

Block

3

DISTRIBUTION AND PROMOTION DECISIONS

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Block 3 DISTRIBUTION AND PROMOTION DECISIONS

In this third block, we will shift our focus to two other major decisional areas in marketing, namely, distribution and promotion.

In a multi-lingual multi-cultural developing society like ours, communication poses a major challenge to the marketer. In this respect, methods, coverage, impact and cost effectiveness are some of the major decisional areas and have been covered in the first Unit of the block.

The Unit two emphasizes how advertising in modern times prevails and has acquired the distinction of being most visible and impactful method of marketing communication. While the importance of considering sales promotions are discussed. .

In Unit three personal selling methods its inception, growth, relevance and its indispensable nature is discussed. Being the oldest and most reliable method managed by company personnel. The issues of managing these personnel by way training, motivation, growth and development is at the core of the unit.

The focus of the last Unit of this block is “Place” i.e. the distribution activities and all its functions. Distribution is one link in the chain, which starts from suppliers to manufacturers and finally to the point of sale in reaching the customer.

UNIT 9 INTEGRATED MARKETING COMMUNICATION

Objectives

After studying this unit you should be able to:

- ... understand the concept of communication, marketing communication and its role
- ... acquaint the marketing communication ecosystem
- ... appreciate how marketing communication works
- ... identify various integrated marketing communication tools and their applicability
- ... recognize factors affecting selection of IMC tools

Structure

- 9.1 Introduction
- 9.2 Communication and its Process
- 9.3 Marketing Communication and Promotional Mix Elements
- 9.4 The Integrated Marketing Communication and its Tools
- 9.5 The IMC Planning Process and Budgetary Considerations
- 9.6 Factors Affecting an IMC Strategy
- 9.7 Emergence of Social Media Revolution on IMC
- 9.8 Demand Creation Role of IMC
- 9.9 Stakeholders of Marketing Communication Industry
- 9.10 Summary
- 9.11 Key Words
- 9.12 Self – Assessment Test
- 9.13 Further Readings

9.1 INTRODUCTION

- ... Can you recall the product when you listen to ‘*Tandrusti Ki Raksha Karta Hai*?’
Yes, it is Lifebuoy soap.
- ... We receive SMS messages on our mobile phone or on WhatsApp from banks or retailers informing us about various offers or schemes. Why do they keep sending unsolicited messages on a continuous basis? Have you given a thought for the purpose of sending us these messages?
- ... When you hear ‘*Apki Apni Dukaan*’, which online shopping website comes to your mind? Yes, it’s Amazon.
- ... Have you noticed a ‘MRF’ sticker on the Indian cricket team Capitan’s bat while watching a match on television or live? Sure you must have noticed but you did not felt the need to know why it is there?
- ... Very often you come across a well dressed salesman greeting when a potential buyer enter a motorcycle or a car showroom for buying a vehicle. The salesman explains the highlights of the vehicle, focuses on the key features, demonstrates and finally he may take for test drive too. Have you or any of your family members experienced this?

Well, the answer in all the above situations is an affirmative “**Yes**”, there may be many more such situations or instances where you must have experienced that a company or brand is trying to contact you with their products or services so that you may buy and use them. If you carefully look into the above situations there is one thing in common i.e. all the marketers or firms were communicating with you using different methods in order to inform or remind or convince you to buy the products or services offered by them.

In the field of marketing, the communication between a brand and a company with its potential or existing customers is known as Promotion (or Marketing Communication. As you are aware that promotion is one of the key elements of marketing mix while the methods so used or employed for communicating are called elements of promotion mix.

By now, you are acquainted with the elements of marketing mix which are also referred as 4Ps of marketing *viz.* Product, Price, Place and Promotion. Promotion being one of the key elements of 4Ps, promotion and does play a very significant role in the marketing process.

Promotion mix constitutes of four elements namely *Advertising, Publicity, Sales Promotion and Personal Selling*.

Each of these promotional mix elements are well defined techniques and has their own role, purpose and significance in the entire marketing communication process. Primarily advertising helps a company or a brand to reach out to the mass market; publicity is useful to create a positive image of a product or service or even a firm in the minds of its customers. While sales promotion is the only method which is conceived by the firm that makes use of incentives both for customers and business partners to encourage purchase or sale of the products or services for a specific period. In order to promote and sell technical or industrial goods or services, personal selling is the only and also the most commonly used method of promotion by firm.

Historically, during late eighties it was observed and found that companies started looking at marketing communication process with a broader perspective. This outlook had led to the strategic integration of all the elements of promotion mix thus complementing and supplementing in the overall marketing communication process needs of every business enterprise. Besides, the strategic integration of other marketing activities (such as event marketing, sponsorships, BTL activities, digital marketing etc.) are initiated to send consistent messages to the potential or existing buyers of a company's products or services. This well coordinated and integrated communication effort used by a company to create a uniform image of its products or brands is known as Integrated Marketing Communication (IMC).

The rapidly changing tastes and preferences of consumers at all levels has a direct bearing on the current business environment which is highly competitive comprising of the regional, national and global brands being available with a wide range of merchandise and choice to suit every customer segment. In such a scenario the new or evolving customers are highly demanding knowing what they want, when they want, how they want and at what price they want with a strong bargaining power knowing fully aware that there several product or service options available to them.

In such a market scenario, the role of Integrated Marketing Communication (IMC) and its techniques become very important and handy to monitor and manage the complex interplay between the consumers and the wide range of merchandise that is available to choose from. This

unit helps the reader to understand the concept and role of IMC, its tools, various stakeholders of IMC industry etc. However, let us first try and understand what communication is all about and how it works in business.

9.2 COMMUNICATION AND ITS PROCESS

Smith, Berry and Pulford (1997) defined communication as dissemination of information from the mind of one individual to another for example, when we talk to others either in-person or over mobile phone, when we send a message to our friend over WhatsApp, when we send an e-mail to our client or when we make a call to customer care of our bank or health insurance company, communication is taking place indeed. Communication helps to exchange information, ideas, views or feelings etc. Any communication process consists of eight essential components *viz.* a) Sender, b) Message, c) Channel, d) Receiver, e) Feedback, f) Environment, g) Context and h) Noise. Figure 1 shows various elements of a communication process.

