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BACHELOR OF COMMERCE (Hons)
B.COM. 203- MARKETING MANAGEMENT (203)

Unit 1:

Introduction to Marketing: meaning and scope of marketing; marketing management process-an overview; concept of marketing mix; understanding marketing environment; consumer and organization buyer behaviour; market segmentation

Unit 2

Product and Pricing Decisions: product concept; types of products; major product decisions; product life cycle; new product development process; pricing decisions; determinants of price; pricing process, policies and strategies.

Unit 3

Promotion and Distribution Decisions: communication process; promotion tools-advertising, Personal selling, sales promotion; distribution channel decisions-types and functions of intermediaries; Channel Design; selection and management of intermediaries.

Unit 4

Emerging Trends and Issue in Marketing: Consumerism, Rural Marketing, Social Marketing, Direct Marketing; Online Marketing, Selling Skills.



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MEANING 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

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 the 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."*



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According to this approach the emphasis is on how the individual organisation processes marketing and develops the strategic dimensions of marketing activities.

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. Marketing had dual objectives - profit making and consumer satisfaction **SCOPE/FUNCTIONS OF MARKETING**

The scope of marketing really is related to the old and new concept of 'marketing'. Formerly the scope of marketing used to remain very much limited since the wants of the consumers too were quite limited. The competition was almost equivalent to nil. In the marketing, the satisfaction of the consumers was not at all considered. The marketing was commodity based and immediately after the sale of the products, the marketing process was over. Nowadays, the scope of marketing has become quite extensive, and the satisfaction of the customers too is kept in view. The process of marketing continues even after the sales have been affected. Today, the function of conforming the product, in accordance with the changing wants, habits and fashions of people, is undertaken by the process of marketing. Within the scope of marketing, -the following activities are covered:

To achieve success in your marketing effort you need to have glimpse of the big pictures and the activities you need to perform in achieving your set marketing objectives, these activities is referred to as

the function of marketing. It refers to those specialize activities that you as a marketer must perform in order to achieve your set marketing objectives.

The functions of marketing are;

- Researching
- Buying
- Product development and management
- Production
- Promotion
- Standardization and grading



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- Pricing
- Distribution
- Risk bearing
- Financing
- After sales-service

(1)Research function: the research function of marketing is that function of marketing that enables you to generate adequate information regarding your particular market of target. You must carry out adequate research to identify the size, behavior, culture, believe, genders etc. of your target market segment, their needs and want, and then develop effective product that can meet and satisfy these market needs and want.

(2)Buying function: the function of buying is performed in order to acquire quality materials for production. When you design a good product concept, you should also ensure you're buying the essential materials for the product. This function is carried out by the purchase and supply department, but your specifications of materials goes a long way in assisting the purchasing department to acquire the necessary materials needed for production.

(3)Product development and management: product development is an essential function of marketing since it was the duties of the marketing department to identify what the market need or want and then design effective product based on the identified need and want of the market. Product development passes through some basic stages carried out by the marketers to develop a targeted market specified product. And you can also manage your product by evaluating its performance and changing them to fit the current market trend.

(4)Production function: production is the function performs by the production department. Though, this is interrelated to the department of marketing, because your product must possess the essential characteristics that can meet the target market needs and want as identified during your market research, such characteristics as in your product Test, Form, Packaging etc.

(5)Promotion function: promotion is one of the core functions of marketing since your finish product must not remain in the place of production, hence, you as a marketer must design effective communication strategies to informing the availability of your product to your target market. You must be able to design effective strategies to communicate your product availability and features to your target market, such strategies as in; advertisement, personal selling, public relation etc.

(6)Standardization and grading: the function of standardization is to establish specified characteristics that your product must conform to, such standard as in having a specify test, ingredient etc. That makes your product brand so unique. Grading comes in when you sort and classify your product into deferent sizes or quantities for different market segment while maintaining your product standard.

(7)Pricing function: you perform the function of pricing on your product offerings by designing effective pricing systems base on your product stage and performance in the product life cycle. Price is the actual value consumers perceive on your product, so you as a marketer should ensure that your value of your product is not too high or too low to that of your costumers.



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(8)Distribution function: the function of distribution is to ensure that your product is easily and effectively moved from the point of production to the target market, the kind of transportation system to employ e.g. Road, rail, water or air, and ensures that the product can be easily accessed by customers. You as a Marketer should also design the kind of middlemen to engage in the channel of distribution, their incentives and motivations etc.

(9)Risk bearing function: the process of moving a finished product from the point of production to the point of consumptions is characterized with lots of risks, such risks as in product damaging, pilferage and defaults etc. So you must provide effective packaging system to protect your product, good warehouse for the storage of your product until they are needed, effective transportation system to speedily deliver your product on time.

(10)Financing function: financing deals with the part of marketing to providing incomes for your business. It refers to how you can raise capital to start operation and remain in business. It refers to your modes of payment for the goods and services transferred to your costumers.

(11) After sales-service: in a more complex and technical product, you as a marketer should make provision in order to assist your customers after they have purchased your product. In terms of machines or heavy equipment product that requires installation or maintenance, most marketing organization renders such services like installing the machine or maintaining it for stipulated periods on time for free or by a little service charge.

After sales services is an effective marketing strategy to building a long lasting customer relationship, staying ahead of your competitors while making profit for your organization.

Adequate understanding of these functions enables you as a marketer to know what is required to be done to having an effective transfer of ownership between you and your costumers, creating a big picture of your business, while also making profit for your organization.

Decisions and Researches Pertaining to Customers Now-a-days, the customer is considered to be the crownless ruler of the market: Every producer or manufacturer or business concern intends to know as to what is the interest, fashion, economic position, of the customers; where do they live, what is their paying capacity, etc. Taking decisions on the basis of all these things, the producers bring their products to the customers accordingly and by means of their satisfaction, earn the maximum profits.

Decisions Regarding the Commodity Before manufacturing the product, various decisions have to be taken up, for instance, the size of the product, its shade or color, design and brand, packing, etc. These all are equally the main components forming the marketing process.

Decisions Regarding Price-Determination Every producer or manufacturer and the business organization has also to determine beforehand, prior to undertaking its marketing, as to what shall be the price of their product ? While deciding the price of the product, the paying capacity of the customer and the cost of production has to be borne in mind.

Decisions Regarding the Medium of Distribution There are various media of distribution. the multiple or chain shops, the super bazaar, the wholesalers, the retailer, etc. The manufacturer or the business concern has also to determine as to what shall remain the medium of distribution of the commodity and how much long shall be its chain, requiring how much of expenditure. While taking the decision of the means of distribution, various matters have also to be borne into mind.



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Decisions Regarding Sales Promotion and Advertisements In this age of stiff competition, the sales promotion and advertisements have become almost an inseparable part of the marketing. There are various media of sales promotion and advertisements taking the decisions about which is also an indispensable part of the sphere of marketing management. In the sales promotion, various decisions are required to be taken regarding the training of the sales representatives, their emoluments and the relevant incentives, etc.

Decisions Regarding After-Sales Service For the satisfaction of the customers, the provision of after-sales service is very necessary. Within the after-sales service, are included the free repairs, the return or exchange of the product during the guarantee period if the product proves defective or worthless, etc. In it is included the decision that for how much period, what type of service has to be extended to the customers, and through whom.

Importance of Marketing

(A) To the Society

1. It is instrumental in improving the living standards. Marketing continuously identifies the needs and wants satisfying products or services which can propel the people to do an extra to earn money which can be exchanged for the desired products or services. The people are likely to spend the additional income over and above the disposable income on the products or services which helps in minimizing the physical efforts. Thus marketing by indirectly increasing the earning ability will help in improving the standard of living of the customers.

2. Marketing generates gainful employment opportunities both directly and indirectly. Directly, marketing provides employment to the people in various areas like in advertising agency, in the company sales force, in the distributor's sales force, in public relation firms etc. Indirectly, marketing is responsible for selling the offerings of the organization. If the organization's products or services are able to satisfy the customers, then customers will demand organization's products or services again and again, thereby sustaining the production activities. Thus marketing indirectly provides employment in other functional areas like finance, production, research and development, human resource management etc.

3. Marketing helps in stabilizing economic condition in the sense that marketing helps in selling the products or services, which keeps the various organizations functioning and gainful employment is available to the people. With the earnings from the employment, the people will purchase the products and/or services, thus sustaining the demand. This will happen in all the industries, then gainful employment will be available throughout the time period and economy will remain stable, healthy and vibrant.

(B) To the firms/companies

1. Marketing sustains the company by bringing in profits. Marketing is the only activity that brings revenue to the firm, whereas other activities incur expenditure. If the company's products



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or services satisfy the customer's requirements, then the satisfied customers will keep the company in business by repeat orders and recommending other profitable customers. Thus marketing is the driving force behind a successful company.

2. Marketing is the source of new ideas. New product or service ideas usually come from the research laboratories, employees or from marketplace. It's the marketing people who are in continuous touch with the consumers and marketing intermediaries. Interaction with them helps in identifying strong and weak points of company's product or services as well as competitor's products or services. This interaction can also help in identifying unmet needs or wants of the consumers and the features, consumers are looking into the products or services which can satisfy those unmet needs or wants. Thus marketing can help immensely in identifying new product or service ideas which can help in sustaining the firm's operations. Successful companies are those which identify customer's requirements early and provide the solution earlier than the competitors.

3. Marketing provides direction for the future course. The marketing oriented company continuously brings out new product and service ideas which provide the direction for corporate strategic planning for longer time horizon.

(C) To the Consumers

1. Meeting the unmet needs or wants. Marketing identifies those needs or wants which were not satisfied and helps in developing the product or service which can satisfy those unmet needs or wants of the people. For example a number of drugs were invented to treat various physical problems of the people. Again the low cost formulations were developed to treat the people who are unable to afford the expensive drugs.

2. Reducing the price of products or services. Marketing helps in popularizing the product or service which attracts the customers as well as competitors towards that product or service categories. Due to increase in demand, the manufacturing capacity increase which brings down per unit fixed costs of the product or service. Furthermore increase in competition led to decrease in the prices charged by the firm. Thus the growing demand and increasing competition both help in bringing down the price of the product or service. For example price of both mobile phone handset and mobile phone service are showing a continuous downward trend thereby making the mobile phone service affordable to more and more people.

MARKETING MANAGEMENT PROCESS

Step 1: Defining the mission and/or vision

The mission statement, a broad description of a firm's objectives and the scope of the activities it plans to undertake attempts to answer two main questions what type of business are we ? What do we need to do to accomplish our goals and objectives ? These fundamental business issues must be answered at the highest corporate levels before marketing executives can get involved

Another key goal or objective often embedded in a mission statement is building a sustainable competitive advantage, namely something the firm can persistently do better than its competitors.

Step 2: conduct a situation analysis using SWOT

After developing its mission, a firm next must perform a situation analysis using a SWOT analysis that assesses both the internal environment with regard to its Strengths and Weaknesses and external environment in terms of its Opportunities and Threats,

SWOT analysis of Disney

Strengths

- Diverse businesses
- Well know brand

Weaknesses

- Over reliance on relationships
- Seasonal fluctuations
- Risky foreign operations

Opportunities

- Building the current brand and businesses both in the US and abroad

Threats

- Increasing competitive pressure.

Step 3: Identifying and evaluating Opportunities using STP (Segmentation, Targeting and Positioning)

After completing the situation audit, the next step is to identify and evaluate opportunities for increasing sales and profits using STP(Segmentation, Targeting and Positioning). With STP, the firm first divides the marketplace into subgroups or segments, determines which of those segments it should pursue or target, and finally decides how it should position its products and services to best meet the needs of those chosen target.

Step 4: Implement Marketing Mix and Allocate Resources

When the firm has identified and evaluated different growth opportunities by performing an STP analysis, the real action begins. It has decided what to do, how to do it and how many resources should be allocated to it. In the fourth step of the planning process, marketers implement the actual marketing mix- product, price, promotion and place- for each product and services on the basis of what they believe their target market will value. At the same time, they make important



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decisions about how they will allocate their scarce resources to their various products and services.

Allocating resources: The second part of the step 4 involves allocating resources, for which marketers have several tools. In portfolio analysis, for example, the management evaluates the firm's various products and business – its “portfolio” – and allocates resources according to which products are expected to be most profitable for the firm in the future.

Step 5 : Evaluate performance and Make Adjustments

The final step in the planning process includes evaluating the results of the strategy and implementation program. The firm must determine why it achieved or did not achieve its performance goals. Was the success or failure due to factors that were within the firm's control ? For instance, did it spend too much to buy its part or ingredients ? Were the results due to economic or competitive factors such as a new product in the marketplace ? Understanding the cause of the performances regardless of whether that performance exceeded, met or fell below the firm's goal enables form to make appropriate adjustments.

Marketing Mix

- The offer you make to your customer can be altered by varying the mix elements.
- So for a high profile brand, increase the focus on promotion and desensitize the weight given to price

Marketing Mix

- Customizing your offer to your customer by varying the mix elements.
- The Marketing Mix is like the artist's palette.
- The marketer mixes the elements in different quantities to deliver a particular final color.

Extended Marketing Mix

- **Booms and Bitner** included three additional 'Ps' to accommodate trends towards a service or knowledge based economy:
 - People
 - Process
 - Physical Evidence

PRICE

A product is only worth what customers are prepared to pay for it. The price also needs to be competitive, but this does not necessarily mean the cheapest; the small business may be able to compete with larger rivals by adding extra services or details that will offer customers better value for money. Your pricing must also provide a profit. It is the only element of the marketing mix that generate revenue, everything else represents a cost.



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Different parts of Pricing

- Price Skimming – An approach under which a producer sets a high price for a new high-end product (such as an expensive perfumes) or a uniquely differentiated technical product. Its objective is to obtain maximum revenue from the market before substitutes products appear. After that is accomplished, the producer can lower the price drastically to capture the low-end buyers and to thwart the copycat competitors.
- Penetration pricing - A marketing strategy used by firms to attract customers to a new product or service. Penetration pricing is the practice of offering a low price for a new product or service during its initial offering in order to attract customers away from competitors. The reasoning behind this marketing strategy is that customers will buy and become aware of the new product due to its lower price in the marketplace relative to rivals.

PRODUCT

- There is no point in developing a product or service that no one wants to buy, yet many businesses decide what to offer first, and then hope to find a market for it afterwards. In contrast, the successful company will find out what customers need or want and then develop the right product with the right level of quality to meet those needs now and in the future.
- The perfect product must provide value for the customer. This value is in the eye of the beholder, we must give our customer what they want, not what we think they want.
- A product does not have to be tangible, an insurance policy can be a product.
- You need a system in place to regularly check what your customers think about your product, your supporting services.

PROMOTION

- Good promotion is not one-way communication, It paves the way for dialogue with customers.
- Promotion should communicate the benefits that a customer obtains from a product, and not just the feature of that product.
- Whether your promotional material is a single sheet or a complex brochure, folder or catalogue, it must grab the attention of your customers. It should be easy to read and enable the customer to identify why they should buy your products.

Six main Promotion Tactics

- ⑩ ADVERTISING
- ⑩ SALES PROMOTION



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- ⑩ PUBLIC RELATIONS
- ⑩ PERSONAL SELLING
- ⑩ PUBLICITY
- ⑩ DIRECT MARKETING PROMOTION

- Advertising - "Advertising is any paid form of non-personal presentation and promotion of ideas, goods and services through mass media such as newspapers, magazines, television or radio by an identified sponsor"

PLACE

- The means by which products and services get from producer to consumer and where they can be accessed by the consumer
 - The more places to buy the product and the easier it is made to buy it, the better for the business (and the consumer)
- Retail - A business or person that sells goods to the consumer, as opposed to a wholesaler or supplier, who normally sell their goods to another business. Or we can say that selling directly to consumers.
- Wholesaler - Person or firm that buys large quantity of goods from various producers or vendors, warehouses them, and resells to retailers. Wholesalers who carry only non-competing goods or lines are called distributors.
- Direct selling - Face to face presentation, demonstration, and sale of products or services, usually at the home or office of a prospect by the independent direct sales representatives. Employed by firms such as Avon, Mary Kay, and Tupperware, direct selling differs from network marketing in that it offers little or no incentives for recruiting ever increasing number of sales representatives.

PEOPLE

- People represent the business
 - The image they present can be important
 - What is the lasting image they provide to the customer?
 - Extent of training and knowledge of the product/service concerned
 - Do staff represent the desired culture of the business?



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PROCESS

- How do people consume services?
- What processes do they have to go through to acquire the services?
- Where do they find the availability of the service?
 - Contact
 - Reminders
 - Registration
 - Subscription
 - Form filling
 - Degree of technology

PHYSICAL EVIDENCE

- The ambience, mood or physical presentation of the environment
 - Smart/shabby?
 - Trendy/retro/modern/old fashioned?
 - Light/dark/bright/subdued?
 - Romantic/chic/loud?
 - Clean/dirty/unkept/neat?
 - Music?
 - Smell?

THE MARKETING MIX

- **Blend of the mix depends upon:**
- Marketing objectives
- Type of product
- Target market
- Market structure
- Rivals' behaviour
- Global issues – culture/religion, etc.
- Marketing position

THE MARKETING ENVIRONMENT

- The Marketing Environment can be defined all the Internal and External Factors and Forces that affect a firm's ability to develop and maintain successful transactions and relationships



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with the target customers.

