard of living to those who want better and enriched quality of life for all citizens will inspire marketers to make greater progress in enhancing marketing efficiency and honoring ethical and moral values in production and pricing.

Consumerism for Industrial Consumers and Domestic Consumers!

Industrial Consumerism: - Examples are product safety, bank failures, labeling, misrepresentation, stock manipulation, deceptive advertisements etc..

Domestic Consumerism: - Examples are product purity, product shortages, adulteration, product performance, product scarcity etc.

Evolution of Consumerism: - In India, the movement of freedom fighting had shown its protest against import of commodities by the British ruler and in the mid sixties, the Chipko Movement in the North India showed the Indian Society’s resistance against deforestation in the northern hills of U.P.

In US, the consumption passed through five stages such as: - In the 1900’s—Consumption focused on the need for banking system, product purity, product shortages etc. During 1930-50—Issues were raised for product safety, bank failures and deceptive advertising etc. In this 2nd stage, consumer groups and consumers unions were focused.

The third phase began between 1960-80 during which the consumerism came into being in the field of marketing and in this era US President Kennedy’s consumer bill of rights: to information, to safety, to choice in product selection were introduced. The fourth phase took place during 1980’s as consumerism entered a mature phase and an emphasis started on deregulation and self regulation of business. The federal government believed that most firms took consumer issues into account when devising and applying their marketing plans.

The fifth phase commenced in 1990. Since when, the federal government has been involved with consumer issues. Its goal is to balance consumer and business rights. Some national laws have been enacted and US agencies have stepped up reinforcement practices.

Unfair business practices, product safety and health issues are the major areas in which consumerism have been significant. In many nations outside the US, government, industry, and consumer groups are stepping up efforts relating to consumer rights:

Some nations are making real progress, while others have a long way to go. The world wide challenge will be for government, business and consumer groups to work together so that socio-ecological view of marketing, ethical behaviour, consumer rights and company rights are in balance.

Green Marketing: Meaning and Importance of Green Marketing

Meaning - Here, term ‘green’ is indicative of purity. Green means pure in quality and fair or just in dealing. For example, green advertising means advertising without adverse impact on society. Green message means matured and neutral facts, free from exaggeration or ambiguity. Green marketing is highly debated topic for lay people to highly professional groups.

Concept of green marketing concerns with protection of ecological environment. Modern marketing has created a lot of problems. Growth in marketing activities resulted into rapid economic growth, mass production with the use of advanced technology, comfortable and luxurious life, style, severe competition, use of unhealthy marketing tactics and techniques to attract customers, exaggeration in advertising, liberalization and globalization, creation of multinational companies, retailing and distribution by giant MNCs, etc., created many problems.
Departmental stores, specialty stores, and shopping malls are flooded with useful as well as useless products. These all factors have threatened welfare of people and ecological balance as well. Particularly, giant factories have become the source of different pollutions. Production, consumption and disposal of many products affect environment adversely.

Excessive pollution has provoked the Nature and the Nature starts behaving in unnatural ways (in form of global warming v/s global cooling, heavy rains v/s draught, and other natural calamities like frequent earthquakes and tsunami, cyclones, epidemics, and so forth). Economic growth via production and consumption threatens peaceful life of human being on the earth. Green marketing is an attempt to protect consumer welfare and environment (the nature) through production, consumption, and disposal of eco-friendly products.

**Basically, green marketing concerns with three aspects:**

1. Promotion of production and consummation of pure/quality products,
2. Fair and just dealing with customers and society, and environmental accountability of producers.
3. Protection of ecological environment.

Global ecological imbalance and global warming (also global cooling) have called upon environmentalists, scientists, social organisations, and alert common men to initiate the concrete efforts to stop further deterioration of ecological environment. The World Bank, the SAARC, the UNO, the WHO, and other globally influential organizations have started their efforts to promote and practice green marketing. The world environment summit at Copenhagen (2009) is the mega event that shows the seriousness of ecological imbalance.