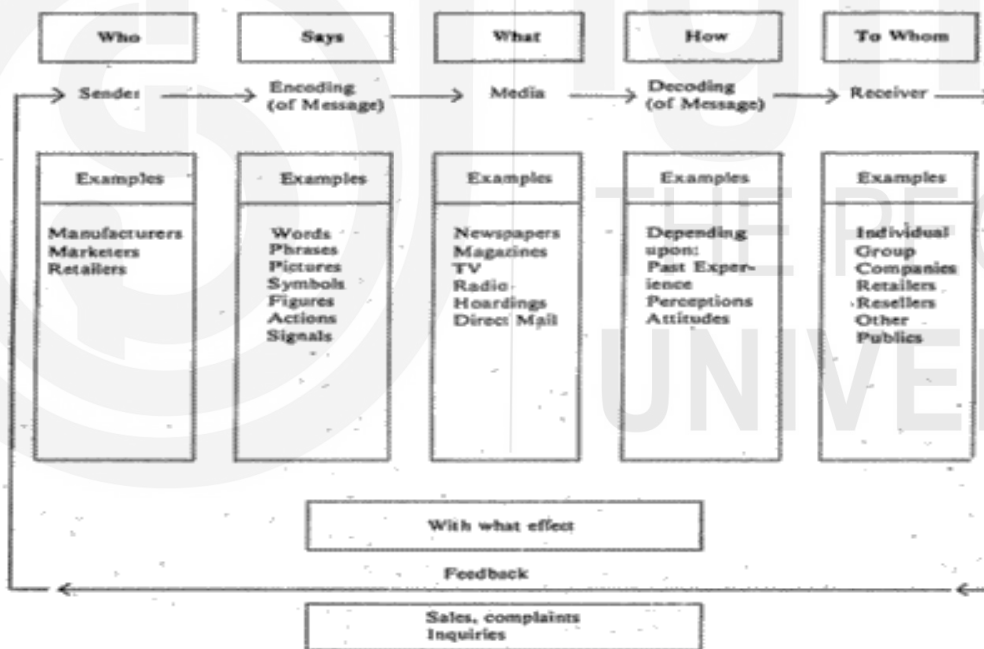


Figure 1: The Communication Process and its Elements

Source: Adapted from Philip Kotler, *Marketing Management-Analysis, Planning and Control* (1971) and Ralph M Gaedeke and Danish M Tootelian, *Marketing: Principles and Applications* (1983)

A sender (also known as source) begins the communication process by preparing and sending the message. A message is the stimulus created for the receiver or audience. In order to make the message available to the receiver, a channel is used. It is actually the way in

which a message travels between source and receiver. The receiver, after getting the message from the sender, analyzes and interprets it and, responds to it which is called feedback. A communication process is completed only when the receiver gives feedback to the sender.

By now you are aware of a communication process; can you relate it to a marketing context? We all daily receive information and details about products or services through newspapers, TV, radio, hoardings on main roads, mobile phone, social media etc. In this way, a company or a brand communicates about the products or services to its potential or existing consumers. In marketing, this communication between a company and its consumers is known as marketing communication. It is aimed to inform or remind or persuade the target consumers so that they buy the company's products or services.

9.3 MARKETING COMMUNICATION AND PROMOTIONAL MIX ELEMENTS

As explained in the previous section, in any communication process several elements and steps are involved. In the context of marketing communication, a manufacturer or company or brand is the source (or sender), while prospective or existing consumers are at the receiver of the communication. Message is the product information or details which are to be communicated to the target group in a creative and interesting way. The channel is various media options such as newspapers, TV, radio, magazines, hoardings etc. which can be used to reach the target audience. The success of a marketing communication activity depends on a company's ability to convey the message effectively in a manner in which the customers should understand and interpret the intended message. A marketing communication is considered effective if it achieves its objectives such as increased sales, improved brand recall, increased awareness etc. This is equivalent to the feedback, as discussed in the process of communication.

Having accepted as one of the important 'P's of marketing mix, marketing communication is synonymous to Promotion and the elements include (Advertising, Publicity, Sales Promotion and Personal Selling) which are employed by the firm for the purpose of awareness creation, image building, and for sales all the four methods constitute promotional mix elements. Every one of us does come across various promotional mix elements on a daily basis. When we read newspaper in the morning or watch news channel or watch our favorite TV show or watch music videos on YouTube, or visit a nearby shop or store to buy some product, when we go to a

shopping mall for shopping or entertainment, the hoardings on the street, wall paintings, banners, posters while traveling by road; we come across these elements of promotional mix viz. Advertising, Publicity, Public Relations (PR), and Sales Promotion messages etc. The committee on definitions of the American Marketing Association defines these components as under:

Advertising: Any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor. In simple words, advertising publicises about the availability of products or services to target group. It is a paid communication as the money is expended on crafting the message or buying media space and non-personal method because there is no one to one interaction between the company and consumers. Further, there is always a person or the company behind responsible for the advertisement. We come across this element daily in the form of advertisements in newspapers, magazines, hoardings, TV, radio etc.

Publicity and Public Relations (PR): Non-personal stimulation of demand for a product, service or business unit by generating commercially significant news about it in published media or obtaining favorable presentation of it. Unlike advertising, this form of promotion neither is nor paid for by the sponsor. It involves managing meaningful associations with the consumers, stakeholders, media, employees, vendors etc. to manage public's perception about a brand or company. It involves news releases, press conferences, media kit, social media pages etc.

Personal Selling: Verbal presentation in a conversation with one or more prospective buyers for the purpose of making sales. We come across this element when we visit an electronics or automobile showroom and, a person comes to us saying: 'Sir / Ma'am, Welcome! How can I help you?' or, when a salesperson rings the bell at our home and briefs us about a company's products and try to persuade us for trying that product.

Sales Promotion: Are those marketing activities other than personal selling, advertising and publicity that stimulate consumer purchasing and dealer efficiency by way of coupons, contests, discounts, gifts and non-routine selling efforts. These are usually short-term activities. Each of these promotional mix elements is used by a company or brand to achieve a specific objective. Table 1 summarizes the strengths and limitations of various elements of promotional mix.