- Thus, Marketing Environment includes all forces that affect Marketing Policies, Decisions and Operations of a company.

COMPONENTS OF MARKETING ENVIRONMENT

- **Internal environment** : Forces and actions inside the firm that affect the marketing operation composed of internal stake holders and the other functional areas within the business organization.
- **External environment**
 - Micro environment
 - Macro environment

Factors affecting Marketing environment

- POLITICAL FORCES
 - ECONOMIC FORCES
 - SOCIAL AND CULTURAL FORCES
 - NATURAL FORCES
 - TECHNOLOGICAL FORCES
 - DEMOGRAPHIC FORCES
- Political and Legal forces
- Includes laws, government agencies and pressure groups that influence or limit various organizations and individuals in a given society.
 - Increasing legislation.
 - Changing government agency enforcement.
 - More emphasis on ethics and socially responsible actions.

Economic Environment

- The economic environment consists of factors that affect consumers purchasing and spending power.
- Under economic environment manager generally studies



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1. Trends of gross national product
 2. Patterns of real growth in income
 3. Variations in geographical income distribution.
 4. Borrowing pattern ,trends and governmental and legal restrictions.
4. Major economic variables

Social and cultural forces

- Social responsibility has crept into the marketing literature as an alternative to the market concept.
- Socially responsible marketing is that business firms should take the lead in eliminating socially harmful products

DEMOGRAPHIC FORCES

- Demographic data helps in preparing geographical marketing plans, household marketing plans, age and gender wise plans.
- It influences behavior of consumers which in turn will have direct impact on market place.
- A marketer must communicate with consumers anticipate problems ,respond to complaints and make sure that the firm operates properly.

Technological Environment

- Most dramatic force now shaping our destiny.
- Changes rapidly.
- Creates new markets and opportunities
- Challenge is to make practical, affordable products.
- Safety regulations result in higher research costs and longer time between conceptualization and introduction of product.

Natural Forces

- Involves the natural resources that are needed as inputs by marketers or that are affected by marketing activities.



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Consumer Behavior and Factors Influencing Consumer Behavior

The 4 factors influencing consumer behavior

There are 4 main types of factors influencing consumer behavior:

cultural factors,
social factors,
personal factors and
psychological factors.

I. Cultural factors

- Cultural factors are coming from the different components related to culture or cultural environment from which the consumer belongs.
- **Culture and societal environment:**
- Culture is crucial when it comes to understanding the needs and behaviors of an individual.
- Throughout his existence, an individual will be influenced by his family, his friends, his cultural environment or society that will “teach” him values, preferences as well as common behaviors to their own culture.
- For a brand, it is important to understand and take into account the cultural factors inherent to each market or to each situation in order to adapt its product and its marketing strategy. As these will play a role in the perception, habits, behavior or expectations of consumers.

Sub-cultures :

- A society is composed of several sub-cultures in which people can identify. Subcultures are groups of people who share the same values based on a common experience or a similar lifestyle in general.
- Subcultures are the nationalities, religions, ethnic groups, age groups, gender of the individual, etc..
- The subcultures are often considered by the brands for the segmentation of a market in order to adapt a product or a communication strategy to the values or the specific needs of this segment.

Social classes:

- Social classes are defined as groups more or less homogenous and ranked against each other according to a form of social hierarchy. Even if it's very large groups, we usually find similar values, lifestyles, interests and behaviors in individuals belonging to the same social class.
- We often assume three general categories among social classes : lower class, middle class and upper class.
- People from different social classes tend to have different desires and consumption



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patterns. Disparities resulting from the difference in their purchasing power, but not only. According to some researchers, behavior and buying habits would also be a way of identification and belonging to its social class.

Cultural trends:

- They affect behavior and shopping habits of consumers and may be related to the release of new products or become a source of innovation for brands.
- By social pressure, desire to conformity or belonging to a group, desire to “follow fashion trends” or simply due to the high visibility provided by media, consumers will be influenced, consciously or unconsciously, by these trends.

II. Social factors

- Social factors are among the factors influencing consumer behavior significantly. They fall into three categories: reference groups, family and social roles and status.

Reference groups and membership groups :

- The membership groups of an individual are social groups to which he belongs and which will influence him. The membership groups are usually related to its social origin, age, place of residence, work, hobbies, leisure, etc..
- The influence level may vary depending on individuals and groups. But is generally observed common consumption trends among the members of a same group.
- The understanding of the specific features (mindset, values, lifestyle, etc..) of each group allows brands to better target their advertising message.
- More generally, reference groups are defined as those that provide to the individual some points of comparison more or less direct about his behavior, lifestyle, desires or consumer habits. They influence the image that the individual has of himself as well as his behavior. Whether it is a membership group or a non-membership group.
- Because the individual can also be influenced by a group to which he doesn't belong yet but wishes to be part of. This is called an aspirational group. This group will have a direct influence on the consumer who, wishing to belong to this group and look like its members, will try to buy the same products.
- Within a reference group that influence the consumer buying behavior, several roles have been identified:

The initiator:



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- the person who suggests buying a product or service

The influencer:

- the person whose point of view or advice will influence the buying decision. It may be a person outside the group (singer, athlete, actor, etc..) but on which group members rely on.

The decision-maker:

- the person who will choose which product to buy. In general, it's the consumer but in some cases it may be another person. For example, the "leader" of a soccer supporters' group (*membership group*) that will define, for the whole group, which supporter's scarf buy and wear during the next game.

The buyer:

- the person who will buy the product. Generally, this will be the final consumer.

Family:

- The family is maybe the most influencing factor for an individual. It forms an environment of socialization in which an individual will evolve, shape his personality, acquire values. But also develop attitudes and opinions on various subjects such as politics, society, social relations or himself and his desires.
- But also on his consumer habits, his perception of brands and the products he buys.
- We all kept, for many of us and for some products and brands, the same buying habits and consumption patterns that the ones we had known in our family.

Social roles and status:

- The position of an individual within his family, his work, his country club, his group of friends, etc.. – All this can be defined in terms of role and social status.
- A social role is a set of attitudes and activities that an individual is supposed to have and do according to his profession and his position at work, his position in the family, his gender, etc.. – and expectations of the people around him.
- Social status meanwhile reflects the rank and the importance of this role in society or in social groups. Some are more valued than others.
- The social role and status profoundly influences the consumer behavior and his purchasing decisions.

III. Personal factors:

- Decisions and buying behavior are obviously also influenced by the characteristics of each consumer.

Age and way of life:



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- A consumer does not buy the same products or services at 20 or 70 years. His lifestyle, values, environment, activities, hobbies and consumer habits evolve throughout his life.
- For example, during his life, a consumer could change his diet from unhealthy products (fast food, ready meals, etc..) to a healthier diet, during mid-life with family before needing to follow a little later a low cholesterol diet to avoid health problems.
- The factors influencing the buying decision process may also change. For example, the “social value” of a brand generally plays a more important role in the decision for a consumer at 25 than at 65 years.

Purchasing power and revenue:

- The purchasing power of an individual will have, of course, a decisive influence on his behavior and purchasing decisions based on his income and his capital.
- This obviously affects what he can afford, his perspective on money and the level of importance of price in his purchasing decisions. But it also plays a role in the kind of retailers where he goes or the kind of brands he buys.
- As for social status, some consumers may also look for the “social value” of products they buy in order to show “external indications” of their incomes and their level of purchasing power..

Lifestyle:

- The lifestyle of an individual includes all of its activities, interests, values and opinions.
- The lifestyle of a consumer will influence on his behavior and purchasing decisions. For example, a consumer with a healthy and balanced lifestyle will prefer to eat organic products and go to specific grocery stores, will do some jogging regularly (and therefore will buy shoes, clothes and specific products), etc..

Personality and self-concept:

- Personality is the set of traits and specific characteristics of each individual. It is the product of the interaction of psychological and physiological characteristics of the individual and results in constant behaviors.
- It materializes into some traits such as confidence, sociability, autonomy, charisma, ambition, openness to others, shyness, curiosity, adaptability, etc..
- While the self-concept is the image that the individual has – or would like to have – of him and he conveys to his entourage. These two concepts greatly influence the individual in his choices and his way of being in everyday life. And therefore also his shopping behavior and purchasing habits as consumer.
- In order to attract more customers, many brands are trying to develop an image and a



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personality that conveys the traits and values - real or desired – of consumers they are targeting.

IV. Psychological factors

- Among the factors influencing consumer behavior, psychological factors can be divided into 4 categories: motivation, perception, learning as well as beliefs and attitudes.

Motivation:

- Motivation is what will drive consumers to develop a purchasing behavior. It is the expression of a need which became pressing enough to lead the consumer to want to satisfy it. It is usually working at a subconscious level and is often difficult to measure.
- Motivation is directly related to the need and is expressed in the same type of classification as defined in the stages of the consumer buying decision process.
- To increase sales and encourage consumers to purchase, brands should try to create, make conscious or reinforce a need in the consumer's mind so that he develops a purchase motivation. He will be much more interested in considering and buying their products.
- They must also, according to research, the type of product they sell and the consumers they target, pick out the motivation and the need to which their product responds in order to make them appear as the solution to the consumers' need.

Perception:

- Perception is the process through which an individual selects, organizes and interprets the information he receives in order to do something that makes sense. The perception of a situation at a given time may decide if and how the person will act.
- Depending on his experiences, beliefs and personal characteristics, an individual will have a different perception from another.
- Each person faces every day tens of thousands of sensory stimuli (visual, auditory, kinesthetic, olfactory and gustatory). It would be impossible for the brain to process all consciously. That is why it focuses only on some of them.

Learning:

- Learning is through action. When we act, we learn. It implies a change in the behavior resulting from the experience. The learning changes the behavior of an individual as he acquires information and experience.
- For example, if you are sick after drinking milk, you had a negative experience, you associate the milk with this state of discomfort and you "learn" that you should not drink milk. Therefore, you don't buy milk anymore.



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- Rather, if you had a good experience with the product, you will have much more desire to buy it again next time.

Beliefs and attitudes:

- A belief is a conviction that an individual has on something. Through the experience he acquires, his learning and his external influences (family, friends, etc.), he will develop beliefs that will influence his buying behavior.
- While an attitude can be defined as a feeling, an assessment of an object or idea and the predisposition to act in a certain way toward that object. Attitudes allow the individual to develop a coherent behavior against a class of similar objects or ideas.
- Beliefs as well as attitudes are generally well-anchored in the individual's mind and are difficult to change. For many people, their beliefs and attitudes are part of their personality and of who they are.

Organizational Buying Behaviour

Introduction to Organizational Buying Behaviour

Organization buying is the decision-making process by which formal organizations establish the need for purchased products and services and identify, evaluate, and choose among alternative brands and suppliers.

Organisational buying is very similar to individual buyer behaviour with some contextual differences. Organisations buy in furtherance of organisational objectives, such as to manufacture and deliver goods and services to members, customers or the community.

Organisational buying is heavily influenced by derived demand, that is, demand for an end product or for a product or service sold by the buyer's customers. The demand for components by a manufacturer will be dependent on demand coming from their customers, the retailers and wholesalers, who in turn are reacting to demand from their customers, the consumers. Overall consumer demand may in turn be impacted by economic, social, political and technological factors in the environment.

Different groups or individuals may play one or more of the following roles:

- **Users:** these are the people who will directly use or consume or require the product or service in order to undertake their operational duties.
- **Influencers:** these are individuals or groups who help specify the requirements or provide information to help evaluate the alternatives. People who provide technical input are usually in this group.
- **Buyers:** these individuals and groups have the formal authority to select vendors and undertake the actual purchase transaction. They may take a major role in the negotiations on price and conditions of supply.



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- **Deciders:** These individuals have formal or informal authority to select the final supplier. May be the same as Buyers in routine purchases.
- **Gatekeepers:** These individuals informally or formally control the flow of information or access to other groups involved in the buying process.

The differences between organizational and individual buying processes are shown in the following table:

Buying Step	Business to Business	Consumer
Problem recognition	Anticipates and plans for purchase on a routine basis	Reacts to needs when they arise
General need description	Extensive, objective cost-benefit analysis	Limited analysis of benefits; concern with total cost
Product specification	Precise technical description using techniques such as value analysis	Description more in terms of benefits
Information/ Supplier search	Extensive search that extends to the search for supplier	Limited search – geographically and in terms of sources
Proposal solicitation	Formal, such as in a tender process if large volumes or values involved	May be verbal
Buying Step	Business to Business	Consumer
Supplier selection	Made after extensive evaluation of objective information	Limited analysis with subjective and anecdotal information influencing the decision
Order-routine specification	Routine calculation of re-order points as well as time and place of delivery	Not routine
Post-purchase performance review	Extensive comparison made and feedback given, concern with quality management at source	Little basis for comparison

Three Buying Situations:

1. New task
2. Modified rebuy
3. Straight rebuy



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New task

In this situation, the buyer is buying the product for the first time. As the cost of the product or consumption value becomes higher, more number of executives are involved in the process. The stages of awareness, interest, evaluation, trial, and adoption will be there for the products of each potential supplier. Only the products which pass all the stages will be on the approved list and price competition will follow subsequently.

- When the problem or need is totally different from previous experiences.
- Significant amount of information is required.
- Buyers operate in the extensive problem solving stage.
 - Buyers lack well defined criteria.
 - Lack strong predispositions toward a solution.

Modified rebuy

In this buying situation, there is a modification to the specifications of the product or specifications related to delivery. Executives apart from the purchasing department are involved in the buying decisions. The company is looking for additional suppliers or is ready to modify the approved vendors list based on the technical capabilities and delivery capabilities.

- Decision makers feel there are benefits to be derived by reevaluating alternatives.
- Most likely to occur when displeased with the performance of current supplier.
- Buyers operate in the limited problem solving stage.
 - Buyers have well defined criteria.

Straight rebuy

In this buying situation, only purchasing department is involved. They get an information from inventory control department or section to reorder the material or item and they seek quotations from vendors in an approved list. The "in-suppliers" make efforts to maintain product and service quality. The "out-suppliers" have to make efforts to get their name list in the approved vendors' list and for this purpose they have to offer something new or find out any issues of dissatisfaction with current suppliers and promise to provide better service.

- The problem or need is a recurring or continuing situation.
- Buyers have experience in the area in question.
- Require little or no new information.
- Buyers operate in the routine problem solving stage.

Major Influences on Business Buyers

- **Environmental factors**
Expected demand for the product that the buying organization is selling, expected shortages for the item, expected changes in technology related to the item etc. are the environmental factors that will have an effect.
- **Organizational factors**
Changes in purchasing department organization like centralized purchasing, decentralized purchasing and changes in purchasing practices like long-term contracts, relationship



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purchasing, zero-based pricing, vendor-performance evaluation are the organization factors of importance to marketers.

- **Interpersonal factors**
These factors are the relationship between buyers and sales representatives of various competitor companies.
- **Individual factors**
These factors related to the buyer. What sort of ways of interacting and service are appreciated by the buyers and what ways are considered as irritants? Marketers have to understand the reactions of buyers.

Organizational decision making processes

Most of the information an industrial buyer receives is delivered through direct contacts such as sales representatives or information packets. It is unlikely that an industrial buyer would use information provided through a trade ad as the sole basis for making a decision.

1. Problem recognition. The process begins when someone in the organization recognizes a problem or need that can be met by acquiring a good or service. Problem recognition can occur as a result of internal or external stimuli. External stimuli can be a presentation by a salesperson, an ad, or information picked up at a trade show.

2. General need description. Having recognized that a need exists, the buyers must add further refinement to its description . Working with engineers, users, purchasing agents, and others, the buyer identifies and prioritizes important product characteristics. Armed with extensive product knowledge, this individual is capable of addressing virtually all the product-related concerns of a typical customer.

3. Product specification. Technical specifications come next. This is usually the responsibility of the engineering department. Engineers design several alternatives, depending on the priority list established earlier.

4. Supplier search. The buyer now tries to identify the most appropriate vendor. The buyer can examine trade directories, perform computer search, or phone other companies for recommendations. Marketers can participate in this stage by contacting possible opinion leaders and soliciting support or by contacting the buyer directly. Personal selling plays a major role at this stage .

5. Proposal solicitation. Qualified suppliers are next invited to submit proposals. Some suppliers send only a catalog or a sales representative. Proposal development is a complex task that requires extensive research and skilled writing and presentation. **In** extreme cases, such proposals are comparable to complete marketing



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strategies found in the consumer sector.

6. Supplier selection. At this stage, the various proposals are screened and a choice is made. A significant part of this selection is evaluating the vendor. One study indicated that purchasing managers felt that the vendor was often more important than the proposal. Purchasing managers listed the three most important characteristics of the vendor as delivery capability, consistent quality, and fair price.. For example, for routine-order products, delivery, reliability, price, and supplier reputation are highly important. These factors can serve as appeals in sales presentations and in trade ads.

7. Order-routine specification. The buyer now writes the final order with the chosen supplier, listing the technical specifications, the quantity needed, the warranty, and so on.