To increase awareness, 5th June is declared as the World Environment Day. Green marketing emphases on protection of long-term welfare of consumers and society by production and use of pure, useful, and high quality products without any adverse effect on the environment. Mass media have started their campaign for protecting the earth from further deterioration. Worldwide efforts are made to conserve natural water resources.

Thus, green marketing is a marketing philosophy that promotes production and selling of pure (eco-friendly) products with protection of ecological balance. Green marketing involves multiple activities. Green Marketing encourages production of pure products by pure technology, conservation of energy, preservation of environment, minimum use of natural resources, and more use of natural foods instead of processed foods. Efforts of people, social organisations, firms, and governments in this regard can be said as green marketing efforts.

Green marketing raises the voice against production, consumption, and/or disposal of such products that anyway harm consumers, the society, and the environment. It is necessary that businessmen and users should refrain from harmful products.

**Impacts or Importance of Green Marketing:**

- Green marketing affects positively the health of people and the ecological environment. People are aware of pure products and pure methods of producing, using, and disposing the products. It encourages integrated efforts for purity in production and consumption as well.

**We can witness following impacts of green marketing:**

1. Now, people are insisting pure products – edible items, fruits, and vegetables based on organic farming. The number of people seeking vegetarian food is on rise.
2. Reducing use of plastics and plastic-based products.
3. Increased consumption of herbal products instead of processed products.
4. Recommending use of leaves instead of plastic pieces; jute and cloth bags instead of plastic carrying bags.
5. Increasing use of bio-fertilizers (made of agro-wastes and wormy-composed) instead of chemical fertilizers (i.e. organic farming), and minimum use of pesticides.
6. Worldwide efforts to recycle wastes of consumer and industrial products.
7. Increased use of herbal medicines, natural therapy, and Yoga.
8. Strict provisions to protect forests, flora and fauna, protection of the rivers, lakes and seas from pollutions.
9. Global restrictions on production and use of harmful weapons, atomic tests, etc. Various organisations of several countries have formulated provisions for protecting ecological balance.
10. More emphasis on social and environmental accountability of producers.
11. Imposing strict norms for pollution control. Consideration of pollution control efforts and eco-technology in awarding IS, ISO 9000, or ISO 14000 certificates and other awards.
12. Declaration of 5th June as the World Environment Day.
13. Strict legal provisions for restricting duplication or adulteration.

**Legal Issues**

**Facing Marketers In 2015** - The marketing landscape is evolving faster than the speed of light, fueled by changes in technology and marketing strategies that are creating enormous legal challenges for brands. The laws have not kept pace with technology, yet many of the marketing practices that are integral to today’s hottest digital media trends are very much a focus of current regulatory scrutiny and raising novel legal issues. Heading into 2015, the following issues stand out as creating the most significant legal challenges for marketers.

**1. Heightened Regulatory Scrutiny** - Perhaps the greatest legal challenge that marketers currently face is heightened regulatory scrutiny of marketing practices at the very core of many of today’s most popular digital media campaigns. This includes the Federal Trade Commission’s (FTC) expanded enforcement of its testimonial and endorsement guides, focus on native advertising and demand for increasingly prominent disclosures in advertising.
The FTC’s Testimonial and Endorsement Guides require that any “material connection” between an advertiser and endorser must be disclosed. Recently, the FTC’s view of what constitutes an endorsement and what constitutes a material connection has become so restrictive that even the most benign social media campaigns could be implicated.

In a case involving a Cole Haan sweepstakes in which winners were asked to pin five images of Cole Haan shoes onto a Pinterest board to enter, the FTC determined that the mere act of pinning an image constitutes an endorsement and that a sweepstakes entry was a material connection that had to be disclosed. The FTC also recently reached a settlement with Deutsch L.A. after the agency asked employees to tweet about a client and employees did not disclose that they were employees of client’s agency. As brands increasingly look to consumers to blog, tweet and post photos of their products, they should be mindful that even these simple interactions with the brand or the brand’s product, if incentivized in any manner, could trigger these endorsement guides.