Elements of Promotion Mix	Strengths	Limitations
Advertising	Mass reach, Control over message, non-personal, Inexpensive per contact	Require huge budgets, One way, Hard to measure results, Cluttered
Publicity and PR	Mass reach, Inexpensive, Creates goodwill, Highly credible	Less control over message, Hidden costs, Difficult to measure results, No direct impact on sales
Personal Selling	Immediate feedback possible, Highly targeted, Interactive, Customizable, Useful in persuasion	Expensive per contact, Limited scope
Sales Promotion	Mass reach, Direct impact on sales, Measurable results	Expensive, Easy to imitate, May have negative effect on brand image in done regularly

Table 1: Relative Strengths and Limitations of Promotional Mix Elements

(Source: Adapted from Rachman, David J., and Elaine Kotary Romano. Modern Marketing. Dryden Press, 1980)

As discussed, each element of promotional mix has its relative advantages and limitations and, each element is employed to solve a specific purpose of marketing communication with the target group. However, with the changes in consumer behavior over time, companies or brands started looking at marketing communication with a broader perspective. Furthermore, the emergence of new technology and media options made marketers to shift their focus towards a more comprehensive promotional approach. This comprehensive, well-coordinated and integrated communication effort used by a company to create a uniform image of its products or brands is known as Integrated Marketing Communication (IMC). The acronym IMC is now become the buzz word and is being replaced by the traditional Marketing Communication term to convey the purpose and message by firms to the target market and marketplaces respectively.

Activity 1

Suggest a suitable promotional mix for each of the following products or services. Assume that budget is not a constraint for marketing these products or services. Justify your answers.

1. Ayurvedic Toothpaste
2. Lubricating Oil for Industrial Use
3. Electric Bike
4. Laptop

across a pop-up ad of ‘Drivo’. While leaving office for home, you see that a guy is sitting beside a canopy tent which is installed in the parking of your office building. On close observation you find the newly launched ‘Drivo’ inside the canopy tent. Finally, at home, while watching cricket match on TV, you see a 30-sec advertisement of ‘Drivo’ during commercial break.

The above is a hypothetical example to explain how a brand makes all attempts to reach their potential market segments with messages and being visible by using all the elements of the promotion mix. This explains clearly what IMC is all about. In this case, the company was using a combination of various tools (Advertising, Digital Marketing, and BTL activity, Outdoor etc.) to communicate to their potential consumers in awareness creation about the brand Drivo and to persuade them to consider purchasing.

Table 2 *illustrates major Integrated Marketing Communication (IMC) tools and relevant elements / examples of each.*

IMC Tools	Elements / Examples
Media Advertising	Newspapers, Magazines, TV, Radio etc.
Direct Marketing	Mails, E-mails, Telephone, Fax, Catalogs, Brochures, Home Shopping Shows etc.
Digital Marketing	Internet (or Online), Social Media, Mobile, Website, Search Engine, OTT etc.
OOH (Out of Home)	Billboards, Posters, Banners, In-Transit Ads, Cinema, Wall Paintings, Glow Sign Boards etc.
In-Store or POS Advertising	External and Internal Store Signs, Shopping Cart Ads, In-Store Radio and TV etc.
Sales Promotion	Samples, Coupons, Exchange Offers, Refunds / Rebates, Contents, Lucky Draws, Quality and Quantity Discounts, Trade Promotions, Volume Discounts, Referral Codes
Event Marketing and Sponsorships	Sporting Events, Fairs, Festivals, Sponsoring Causes, BTL Activities, Mela etc.
PR and Publicity	Helps professionally handling a positive public image by the company that helps in maintaining good relations with the public.

	While Publicity, tries to inform some interesting news to the public.
Personal Selling	Personal selling occurs when a sales representative meets with a potential client for the purpose of transacting a sale.

Source: Adapted from Lane Keller, Kevin, “Mastering the Marketing Communications Mix: Micro and Macro Perspectives on Integrated Marketing Communication Programs,” (2001): pp. 819-847.

Each IMC tool has its own strategic and tactical importance in the whole marketing communication process and promotional efforts pertaining to the firm’s product or service offering. However, when all these tools (as depicted in Table 2) are used in the right combination and proportion, then the impact of the communication will be visible and its effectiveness becomes measurable.

Let us now look at each of the IMC tool and understand their role and importance in brief:

- a) Media Advertising is generally best suited for products or services targeted at mass markets and require huge budgets. It is one-sided communication and hence, customer feedback is not received. We regularly come across advertisements in TV, radio, newspapers, magazines etc. which falls under the category of Media Advertising.
- b) With the advent of new emerging communication and mobile technologies advertising through modern media viz. internet, social media, mobile etc. is gaining momentum. This falls under the category of Digital Marketing.
- c) While you travel by road, then you are bound to come across various hoardings, banners, wall paintings, advertisements on buses or taxies etc. This is another important IMC tool and known as OOH (Out-of-Home). OOH is mainly useful for local or regional brands which intend to promote their offerings and wish to persuade consumers of that town or region to buy them.
- d) Further, you must have seen wall hangings, posters, in-store banners while visiting shopping mall, departmental stores. This is another element of IMC tools i.e. Point-of-Sale (POS) Advertising. They are helpful to trigger impulse purchases of the products or services of different brands which are available at the store for sale.

- e) As an IMC tool, sales promotion is another important element which is helpful in generating immediate sale. It is defined as ‘short term incentives given to customers and channel partners to boost sales’. Promotional messages related to offers such as *Buy 2, Get One Shirt Free, 20% Off on ‘X’ Pizza Brand, Exchange Your Old Watch with New ‘Y’ Watch* etc. are some of the examples of sales promotion activities initiated by a company or brand to create desire in the customer’s mind so that he / she buys the product or service.
- f) Further, events are great way to socialize and reach to the masses to inform and persuade the target audience. They may be of various types ranging from charity, shows, cultural events, games & sports and corporate events or celebrations etc each of these serves a different goal. Similarly, sponsorship is financial association of a company with other companies or events. It helps to create cross media ties and, in forming and endorsing the brand image and values. For example, MPL Sports is the new kit / apparel sponsor for Indian cricket team.
- g) Another IMC tool, personal selling is generally used for selling or promoting technical, industrial and referral products or in an institutional selling scenario.

In short, each IMC tool plays an important role in overall IMC strategy of a company or brand to deliver a unified, consistent message to its target audience. And, in today’s business scenario, IMC is inevitable because no company or brand can survive by using only one or two promotional tools to send consistent communication to prospective or existing customers

Does IMC Really Help? *Keep reading the below paragraph and recall your school /student days.....*

Have you tried the magnifying glass and sun experiment in your childhood? When we hold a magnifying glass under the sun, it concentrates the sun's light onto a small area and makes the sun’s heat much stronger. This may make a flammable object burn. This small experiment explains the importance of IMC in a very simple way. In a marketing communication scenario, IMC acts as a magnifying glass which integrates various marketing and promotional tools to ensure synergy and avoid duplication. ***Indeed it does help the firm.....***

An IMC strategy integrates various marketing communication tools to maintain communication consistency and ensure resource optimization. There are different online and offline

communication tools which make a communication about a product or service to reach out to target group in many ways. In order to ensure clarity of a brand's message about a product / service, integration of all the tools becomes crucial. The importance of IMC approach is growing continuously consistently both among the large as well as small firms. It's being adopted among the marketers of both consumer as well as B2B products and service businesses. IMC is really helpful as it makes a firm's marketing communication program more efficient and effective. An IMC strategy offers several benefits such as it ensures consistent and clear communication, optimizes resource utilization, avoids replication, helps to have competitive edge and consolidates a brand's image and public perception also.