8. Performance .review. In this final stage, the buyer reviews the supplier's performance.

MARKET SEGMENTATION

Contents

- Evolving Marketing Strategies
- What is Market Segmentation?
- Why segmentation?
- What are the requirements of Segmentation?
- Benefits & Limitations of Segmentation
- Segmenting Consumer Markets
 - Geographic Segmentation
 - Demographic Segmentation
 - Psychographic Segmentation
 - Behavioural Segmentation

Requirements of Market Segments



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In addition to having different needs, for segments to be practical they should be evaluated against the following criteria:

- **Identifiable:** the differentiating attributes of the segments must be measurable so that they can be identified.
- **Accessible:** the segments must be reachable through communication and distribution channels.
- **Measurable:** It has to be possible to determine the values of the variables used for segmentation with justifiable efforts. This is important especially for demographic and geographic variables. For an organization with direct sales (without intermediaries), the own customer database could deliver valuable information on buying behavior (frequency, volume, product groups, mode of payment etc)
- **Substantial:** the segments should be sufficiently large to justify the resources required to target them.
- **Unique needs:** to justify separate offerings, the segments must respond differently to the different marketing mixes.
- **Durable:** the segments should be relatively stable to minimize the cost of frequent changes.

Defining Marketing Segmentation

Market Segmentation is the sub-dividing of customers into homogenous sub-set of customers where any sub-set may conceivably selected as market target to be reached with distinct Marketing Mix – Philip Kotler

- Market Segmentation consists of taking the total heterogeneous market for a product & dividing into several sub-market of segments, each of which tends to be homogenous in full significant aspects – William Stanton
- Market Segmentation is the marketing process of identifying and breaking up the total market into groups of potential customers with similar motivations, needs or characteristics, who are likely to exhibit homogeneous purchase behaviour. Undertaking this process allows marketing efforts to be targeted at select groups.

Its objective is to design a marketing mix that precisely matches the expectations of customers



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in the targeted segment.

BENEFITS Of SEGMENTATION

- To develop marketing activities
- Increase marketing effectiveness
- Generate greater customer satisfaction
- Create savings
- To identify strategic opportunities and niches
- Allocation of marketing budget
- Adjustment of product to the market need
- To estimate the level of sales in the market
- To overcome competition effectively
- To develop effective marketing programmes
- To contribute towards achieving company goals

Benefits of Segmentation

- Increase in sales
- Satisfy customer needs more successfully
- customer feedback more easily obtained
- reduced costs as money is not wasted on ineffective advertising and promotion.
- Better utilization of scarce resources.



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Behavioural Segmentation

- Based on actual customer behavior towards the product.
- Some variables are :
 - a) Benefits Sought
 - b) Usage Rate
 - c) Brand Loyalty
 - d) Readiness/User Status
 - e) Occasion

Some Demographic Variables:

- Age
- Gender
- Family Size
- Income
- Education

Psychographic Segmentation

Some psychographic variables are :

- Activities
- Interests
- Opinions
- Personality



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- Values

Some of the geographic Variables are:

- Region : By continent , country, state .
- Size Of Metropolitan Area :Segmented according to size of population
- Population Density; Urban , Rural ,semi urban

UNIT II

Product

- A product can be anything that can be offered to the market to satisfy a want or a need.
- A bundle of attributes, offering for use/consumption by the final customer.

Levels of a Product

- **5 basic levels**
- **Each level adds more customer value**

CORE BENEFIT

BASIC PRODUCT

EXPECTED PRODUCT

AUGUMENTED PRODUCT

POTENTIAL PRODUCT

Core product

- Indicate core benefit or service
- **Explains what the buyer really buys**
- Basic step in designing products
- Defines problem solving benefits/ services that consumers seek
- Standardization of technology does not lead to much of difference from competing firms



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Basic Product

- At this level, the core benefit is turned into a basic product.
- Basic step in designing products
- Unbranded, plainly packaged, less expensive

Expected product

- Expected/ formal/ tangible product
 - Represents basic requirements, a customer finds essential to buy a product
 - Attributes & conditions required by the customers – identified-built into products
 - Includes brand name, features, design, packaging, quality level, styling, styling, attributes, instructions manual
 - As interfirm rivalry intensifies, differentiation on basis of formal product ceases (ceiling fans)
 - Marketer searches for a possible differentiation
- e.g. Sony camcorder (name, parts, styling, features, packaging – deliver core benefit-convenient, high quality way to capture important moments)

Augmented product

- Marketer prepares an augmented product that exceeds customer expectations.
- Intangible component of the product along with formal & core components
- Product built by adding consumer services & benefits

Augmented product

- **Product augmentation leads the marketer to look at the user's total consumption system.**
- **Attributes extended beyond customer expectations, includes**
 - After sales services
 - Delivery points & systems
 - Installation (bulky products)



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- Customer education & training
- Customer complaint management
- Payment options (high end products)
- Replacement/return policy
- Guarantees/ warranties
- Toll free number, etc

- These are added intangibles looked for when technology fails to differentiate
- Future competition will be in the “Augmented Products”
- Service component is expanded that enhances the product value
- No fixed range of services, based on customer needs
- Some may not be able to use extra services
Augmented product is a condition of mkt maturity/of relatively experienced/ sophisticated customers
Potential

- Potential/Future product
- Includes all possible improvements under given technological, economical, competitive conditions
- Helps to attract & retain customers
- These offerings differ from 1 market to another because of varying competitive conditions
- Driving force- to retain competitive advantage.

Types of Products

- **Consumer Products:**

- Bought by final consumers for personal consumption
- Categorized as...

a. Convenience products ;

- Bought frequently, immediately with minimum comparison and buying effort.
- Are low priced
- Available in many locations

e.g. Soap, candy, newspapers, fast food

Convenience products

Consumer products

b. Shopping Product;

- Characteristically compared on the basis of suitability, quality, price and style while selection



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and purchase.

- Distributed through fewer outlets

e.g. Furniture, clothing, used cars, major appliances, hotel and airline services.

Shopping products

c. Specialty Product:

- Has unique characteristics or brand identification for which a significant group of buyer is willing to make a special purchase effort

- People travel even long distances to buy them (Lamborghini)

- No comparison is involved in buying.

e.g. Specific brands, types of cars, high priced photographic equipments, designer clothes, services of medical/ legal specialists

d. Unsought Product:

- Consumer either does not know about/ knows about but does not normally think of buying it.

- Require a lot of advertising, personal selling and marketing efforts.

e.g. Life insurance, pre planned funeral services and blood donations.

2. Industrial Products:

- Distinguished from consumer products on the basis of usage

e.g. A lawn mower.

● **Materials & parts**

i. Raw materials & parts:

- Farm products, (wheat, cotton, livestock, fruits, vegetables)

- Natural products (fish, lumber, crude oils, iron ore)

ii. Manufactured materials & parts:

- component materials (iron yarn, cement, wires)

- Component parts (small motors, tires, castings)

b. Capital items

- Aid in buyer's production or operations

i. Installations:

- Major purchases (factories, offices)

- fixed equipment (generators, elevators, computer systems)

ii. Accessory equipments:

- Portable factory equipments and tools (hand tools, lift trucks)

- Office equipments (computers, fax machines, desks)

c. Supplies and Services:

- Are convenience products



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i. Supplies

- Operating supplies (Lubricants, coal, paper, pencil)
- Repair and maintenance (paint, nails, brooms)

ii. Services

- Maintenance and repair services (window clearing, computer repair)
- Business advisory services (legal, management, consulting, advertising)

Product Decisions

Categories of Product Decisions

■ Individual Product Decisions

■ Product Line Decisions
Individual Product Decisions

- Business needs to be involved in a decision making process for completing the overall product for market.
- Decisions faced by the marketer preparing their individual products for market include issues surrounding:
 - Product attributes
 - Branding
 - Packaging
 - Labelling
 - After Sales Services
 - Quality

Product Attributes

- It includes the features a product has to offer.
- It is because of these features, that a customer will buy the product.
- It sets a product apart from its competitors.
- Firm has to decide in advance what type of features it would like to incorporate in its product.

BRANDING

- Branding is a set of activities designed to create a brand and position it in the minds of



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consumers.

- A brand can be a company's name, product's name, symbols, letters generally standing for company's name or manufacturer's name.

Packaging

- Packaging is the activity of designing and producing the container or wrapper for products.
- There are 3 types of packaging:
 - Primary packaging
 - Secondary packaging
 - Tertiary packaging

Functions of packaging

- Containment
- Protection and preservation
- Communication
- Convenience
- Environmental aspects
- Reduction of pilferage
- Information transmission
- Security

LABELING

- A label is an information tag, wrapper, seal or imprinted message attached to a product.
- Types of label:
 - Brand label
 - Grade label
 - Descriptive label
 - Informative label

Functions of Labels

- Identification



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- Grading
- Description
- Promotion
- Consumer protection

AFTER SALE SERVICES

- After sales services refers to various processes which make sure consumers are satisfied with the products and services of the organisation.

Purpose of after sales services

- Delivery
- Installation
- Warranty
- Maintenance and spare parts
- Service quality
- Feedback
- Customer satisfaction

Product line decisions

- Expand :

This decision involves adding a new product in the company's product mix.

- Contract/drop

This decision guides the management of a company to withdraw a product from the market because the product may be running into losses or the company is losing its brand value because of that product

- Modify:

Under this decision, company plans to modify an existing product .the reasons to modify a product can be:

- a)Changes in technology
- b)Changes in competitor's products
- c)Change in customer's taste and preferences

- When a customer considers a familiar brand they enjoy there will be four levels:

⑩ Attributes



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- ⑩ Benefits
- ⑩ Values associated with brand
- ⑩ conjure personality – type of person who would use it

Brand Strategies for Businesses

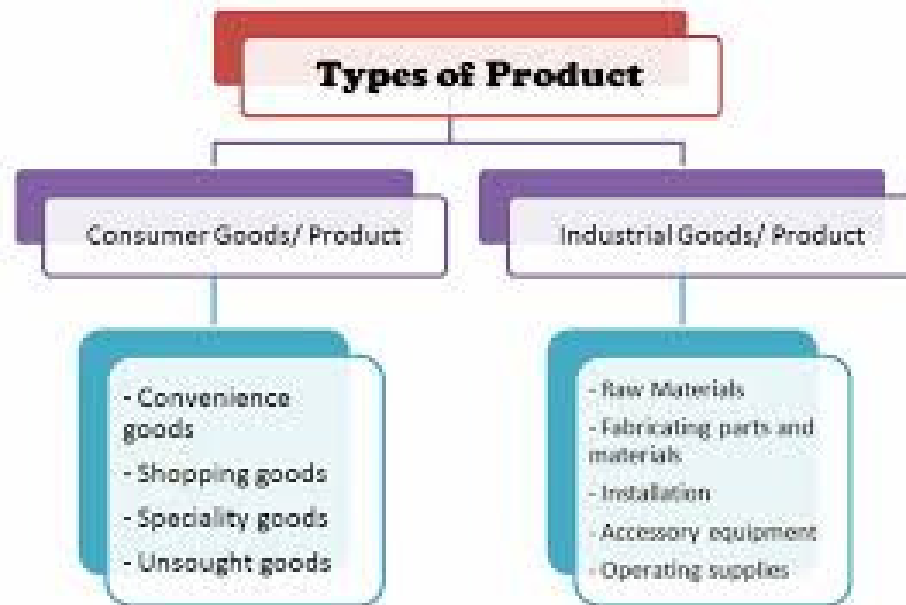
- There are four main brand strategies available to businesses:
 - ⑩ Line Extension Strategy = existing product, no brand name
 - ⑩ Multibrand Strategy = existing product with a new brand name
 - ⑩ Brand Extension = new product with an existing brand
 - ⑩ New Brands Strategy = for new products and new brands

Product decision process

- Consider packaging that is most appropriate for product
- what level of product support services will be offered to the consumers.

Product Line and Product Mix decisions

- Turn our attention on decision made for groups of products called product lines.
- Product lines have similar elements such as price, or function. E.g different types of nokia phones
- Businesses sometimes stretch product lines upwards and downwards, meaning having quality expensive items as well as lower price items to widen target market.



PRODUCT LIFE CYCLE

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

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.

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.

The first of the four product life cycle stages is the Introduction Stage. Any business that is launching a new product needs to appreciate that this initial stage could require significant



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investment. This isn't to say that spending a lot of money at this stage will guarantee the product's success. Any investment in research and new product development has to be weighed up against the likely return from the new product, and an effective marketing plan will need to be developed, in order to give the new product the best chance of achieving this return.

Challenges of the Introduction Stage

Small or no market: When a new product is launched, there is typically no market for it, or if a market does exist it is likely to be very small. Naturally this means that sales are going to be low to start off with. There will be occasions where a great new product or fantastic marketing campaign will create such a buzz that sales take off straight away, but these are generally special cases, and it often takes time and effort before most products achieve this kind of momentum

High costs: Very few products are created without some research and development, and once they are created, many manufacturers will need to invest in marketing and promotion in order to achieve the kind of demand that will make their new product a success. Both of these can cost a lot of money, and in the case of some markets these costs could run into many millions of dollars.

Losses, Not Profits: With all the costs of getting a new product to market, most companies will see negative profits for part of the Initial Stage of the product life cycle, although the amount and duration of these negative profits does differ from one market to another. Some manufacturers could start showing a profit quite quickly, while for companies in other sectors it could take years.

Benefits of the Introduction Stage

Limited competition: If the product is truly original and a business is the first to manufacture and market it, the lack of direct competition would be a distinct advantage. Being first could help an organisation to capture a large market share before other companies start launching competing products, and in some instances can enable a business's brand name to become synonymous with the whole range of products, like Walkman, Biro, Tannoy and Hoover.

High Price: Manufacturers that are launching a new product are often able to charge prices that are significantly above what will eventually become the average market price. This is because early adopters are prepared to pay this higher price to get their hands on the latest products, and it allows the company to recoup some of the costs of developing and launching the product. In some situations however, manufacturers might do the exact opposite and offer relatively low prices, in order to stimulate the demand.

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.



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The Growth stage is the second of stages in the product life cycle, and for many manufacturers this is the key stage for establishing a product's position in a market, increasing sales, and improving profit margins. This is achieved by the continued development of consumer demand through the use of marketing and promotional activity, combined with the reduction of manufacturing costs. How soon a product moves from the Introduction stage to the Growth stage, and how rapidly sales increase, can vary quite a lot from one market to another.

Challenges of the Growth Stage

- **Increasing Competition:** When a company is the first one to introduce a product into the market, they have the benefit of little or no competition. However, when the demand for their product starts to increase, and the company moves into the Growth phase of the product life cycle, they are likely to face increased competition as new manufacturers look to benefit from a new, developing market.
- **Lower Prices:** During the Introduction stage, companies can very often charge early adopters a premium price for a new product. However, in response to the growing number of competitors that are likely to enter the market during the Growth phase, manufacturers may have to lower their prices in order to achieve the desired increase in sales.
- **Different Marketing Approach:** Marketing campaigns during the Introduction stage tend to benefit from all the buzz and hype that surrounds the launch of a new product. But once the product becomes established and is no longer 'new', a more sophisticated marketing approach is likely to be needed in order to make the most of the growth potential of this phase.

Benefits of the Growth Stage

- **Costs are Reduced:** With new product development and marketing, the Introduction stage is usually the most costly phase of a product's life cycle. In contrast, the Growth stage can be the most profitable part of the whole cycle for a manufacturer. As production increases to meet demand, manufacturers are able to reduce their costs through economies of scale, and established routes to market will also become a lot more efficient.
- **Greater Consumer Awareness:** During the Growth phase more and more consumers will become aware of the new product. This means that the size of the market will start to increase and there will be a greater demand for the product; all of which leads to the relatively sharp increase in sales that is characteristic of the Growth stage.
- **Increase in Profits:** With lower costs and a significant increase in sales, most manufacturers will see an increase in profits during the Growth stage, both in terms of the overall amount of profit they make and the profit margin on each product they sell.

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.



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After the Introduction and Growth stages, a product passes into the Maturity stage. The third of the product life cycle stages can be quite a challenging time for manufacturers. In the first two stages companies try to establish a market and then grow sales of their product to achieve as large a share of that market as possible. However, during the Maturity stage, the primary focus for most companies will be maintaining their market share in the face of a number of different challenges

Challenges of the Maturity Stage

- **Sales Volumes Peak:** After the steady increase in sales during the Growth stage, the market starts to become saturated as there are fewer new customers. The majority of the consumers who are ever going to purchase the product have already done so.
- **Decreasing Market Share:** Another characteristic of the Maturity stage is the large volume of manufacturers who are all competing for a share of the market. With this stage of the product life cycle often seeing the highest levels of competition, it becomes increasingly challenging for companies to maintain their market share.
- **Profits Start to Decrease:** While this stage may be when the market as a whole makes the most profit, it is often the part of the product life cycle where a lot of manufacturers can start to see their profits decrease. Profits will have to be shared amongst all of the competitors in the market, and with sales likely to peak during this stage, any manufacturer that loses market share, and experiences a fall in sales, is likely to see a subsequent fall in profits. This decrease in profits could be compounded by the falling prices that are often seen when the sheer number of competitors forces some of them to try attracting more customers by competing on price.