The FTC has also set its sights on native advertising, particularly the blurring of advertising and editorial content. The FTC is demanding greater transparency and disclosure of the sponsored nature of content. With recent data showing that consumers are five times more likely to click on a native ad compared to a traditional ad, marketers will be increasingly challenged to preserve the organic nature of the content, while at the same time satisfying regulators’ demands for greater transparency.

2. Privacy and Data Security - With retargeting, personalization and big data emerging among the top media trends, we can expect concerns over privacy and data security to take center stage this year. Even if Congress is not successful in implementing new privacy legislation, marketers can expect the FTC and the class action bar to remain vigilant in scrutinizing companies’ marketing and data practices.

As the channels through which data is being collected and shared become more complex, brands will be increasingly challenged to understand exactly what information is being collected and how, and with whom and how it is being shared. This will require closer alignment between data specialists within companies and their privacy counsel to ensure that privacy policies accurately reflect existing privacy practices. The vast majority of privacy cases brought in 2014 resulted from the failure to honor stated privacy policies and promises. And as the sheer volume of data being collected including highly sensitive data continues to increase, concerns over data security and potential breaches will likewise intensify. The high-profile data security breaches that occurred at Target and other top retailers should be a stark reminder to marketers of the reputational damage that can result from the failure to properly secure sensitive data.

3. Respecting and Protecting IP Rights - The social media world is built on a culture of sharing – sharing photos, videos, tweets and posts. That culture, however, is creating enormous challenges for brands who are struggling to determine where the boundaries of intellectual property lie. What is the legal status of a hashtag, can consumer tweets and posts be shared, can they reach out and “touch” or communicate with consumers who have commented on their brands? While social media platforms may permit sharing, the rules of engagement for brands are different as copyright, trademark and laws of privacy and publicity may apply.

This year, Duane Reade’s retweeting of a photo of Katherine Heigl holding a Duane Reade bag resulted in a $6 million lawsuit that ultimately settled. These and similar questions are likely to continue to plague brands. Furthering this challenge, real-time marketing has become the new norm requiring that these decisions be made quickly. Witness the speed with which the now famous Oscar night selfie was retweeted across the globe. Brands will have to assess their own risk tolerance levels and adopt policies and procedures that afford marketers the flexibility to react in real time, while not creating undue legal risk for the company.

**ISSUES IN MARKETING**

A company must have ethical marketing policies to guide their pricing, advertising, research, and competitive strategies.

**LEARNING OBJECTIVE**

- Identify the common ethical issues associated with products, pricing, promotion and placement within the marketing mix.

**KEY POINTS**

- Each party in a marketing transaction brings expectations regarding how the business relationship will exist. For example, if a consumer wishes to make a purchase from a retailer, their expectations include wanting to be treated fairly by the salesperson and wanting to pay a reasonable price.
- **Ethical** marketing decisions and efforts should meet and suit the needs of customers, suppliers, and business partners. Unethical behavior such as price wars, selective advertising, and deceptive marketing can negatively impact a company’s relationships.
- Recent trends show that consumers prefer ethical companies. As a result, ethics itself is a selling point or a component of a corporate image.

**TERMS**

- **propagation** - The dissemination of something to a larger area or greater number.
- **puffery** - A legal term that refers to promotional statements and claims that express subjective rather than objective views, which no "reasonable person" would take literally. An example would be "Red Bull Gives You Wings."

**Ethical Issues in Marketing**

Ethical problems in marketing stem from conflicts and disagreements. Each party in a marketing transaction brings a set of expectations regarding how the business relationship will exist and how transactions should be conducted. Each facet of marketing has ethical danger points as discussed below.
Market Research - Some ethical problems in market research are the invasion of privacy and stereotyping. The latter occurs because any analysis of real populations needs to make approximations and place individuals into groups. However, if conducted irresponsibly, stereotyping can lead to a variety of ethically undesirable results.

Market Audience - Selective marketing is used to discourage demand from so-called undesirable market sectors or disenfranchise them altogether. Examples of unethical market exclusion are past industry attitudes to the gay, ethnic minority, and plus-size markets.