9.5 THE IMC PLANNING PROCESS AND BUDGETARY CONSIDERATIONS

An IMC process involves six steps as depicted in Figure 2. Any IMC planning process begins with situational/ contextual analysis. Various tools such as SWOT / TOWS analysis may be used to analyze the external and internal environmental factors. Once situational analysis is carried out, it is important to decide on target market or group and identify the reasons for which customer will purchase a company's products or services. The next step of the IMC planning process is setting the marketing communication objectives. These may be increasing brand awareness, enhancing brand image, changing customer beliefs and attitude, influencing purchase decisions etc.

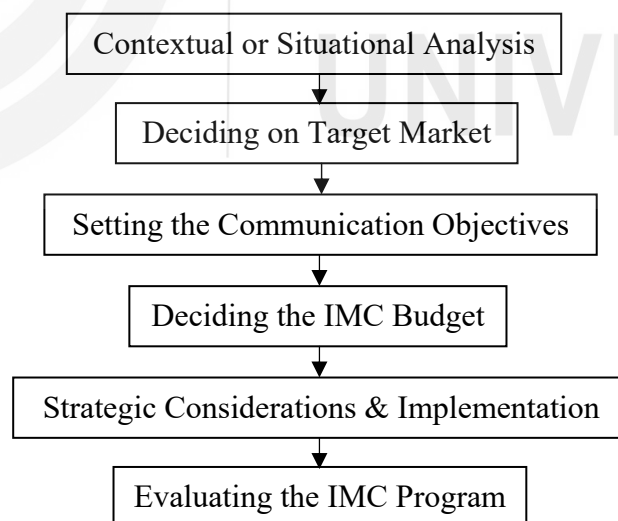


Figure 2: The IMC Planning Process

(Source: Adapted from Belch, George E., and Michael A. Belch. "Advertising and promotion: An integrated marketing communications perspective 6th." New York: McGraw-Hill (2004))

Once objectives are chosen, deciding on budget is the next crucial step in the IMC planning process. The promotion budget not only influences the level of promotional activity but also, the promotional mix used by the firm. A company may either use percentage of sales or profits, competitive parity for deciding the IMC budget or even identify tasks to be performed as per the set communication objectives and calculate the budget accordingly. After the finalization of objectives and budget, it becomes important to develop and implement specific strategies to accomplish these objectives. This is the fifth step of the IMC planning process. The final step of the IMC planning process is assessing the IMC program. It enables a marketer to understand what worked or didn't work so that the same can be taken into consideration in future.

9.6 FACTORS AFFECTING AN IMC STRATEGY

Careful selection of IMC tools and more carefully designing a suitable IMC strategy is vital and depends on a number of factors. While one company or brand may use advertising and publicity prominently, other may rely on sales promotion and POS advertising or may be combination of other IMC tools. The choice of a specific or a combination of IMC tools is determined by several factors such as:

- ... Product or Service Category
- ... Target Group Characteristics (Demographic, Geographic etc.)
- ... Budgetary Constraints
- ... Stage in Product Life Cycle (PLC)
- ... Regulatory Considerations etc.

Product or Service Category: Selection of IMC tools mainly depends on the type of product or service category. Products or services which are technical or industrial (Ex. machinery, gear boxes, medicines) in nature or require high involvement would necessitate personal selling while advertising and sales promotion are best suited for convenience, low involvement product categories (Ex. biscuits, shampoo, hair oil, confectionaries etc.). We watch television or read newspapers daily. What kind of product or service advertisements have you observed? Can you recall? You would have seen advertisements of automobile brands (cars, two wheelers), jewelry,

hair care products, wellness products, health supplements and educational institutes etc. Have you ever seen advertisements related to industrial lubrication, industrial machinery etc. in newspapers, television or heard on radio about such products or services obviously not? It is because selection of an IMC tool depends on type of product or service.

Target Group Characteristic: Factors such as demographic (age, gender, income, marital status, education etc.) and geographical characteristics (urban, semi urban, rural etc.) of target market assume a very significant role in designing the IMC strategy for a brand. For example, for a product or service category targeted at young consumers, IMC tools such as media advertising, direct marketing etc. are most suitable. Similarly, when the target market for a product or service is rural consumers, IMC tools such as wall painting, Below the Line Marketing (BTL) activities etc. are most relevant due to low literacy levels and exposure.

Budgetary Constraints: The budget outlay and availability of funds with the firm is another factor which determines selection of IMC tools and strategy. Media advertising requires huge budgets while PR and publicity are considered to be free of cost. It also affects the reach and frequency decisions. Multi-National Companies (MNCs), big corporate groups have huge IMC budgets while small firms, start-ups have limited budgets and hence, IMC tools are chosen very intelligently taking into considerations the cost benefits analysis and the pros and cons of each of the selected tool.

Stage of Product Life Cycle (PLC) and Regulatory Considerations: The stage of the PLC of the brand and its readiness and other allied factors of product or service offerings are essential and should be considered accordingly. In addition the regulatory considerations also play an important role in selecting appropriate IMC tools. As the objective of marketing communication changes with the PLC stage, the IMC tool need to be selected accordingly. For instance, when a product is in introduction stage, the company's or brand's objective is to make consumers aware about the product, its uses. In such case, media advertising and publicity is considered most suitable and relevant. A brand may also consider sales promotion to let people try the newly launched product or service.

Furthermore, government regulations also affect the choice of IMC tools and strategy. For example, media advertising, direct marketing, out of home (OOH) etc. are prohibited for pharma products or services in India. Therefore, they use personal selling (referrals from doctors or

specialist) to promote the products or services. In the same way, advertising of tobacco and alcohol is banned in our country. Hence, companies or brands of such products or services use other means (such as surrogate advertising) to reach out to prospective and existing customers. For example, Imperial Blue is an Indian alcoholic beverage brand. Since it cannot be promoted directly due to government regulations, they promote their music CDs under the campaign '*Men will be Men*' to remain as a brand in their customers' mind.