Benefits of the Maturity Stage

- **Continued Reduction in Costs:** Just as economies of scale in the Growth stage helped to reduce costs, developments in production can lead to more efficient ways to manufacture high volumes of a particular product, helping to lower costs even further.
- **Increased Market Share Through Differentiation:** While the market may reach saturation during the Maturity stage, manufacturers might be able to grow their market share and increase profits in other ways. Through the use of innovative marketing campaigns and by offering more diverse product features, companies can actually improve their market share through differentiation and there are plenty of product life cycle examples of businesses being able to achieve this.

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.

The last of the product life cycle stages is the Decline stage, which as you might expect is often the beginning of the end for a product. When you look at the classic product life cycle curve, the Decline stage is very clearly demonstrated by the fall in both sales and profits. Despite the



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obvious challenges of this decline, there may still be opportunities for manufacturers to continue making a profit from their product.

Challenges of the Decline Stage

- **Market in Decline:** During this final phase of the product life cycle, the market for a product will start to decline. Consumers will typically stop buying this product in favour of something newer and better, and there's generally not much a manufacturer will be able to do to prevent this.
- **Falling Sales and Profits:** As a result of the declining market, sales will start to fall, and the overall profit that is available to the manufacturers in the market will start to decrease. One way for companies to slow this fall in sales and profits is to try and increase their market share which, while challenging enough during the Maturity stage of the cycle, can be even harder when a market is in decline.
- **Product Withdrawal:** Ultimately, for a lot of manufacturers it could get to a point where they are no longer making a profit from their product. As there may be no way to reverse this decline, the only option many business will have is to withdraw their product before it starts to lose them money.

Benefits of the Decline Stage

- **Cheaper Production:** Even during the Decline stage, there may be opportunities for some companies to continue selling their products at a profit, if they are able to reduce their costs. By looking at alternative manufacturing options, using different techniques, or moving production to another location, a business may be able to extend the profitable life of a product.
- **Cheaper Markets:** For some manufacturers, another way to continue making a profit from a product during the Decline stage may be to look to new, cheaper markets for sales. In the past, the profit potential from these markets may not have justified the investment need to enter them, but companies often see things differently when the only other alternative might be to withdraw a product altogether.

NEW PRODUCT AND NEW PRODUCT DEVELOPMENT PROCESS

What is a new product ?

- A product that opens an entirely new market
- A product that adopts or replaces an existing product
- A product that significantly broadens the market for an existing product
- An old product introduced in a new market
- An old product packaged in a different way



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- An old product marketed in a different way

Why develop New Product ?

- To create stars and cash cows for the future
- To replace declining product
- To take advantage of new technology
- To defeat rivals
- To maintain/increase market share
- To keep up with rivals
- To maintain competitive advantage
- To fill gap in the market

New product development

- New product development is a process which is designed to develop, test and consider the viability of products which are new to the market in order to ensure the Growth or survival of the organisation.

Stages in New product development

- Idea Generation
- Idea Screening
- Concept development and testing
- Market strategy development
- Business Analysis
- Test marketing



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- Commercialization

Idea Generation

- Idea generation is continuous, systematic search for new product opportunities. It involves delineating sources of new ideas and methods for generating them.
- Ideas for new products can be obtained from basic research using a SWOT analysis (OPPORTUNITY ANALYSIS), Market and consumer trends, company's R&D department, competitors, focus groups, employees, salespeople, corporate spies,

Idea Screening

- The object is to eliminate unsound concepts prior to devoting resources to them.
- The screeners must ask these 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?

Concept testing

- Concept testing present the consumer with a proposed product and measure attitudes and intention at this early stage of development.
- Concept testing of prototypes can help avoid costly mistakes.

Market Strategy Development

- Outlines the planned price, distribution strategy, and marketing budget for the first year.
- Describes the long-run sales and profit goals and marketing-mix strategy over time.

Business & financial Analysis



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- Estimate likely selling price based upon competition and customer feedback
- Estimate sales volume based upon size of market
- Estimate profitability and breakeven point

Test Marketing

- Test marketing involves placing a product for sale in one or more selected areas and observing its actual performance under the proposed marketing plan

Commercialization

- Commercialization involves implementing a total marketing plan and full production
- ✓ Launch the product
- ✓ Produce and place advertisements and other promotions
- ✓ Fill the distribution pipeline with product
- ✓ Critical path analysis is most useful at this stage

Pricing

Price is all around us. We pay rent for our apartment, tuition for our education, airline, railways, buses charge you a fare, local bank charge interest for the money a fee to your doctor etc. Thus price is not just a number on a tag or an item.

Traditionally, price has been the major determinant of a buyer's choice & is the only element in the marketing mix that generates revenue. Pricing acquires its importance on account of yet another factor. It is a highly risky decision area & mistakes in pricing seriously affects the firm, its profits, growth & future.

Pricing objective

- Customers' willingness and capacity to pay
- Costs of manufacturing and selling the product
- Competition

PRICING PROCESS

The process of pricing is as follows:



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- 1) Development of pricing objectives
- 2) Assessment of target market's evaluation of price
- 3) Evaluation of competitor's price
- 4) Selection of a basis for pricing
- 5) Selection of a pricing strategy
- 6) Determination of a specific price

1) Development of Pricing Objectives

Pricing objectives are goals that describe what a firm wants to achieve through pricing.

Forms the basis for decision about other stages of pricing.

Must be consistent with firm's overall marketing objectives.

Can be one or multiple objectives.

Can be short term or long term.

Types of pricing objectives:

- a) Cost oriented
- b) Sales oriented
- c) Status quo oriented

2) Assessment of Target Market's Evaluation of Price

Price depends on:

Type of product

Type of target market

Value focus: combines a product's price and quality attributes which the consumers use to differentiate between competitor's brands

Helps marketer assess the target market's evaluation of price.

3) Evaluation of Competitor's Price

Comparative shoppers: people who collect data systematically on competitor's prices.



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Importance of knowing competitor's prices:

- a) Helps determine how important price will be for customers
- b) Helps marketers in setting comparative or appropriate prices for their products.

4) Selection of a basis for pricing

The 3 major dimensions on which prices can be based are:

Cost

Demand

Competition

The decision for the basis of pricing is affected by:

Type of product

Market structure of the industry

Brand's market share relative to competitor's

Customer characteristics

5) Selection of a Pricing Strategy

Pricing strategies are of following types:

1) Market penetration pricing

2) Market skimming strategy

3) product life cycle strategy

4) price change strategy

5) psychological pricing

a) odd even pricing

b) customary pricing



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- c)prestige pricing
- d)discount strategy
- e)promotion pricing strategy.

6)Determination of a Specific Price

The last step includes determining a final price for the product after analysing every aspect of the previous steps.

PRICING DETERMINANTS

There are internal as well as external factors that affect pricing :

Internal Factors :

1. Corporate & marketing objectives of the firm.
2. The image sought by the firm through pricing
3. The characteristic of the product
4. Price elasticity of demand of the product.
5. Stage of product in its life cycle.
6. Use pattern & turnaround rate of the product.
7. Cost of manufacturing & marketing
8. Extent of differentiation practiced
9. Composition of the product line of the firm.

External Factors :

1. Market characteristics (relative to demand, customer & competition)
2. Buyer behavior in respect of the product
3. Bargaining power of major customers
4. Bargaining power of major suppliers
5. Competitor's pricing policy
6. Government controls / regulation on pricing
7. Other relevant legal aspects
8. Societal consider

Pricing Techniques/ Strategies

There are several methods of pricing & they can be grouped into few broad categories

- (1)Cost Based Pricing
- (2)Demand Based Pricing
- (3)Competition Oriented Pricing
- (4)Value Pricing
- (5)Product Line Oriented Pricing
- (6)Tender Pricing
- (7)Affordability Based Pricing
- (8)Differentiated Pricin



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1) Cost Based Pricing : Under the cost based pricing, different methods used are :

- Mark Up Pricing
- Absorption Cost Pricing
- Target Rate of Return Pricing
- Marginal Cost Pricing

Mark Up Pricing : It refers to the pricing methods in which the selling price of the product is fixed by adding a margin to its cost price. The mark ups may vary depending on the nature of the product & the market. Usually, the higher the value of the product, the larger is the markup. Again, the slower the turnaround of the product, the larger is the mark up. Mark-up pricing proceeds on the assumption that demand cannot be known accurately, but costs are known.

Absorption Cost Pricing :

ACP rests on the estimated unit cost of the product at the normal level of production & sales. The method uses standard costing techniques & works out the variable & fixed costs involved in manufacturing, selling & administering the product. By adding the costs of 3 operations, we get the total costs. The selling price of the product is arrived by adding the required margin towards profit to such total costs. The main merit of this method is that as long as the market can absorb the production at the determined price, the firm is assured of its profits without any risk & the main demerit is that the method simply assumes price to be a function of cost alone & this method becomes ineffective.

Target Rate of Return Pricing : It is similar to absorption cost pricing. The rate of return pricing uses a rational approach to arrive at the mark up. It is arrived in such a way that the ROI criteria of the firm is met in the process. But this process amounts to an improvement over absorption costing since it uses a rational basis for arriving at the mark up. Second, since the rate of return on the funds employed is a function of mark up as well as turnaround of capital employed, rate of return pricing constantly reminds the firm that there are 2 routes for profits improvement in the capital turnover & increase in the mark up. The main limitation of the method is that the rate of return is linked to the level of production & sales assumed.

Marginal Cost Pricing: It aims at maximizing the contribution towards fixed costs. Marginal costs include all the direct variable costs of the product. In marginal cost pricing, these direct variable costs are fully

Realized. In addition, a portion of the fixed costs is also realized under competitive market conditions marginal cost pricing is more useful. Moreover, when a firm has a number of product lines marginal cost pricing is useful. This method is also useful in quoting for competitive tenders & in export marketing. On the demerits side, marginal costing makes certain assumptions, regarding cost & revenue behaviors which can turn out to be incorrect in some cases. Moreover, while marginal costing rests on a twofold classification of cost into fixed costs & variable costs, in reality there can be a third class of costs



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The Semi variable costs.

(2) Demand Based Pricing:

The following methods belong to the category of demand / market based pricing :

Skimming Pricing

Penetration Pricing

The seller takes the maximum price that the customers are willing to pay for the product under the given circumstances. This method is used more by retail traders than by manufacturing firms. This method brings high profits in the short term. But in the long run it is not a safe concept, chances of errors in judgment are very high.

Skimming Pricing: This method aims at high price & high profits in the early stage of marketing the product. It profitably taps the opportunity for selling at high prices to those segments of the market, which do not bother much about the price. This method is very useful in the pricing of new products, especially those that have a luxury or specialty elements.

Penetration Pricing : Penetration pricing seeks to achieve greater market penetration through relatively low price. This method is also useful in pricing of new products under certain circumstances. For eg. When the new product is capable of bringing in large volume of sales, but it is not a luxury item & there is no affluent / price insensitive segment, the firm can choose the penetration pricing & make large size sales at a reasonable price before competitors enter the market with a similar product. Penetration pricing in such cases will help the firm have a good coverage of the market & keep competition out for some time.

In all demand based pricing methods, the price elasticity of demand is taken into account directly or indirectly. Price elasticity of demand refers to the relative sensitivity of demand for a product to changes in its price in other words how significantly the sales of the product are affected when price is changed. If an increase or decrease in the price of the product results in significant decrease or increase the product is said to be price elastic conversely, if price change does not significantly affect the sales volume, a product is said to be price inelastic.

(3) Competition Oriented Pricing:

In a competitive economy, competitive oriented pricing methods are common. The methods in this category rest on the principle of competitive parity in the matter of pricing. Three policy options are available to the firm under this pricing method:

Premium Pricing

Discount Pricing

Parity Pricing

Premium pricing means pricing above the level adopted by competitors.

Discount pricing means pricing below such level & parity pricing means

Matching competitors pricing.



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(4) Value Pricing: Value pricing is a modern innovative & distinctive method of pricing. Value pricing rests on the premise that the purpose of pricing is not to recover costs, but to capture the value of the product perceived by the customer. Analysis will readily show that the following scenario is possible with the cost value price chain.

(5) Product Line Pricing:

When a firm markets a variety of products grouped into suitable product lines, a special possibility in pricing arises. As the product in a given product line are related to each other, sales of one influence that of the others. They also have interrelated cost of manufacturing & distribution. It can fix the prices of the different product in such a manner that the product line as a whole is priced optimally, resulting in optimal sales of all the products put together & optimal total profits from the line.

(6) Tender Pricing: Business firms are often required to fix the prices of their products on a tender basis. It is more applicable to industrial products & products purchased by Institutional customers. Such customers usually go by competitive bidding through sealed tenders. They seek the best price consistent with the minimum quality specification & thus bag the order.

(7) Affordability Based Pricing: The affordability based pricing is relevant in respect of essential commodities, which meet the basic needs of all sections of people. Idea here is to set prices in such a way that all sections of the population are in a position to buy & consume the products to the required extent.

(8) Differentiated pricing Some firms charge different prices for the same product in different zones/ areas of the market. Sometimes, the differentiation in pricing is made on the basis of customer class rather than marketing territory.

PRICING POLICIES

Different pricing policies may appear in a company. Pricing policy should be made to solve pricing problems.

Main policies of pricing are as follows:

1) Flexible Pricing

These are of two types

a) One Price Policy

it's a policy which fixes same price for all customers. Company may adopt such policy where sales are done.

b) Price Discrimination Policy

its just opposite to one price policy. Producers charge different prices for same products in different geographical areas of the market segment.



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2)Discount and Allowance Policy

Cutting down price of a product or service is called discount and allowance policy. Its of 4 types:

a)quantity discount:Sales department can make policy of giving discounts on the basis of sale quantity. This type of discounts can motivate a customer to buy a lot of goods from the same seller.

b)Seasonal Discount

Some products have their seasonal importance. Cutting down prices during off season of products and services is called seasonal discount.

c)Cash Discount

the discount in cash given for getting quick payment of price for goods sold on credit is called cash discount.

d)Trade Discount

The discount given to distribution channels for selling or storing is called trade discount.

It is of 2 types:

a)Promotional Allowance

Agents, dealers and wholesalers advertise products and provide different services to customers. For providing such services, the producers either cut down the prices of products or give some amount of money as reward. Such facility provided by producers is promotional allowance.

3)Geographical pricing

Price of products can also be determined on the basis of geographical situation. Buyers or customers may live in different geographical areas.

UNIT III

Communication Process.

What is Communication?



Communication is the art of transmitting information, ideas and attitudes from one person to another. Communication is the process of meaningful interaction among human beings.



Personal process



Occurs between people



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- ★ Involves change in behaviour
- ★ Means to influence others
- ★ Expression of thoughts and emotions through words & actions.
- ★ Tools for controlling and motivating people.
- ★ It is a social and emotional process.

Features of Communication

- Two-way Process
- Information Sharing and Understanding
- Verbal and Non-Verbal.
- Circular Flow.
- Goal Oriented.
- Continuous Process
- Pervasive Activity.

The Communication Process

- **Sender / Encoder**
Sender / Encoder is a person who sends the message. A sender makes use of symbols (words or graphic or visual aids) to convey the message and produce the required response.
For instance - a training manager conducting training for new batch of employees. Sender may be an individual or a group or an organization. The views, background, approach, skills, competencies, and knowledge of the sender have a great impact on the message.
- **Encoding –** Encoding is the process where the information you would like to communicate gets transferred into a form to be sent and decoded by the receiver.
- **Message:** Message is a key idea that the sender wants to communicate. It is a sign that elicits the response of recipient. Communication process begins with deciding about the message to be conveyed. It must be ensured that the main objective of the message is clear.
- **Channel –** Channels are the way you convey your message. These channels include verbal such as telephone, and face-to-face conversations as well as non-verbal such as e-mail and



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text messaging. Each individual channel has its strengths and weaknesses in terms of communicating.

- For instance - Written medium is chosen when a message has to be conveyed to a small group of people, while an oral medium is chosen when spontaneous feedback is required from the recipient as misunderstandings are cleared then and there.
- Decoding – Decoding is on the receiving end of communication. This stage is just as important as encoding. Communication can go downhill at this stage if the receiver is not practicing active listening skills or if they do not possess enough information to accurately decode the message.
- Receiver - Receiver is a person for whom the message is intended or aimed. The degree to which the decoder understands the message is dependent upon various factors such as knowledge of recipient, their responsiveness to the message, and the reliance of encoder on decoder.
- Feedback - Feedback is the main component of communication process as it permits the sender to analyze the efficacy of the message. It helps the sender in confirming the correct interpretation of message by the decoder. Feedback may be verbal (through words) or non-verbal (in form of smiles, sighs, etc.). It may take written form also in form of memos, reports, etc.