Another ethical issue relates to vulnerable audiences in emerging markets in developing countries, as the public there may not be sufficiently aware of skilled marketing ploys.

**Ethics in Advertising and Promotion**

In the 1940s and 1950s, tobacco used to be advertised as promoting health. Today an advertiser who fails to tell the truth offends against morality in addition to the law. However, the law permits puffery (a legal term). The difference between mere puffery and fraud is a slippery slope.

Sexual innuendo is a mainstay of advertising content, and yet is also regarded as a form of sexual harassment. Violence is an issue especially for children's advertising and advertising likely to be seen by children.

The advertising of certain products may strongly offend some people while being of interest to others. Examples include: feminine hygiene products as well as haemorrhoid and constipation medication. The advertising of condoms has become acceptable in the interests of AIDS-prevention, but is nevertheless seen by some as promoting promiscuity.

Through negative advertising techniques, the advertiser highlights the disadvantages of competitor products rather than the advantages of their own. These methods are especially used in politics.

**Delivery Channels** - Direct marketing is the most controversial of advertising channels, particularly when approaches are unsolicited. TV commercials and direct mail are common examples. Electronic spam and telemarketing push the borders of ethics and legality more strongly.

**Deceptive Advertising and Ethics** - Deceptive marketing is not specific to one target market, and can sometimes go unnoticed by the public. There are several ways in which deceptive marketing can be presented to consumers; one of these methods is accomplished through the use of humour. Humour provides an escape or relief from some kind of human constraint, and some advertisers intend to take advantage of this by deceptively advertising a product that can potentially alleviate that constraint through humor.

**Anti-competitive Practices** - Bait and switch is a form of fraud where customers are "baited" by advertising for a product or service at a low price; second, the customers discover that the advertised good is not available and are "switched" to a costlier product.

Planned obsolescence is a policy of designing a product with a limited useful life, so it will become unfashionable or no longer functional after a certain period of time and put the consumer under pressure to purchase again.

A pyramid scheme is a non-sustainable business model that involves promising participants payment or services, primarily for enrolling other people into the scheme, rather than supplying any real investment or sale of products or services to the public.

**Pricing Ethics** - Bid rigging is a form of fraud in which a commercial contract is promised to one party, although for the sake of appearance several other parties also present a bid.

**Predatory pricing** is the practice of selling a product or service at a very low price, intending to drive competitors out of the market, or create barriers to entry for potential new competitors.

**Using Ethics as a Marketing Tactic** - Major corporations fear the damage to their image associated with press revelations of unethical practices. Marketers have been quick to perceive the market's preference for ethical companies, often moving faster to take advantage of this shift in consumer taste. This results in the propagation of ethics itself as a selling point or a component of a corporate image.

Marketing ethics, regardless of the product offered or the market targeted, sets the guidelines for which good marketing is practiced. To market ethically and effectively one should be reminded that all marketing decisions and efforts are necessary to meet and suit the needs of customers, suppliers, and business partners. The mindset of many companies is that they are concerned for the population and the environment in which they do business. They feel that they have a social responsibility to people, places and things in their sphere of influence.

**Stock Markets: New Issues Market and Secondary Market**

The stock market deals in long-term securities both private and government. It is the most important component of the capital market. The latter deals in long-term funds of all kinds, whether raised through open-market securities or through negotiated loans not resulting in market paper.

Open-market securities are securities (or market paper) that are bought and sold openly in the market (like marketable goods) and can change hand any number of times. The negotiated loans have to be negotiated directly (or through a broker) between the borrower and the lender. They appear only in the account books of the lenders and the borrowers' promissory notes which are not saleable in the market. The scope and structure of the stock or securities market are shown in Figure 3.2. The stock market comprises several distinct markets in securities. The most important distinction is that between the market for corporate se-
curities and the market for government securities. Corporate securities are instruments for raising long-term corporate capital from the public.