Activity 2

1. Pick up any two consumer brands and any two industrial brands of your choice. Discuss how each of these brands uses IMC to deliver consistent and integrated messages. Do you find any difference in the IMC strategy of an industrial product when compared to a consumer product? If yes or no Explain.

9.7 EMERGENCE OF SOCIAL MEDIA REVOLUTION ON IMC

Marketing has changed drastically since the last decade and a half due to the emergence of social media. It has provided new tools to reach out to potential customers by having an in-depth understanding of their habits, perceptions and preferences. Marketing Analytics, Big Data, IOT, Social CRM, Automation, Chat bots, User Experience (UX) Marketing etc. have taken marketing to the next level.

With reduced technology costs and the increased internet penetration, social media marketing offers many appropriate solutions. The way businesses relate with their customers has changed radically. The new and evolving consumers of today are bounded by online tools and technologies. This has made brands to include email, websites, online PR, search engine marketing, blogs, social networks, and social media advertising etc in their marketing toolbox.

Furthermore, content marketing, online communities, mobile marketing and virtual reality also play a crucial role in overall IMC strategy.

9.8 ROLE OF IMC IN DEMAND CREATION

Any IMC activity plays a significant role in creating demand for products and services. It is important for a marketing professional and marketers to understand and appreciate the demand creation role of IMC. The consumer response hierarchy models which you are familiar with do offer meaningful insights into the consumer responses and buying process which finally lead to the demand of a product or service. There are four key consumer response hierarchy models that demonstrate consumers' behavior across three stages i.e. cognitive, affective and conative. The key hierarchy models are:

- a) AIDA Model,
- b) Hierarchy of Effects (HoE) Model,
- c) Innovation Adoption (IA) Model and,
- d) Information Processing (IP) Model.

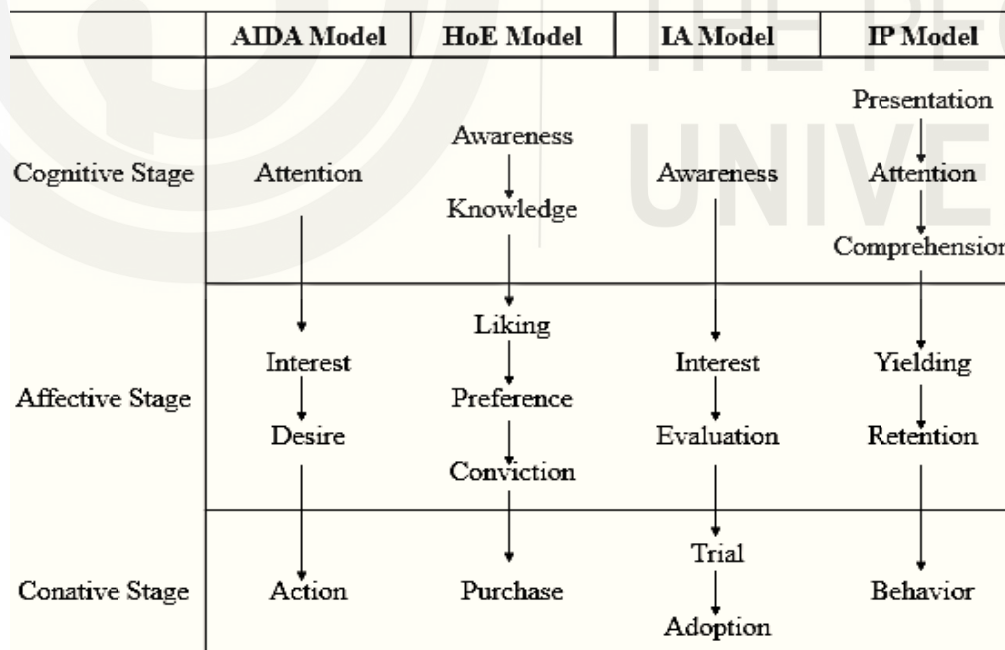


Figure 3: Several Consumer Response Hierarchy Models

(Source: Adapted from Barry, T. E. "The Development of the Hierarchy of Effects: An Historical Perspective." Current Issues and Research in Advertising, Vol. 10, No. 1-2 (1987): pp. 251-295)

‘AIDA model constitute the most basic consumer response hierarchy model. The acronym stands for Attention Interest Desire and Action respectively. It suggests that a marketing communication effort should first grab a consumer’s *attention*, generate his / her *interest*, create *desire* and finally, motivate him / her to take *action* for purchase.

The model of Hierarchy of Effects (HoE) illustrates a series of sequential steps through which a consumer undergoes to make an actual purchase. Developed by Lavidge and Steiner (1961), Hierarchy of Effects is the most recognized consumer response hierarchy model in IMC literature. Let us understand this by a simple example. Assume that you are an communication manager of a toothpaste brand *Smiley*. You want your target audience to purchase *Smiley*. According to HoE model, you need to first ensure that target customers are aware of the brand *Smiley*, through your integrated marketing communication efforts. It is also obvious that *Smiley* is not the only toothpaste brand available in the market. Instead there would be a wide range of tooth paste brands that customers are aware of such as *Shiny*, *Whity*, *Senso* etc. Therefore, all the efforts of IMC should aim at targeting and communicating benefits and positive attributes of your brand so that customer may evaluate your offering against the available options in the market.

At the next level, the brand should ensure that the customers should get emotionally attached with the brand and start liking it. Once, the potential customer reaches this stage, the efforts of IMC for *Smiley* should now be focused on creating differentiation and highlighting the USP of the product. At this stage, the brand should ensure that customer prefer *Smiley* over other available options in the market. Subsequently, the IMC efforts of brand *Smiley* should trigger action i.e. conviction and finally purchase. A level of trust should be built by the brand, by focusing on quality and usefulness through its IMC strategy. This will help to clear the doubts (if any) in customers’ mind which will finally lead to the purchase of *Smiley*.

In a similar way, the two other models i.e. Innovation Adoption Model (IAM) and Information Processing (IP) Model also describe several steps or stages which a target customer goes through to act favorably towards a product or service adoption. The IAM model represents the stages through which a consumer passes and finally adopts an innovation or a new product. This model works on the Diffusion of Innovations theory. To summarize, all these models offer

clarity on the response that is stimulated from a consumer at different stages of his / her journey, starting from unawareness to the final purchase of a product or service.

9.9 STAKEHOLDERS OF IMC INDUSTRY

Let us now try to understand and appreciate the several stakeholders of the marketing communication industry and their respective roles. The eco-system of an IMC industry primarily involves the manufacturer (the brand), target audience (potential or existing customers), advertising agency, media house and regulatory (including self-regulation) bodies.