Channels of Distribution

Different types of channel of distribution are as follows:

Manufacturers and consumers are two major components of the market. Intermediaries perform the duty of eliminating the distance between the two

Based on necessity the help of one or more intermediaries could be taken and even this is possible that there happens to be no intermediary. Their description is as follows:

(A) Direct Channel or Zero Level Channels:

When the manufacturer instead of selling the goods to the intermediary sells it directly to the consumer then this is known as Zero Level Channel. Retail outlets, mail order selling, internet selling and selling

(B) Indirect Channels:

When a manufacturer gets the help of one or more middlemen to move goods from the production place to the place of consumption, the distribution channel is called indirect channel. Following are the main types of it:

1. One Level Channel:



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In this method an intermediary is used. Here a manufacturer sells the goods directly to the retailer instead of selling it to agents or wholesalers. This method is used for expensive watches and other like products. This method is also useful for selling FMCG (Fast Moving Consumer Goods). This channel is clarified in the following diagram:

2. Two Level Channel:

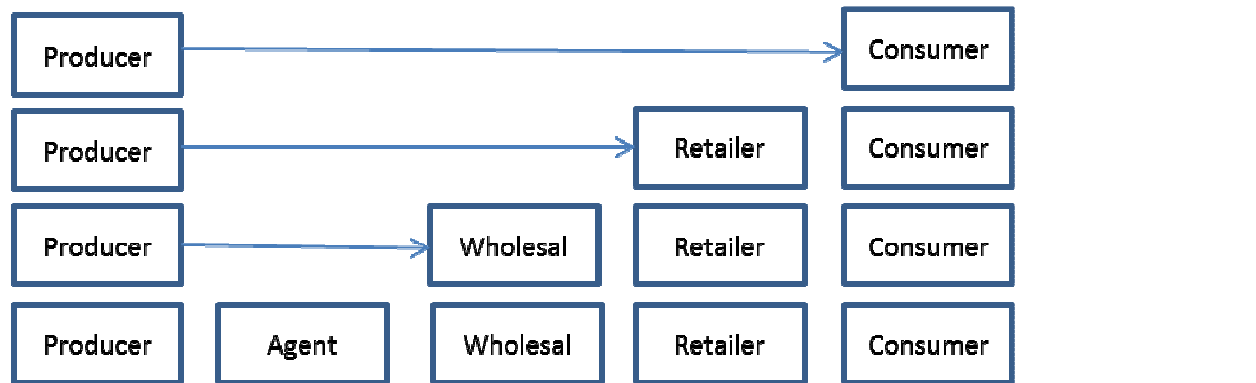
In this method a manufacturer sells the material to a wholesaler, the wholesaler to the retailer and then the retailer to the consumer. Here, the wholesaler after purchasing the material in large quantity from the manufacturer sells it in small quantity to the retailer.

Then the retailers make the products available to the consumers. This medium is mainly used to sell soap, tea, salt, cigarette, sugar, ghee etc. This channel is more clarified in the following diagram:

3. Three Level Channel:

Under this one more level is added to Two Level Channel in the form of agent. An agent facilitates to reduce the distance between the manufacturer and the wholesaler. Some big companies who cannot directly contact the wholesaler, they take the help of agents. Such companies appoint their agents in every region and sell the material to them.

Then the agents sell the material to the wholesalers, the wholesaler to the retailer and in the end the retailer sells the material to the consumers.



FUNCTIONS OF CHANNELS

1) Information Provider:

Middlemen have a role in providing information about the market to the manufacturer. Developments like changes in customer demography, psychography, media habits and the entry



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of a new competitor or a new brand and changes in customer preferences are some of the information that all manufacturers want. Since these middlemen are present in the market place and close to the customer they can provide this information at no additional cost.

2) Price Stability:

Maintaining price stability in the market is another function a middleman performs. Many a time the middlemen absorb an increase in the price of the products and continue to charge the customer the same old price. This is because of the intra-middlemen competition. The middleman also maintains price stability by keeping his overheads low.

3) Promotion:

Promoting the product/s in his territory is another function that middlemen perform. Many of them design their own sales incentive programmes, aimed at building customers traffic at the other outlets.

4) Financing:

Middlemen finance manufacturers' operation by providing the necessary working capital in the form of advance payments for goods and services. The payment is in advance even though the manufacturer may extend credit, because it has to be made even before the products are bought, consumed and paid for by the ultimate consumer

5) Title:

Most middlemen take the title to the goods, services and trade in their own name. This helps in diffusing the risks between the manufacturer and middlemen. This also enables middlemen to be in physical possession of the goods, which in turn enables them to meet customer demand at very moment it arises.

6) Help in Production Function:

The producer can concentrate on the production function leaving the marketing problem to middlemen who specialize in the profession. Their services can best utilized for selling the product. The finance, required for organising marketing can profitably be used in production where the rate of return would be greater.

8) Pricing:

In pricing a product, the producer should invite the suggestions from the middlemen who are very close to the ultimate users and know what they can pay for the product. Pricing may be different for different markets or products depending upon the channel of distribution.

9) Standardizing Transactions:

Standardizing transactions is another function of marketing channels. Taking the example of the milk delivery system, the distribution is standardized throughout the marketing channel so that consumers do not need to negotiate with the sellers on any aspect, whether it is price, quantity, method of payment or location of the product.

By standardizing transactions, marketing channels automate most of the stages in the flow of products from the manufacturer to the customers.



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10) Matching Buyers and Sellers:

The most crucial activity of the marketing channel members is to match the needs of buyers and sellers. Normally, most sellers do not know where they can reach potential buyers and similarly, buyers do not know where they can reach potential sellers. From this perspective, the role of the marketing channel to match the buyers' and sellers' needs becomes very vital. For example, a painter of modern art may not know where he can reach his potential customers, but an art dealer would surely know.

Selecting & Managing Marketing Channels

- There are a number of factors-both objective and subjective varying from company to company which govern choice or selection of channel of distribution.
- But there are some which stand out and influence channel of distribution choice in all cases.
- They may be described as under :-
 - Factors Relating to Product Characteristics
 - Factors Relating to Company's Characteristics
 - Factors Relating to Market or Consumer's Characteristics
 - Factors Relating to Middlemen Considerations
 - Factors Relating to Environmental Characteristics
- Product manufactured by a company is a governing factor in the selection of the channel of distribution.
- Product characteristics are as follows:-
 - Industrial/Consumer Products.
 - Perishability.
 - Unit Value.
 - Style Obsolescence.
 - Weight and Technicality.
 - Standardized Products.
 - Purchase Frequency.
 - Newness and Market Acceptance.
 - Seasonality.



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- Product Breadth.
- The choice of channel of distribution is also influenced by company's own characteristics as to its size, financial position, reputation, past channel experience, current marketing policies and product-mix etc.
- In this connection, some of the main factors are as follows:
 - Financial Strength.
 - Marketing Policies.
 - Size of the Company.
 - Past channel Experience.
 - Product-Mix.
 - Reputation.
- Market or consumer's characteristics refer to buying habits, location of market, size of orders etc.
- They influence the channel choice significantly.
- They may be summarized as under:
 - Consumers' Buying Habits.
 - Location of the Market.
 - Number of Customer.
 - Size of Order
- The choice of the channel of distribution is also influenced by the middlemen consideration.
- They may include the following:
 - Sales Volume Potential.
 - Availability of Middlemen.
 - Middlemen's Attitude.



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- Services Provided by Middlemen.
 - Cost of Channel.
- The environmental factors include competitor's channels, economic conditions, legal restrictions, fiscal structure etc, as given below, affect significantly the channel choice.
- Economic Condition.
 - Legal Restrictions.
 - Competitors Channel
 - Fiscal Structure.

PROMOTION

DEFINITION :-

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

To generate sales and profits, the benefits of products have to be communicated to customers. In marketing this is commonly known as “promotions”.

Promotion Techniques

Promoting your business can take many different forms. You can promote it online and offline. Promotion is a very important part of every business imaginable. If you don't promote it, how are customers supposed to know about it? Here are some very effective ways to promote your product or service.

- BUSINESS CARDS
- PRESS RELEASES
- ORGANIZATIONS
- NEWS LETTERS
- FREE STUFF
- WEBSITE

PROMOTION MIX

DEFINITION :-

Specific combination of promotional methods such as print or broadcast advertising, direct



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marketing, personal selling, point of sale display, merchandising, etc., used for one product or a family of products.

Six main Promotion Tactics

- ADVERTISING
- SALES PROMOTION
- PUBLIC RELATIONS
- PERSONAL SELLING
- PUBLICITY
- DIRECT MARKETING

ADVERTISING

The means of providing the most persuasive possible selling message to the right prospects at the lowest possible cost".

Kotler and Armstrong provide an alternative definition:-

"Advertising is any paid form of non-personal presentation and promotion of ideas, goods and services through mass media such as newspapers, magazines, television or radio by an identified sponsor".

SALES PROMOTION

"An activity designed to boost the sales of a product or service. It may include an advertising campaign, increased PR activity, a free-sample campaign, offering free gifts or trading stamps, arranging demonstrations or exhibitions, setting up competitions with attractive prizes, temporary price reductions, door-to-door calling, telemarketing, personal letters on other methods".

More than any other element of the promotional mix, sales promotion is about "action". It is about stimulating customers to buy a product. It is not designed to be informative – a role which advertising is much better suited to.

PUBLIC RELATIONS

"The planned and sustained effort to establish and maintain goodwill and mutual understanding between an organisation and its publics".

Public relations activities include, press releases, company literature, videos, websites and annual reports.

PERSONAL SELLING

Personal selling is oral communication with potential buyers of a product with the intention of making a sale. The personal selling may focus initially on developing a relationship with the potential buyer, but will always ultimately end with an attempt to "close the sale"

Personal selling is one of the oldest forms of promotion. It involves the use of a sales force to



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support a push strategy (encouraging intermediaries to buy the product) or a pull strategy (where the role of the sales force may be limited to supporting retailers and providing after-sales service).

PUBLICITY

Publicity refers to nonpersonal communications regarding an organization , product , service , or idea not directly paid for or run under identified sponsorship .it usually comes in the form of news story , editorial , or announcement about an organization and/or its products and services.

Techniques used to gain publicity include news releases , press conferences , feature articles , photographs , films , and videotapes.

DIRECT MARKETING

Direct marketing is concerned with establishing an individual relationship between the business offering a product or service and the final customer.

Direct marketing has been defined by the Institute of Direct Marketing as:

“The planned recording, analysis and tracking of customer behaviour to develop a relational marketing strategies”.

The process of direct marketing covers a wide range of promotional activities, These include:

- Direct-response adverts on television and radio
 - Mail order catalogues
 - E-commerce
 - Magazine inserts
 - Direct mail
 - Telemarketing

OBJECTIVES FOR PROMOTION

- BUILD AWARENESS.
- CREATE INTEREST.
- PROVIDE INFORMATION.
- STIMULATE DEMAND.
- REINFORCE THE BRAND.

UNIT IV

Consumerism

What is Consumerism ?

- Consumerism is an organised movement of citizens and government to strengthen the rights and power of buyers in relation to sellers.
- Consumerism refers to the wide range of activities of government business and



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independent organisations designed to protect rights of the consumers.

- Consumerism is a collective consciousness on the part of consumers, business, government and civil society to enhance consumer satisfaction and social welfare which will in turn benefit all of them and finally make the society a better place to live in.
- The consumer is exposed to many hazardous - physical, environmental and exploitation due to unfair trade practices.
- The consumer needs protection against products which are unsafe for consumption such as drugs and adulterated food products and products which may cause injury such as defective electrical appliances.
- Consumer needs protection against mal-practices and deceit by sellers.
- Consumer should have adequate rights and right of recourse to redressal measures against defaulting businessmen.
- In our **Indian system**, the consumer has **six rights** given for his protection from exploitation from the shopkeepers or sellers.
- **Consumer exploitation** means mistreatment or cheating with consumer by adulteration, Thagi or in any other unfair form.
- To prevent consumer from exploitation, our government have passed many **Acts** from time to time.
- **Some of them are as follows:-**
 1. Drug and Cosmetics Act, 1940
 2. Prevention of Food Adulteration Act, 1954
 3. Essential Commodity (supply) Act, 1955
 4. Monopolies and Restrictive Trade Practices Act, 1969
 5. Standard of Weights and Measures Act, 1976
 6. Consumer Protection Act, 1986

Why Is It Needed ?

- Demand-supply imbalance (demand > supply / demand < supply)
- Lack of workable competition (monopoly > perfect competition)
- Unfamiliarity with innovations
(poverty, lack of social awareness, accepting life as it is and passive outlook)
- Unconsciousness about rights
(illiterate uneducated ignorant and ill-informed)



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- Feign advertisements (a need for consumer guidance)
- Time consuming legal process

How Has It Come About ?

- Before Liberalization :-
 - No Disposable Income
 - No Rights & Redressal Forums
- After Liberalization :-
 - Informed Consumer
 - Proactive Steps By Industry & Government

What It Creates ?

- Demand driven economy
- Status of king for the Consumer
- A more responsive government
- Minimize imperfections on distribution front

How Is It Affecting Us ?

- We now have choices.
- Regulatory authorities like:
TRAI ASCI
- Government have passed many Acts to protect consumers from exploitation. Some of them are as follows :-
 1. Drug and Cosmetics Act, 1940
 2. Prevention of Food Adulteration Act, 1954
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 6. Consumer Protection Act, 1986

ADVERTISING & CONSUMERISM

Benefits Of Advertising

- Inform
- Guide
- Contribute to efficiency
- Stimulate economic progress
- Expand business & trade

Advertising Code

- Make honest claims & do not mislead the consumer.
- Do not offend the generally accepted standards of public decency.



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- Safeguard against the excessive promotion of products which are regarded as hazardous to society or individuals.
- Observe fairness in competition between different brands of the same product.

Consumer Groups

- Advocacy groups that seek to protect people from corporate abuse.
- Example:- unsafe products, predatory lending, false advertising.
- They operate via protests, campaigning or lobbying.
- Bodies- Consumer Forum, CAG, VOICE, AIBDA, CICO

Labelling

As per *Updated Package Commodity Rule (Jan 1, 2007)*

- Name & address of the manufacturer
- Common & generic names of commodity in package
- Name & no. of quantity of each product
- Net qty. in terms of std. unit of weight of measure
- Month & year of manufacturing / packing
- Size / dimensions of commodity (where relevant)
- MRP

COST OF CONSUMER PROTECTION

Consumer protection costs may be defined in 3 ways:

- Economic costs.
- Social costs.
- Opportunity costs.

ECONOMIC COSTS

- Connected with the defending charges of regulatory agencies and cost of manufacturing consumer safety devices.
- Passed on to the consumers through increased prices of goods and services.

SOCIAL COSTS

- The social costs are the sum total of all costs to individuals in society, regardless of whether the costs are paid by the person who decides whether they will be incurred.
- Social costs are the sum of private and external costs.

OPPORTUNITY COSTS



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- **Opportunity cost** is the cost (sacrifice) incurred by choosing one option over the next best alternative (which may be equally desired).
- Arise from the ordering of social priorities.

Methods of Consumer Protection

There are four main methods of protecting the interests of consumers: -

1. Business Self-regulation:

- Businessmen can regulate their own behavior and actions by adopting higher ethical standards.
- Trade associations and chambers of commerce can check unfair trade practices used by some businessmen.

2. Consumer Self-help:

- Every consumer must be alert as self-help is the best help.
- He should educate himself and know his rights and should not allow unscrupulous businessmen to cheat him.

3. Consumers' Associations:

- Consumers should form voluntary associations.
- These associations can educate and awaken consumers.
- They can take organized action and put pressure on businessmen to adopt fair trade practices.

4. Government Regulations:

- The State can ensure consumer protection through legislative, executive and judicial actions.
- The laws enacted by the Government must be strictly enforced by the executive.
- Government of India has enacted several laws to protect the interests and rights of consumers.

CONSUMER PROTECTION ACT, 1986

INTRODUCTION

- This ACT is a milestone in the history of socio-economic legislation in the country.
- The first ever legislation in India of its kind which solely aimed at the grief stricken consumers who were the victims of the unfair trade practices and sub standard services rendered to them.

OBJECTIVES

- The main objective of the act is to provide for the better protection of consumers.



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- The act is intended to provide simple, speedy and inexpensive redressal to the consumers' grievances, and relief of a specific nature and award of compensation wherever appropriate to the consumer.

EXTENT AND COVERGAE OF THE ACT

The **salient features of the Act** are summed up as under :-

- The Act applies to all goods and services unless specifically exempted by the Central Government.
- It covers all the sectors whether private, public or cooperative.
- The provisions of the Act are compensatory in nature.
- The setting up of the dispute redressal machinery was only to secure and enable speedy justice to the aggrieved consumers.

As Under section-6 of Consumer Protection Act, consumer has the following rights:

It enshrines the following rights of consumers:-

- **Right to safety :-** Right to be protected against the marketing of goods and services which are hazardous to health, life and property of the consumer.
- **Right to be informed :-** Right to be provided all those information on the basis of which consumer decides to buy goods or services about the quality, quantity, potency, purity, standard and price of goods or services so as to protect the consumer against unfair trade practices.
- **Right to be heard :-** Consumer has the right that his complaint be heard. Under this Right the consumer can file complaint against all those things which prejudicial to his interest. Example- The Economic Times
- **Right to choose :-** Consumer has the full right to buy good or services of his choice from among the different goods or services available in the market.
- **Right to Seek redress :-** Right to seek redressal against unfair trade practices unscrupulous exploitation of consumers. This Act provides compensation to consumer against unfair trade practice of the seller.
- **Right to consumer education :-** Consumer education refers to educate the consumer constantly with regards to their rights. In other words, consumers must be aware of the rights



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they enjoy against the loss they suffer on account of goods and services purchased by them.