The stock market organization provides separate arrangements for the new issues of securities and for buying and selling of old securities. The former market is known as the ‘new issues market’ and the latter market as the ‘secondary market’. Both kinds of markets are essential for servicing corporate borrowers and investors.

**The New Issues Market:** The essential function of the new issues market is to arrange for the raising of new capital by corporate enterprises, whether new or old. This involves attracting new investible resources into the corporate sector and their allocation among alternative uses and users. Both ways the role is very important.

How fast the corporate industrial sector grows depends very much on the inflow of resources into it, apart from its own internal savings. Equally important is the movement of sufficient venture capital into new fields of manufacturing crucial to the balanced growth of industries in the economy and in new regions for promoting balanced regional development.

The new issues may take the form of equity shares, preference shares or debentures. The firms raising funds may be new companies or existing companies planning expansion. The new companies need not always be entirely new enterprises. They may be private firms already in business, but ‘going public’ to expand their capital bases. ‘Going public’ means becoming public limited companies to be entitled to raise funds from the general public in the open market.

For inducing the public to invest their savings in new issues, the services of a network of specialised institutions (underwriters and stockbrokers) is required. The more highly developed and efficient this network, the greater will be the inflow of savings into organized industry. Till the establishment of the Industrial Credit and Investment Corporation of India (ICICI) in 1955, this kind of underwriting was sorely lacking in India. Instead, a special institutional arrangement, known as the managing agency system had grown. Now it has become a thing of the past.

The new institutional arrangements for new corporate issues in place of the discredited managing agency system started, taking shape with the setting up of the ICICI in 1955. Soon after (1956) the LIC joined hands. The new system has already attained adulthood under the leadership of the Industrial Development Bank of India (IDBI).

Apart from the ICICI and the other important participants in the new issues market is the major term-lending institutions such as the UTI, the IFCI, commercial banks. General Insurance Corporation (GIC) and its subsidiaries, stock brokers, and investment trust. Foreign institutional funds from the World Bank and its affiliates, International Development Association (IDA) and International Finance Corporation, are also channelled through the all-India term-lending institutions (IDBI, ICICI, and IFCI).

**Managing successful floatation of new issues involves three distinct services:**

(i) Origination, (ii) Underwriting and (iii) Distribution of new issues.

The origination requires careful investigation of the viability and prospectus of new projects. This involves technical evaluation of a proposal from the technical-manufacturing angle, the availability of technical know-how, land, power, water and essential inputs, location, the competence of the management, the study of market demand for the product(s), domestic and foreign, over time, financial estimates of projected costs and returns, the adequacy and structure of financial arrangements (promoters’ equity, equity from the public, debt-equity ratio, short-term funds, liquidity ratios, foreign exchange requirement and availability), gestation lags, etc., and communication of any deficiencies in the project proposal to the promoters for remedial measures. All this requires well-trained and competent staff. A careful scrutiny and approval of a new issue proposal by well-established financial institutions known for their competence and integrity improves substantially its acceptability by the investing public and other financial institutions. This is especially true of issues of totally new enterprises.

Underwriting means guaranteeing, purchase of a stipulated amount of a new issue at a fixed price. The purchase may be for sale to the public or (for one’s own portfolio or for both the purposes. If the expected sale to the public does not materialize, the underwriter absorbs the unsold stock in its own portfolio. The underwriter assumes this risk for commission, known as underwriter’s commission.

The company bringing out the new issue agrees to bear this extra cost of raising funds, because thereby it is assured of funds and the task of sale of stock to the public or others is passed on entirely to underwriters. Mostly, underwriting is done by a group of underwriters, one or more of who may act as group leaders. The group (or consortium) underwriting distributes risks of underwriting among several underwriters and enhances substantially the capacity of the system to underwrite big issues.

Distribution means sale of stock to the public. The term-lending institutions, the LIC, the UTI and several other financial institutions usually underwrite new issues as direct investments for their own portfolios. For them, there is no problem of sale of stock to the public. But, under the law, a part of the new public issue must be offered to the general public. This is placed with stockbrokers who have a system of inviting subscriptions to new issues from the public.