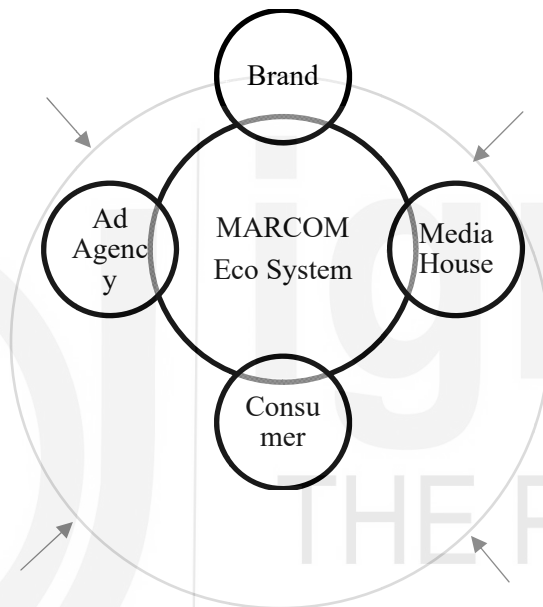


Figure 4: The IMC Eco – System (created by Author)

A brand or a company (for example Reliance Jio, Maggi, Levis etc.) is a key stakeholder which manufactures the products or services and offers to market for sale and earn profit. Their core competence is producing and delivering the products or services, therefore they outsource the marketing communication activities to advertising agencies. An ad agency is an independent service organization responsible for creating, developing, producing, placing and managing marketing communications activities for its client i.e. a manufacturer (or a brand). The advertising agency offers fair and unbiased views and vision on product / service and the prevailing market conditions and offer appropriate IMC solutions accordingly. It brings in required professionalism, expertise and competence as well. There are various types of ad agencies catering to a wide and diversified clients/firm's based on

Besides, the various stakeholders discussed above, government regulatory bodies and self-regulatory organizations (represented by arrows in the Figure 4) are equally important to protect the interest of other stakeholders of the industry, especially the consumer. Advertising Standards Council of India (ASCI) is one such self-regulatory body consists of advertisers, advertising agencies, media, PR agencies and market research companies. ASCI's goals include monitoring, administering and promoting standards of advertising practices in India. The activity below will enable you to know more about ASCI.

Activity 4

1. Visit the website or the social media page of Advertising Standard Council of India (ASCI). Explore the role and responsibilities of ASCI and their contribution to the IMC ecosystem.

9.10 SUMMARY

Communicating with target customers is key to the success of every business. It is one of the important elements of a firm's marketing mix decisions and known as promotional mix or marketing communications. It includes advertising, publicity, sales promotion and personal selling. Furthermore, Integrated Marketing Communication (IMC) refers to a comprehensive approach of using several communication tools to inform, aware, remind, persuade and influence a consumer's attitude and buying behavior. Marketing communications (or Integrated Marketing Communications) play a key role in creating demand for a products and services. The marketing communication task should aim at targeting the right consumer segment in creating awareness and engaging and educating consumers will in turn positively affect the demand for product or service being offered to the market. The consumer response hierarchy models are important frameworks which explain consumer responses and behavior to a marketing communication

process. Choosing an appropriate IMC strategy depends on various factors and is a crucial decision for a brand's success and business sustainability.

9.11 KEY-WORDS

AIDA: Acronym for Attention, Interest, Desire and Action. It identifies stages an individual undergo during the buying process for a product / service

ASCI: Acronym for Advertising Standards Council of India. It is a self-regulatory voluntary organization, committed to the cause of self-regulation in advertising, ensuring the protection of the interest of consumers

ATL Activities: Above the Line Activities. They focus at directing the communication towards the mass market

BOGOF: Acronym for Buy One Get One Free. A common sales promotion strategy used by retailers

BTL Activities: Below the Line Activities. They are more focused and directed towards a specific set of consumers

Digital Marketing: The act of promoting and selling products / services by leveraging online marketing tools

Hierarchy of Effects: A consumer response model which suggests stages viz. Awareness, Knowledge, Liking, Preference, Conviction and Purchase for influencing a consumer's decision

Integrated Marketing Communications (IMC): A 360-degree marketing communication strategy which combines several tools to provide clarity, consistency and optimum communication effect

Primary Demand: The overall demand for all the brands in a particular product category

Secondary Demand: The demand for a given brand in a particular product category

Self-Regulation: An organization regulating itself without involvement from an external body

Surrogate Advertisement: An advertisement that duplicates the brand image of one product to promote another product of the same brand.

9.12 SELF-ASSESSMENT TEST

1. Advertising is generally a better promotional tool as compared to sales promotion if you want to close a sale. (True / False)
2. Building good relations with the firms' various publics (internal employees, external customers, other companies, the government and media) by obtaining positive publicity, building up a good corporate image and handling or heading off unfavorable rumors, stories and events is called as _____.
 - a) PR Activity
 - b) CRM Activity
 - c) Sales Promotion Activity
 - d) Relationship Building Activity
3. Understanding buyer's behavior is important for the success of an IMC program. (True / False)
4. The major criticism of Hierarchy of Effects models is that they assume consumers move through the decision - making stages in a consistent, rational manner. (True / False)
5. Which of the following is generally neglected through the use of advertising?
 - a) Immediate Feedback
 - b) Low Cost / Contact
 - c) Reaching Masses
 - d) Creating Brand Image
6. Colley's DAGMAR principles relate to which method of setting advertising budgets.
 - a) Bottom Up Approach
 - b) Affordability Method
 - c) SOV
 - d) Competitive Parity
7. Consumers normally pass through a buyer-readiness process as they reach a decision to purchase a product or not. Which of the following stages is not typical of buyer-readiness process?