The Act envisages establishment of Consumer Protection Councils at the Central and State levels, whose main objects will be to promote and protect the rights of the consumers.

Consumer's Responsibilities

1. Consumer should exercise his right
2. Cautious consumer/ Do not buy blindly
3. Filing complaint for the redressal of genuine grievances
4. Consumer must be quality conscious/Do not compromise on quality
5. Advertisements often exaggerate/Beware of false advertisement
6. Do not forget to get Receipt and Guarantee/warrantee card
7. Do not buy in hurry

Relief Available To Consumers

Depending on the facts and circumstances, the Redressal Forums may give order for one or more of the following relief :-

- Removal of defects from the goods
- Replacement of the goods
- Refund of the price paid
- Award of compensation for the loss or injury suffered
- Removal of defects or deficiencies in the services
- Discontinuance of unfair trade practices or restrictive trade practices
- Withdrawal of the hazardous goods from being offered to sale
- Award for adequate costs to parties

STRUCTURE

To provide simple, speedy and inexpensive redressal of consumer grievances, the Act envisages a three- tier quasi-judicial machinery at the National, State and District levels.

- **National Consumer Disputes Redressal Commission** - known as "National Commission".
- **Consumer Disputes Redressal Commissions** - known as "State Commission".
- **Consumer Disputes Redressal Forums** - known as "District Forum".

District Forums have the Jurisdiction to entertain complaints:

If the cost of goods or services and compensation asked for is up to Rs. 20 lacs.

- **State Commission** has the Jurisdiction to entertain complaints:

It can hear cases involving sum exceeds Rs.20 Lacs and up to Rs.1 Crore.

The State Commission also has the jurisdiction to entertain appeal against the orders of any District Forum within the State.

- **National Commission** has jurisdiction to entertain complaints:



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It has a Jurisdiction to hear complaints amounting more than Rs.1 Crore.

The National Commission besides entertaining the original complaints also has jurisdiction to entertain appeals against the orders of any State Commission.

Procedure on Admission of Complaint

- The Period of Limitation prescribed for the filing of complaints before District Forum, the State Commission, or the National Commission is two years from the date on which the cause of action has arisen.
- On admission of a complaint, a copy of the complaint is to be referred to the opposite party within 21 days, directing him to give his version of the case within 30 days. This period may be extended by another 15 days.

RURAL MARKETING

INTRODUCTION

- The term 'rural marketing' used to be an umbrella term for the people who dealt with rural people in one way or other. It got a separate meaning and importance after the economic reevaluation in India after 1990.
- Rural marketing is defined as managing all the activities involved in assessing, stimulating and converting the purchasing power of the rural consumers into effective demand for specific products and services and moving them to the people in rural areas to create satisfaction and a better standard of living and thus achieving organizational objectives.
- It is a two-way marketing process wherein:
 - Urban to rural - Major part of rural marketing. Includes transactions of urban marketers who sell their goods and services in rural areas pesticides, fertilizers, FMCG products, tractors, bicycles, consumer durables, etc.
 - Rural to urban - Basically falls under agricultural marketing. A rural producer seeks to sell his produce in urban market like seeds, fruits and vegetables, forest produce, spices, milk and related products, etc.
 - Rural to rural - Includes the activities that take place between two villages in close proximity to each other like agricultural tools, handicrafts, dress materials, bullock carts, etc.
- It is more developmental than transactional as its nature is more socio-cultural and economic as compared to the latter's commercial nature.



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- The word 'rural' is so much associated with agriculture and farmers that rural marketing is often confused with agricultural marketing but it should not be so as the latter is only a part of rural marketing.

EVOLUTION CHARACTERISTICS

■ Large population

A/c to 2001 census, rural population constitutes about 73% of the Indian population.

Year	Rural Population
In 1901	89 per cent
In 1951	83 percent
In 1971	80 percent
In 1981	76 per cent
In 1991	74 per cent
In 2001	73 per cent

■ Occupation pattern

- Agriculture and related activities are the major source of income for majority of the rural population.
- More than 60% of rural income is from agriculture.
- In the event of crop failure, the income of the rural masses is directly affected.

■ Large, diverse and scattered market

- Though large, the rural market is geographically scattered. There may be less number of shops available to market products.
- Diverse and heterogeneous market in terms of religious, linguistic, social and cultural factors.
- About 700 million Indians live in 6 38 365 villages across India.

■ Socio-economic position

- Majority of rural people have low purchasing power and per capita income.
- More than 60% have income less than 25000 rupees.



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- About 14% have income greater than 50000 rupees.
- Low disposable income.

■ **Low literacy level**

It is estimated that rural India has a literacy level of 36% as compared to 62% in the urban areas.

■ **Low standard of living**

Low income, low purchasing power, overall social and economic backwardness lead to low standard of living. In general a rural consumer spends less on non-food items.

■ **Inadequate infrastructure facilities**

- Infrastructure facilities like cemented roads, warehouses, and communication system are inadequate in rural areas.
- About 20% of the six lakh villages are without telephone facility even today.
- About 50% of the markets are not connected by road. Most of the roads are kachha and become unusable during rainy season.

■ **Traditional outlook**

- Villages develop slowly and have a traditional outlook.
- They accept changes gradually.

■ **Distance**

- Villages nearer to towns have elements of the urban life. Interior villages are more traditional.

■ **Diverse socio-economic background**

Due to dispersion of geographical areas and uneven land fertility, rural people have diverse socio-economic background.

■ **Conservative lifestyle**

Lifestyle bounded by tradition, culture, religion and community.

■ **Media reach**



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- The media reach in rural household is low.
- Statistics indicates that the reach of Print media is 10%, followed by TV 31%, Radio 32% and Cinema 36%.
- **Medical facilities**
Medical facilities are quite inadequate and the villagers have to travel long distances for getting medical treatment.

RURAL CONSUMER

■ **Classification**

The rural consumers are classified into the following groups based on their economic status:

The Affluent Group

- They are cash rich farmers.
- Very few in number.
- They have affordability but do not form a demand base large enough for marketing firms to depend on.
- Wheat farmers in Punjab and rice merchants of Andhra Pradesh fall in this category.

The Middle Class

- One of the largest segments for manufactured goods.
- It is fast expanding.
- Farmers cultivating sugar cane in UP and Karnataka fall in this category.

The Poor

- This constitutes a huge segment.
- Purchasing power is less, but strength is more.
- They receive grants from the government and reap the benefits of many such schemes and may move towards the middle class.
- The farmers of Bihar and Orissa fall under this category.



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■ Characteristics

- The rural consumer has a very high involvement in any product purchased.
- He purchases products more often (mostly weekly), usually in small quantities.
- He is very quality conscious but value for money is of prime importance.
- He looks more for functionality of the product rather than frills associated which he cannot use but for which he will have to pay extra.
- He is brand loyal. Once loyalty formed is difficult to dislodge.
- He understands symbols and colours better, and looks for endorsement by local leaders or icons.
- The source of information is critical for him, as he is influenced by information received and opinion formed through various resources in his purchasing decisions.
- Purchasing decisions are usually taken by the eldest member of the family.
- Brisk buying is done after the harvesting period. Major purchasing is done during the festivals.
- In many cases, the buyer is different from the user.

POTENTIALITY

■ Large population

- 742 million Indians consisting of 138 million households reside in 6,38,365 villages (Census, 2001).
- It constitutes about 73% of the Indian population and 12% of the world population.
- Despite the rural urban migration, the rural areas continue to be the place of majority of Indians.

■ Growth of market

- The market has been growing at a rate of 3-4% annually adding more than one million new consumers every year.



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- Growth rates of the FMCG market and the durable market are higher in rural areas for many products.
- The Indian rural market today accounts for about Rs 8 billion (53 per cent - FMCG sector, 59 per cent durables sale, 100 per cent agricultural products) of the total of Rs 120 billion, claiming 6.6 per cent of the total share.

Estimated annual size of the rural market -

✓	FMCG	Rs. 65,000 Crore
✓	Durables	Rs. 5,000 Crore
✓	Agri-Inputs	Rs. 45,000 Crore
✓	2 / 4 Wheelers	Rs. 8,000 Crore

- Rural market accounts for close to 50% of volume consumption of FMCG.
- For products like toilet soaps, talcum powder, cooking oil, vanaspati ghee, tea, cigarettes and hair oil, the share of rural market is more than 50%.

■ **Rising rural prosperity**

■ **Infrastructure is improving rapidly**

- In 50 years only, 40% villages have been connected by road, in next 10 years another 30% would be connected.
- More than 90% villages are electrified, though only 44% rural homes have electric connections.
- Rural telephone density has gone up by 300% in the last 10 years.

■ **Increasing income and purchasing power**

The agricultural development programs of the government have helped to increase income in the agricultural sector by increasing the productivity and better price for agricultural



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products, thus enhancing the purchasing power in rural markets.

■ **Social indicators have improved a lot between 1981 and 2001**

- Number of "pucca" houses doubled from 22% to 41% and "kachha" houses halved(41% to 23%).
- Percentage of BPL families declined from 46% to 27%.
- Rural literacy level improved from 36% to 59%.
- Increase in literacy and educational level and resultant inclination to sophisticated lives by the rural folks.
- Standard of living is also growing in rural areas.
- Increased contact of rural people with their urban counterparts due to development of transport and wide communication network.

■ **Accessibility of markets**

- The road network has facilitated a systemized product distribution system to villages.
- An increasing number of companies are supplying village markets directly.
- Increasing direct contacts to villages helps product promotion and availability of the product in the village shop.

■ **Competition in urban markets**

- Intensified competition in urban markets increases costs and reduces market share. The rural markets are therefore becoming increasingly attractive in relation to urban markets.
- For instance, Rajdoot motorcycles, Bajaj scooters or Ambassador Cars find ready acceptance in rural markets as compared to urban markets where there is a proliferation of brands.

■ **Saturation of urban market**

The urban market is reaching towards saturation point bringing in an urgent need to focus on rural market.

■ **New employment opportunities**



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- Government schemes like IRDP (Integrated Rural Development Programme), JRY (Jawahar Rozgar Yojana) and TRYSEM (Training Rural Youth for Self Employment) have created new employment opportunities in rural India.
- Co-operative banks and Public sector banks are extending loans to rural people thus creating job opportunities for them. As a result very few rural people are now flocking to urban centres.

Rural employment(in millions)

■ Government initiatives

- Credit cards (Kisan credit card) to farmers from the public sector banks which helped them to take short and medium term loans to buy seeds, fertilizers, etc. This enabled them to produce more thus increasing their income.
- Large inflow of investment for rural development programmes from the government.
- Schemes like IRDP (Integrated Rural Development Programme) and REP (Rural Electrification Programme) in the 1970's gave a boost to the agrarian economy. This resulted in changes in people's habits and social life. REP gave impetus to the development of consumer durable industry.

■ Rural marketing is not expensive

- Conventionally it looks that since rural consumers are dispersed, reaching them is costly.
- But according to a research, it costs roughly Rs.1 Crore to promote a consumer durable inside a state including the expenses of advertising in vernacular newspapers, television spots, in-cinema advertising, radio, and point of purchase promotion.
- Campaigns like this, which can reach millions, costs twice as much in urban areas.

■ Rising rural prosperity

■ Media

- Mass Media has created increased demand for goods and services in rural areas.
- Smart marketers are employing the right mix of conventional and non-conventional media to create increased demand for products.



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- Cable television has played a noteworthy role in bringing about the change in rural people's mindset and influencing their lifestyles.
- **Growth in consumption**
- Consumption in rural India is growing faster than in urban areas, a survey by ratings and research firm CRISIL revealed.
- Between 2009-10 and 2011-12, additional spending by rural India was Rs. 3,750 billion, significantly higher than Rs. 2,994 billion by urbanites.

CHALLENGES

- **Understanding the rural consumer**
The biggest challenge is to understand the perceptions, viewpoints and actual needs of the rural people, which is dramatically different from urban people.
- **Low per capita income**
- India is the fourth largest economy in the world due to a strong economic growth but still has a low per capita income of Rs. 53331.
- It results in low consumption pattern as compared to the urban population.
- **Low literacy levels**
- There are not enough opportunities for education in rural areas.
- The literacy level is as low (36%) when compared to all-India average of 52%.
- **Seasonal Demand**
Demand for goods in rural markets depend upon agricultural situation, as agriculture is the main source of income. Agriculture to a large extent depends upon monsoon and, therefore, the demand or buying capacity is not stable or regular.
- **Lack of proper infrastructure and other physical facilities**



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- Nearly 50 percent of the villages do not have all weather roads. Physical communication to these villages is highly expensive. Even today, most villages in eastern part of the country are inaccessible during monsoon season.
- Many rural areas are not connected by rail transport. Kachha roads become unserviceable during the monsoon and interior villages get isolated. Facilities such as telephone, fax and telegram are rather poor in rural areas.
- About 20% of the six lakh villages are without telephone facility even today.

■ **Underdeveloped people and underdeveloped markets**

- Unfortunately, the impact of the technology is not experienced uniformly throughout the nation.
- Except some districts in Punjab, Haryana and Western Uttar Pradesh, large areas and groups of people have remained beyond the technological breakthrough.
- In addition, the farmers with small agricultural land holdings have also been unable to take advantage of the new technology.
- Inadequate banking and credit facilities.

■ **Traditional outlook**

- Due to the traditional outlook of rural consumers, they are resistant to change.
- Life in rural areas is still governed by customs and traditions and people do not easily adapt new practices.
- For example, even rich and educated class of farmers does not wear jeans or branded shoes. There is a lack of desire of new things and styles.

■ **Many language and Dialects**

- The number of languages and dialects vary from state to state and region to region.
- The Indian constitution recognizes 18 official languages.
- Hindi only has more than ten variations. Hindi spoken in Rajasthan is different from Hindi



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spoken in Bihar or Hindi of Himachal Pradesh.

■ **Barter system**

- It means exchange of goods for goods.
- This system is practiced In the developing country like India, even today.
- This is a major obstacle in the way of development of rural marketing.

■ **Inadequate Media coverage for Promotions**

- Television has made a great impact and large audience has been exposed to this medium.
- Radio reaches large population in rural areas at a relatively low cost.
- Reach of formal media is low in rural households.

■ **Availability of duplicate and cheap brands.**

Retailers pushing imitation or fake products in place of branded ones for better commission.

■ **Slow purchasing decision**

- Rural consumers are cautious in buying and decisions are slow and delayed.
- They like to give a trial and only after being personally satisfied, do they buy the product.

■ **Problems related to distribution and channel management**

- The presence of too many tiers in the distribution system increases the cost of distribution.
- Non availability of dealers and poor viability of outlets add to the challenges.
- Also there are inadequate banking and credit facilities.

■ **Cultural Factors**

- Culture is a system of shared values, beliefs and perceptions that influence the behavior of consumers.
- There are different groups based on religion, caste, occupation, income, age, education and



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politics and each group exerts influence on the behavior of people in villages.

■ **Vast and scattered market**

- It is not easy to enter the market and take a sizeable share of the market because of its size, variation and it being very scattered.
- The markets are unorganized and dispersed.

STRATEGIES

■ **4 A's Approach**

1. Availability

Strive to reach at least 13 113 villages with a population market penetration.

2. Affordability

Introduce small unit packs

3. Acceptability

- Offers products and services that suit the rural market
- Easy to understand

4. Awareness

- One on one contact programs are extremely efficient.
- Educate and try to induce trial.
- Melas are places where villagers gather once in a while for shopping. Companies take advantage of such events to
- Demonstrate and market their products.
- Haats are a good place to create awareness. There are 42000 rural haats which get more than 4500 visitors per haat.

■ **Marketing strategy**

- Marketers need to understand the psyche of the rural consumers.
- Firms should refrain from designing products for the urban markets and then pushing them in the rural areas.
- Utilizing various rural folk media to reach them in their own language.



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■ **Distribution strategy**

Using company delivery vans, melas, haats, and mandis/ agri markets.

■ **Promotional strategy**

- Rich traditional media forms like puppetry, folk dances, audio visuals, etc. should be used to convey the right message to the rural folk.
- Forms with which the rural consumers are highly comfortable with should be used.

■ **By communicating and changing quality perception**

- Companies are coming up with new technology and they are properly communicating it to the customer.
- There is a trade-off between the quality a customer perceives and a company wants to communicate.
- The perception of the rural Indian about the desired product is changing.

■ **By proper communication in local language**

- The companies have realized the importance of proper communication in local language for promoting their products.
- They have started selling the concept of quality with proper communication.

■ **By understanding cultural and social values**

- Companies have recognized that social and cultural values have a very strong hold on the people.
- It plays a major role in deciding what to buy.
- Moreover, rural people are emotional and sensitive.

■ **By providing what customer wants**

- The customers want value for money. They aim for the basic functionality of the product



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rather than the frills associated which would not be of much use and will increase the price of the product.

- However, if the seller provide frills free of cost they are happy with that.

■ **By associating themselves with India**

- MNCs are associating themselves with India by talking about India, by explicitly saying that they are Indian.
- M-TV during Independence Day and Republic Day time make their logo with Indian tri-color.
- In 1998, Nokia had launched cellular phone 5110, with the India tricolor and a ringtone of "Sare Jahan se achcha".
- Companies are picking up Indian models and actors for advertisements and promotions.
- It is a normal tendency of an Indian to try to associate himself/herself with the product. If he/she can visualize himself/herself with the product, he/she becomes loyal to it.
- That is why FMCG companies usually showcase their products in around families in their advertisements.