In normal times it is their distributive capacity which determines the extent of the public participation in new issues. During periods of stock market boom the demand for new issues from the public also goes up. New issues of well-known houses and issues underwritten by strong institutions generally have a good public response.

It is the placing of the issues of small companies that continues to be the Achilles’ heels of the new issues market. For loosening the grip of monopoly houses on the industrial economy of the country, it is necessary that new entrepreneurs are encouraged. For this, special efforts need be stepped up further for promoting small issues.

**Broadly speaking, there are three main ways of floating new issues:**

(i) By the issue of a prospectus to the public,
(ii) By private placement and
(iii) By the rights issue to the existing shareholders.
What we have described above is the first method. The issue of a public prospectus giving details about the company, issue, and the underwriters is the last act in the drama and is an open invitation to the public to subscribe to the issue. Private placement means that the issue is not offered to the general public for subscription but is placed privately with a few big financiers. This saves the company the expenses of public placement. It is also faster. Rights issue means issue of rights (invitations) to the existing shareholders of an old corporation to subscribe to a part or whole of the new issue in a fixed proportion to their shareholding. Such an issue is always offered at a certain discount from the going market price of the already-trading shares of the company.

The discount is in the nature of a bonus to the shareholders. Obviously, a rights issue is open only to an existing public limited corporation, not to a new one. Old corporations also increase their capitalisation (paid-up capital) by declaring bonus to their shareholders, which means issue of new shares to them in a fixed ratio to their shareholdings without charging any price from them. This is a way of converting a part of accumulated reserves into companies paid-up capital.

The Secondary Market in Old Issues: This market deals in existing securities. Its main function is to provide liquidity to such securities. Liquidity of an asset means its easy convertibility into cash at short notice and with minimal loss of capital value. This liquidity is provided by providing a continuous market for securities, that is, a market where a security can be bought or sold at any time during business hours at small transaction cost and at comparatively small variations from the last quoted price. This, of course, is true of only ‘active’ securities for which there are always buyers and sellers in the market. ‘Activeness’ is a property of individual securities, not of the market. The function of providing liquidity to old stocks is important both for attracting new finance and in other ways. It encourages prospective investors to invest in securities, old or new, because they know that any time they want to get out of them into cash, they can go to the market and sell them off.

In the absence of any organized securities market, this will not be easily feasible. So, the investing public will keep away from securities. Then, the secondary market provides an opportunity to all concerned to invest in securities and when they like. This opens a way for continuous inflow of funds into the market. This is especially important for such investors who do not want to risk their funds by investing in new ventures, but are perfectly willing to invest in the securities of on-going concerns. On the other end, there are venturesome investors who invest in new issues in the hope of making capital gains later when the new concerns have established themselves well.

In a sense, they season new issues and sell them off when the market acceptability of these issues has improved. With their funds released from sale of their old holdings, they can move into other new issues coming into the market. Thus, investment into new issues is facilitated greatly by the operations of the secondary market.

The new investment is influenced in another way too by what is happening in the secondary market. The latter acts as an important indicator of the investment climate in the economy. When stock prices of existing securities are rising and the volume of trading activity in the secondary market goes up, new issues also tend to increase as the new issues market (underwriters, stockbrokers, and investors) is (are) better prepared and more willing to accept new issues. This is also a good time for companies to come forward with new issues.

When the secondary market is in doldrums, the new issues market also languishes. The underwriters are reluctant to underwrite and stockbrokers reluctant to assume the responsibility of selling new issues to the public. Then, firms are also advised to postpone their new issues for better times.

There are two segments of the secondary market:
(a) Organized stock exchange,
(b) Over-the-counter market.

The latter deals in such securities as are not ‘listed’ on an organized stock exchange. These are securities of small companies and have only a limited market. Their prices are determined through direct negotiation between stock brokers and not through open bidding as is the case with ‘listed’ securities on a stock exchange. The main action of the stock market is concentrated on these exchanges.