- a) Preference
 - b) Awareness
 - c) Conviction
 - d) Post Purchase Evaluation
8. Garvit called Maya on the telephone to present information about a meal plan package his company was offering. Maya responded unfavorably to his description of the offer, so Garvit modified the message. Which characteristic of personal selling did Garvit benefit from in this scenario?
- a) Ability to Target Specific Markets
 - b) Ability to Respond to Immediate Feedback
 - c) Relationship Building
 - d) None of These
9. A company's customers, which deals with premium products, are confined to a specific geography. The company should use:
- a) Advertising
 - b) Personal Selling
 - c) Sales Promotion
 - d) Events
10. In case of industrial products, heavy advertising and publicity is most appropriate promotional tool. (True / False)

(Answers: 1. False, 2. PR Activity, 3. True, 4. True, 5. Immediate Feedback, 6. Bottom Up Approach, 7. Post Purchase Evaluation, 8. Ability to Respond to Immediate Feedback, 9. Personal Selling, 10. False)

11. Discuss the role and importance of feedback in the communications process with a suitable example of your choice.
12. List out the key considerations that a marketer should consider while choosing an advertising agency in the following situations:
- a) launch of a new innovative premium writing instrument (Ink pen)
 - b) chain of south Indian fast food joints operating in north India

13. Organizations are gradually sensing the necessity of becoming more integrated in their marketing communications efforts. Discuss by taking an example where you have been a part of the integration process or may have personally observed the said integration.
14. How consumer sales promotion is different from trade sales promotion? Discuss with suitable examples.
15. As advertising costs are relatively high, it is not cost efficient. Discuss.

9.13 FURTHER READINGS

- ... Kotler and Keller, Marketing Management, 15th Edition, Pearson Education India
- ... Bains and Sinha, Marketing, Asian Edition, Oxford Higher Education
- ... ShahKruti, Advertising and Integrated Marketing Communications, 1st Edition, 2015, McGraw Hill
- ... Moriarty, Mitchell and Wells, Advertising and IMC, 10th Edition, Pearson Education India

UNIT 10 ADVERTISING AND SALES PROMOTION

Objectives

After studying this Unit, you will be able to:

- ... appreciate the role and types of advertising
- ... list different kinds of advertising objectives
- ... learn how an advertising copy is developed
- ... explain how media planning is done
- ... describe the parameters used for measuring, advertising effectiveness
- ... explain the nature and role of sales promotion
- ... list different types of sales position and the sales promotion schemes
- ... learn about the growing importance of sales promotion in India.
- ... understand the process involved in planning sales promotions
- ... appreciate the need for integration among the different methods of promotion.

Structure

- 10.1 Introduction
- 10.2 How Advertising works?
- 10.3 Types of Advertising
- 10.4 Role of Advertising
- 10.5 Advertising Management
- 10.6 Advertising Budget
- 10.7 Setting Advertising Objectives-Indian Experience
- 10.8 Developing Advertising Copy and Message
- 10.9 Selecting and Scheduling Media
- 10.10 Measuring Advertising Effectiveness
- 10.11 Coordinating with Advertising Agency
- 10.12 Sales Promotion
- 10.13 Sales Promotion Objectives
- 10.14 Sales Promotion Methods
- 10.15 Planning Sales Promotion
- 10.16 Towards Promotional Strategy

- 10.17 Summary
- 10.18 Key Words
- 10.19 Self-assessment Exercises
- 10.20 Further Readings

10.1 INTRODUCTION

In modern times advertising prevails in all walks of human life. It has acquired the distinction of being the most visible and glamorous and impactful method of marketing communication. Advertising is defined as any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor. Some of the major marketing and communication functions performed by advertising today include to inform, entertain persuade, influence, remind, reassure and add value to the product or service advertised.

While sales promotion being a key element of promotion mix makes use of short term incentives to encourage purchase of product or service. Before going to touch upon the role of advertising and sales promotion and their managerial aspects, let us acquaint ourselves with how advertising and sales promotion works and their dimensions in overall marketing communication.

10.2 HOW ADVERTISING WORKS?

In order to perform the various marketing and communication functions listed above, according to Paul E.J. Gerhald, advertising moves through the following stages before accomplishing its purpose:

- ... it gets planned and brought into existence
- ... it is reproduced and delivered and exposed to people
- ... it is received and assimilated
- ... it affects ideas, intentions and attitudes
 - it affects buying and buying process
 - it responds to time (situation and repeated exposure)
 - it affects trade effort and supply

it affects product consumption
it changes sales and profits
it changes the market (size, quality mix, intensity
competition, trade relations, consumerism etc.)

10.3 TYPES OF ADVERTISING

- Depending upon the nature of the task involved, type of product represented or the focus of activity transacted, advertising efforts are grouped into various types. Let us take a few examples.
- Advertisements for machinery and machine tools form part of industrial advertising, and the ones for footwear, cornflakes or edible oil etc. the consumer advertising.
- The advertisements aimed at improving the corporate image are forms of corporate advertising and the ones promoting a company's products, the product advertising.
- Likewise, advertisements promoting the consumption of tea or carpets are called primary demand creating advertisements whereas those relating to specific brand such as Brooke Bond's 'Tajmahal' or Nescafe', selective brand advertising is appropriate.
- Advertisement aimed at effecting immediate sale of the product advertised is called direct advertising, and the ones performing tasks like announcing the launch of the new product, building purchase intentions, creating interest in customers or changing their attitudes towards the product, are termed the indirect action advertising.
- The advertisements which are sponsored and paid for by the manufacturers are manufacturer advertising, and such advertisements whose costs are shared by the manufacturer and wholesalers or retailers are co-operative advertising. Co-operative advertisements aim at increasing the demand of a specific product of a manufacturer through a particular wholesaler or retailer.

- On the other hand, when a retailer advertises for his shop entirely on his own to attract traffic to his shop it is retail advertising.

In short, the major types of advertising are: industrial and consumer, product and institutional, primary demand and brand-demand, direct (sales) demand and indirect (awareness, intentions and attitudes) action advertising, and manufacturer, co- operative and, retail advertising.

10.4 ROLE OF ADVERTISING

In the pursuit of its purpose, the economic and social effects of advertising have become the subjects of continuing debate. A quick flavor of the arguments put forward on both the sides can be had from Table 1. The table presents two viewpoints, one considering advertising as an information disseminating utility function and the other viewing advertising as a source of market power.

On balance, advertising has carved an indispensable place for itself in the marketing mix of a firm. Philip Kotler very aptly refers to the following *situations where advertising is likely to make greater contribution*. The situations are:

- ... when buyer awareness is minimal
- ... when industry sales are rising rather than remaining stable or declining
- ... when the product has features normally not observable to the buyer
- ... when the opportunities for product differentiation are strong
- ... when primary instead of secondary motives can be tapped.

Are, there some **limitations** to the role of advertising? The answer obviously is in the affirmative. Advertising, in the words of Richard H. Stansfield, cannot do the following:

- ... sell a bad product twice
- ... sell an overpriced or otherwise non-competitive product
- ... sell a poorly distributed product
- ... sell a seasonal product during non-season /out of season (significantly)
- ... sell products to persons having no use for them
- ... work overnight

... do the selling job alone.