■ **By giving Indian terms for brands**

- Companies use Indian words for brands.
- Like LG has used India brand name "Sampoorna" for its TV. The term is a part of the Bengali, Hindi, Marathi and Tamil tongue.

■ **By adopting localized way of distribution**

- Proper distribution channels are recognized by companies.
- To succeed in India they have to reach the nook and the corner of the country.
- MNC shoe giants, Adidas, Reebok, Nike started with exclusive stores but soon realized that they do not enjoy much Brand Equity in India, and to capture the market share in India they have to go the local market shoe sellers and with



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low priced products.

- **By effective media communication**
- Companies can either go for the traditional media or the modern media or an effective combination of both.
- The traditional media include melas, puppetry, folk theatre etc. while the modern media includes TV, radio, and e chaupal.
- LIC uses puppets to educate rural masses about its insurance policies.
- In between such shows, the lights are switched off and a torch is flashed in the dark(Eveready's tact).

SOME NOTEWORTHY SUCCESS STORIES

- "Yaara da Tashan..." ads with Aamir Khan created universal appeal for Coca Cola. Coca-Cola India tapped the rural market in a big way when it introduced bottles priced at Rs 5 and backed it with the Aamir Khan ads.
- In 2000, ITC took an initiative to develop direct contact with farmers who lived in far-flung villages in Madhya Pradesh. ITC's E-chaupal was the result of this initiative.
- In 1998 HUL's personal products unit initiated Project Bharat, the first and largest rural home-to-home operation by a company.
- ✓ The project covered 13 million rural households by the end of 1999.
- ✓ It had vans visiting villages across the country distributing sample packs comprising a low-unit-price pack each of shampoo, talcum powder, toothpaste and skin cream priced at Rs. 15 to create awareness of the company's product categories and of the affordability of the products.
- ✓ Small unit products like a one rupee or a five rupee sachets of shampoo for single use or the small Hamam helps in giving the consumers a trial opportunity.
- Of two million BSNL mobile connections, 50% are in small towns / villages.
- Of the 6.0 lakh villages, 5.22 lakh have a Village Public Telephone (VPT).
- 41 million Kisan Credit Cards have been issued (against 22 million



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credit-plus-debit cards in urban), with cumulative credit of Rs. 977 billion resulting in tremendous liquidity.

- Of the 20 million Rediff mail sign-ups, 60% are from small towns. 50% of transactions from these towns are on Rediff online shopping site.
- 42 million rural households (HHs) are availing banking services in comparison to 27 million urban households.
- HUL with its Project Shakti has already has a reach of 1.7 lakh villages, and aspires to reach 5 lakh villages by 2020.
- In 2001-02, LIC sold 55% of its policies in rural India.
- Mahindra & Mahindra sells most of its SUVs in the rural market.

Social Marketing

What is Social Marketing?

- The application of **commercial marketing techniques** + To influence a **key target audience** + To voluntarily **change a behavior** = For the **good of society**

Social Marketing

- Social Marketing applies the principles of marketing to address social problems by influencing behavior change.
- Social marketing requires:
 - A “customer” focused approach
 - Voluntary behavior change
 - An exchange
 - Individual or societal benefit (rather than corporate benefit or profit)

Key Point

Social marketing is about being strategic. Pick a crucial issue and a key audience. Then, think about the issue from the perspective of your target audience. Pretend that their perspective is all that matters. Because it is.

The 4Ps of Social Marketing

- **Product** – The action/behavior you are interested in influencing
- **Price** – What is costs (not just \$)



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- **Place** – Where it happens (convenience)
- **Promotion** – How people learn about it

Why Social Marketing is Effective

- Social marketing recognizes that information alone does not change behaviors
- Social marketing focuses on target audiences, including their needs, wants, and motivators
- Social marketing focuses on making behaviors easy, fun, and popular

Social Marketing is Strategic

- We don't have unlimited time, resources, or personnel
- Social marketing makes us focus on:
 - The most important messages
 - The most important people
- Everything else can wait until later

Social Marketing is Audience Focused

- Audiences are the beginning and end of social marketing
- Think of your audience continuously:
 - Are they interested in your issue?
 - Do they care about your issue?
 - What are they passionate about?
 - What do they need to know about your issue?
 - How do they want to find out?
- Whenever possible, select audiences who can help you reach your goals and who are motivated to act

Social Marketing Segments Audiences

- Not all people are the same, so not all people can be treated the same
- Break your audiences into similar groups based on things such as:
 - Interest level



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- Wants and needs
- Motivators
- Access points

Social Marketing is Outcome Focused

- If they believe you and they aren't doing it, it doesn't matter!
- If they understand you and they aren't doing it, it doesn't matter!
- If they like you and they aren't doing it, it doesn't matter!
- **AND, if they ARE doing it, we don't care why!**

Social Marketing Relies on Exchange

- Recognize that we are asking for a tradeoff
- Acknowledge competing behaviors
- State clearly what you are offering and know what you are asking:
 - *You get = Safer water, peace of mind*
 - *You pay = Time, higher water bills*

Social Marketing Addresses Barriers

- Barriers are real but often downplayed or ignored. This is a huge mistake!
 - Barriers can be physical, emotional, social, monetary, or time-oriented
 - Barriers can be subconscious
- Social marketing is about finding effective bridges to overcome these barriers

Social Marketing and Stages of Change

- People go through a series of five stages in changing behaviors (pre-contemplation, contemplation, preparation, action, maintenance/advocacy)
- It takes time to change behaviors, and change is not linear (people regress)
- Messages/interactions should be targeted to each stage

1. Pre-contemplation

- **Definition:** No awareness of need to modify behavior, and no intention to do so (lack of personal relevance)



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- **Messaging:** Start helping people to understand the issue – focus on awareness, not persuasion
- 2. Contemplation**
- **Definition:** Know that the issue exists and audience members are considering action
- **Messaging:** Build on initial understanding; messages can start attempting to influence behavior change
- 3. Preparation**
- **Definition:** Preparing to take action, but not yet engaged in behavior; might be learning about behavior
- **Messaging:** Address barriers to change and encourage behavioral “trials” to sample intended behaviors or preparations such as learning where to buy needed tools, etc.
- 4. Action**
- **Definition:** Actually engaging in behavioral change
- **Messaging:** Support, encourage, and reinforce change
- 5. Maintenance/Advocacy**
- **Definition:** Change has occurred and is being sustained
- **Messaging:** Reinforce change and encourage audience to spread the word; people in this stage often can influence others [these people are sometimes called spark plugs or opinion leaders]

5 Stages of Social Marketing

- **Define Problem:** Know what you want to do and why (your expertise is key)
- **Market Research:** Understand your audience: barriers, motivators, etc.
- **Planning:** Determine best way to reach audiences and to achieve goals
- **Implementation:** Make it happen
- **Evaluation:** Define and measure successes

Audience Listening

- The simplest, cheapest, easiest form of market research is audience listening (and it is surprisingly effective)
- Go, ask, listen. No judgment allowed.



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- Use open-ended questions:
 - What are you concerned about in your community? Who do you work with to get things done? Do you ever think about your drinking water? Why or why not?

3. Planning

- Within each community, determine the key audiences (they will vary from place to place). Identify:
 - What you need the audience to do, what you need them to know, and the specific exchange you are asking of them (product)
 - Any barriers they face and what they see as benefits (price)
 - Where to get them information/interact with them (place)
 - How and where to communicate best with them and to motivate them (promotion)

Planning: Learn and Prioritize

- Learn as much as you can:
 - Who are the potential audiences?
 - Who is affected by this issue?
 - Who can make a difference on the issue?
 - Who are the people who already care?
 - Who is most likely to be critical to reach within this community? Why?

Planning: Recruit an Audience

- Once you have identified audiences to work with, you need to determine how to meet with and engage them:
 - What motivates each audience in general?
 - What is motivating about this issue?
 - What are the barriers with this issue?
 - Where are you likely to encounter audience members?

Planning: Thinking of the Interaction

- Once people have agreed to work with us, our audience focus continues
- Remain aware of audience needs and wants:
 - How do people like to get information? How often?
 - When and where can they meet?
 - How will they interact with others?



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4. Implementation

- Take into consideration what you already know about each audience
- Make adjustments as needed based on audience listening
- Use social marketing techniques with every audience whenever possible

5. Evaluation

- Evaluation is being conducted as a separate part of the grant. Evaluation will focus on:
 - Stages of change for various target audience members
 - Evaluation of technical assistance calls
 - Publications/publicity about the program

Examples of social marketing

- Cause related marketing represents the confluence of perspectives from several specialized areas of inquiry such as marketing for non profit organizations ,the Promotion mix ,corporate philanthropy ,corporate social responsibility ,fund raising management and public relations .

India's largest social marketing initiative

- UIDAI (unique identification authority of India) will launch its first large scale national test .the UIDAI is tasked with ambitious scheme to provide unique and standardized identification numbers to Indian residents .

Some more examples of social marketing

- Asking people not to smoke in public areas .
- Asking hem to use seat belts .
- Prompting to make them follow speed limits .
- Public sector bodies can use standard marketing approaches to improve the promotion of their relevant services and organizational aims but it should not be confused with social marketing .
- Eg. A three month marketing campaign to encourage people to get H1N1 vaccine is more tactical in nature and should not be considered social marketing whereas a campaign that promotes and reminds people to get regular checkups and all of their vaccines when they are supposed to encourage a long term behaviour change that benefits society ,it can therefore be considered social marketing .

Direct Marketing



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“The total of activities by which the seller . . . direct efforts to a target audience using one or more media for the purpose of soliciting a response by phone, mail, the internet or personal visit from a prospective customer.”

Includes:

- 1)Direct selling
- 2)Direct mail
- 3)Telemarketing
- 4)Internet selling
- 5)Direct action marketing
- 6)Catalog selling
- 7)Television/ print media
- 8)Cable TV

Factors contributing to the growth of direct marketing

- 1)Consumer Credit Cards

Over 1 billion credit cards in circulation

- 2)Direct Marketing Syndicates Creating Opportunities

fList development

fStatement inserts

- 3)Technological Advances

Better communications via electronic media & computers

Rapid package delivery

Electronic delivery systems

Direct marketing Combines With . . .

Advertising

Public Relations

Personal Selling

Sales Promotion

Direct Marketing Strategies

One-step approach - direct marketing media used directly to solicit an order

Two-step approach – multiple efforts used to generate a response. First effort is used to screen, qualify or interest potential buyers. Follow-up used to achieve order or close the sale.

Direct Marketing Media



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Direct mail

Broadcast media (direct response ads/informercials)

Print media

Telemarketing

fDirect selling

Direct Mail Advantages and Disadvantages

Advantages

Control

Coverage

Flexibility

Impact

Reach

Response

Selectivity

Disadvantages

Delays in delivery

High cost per exposure

List quality assurance

Saturation among audience

Porsche uses direct mail to target potential customers

Direct Response Advertising Types



"All forms of advertising designed to obtain immediate, direct response by mail, telephone, the Internet or personal visit from audience members."

TV and CATV commercials and infomercials selling products by phone or mail order.

Newspapers, magazines and other print media ads with send-in or call-in coupon order forms

Direct mail pieces and inserts soliciting inquiry recipients.

Card decks, coupon booklets and mini-catalogs seeking orders for one or more products.



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E-mail messages to computer users

Direct Response

Advantages Disadvantages

Advertisers acquire or enhance a data base of individual customers.

Customers are served with a greater selection from a central inventory.

Response options enable audience to act right after exposure occurs.

No store is required and customers can buy from their own homes.

Customers can't handle or inspect the product before purchasing.

Merchandise returns and subscription cancellations may be numerous.

Seller reputation and prestige may be compromised by the poor image of the method.

Catalogs -

Advantages Disadvantages

Provides buyers with wide selections

Usually welcomed by shoppers

Design offers high impact potential

Merchandise is centrally inventoried

Fulfillment facilities closely controlled

Timing can be geared to seasonal needs

Split-run testing can insure effectiveness

Product costs are usually very high

Cost per contact is relatively high

Saturation for some markets is likely

Delivery or fulfillment may be delayed

Customer can't inspect or handle goods

Returns may sometimes be excessive

Outbound and Inbound Telemarketing

Outbound

Telephone calling by the marketer or marketer's agent to individual prospects, seeking purchase, subscription, membership, or participation by the call recipient.

Inbound

Marketers' facilities and invitations to prospects to call a central location or long distance number or by toll-free, 800 or fixed cost 900 number.



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Outbound Telemarketing

Advantages

Interactive contact

Extensive reach

Caller-controlled timing

High impact

Disadvantages

Intrusive nature

Poor image of method

High cost of contact

Low conversion rate

Extensive caller training

Name list inadequacies

High termination rate

High reneges, returns

Inbound Telemarketing Pros & Cons

Advantages

Response is highly convenient for the audience.

Method permits interactive selling and service.

Transactions are facilitated by high rate of credit card holding.

Immediacy of method permits great control of inventory

Disadvantages

Labor-intensive call answering facilities may be required.

Personnel direction system may be required for efficiency.

Nonproductive call rates may be exceedingly or unacceptably high.

Direct Marketing

Advantages

Selective Reach

Segmentation Capability

Frequency Potential

Flexibility

Timing

Personalization

Economy

Measurement of Effectiveness



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Disadvantages

Image Factors

Inaccuracy

Content Support

ONLINE ADVERTISING

Online advertising, also called **online marketing** or **Internet advertising**, is a form of marketing and advertising which uses the Internet to deliver promotional marketing messages to consumers. It includes email marketing, search engine marketing (SEM), social media marketing, many types of display advertising (including web banner advertising), and mobile advertising. Like other advertising media, online advertising frequently involves both a publisher, who integrates advertisements into its online content, and an advertiser, who provides the advertisements to be displayed on the publisher's content. Other potential participants include advertising agencies who help generate and place the ad copy, an ad server who technologically delivers the ad and tracks statistics, and advertising affiliates who do independent promotional work for the advertiser.

Online advertising is a large business and is growing rapidly. In 2011, Internet advertising revenues in the United States surpassed those of cable television and nearly exceeded those of broadcast television. In 2012, Internet advertising revenues in the United States totaled \$36.57 billion, a 15.2% increase over the \$31.74 billion in revenues in 2011. U.S. internet ad revenue hit a historic high of \$20.1 billion for the first half of 2013, up 18% over the same period in 2012. Online advertising is widely used across virtually all industry sectors.

Many common online advertising practices are controversial and increasingly subject to regulation. Online ad revenues may not adequately replace other publishers' revenue streams. Declining ad revenue has led some publishers to hide their content behind paywalls.

Delivery Methods

Display advertising

Display advertising conveys its advertising message visually using text, logos, animations, videos, photographs, or other graphics. Display advertisers frequently target users with particular traits to increase the ads' effect. Online advertisers (typically through their ad servers) often use cookies, which are unique identifiers of specific computers, to decide which ads to serve to a particular consumer. Cookies can track whether a user left a page without buying anything, so the advertiser can later retarget the user with ads from the site the user visited. As advertisers collect data across multiple external websites about a user's online activity, they can create a detailed picture of the user's interests to deliver even more targeted advertising. This aggregation of data is called behavioral targeting. Advertisers can also target their audience by using contextual and semantic advertising to deliver display ads related to the content of the web page where the ads appear. Retargeting, behavioral targeting, and contextual advertising all are designed to increase an advertiser's return on investment, or ROI, over untargeted ads.



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Advertisers may also deliver ads based on a user's suspected geography through geotargeting. A user's IP address communicates some geographic information (at minimum, the user's country or general region). The geographic information from an IP can be supplemented and refined with other proxies or information to narrow the range of possible locations. For example, with mobile devices, advertisers can sometimes use a phone's GPS receiver or the location of nearby mobile towers. Cookies and other persistent data on a user's machine may provide help narrowing a user's location further.

Web banner advertising

Web banners or banner ads typically are graphical ads displayed within a web page. Many banner ads are delivered by a central ad server.

Banner ads can use rich media to incorporate video, audio, animations, buttons, forms, or other interactive elements using Java applets, HTML5, Adobe Flash, and other programs.

Frame ad (traditional banner)

Frame ads were the first form of web banners. The colloquial usage of "banner ads" often refers to traditional frame ads. Website publishers incorporate frame ads by setting aside a particular space on the web page. The Interactive Advertising Bureau's Ad Unit Guidelines proposes standardized pixel dimensions for ad units.

Pop-ups/pop-unders

A pop-up ad is displayed in a new web browser window that opens above a website visitor's initial browser window. A pop-under ad opens a new browser window under a website visitor's initial browser window.

Floating ad

A floating ad, or overlay ad, is a type of rich media advertisement that appears superimposed over the requested website's content. Floating ads may disappear or become less obtrusive after a preset time period.

Expanding ad

An expanding ad is a rich media frame ad that changes dimensions upon a predefined condition, such as a preset amount of time a visitor spends on a webpage, the user's click on the ad, or the user's mouse movement over the ad. Expanding ads allow advertisers to fit more information into a restricted ad space.

Trick banners

A trick banner is a banner ad where the ad copy imitates some screen element users commonly encounter, such as an operating system message or popular application message, to induce ad clicks. Trick banners typically do not mention the advertiser in the initial ad, and thus they are a form of bait-and-switch. Trick banners commonly attract a higher-than-average click-through rate, but tricked users may resent the advertiser for deceiving them

Interstitial ads



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An interstitial ad displays before a user can access requested content, sometimes while the user is waiting for the content to load. Interstitial ads are a form of interruption marketing.

Text ads

A text ad displays text-based hyperlinks. Text-based ads may display separately from a web page's primary content, or they can be embedded by hyperlinking individual words or phrases to advertiser's websites. Text ads may also be delivered through email marketing or text message marketing. Text-based ads often render faster than graphical ads and can be harder for ad-blocking software to block.

Search Engine Marketing (SEM)

Search Engine Marketing, or SEM, is designed to increase a website's visibility in search engine results pages (SERPs). Search engines provide sponsored results and organic (non-sponsored) results based on a web searcher's query. Search engines often employ visual cues to differentiate sponsored results from organic results. Search engine marketing includes all of an advertiser's actions to make a website's listing more prominent for topical keywords.

Search Engine Optimization (SEO)

Search Engine Optimization, or SEO, attempts to improve a website's organic search rankings in SERPs by increasing the website content's relevance to search terms. Search engines regularly update their algorithms to penalize poor quality sites that try to game their rankings, making optimization a moving target for advertisers. Many vendors offer SEO services.

Sponsored search

Sponsored search (also called sponsored links, search ads, or paid search) allows advertisers to be included in the sponsored results of a search for selected keywords. Search ads are often sold via real-time auctions, where advertisers bid on keywords. In addition to setting a maximum price per keyword, bids may include time, language, geographical, and other constraints. Search engines originally sold listings in order of highest bids. Modern search engines rank sponsored listings based on a combination of bid price, expected click-through rate, keyword relevancy and site quality.

Social media marketing

Social media marketing is commercial promotion conducted through social media websites. Many companies promote their products by posting frequent updates and providing special offers through their social media profiles.

Mobile Advertising

Mobile advertising is ad copy delivered through wireless mobile devices such as smartphones, feature phones, or tablet computers. Mobile advertising may take the form of static or rich media display ads, SMS (Short Message Service) or MMS (Multimedia Messaging Service) ads, mobile search ads, advertising within mobile websites, or ads within mobile applications or games (such as interstitial ads, "advergaming," or application sponsorship). Industry groups such as the Mobile Marketing Association have attempted to standardize mobile ad unit specifications, similar to the IAB's efforts for general online advertising.



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Mobile advertising is growing rapidly for several reasons. There are more mobile devices in the field, connectivity speeds have improved (which, among other things, allows for richer media ads to be served quickly), screen resolutions have advanced, mobile publishers are becoming more sophisticated about incorporating ads, and consumers are using mobile devices more extensively. The Interactive Advertising Bureau predicts continued growth in mobile advertising with the adoption of location-based targeting and other technological features not available or relevant on personal computers. In July 2014 Facebook reported advertising revenue for the June 2014 quarter of \$2.68 billion, an increase of 67 per cent over the second quarter of 2013. Of that, mobile advertising revenue accounted for around 62 per cent, an increase of 41 per cent on the previous year.

Email Advertising

Email advertising is ad copy comprising an entire email or a portion of an email message. Email marketing may be unsolicited, in which case the sender may give the recipient an option to opt-out of future emails, or it may be sent with the recipient's prior consent (opt-in).

Chat advertising

As opposed to static messaging, chat advertising refers to real time messages dropped to users on certain sites. This is done by the usage of live chat software or tracking applications installed within certain websites with the operating personnel behind the site often dropping adverts on the traffic surfing around the sites. In reality this is a subset of the email advertising but different because of its time window.

Online classified advertising

Online classified advertising is advertising posted online in a categorical listing of specific products or services. Examples include online job boards, online real estate listings, automotive listings, online yellow pages, and online auction-based listings. Craigslist and eBay are two prominent providers of online classified listings.

Adware

Adware is software that, once installed, automatically displays advertisements on a user's computer. The ads may appear in the software itself, integrated into web pages visited by the user, or in pop-ups/pop-unders. Adware installed without the user's permission is a type of malware.

Affiliate Marketing

Affiliate marketing (sometimes called lead generation) occurs when advertisers organize third parties to generate potential customers for them. Third-party affiliates receive payment based on sales generated through their promotion.

SELLING SKILLS



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Prospecting

Without a consistently full pipeline, you will struggle to meet your sales targets and goals. You will experience peaks and valleys and experience a great deal of frustration.

Unfortunately, very few companies actually teach sales people how to prospect effectively. And the vast majority of sales people rely on just a few prospecting methods such as cold calling or networking.

However, there are many other ways to drum up new business including; asking for referrals, approaching customers who haven't purchased from you recently, speaking at industry conferences, writing articles, joining associations and actively participating, looking for additional opportunities to sell deeper into existing customers, conducting face-to-face cold calls, and arranging weekly coffee, breakfast or lunch meetings.

The key is to dedicate a significant amount of your weekly schedule to prospecting activities regardless of how long you have been in business or in your sales role.

Questioning

Although this sounds like a fundamental concept, the majority of sales people I have encountered over the last 15 years fail to effectively execute it.

Many sales people ask low-value questions that do little to engage their prospects in the sales conversation. Examples include:

“Are you the decision maker?”

“What's your budget?”

“What do you know about our company?”

“Are you interested in saving money?”

“What are your needs?”

Unfortunately, too many sales people still ask tired, out-dated questions like these. As a result, they fail to differentiate themselves from the competition or demonstrate their expertise.

True sales professionals know how to ask high-value questions. Questions that encourage their prospect to share details and information about their business that, in turn, will help the rep effectively position their solution. High-value sales questions can transition into tough, penetrating questions. Questions that make your prospect sit up and think. Questions that cause them to say, “That's a good question.” Questions like:

“What goals are you striving to achieve this quarter?”

“What challenges are you experiencing trying to reach those targets?”

“What are those problems costing you in terms of lost revenue, customers, market share, etc.?”

“What impact is that having on your business? On you?”

“How important is this project compared to the others on your plate?”

“What could potentially prevent this from moving forward?”

“What internal challenges do you need to deal with before this project gets the go-ahead?”

When you develop the ability to ask high-value questions, you will stand out from your competition while also learning more about your prospect's specific situation.



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Listening

You can ask all the questions in the world but if you don't listen carefully to what the other person tells you, you are wasting your time and losing valuable sales opportunities. Active listening means actually hearing what people tell you. It means asking clarifying questions when the other person says something vague or that requires elaboration.

True listening means that you stop multi-tasking during a telephone conversation. Don't type notes into your computer, scan emails or anything else.

Focus your full attention on the other person.

Listen for underlying meanings, clues and cues and respond accordingly.

One of the most effective ways to show a prospect that you have listened (and heard) what they have told you is to quickly recap the key points they mentioned as being important.

Presentation Skills

“Um, I'd like to, uh, discuss how our service can, um, help you, uh, reduce employee turnover.”

Not a very compelling to begin a sales presentation, is it? Yet, this type of opening or presentation is not uncommon.

Two aspects of presentations need to be considered:

A. The content. Too many sales people include far too much information in their presentations and open them by talking about their company instead of the buyer's situation. Resist the “include everything but the kitchen sink” approach and only discuss the aspects of your offering that are critical for your prospect to know.

B. The verbal presentation. Consider your pace, timing and actual delivery. The more important a potential sale is for you, the more critical it is that you verbally rehearse that presentation. Watch your body language, gestures, and facial expressions.

The best way to improve your presentation skills is to video-tape a presentation and watch it afterwards. It can be painful to watch yourself in action but it is the most effective way to see how you actually deliver a presentation.

Rapport-building

Developing a connection is still important in today's sales environment even though we rely heavily on technology. People still buy from people.

Creating rapport with someone means connecting with them.

This does not mean that you talk about a photo on the desk or an award on their wall...that approach is severely outdated.

Instead, you need to be able to speak your prospect's language. You need to demonstrate that you understand the business problem they face.

For example, if a client has experienced a significant decline in their profit margins due to changes in the marketplace you need to be able to talk about that problem—intelligently.

When you execute this properly, you not only develop rapport with the other person, you also position yourself as an expert.



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You can also establish rapport by outlining the goal of your sales call, confirming the time that's been allotted and then finishing early. No one will EVER complain about a sales meeting finishing early!

Objection handling

Objections are a natural part of the sales process. However, how you respond to them can make or break a deal.

First, it is essential that you outline the objections you hear most frequently. Then determine the most appropriate rebuttal. However, before you respond follow these three short steps first.

1. Empathize. This means verbally stating that you understand, respect or appreciate the other person's concern. "Mr. Smith, I understand that you have budget issues to deal with."

2. Clarify. Restate the objection back to the prospect in your own words to ensure that you clearly understand it "So you see the value in this product, it's just that the purchase exceeds the budget you had allotted, correct?"

3. Seek permission. Ask the other person for permission to offer a solution. "Mr. Smith, would it be okay if I took a minute to discuss a few options?"

Follow this process and you will find that most people will be more receptive to hearing your solution.

Persistence

If you want to achieve long-term success in sales you MUST be persistent. However, there is a significant difference between being persistent and stalking someone.

Persistence means finding creative ways to keep your name in your prospect's mind.

Persistence means not allowing the first few no's to prevent you from pursuing high-value, legitimate sales opportunities.

Persistence means asking for the business, the appointment, or the right questions when necessary even if the prospect is going in a different direction.

Organizational Skills

To succeed in sales you need a plan.

You need to be organized.

You need to be able to outline your day, week and monthly schedule in order of priority.

You need to juggle the demands placed on your time because it is virtually impossible to get everything done that you need to in a given day.

This includes contacting your most important and valued customers first and investing more time with them than your low-value accounts. It means managing your time so you focus on completing the most important tasks first (i.e. prospecting) rather than spending time on things you enjoy doing.

Focus

Lastly, sales people need to have focus.



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There are a multitude of distractions that threaten to challenge your focus. Email, telephone calls, text messages, problems, paperwork, and traffic are just a few.

Being able to maintain your focus on the big picture as well as the smaller details can make the difference between success and failure.

This also applies to each sales call and meeting. Determine the key objective for each call and focus on achieving that objective.

Selling in today's hectic and complex business world requires tremendous effort and energy. It is highly competitive and stressful. However, you can improve your results and achieve a much higher return on your investment by developing and applying these essential sales skills.

The best salespeople:

1. Understand what the buyer wants
2. Sell in a buyer-responsive manner
3. Use psychology to engage the buyer
4. Establish trust with the buyer
5. Communicate succinctly
6. Act on what the customer is saying
7. Demonstrate subject matter expertise
8. Help (as opposed to close) their prospects
9. Tell really compelling stories
10. Are great copywriters
11. Sell effectively over the phone
12. Are socially active with target buyers
13. Personalize their interactions
14. Use a variety of marketing skills
15. Help prospects achieve next steps
16. Are more productive because of sales technology
17. Tie daily activities to quota achievement

Understanding the buyer



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The most important of today's sales skills is simply understanding the buyer. It's the foundation of effective selling. But it involves more than just understanding who the buyer is. As my partner Craig Rosenberg likes to say, "This isn't just about knowing what brand of coffee the buyer drinks". Instead, it's about identifying the experience that the buyer wants to have as they consider making a purchase in your market. You buyer has a set of expectations about that experience and your job as a salesperson is to exceed those expectations. You can't exceed them if you don't understand the experience that the buyer wants to have.

Buyer-responsive selling

When a salesperson understands the buyer, they can engage in what's called buyer-responsive selling. The idea here is to provide the buyer with what they want, when they want it. For example, if your buyer needs a trial to evaluate your product but can't allocate more than 30 minutes to it, give them a free trial. But don't just give them any free trial. Give them a free trial that is easy to set up, easy to use, and really demonstrates the value of your product in five minutes or less. One other point – buyers like salespeople who have skills!

The psychology of buyer engagement

It's remarkable how few salespeople know how to use psychology to more effectively engage the buyer. There are a variety of techniques you can use to create deeper engagement with your target buyers. One really effective tip is to make sure that the customer know that they won't take too much of their time..

Establishing trust with the buyer

Buyers like to do business with people they trust. The stereotypical used car salesman just isn't relevant anymore. Good salespeople view their ability to establish trust with the buyer as a core sales skill. Helping the buyer goes a long way in this regard, as does understanding what the buyer wants.

Concise communications

Given how busy the average buyer is today, a critical sales skill is to make sure that you communicate succinctly. The days of the silver-tongued, overly verbose salesperson are coming to an end. Buyers value how information is presented more than the information itself. Today, the preferred form of presentation is conciseness. A good rule here is to never try to communicate more than three important points in a single conversation with a buyer.

Customer-driven responsiveness

A lot of sales leaders and pundits like to talk about good salespeople are good listeners. We think that goes without saying and that the best salespeople take action based on what they hear from their customer. It's not good enough to just listen. You need to internalize what the buyer just said and then do something about it.



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Sales subject matter expertise

Salespeople aren't just vacuous portals anymore. They actually need to be subject matter experts in two areas. First, they need to understand the buyer. This involves knowing about the pressing issues that the buyer is facing and what the buyer wants as they work their way to a purchase. Second, salespeople need to know a lot about their own product or service.

Always be helping

Buyers don't want to be closed; they want to be helped. That's why always be helping is the new always be closing (we just published a post on Always Be Helping). ABH is more of a mindset than a skill. A lot of salespeople struggle with this, but you should try to remember it every time you interact with a buyer.

Compelling storytelling

Buyers also don't want to hear about your product or service. Good salespeople know this and weave the product or service they're selling into larger story that has an arc and ends with the customer receiving what they want (which is usually not your product). For example, when a business buys phone system, they don't really want to buy a phone system – they want to grow their revenues and recognize that the phone is an effective tool for doing that.

Salespeople as copywriters

Salespeople must be able to write. It's one of today's most important sales skills given how much sales now uses email to communicate with buyers. There are a few rules to keep in mind when it comes to sales copywriting. First, the less you write, the better. Try to keep written communications short and sweet. Second, avoid using generic copy. You should take the time to personalize as many of your communications as possible. Third, use bullets to format your copy – lists are just easier for customers to digest. Finally, start and conclude your written communications with a call to action that asks the buyer to take a next step.

Phone-based sales

Field sales is definitely moving inside and the face-to-face meeting is quickly becoming the 60 minute teleconference. As a result, salespeople need to be effective at managing sales calls using the phone. This requires different skills such as the ability to read the tone of someone's voice or measure the cadence of the conversation to determine whether the prospect is satisfied or not. One important tip here is to make sure that you can use tools such as Clearslide to bring as much of the face-to-face experience to the phone.

Social engagement with buyers

Social media has given rise to the field of social selling. A lot of good salespeople now view their participation on Facebook, Twitter, and LinkedIn as one of the more effective sales skills. That's all fine and good, but we're not just talking about tweeting every now and then. We're



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talking about really engaging your buyers socially. Some of the best salespeople out there do things like organize dinners for groups of buyers that they are interested in getting to know. There's very little selling that takes place at these mini-events. And it's the salesperson who organizes them; not the company they work for.

Personalized interactions

A lot of buyer want context when they have an experience with sales or marketing for that matter. They don't want the generic message or pitch. They want something that's specific to them. One way to do this is weave messaging and content that is specific to the buyer's demographics into your sales efforts. In a B2B setting, this might involve using specific industry examples when selling. On the consumer side, this might involve tailoring how you communicate with a buyer depending on their age and gender.

Marketing skills in sales

Some very smart people think that marketing is eating sales. We're not willing to go quite that far, but we do agree that sales has a lot to learn from marketing. For example, content selling (you can learn more by reading our post on Content Selling) is an emergent, but important sales skill that salespeople can use to move the buyer through the buying cycle. Some sales organizations are also using a campaign format to structure how they conduct traditional sales activities like prospecting. These activities used to be unorganized and non-standardized. Now, sales management is borrowing from marketing and enforcing campaign-like structure on many sales activities.

Helping prospects achieve next steps

The buyer has less attention to give to you than ever before. That's why it's no longer good enough to agree on next steps. You actually need to help the buyer achieve those next steps. Let's say a buyer that you've been working with needs to get the CEO's approval before they can make the final decision. You should help the buyer achieve this next step by providing them with the information, content, and tools they need to persuade the CEO that your product or service is the right one

Using sales technology to boost productivity

Many sales organizations are using technology to become more efficient and shorten the length of the average sales cycle. Salespeople are actually busier than ever as evidenced by a recent CSO Insights report that shows that salespeople only spend 37% of their time actually selling. The salesperson that can use technology to become more productive has a significant advantage over their peers – they are able to spend more time selling.

Linking daily activities to quota

Achieving quota isn't something that magically happens at the end of the quarter or increasingly at the end of the month. The best salespeople focus on the daily tasks or activities that they know



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will set them up to achieve their quota. This sales skill is usually learned over time, but it's invaluable. For example, a sales professional might know that if they have a certain number of meetings with prospects this month, that this will allow them to achieve quota next month. It's like the old Zen proverb on how to achieve enlightenment: "chop wood, carry water".

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