During the late 80's the usefulness of advertising, which for long been accused as a capitalist tool and a bane of market economy, was realised by planned and communist economies too. While Yugoslavia, USSR, Poland and Hungary shed their hostility to advertising quite a few years ago, China welcomed advertisement propelled marketing and hosted the Third World Advertising Congress in Beijing during June 1987. *The Economic Times in its marketing and advertising column reported that China's advertising expenditure in 1985 was around \$ 200 million.*

Table 1: Role of Advertising – Two Views

Advertising - Market Power		Advertising Information
Advertising affects consumer preferences and tastes, changes product attributes and differentiates the product from competitive offerings Consumers become brand loyal and less price sensitive, and perceive fewer substitutes for advertised brands.	Advertising Consumer Buying Behaviour	Advertising informs consumers about product attributes and does not change the way they value those attributes. Consumers become more price sensitive and buy best 'value'. Only the relationship between price and quality affects elasticity for given product.
Potential entrants must overcome established brand loyalty and spend relatively more on advertising	Barriers to Entry	Advertising makes entry possible for new brands because it can communicate product attributes to consumers
Firms are insulated from market competition and potential rivals concentration increases, leaving firms with more discretionary power	Industry Structure and Market Power	Consumer can compare competitive offerings easily and competitive rivalry is increased. Efficient firms remain, and as the inefficient leave, new entrants appear the effect on concentration is ambiguous

Firms can charge prices and are not as likely to compare on quality or price, dimensions. Innovation may be reduced	Market Conduct	More informed consumer put pressures on firms to lower prices and improve quality innovation is facilitated via new entrants
High prices and excessive profits accrue to advertisers and give them even more incentive to advertise their products. Output is restricted compared to conditions of perfect competition	Market Performance	Industry prices are decreased. The effect on profits due to increased competition and increased efficiency is ambiguous.

Source: Paul W. Farms and Mark S. Aibion. *The impact of Advertising on the Price of Consumer Products* Journal of Marketing (Summer 1980) pp. 17-335.

10.5 ADVERTISING MANAGEMENT

Advertising constitutes one of the four components of a firm's promotion mix which in turn forms an integral element of the firm's marketing mix. In order to implement the marketing concept and to achieve the objective of integration among different elements of marketing mix, it is necessary that the advertising function be systematically planned.

In particular, the link of advertising with the promotion and marketing objectives of the firm on the one hand, and with factors like product positioning objective, role of sales force, dealer support plan and the buying habits of consumers, on the other hand, must be clearly established. This link helps a firm to achieve the desired push-pull strategy objectives, and enables the product to have a distinct personality. The task involved in advertising is, therefore, complex and its management requires systematic decision-making. Charles Ramond advocates appropriate research to precede each stage of an advertising campaign.

The suggested types of advertising related research listed by Ramond are given in Table 4

Table 4: Advertising Campaign: Questions and Answers

To Make This Decision	One Must Choose A	Using
What To Say	Theme, Copy Platform	Concept tests
		Positioning
		studies
To Whom	Target Audience	Market Segmentation
		Studies
How to Say it	Copy Commercial	Copy Research
	Execution	Commercial Test
How Often	Frequency of	Studies of
	Exposure	Repetition
Where	Media Plan	Media Research
		Modes
How Much To Spend	Budget Level	Sales Analysis,
		Marketing Models

Source: Charles Ramond, Advertising Research: The State of the Art (New York: Association of National Advertisers, 1976), pp. 3-4.

In short, the basic decision-areas in advertising are:

- ... setting advertising objectives
- ... determining advertising budget
- ... developing advertisement copy and message
- ... selecting and scheduling media
- ... measuring advertising effectiveness

10.6 THE PROMOTION BUDGET INCLUDING

THE ADVERTISING BUDGET

The advertising budget influences the level of advertising activity used by the firm. Budgeting for advertising is yet another area where a lot of subjectivity prevails regarding what is the right amount to be spent on the advertising activity.

Further discussion from here pertains to promotion budgeting comprising all the elements of promotion

mix including advertising. Pending any clear cut relationship between the promotion expenditure and the achievement of promotion objectives, recourse is made to certain rules of the thumb. These are:

- ... incremental promotional expenditure yields, incremental sales to a certain extent;
- ... a minimum level of promotion activity must be exceeded for promotion to have a meaningful effect. Often such a minimum level of promotion is set by the competitor or more appropriately by an average of the industry;
- ... promotion activities when well integrated with other elements of the marketing mix produce greater than the planned results.

The above discussion should not, however, lead us to understand that no attempts have been made to shed light on the inherent uncertainty shrouding the cause-effect relationship in this area of promotion budgeting. In fact, quite a few notable attempts, by the economists in terms of application of marginal cost and marginal revenue principle (additional promotional expenditure and additional revenue and profits made), and by marketing researchers through experimentation and model building approaches have been made. The substance of their findings is that results of the promotion function should be constantly monitored in order to establish more reliable parameters of cost-benefit relationships. Further, cost-benefit analysis should form the basis of the tradeoff before promotion budget is finalised by using any one of the following methods. These methods include per cent-of-sales methods, fixed-sum per unit, affordable funds, competitive parity, and objective and task method.

Percent-of-Sales: This method views promotion budget determination by linking the appropriation to a fixed percentage of sales of the company products. Such sales may relate to the previous year, an average of sales of the previous few years, projected sale of the next year or years or an average of the previous few years sales, as well as the projected sales of the next few years.

This method though simple to use fails to account for the changing promotional costs, and relating the appropriations made to the product-market needs. Particularly difficulties are faced if the sales curve of a company is not smooth, hence resulting in lower outlays for the years that follow the bad sales years. Also the forecasted sales realisations remain uncertain. The ways out attempted have been the adjustment provision of a fixed percentage to the average expenditure of

the: past (i.e., last year plus 15%), or use of this method in combination with the others that are discussed below.

Fixed-sum per unit: Very much like the per cent-of-sales, under this method the promotion budget is determined by allocating a fixed amount of money per physical unit of product for either past or future sales or a combination of the two. The only differentiating point of this method from the per cent-of-sales method is that the base for budgeting, instead of being rupee sales, is the number of product units sold or targeted to be sold. This method, thus, has almost the same strengths and weaknesses as the ones associated with per cent-of-sales method, namely, simplicity in the determination but arbitrariness in arriving at the percentage or per unit allocation.

Affordable funds: Continuing to think on the plane that promotion expenditure is one of those business costs which are desirable or avoidable as per the convenience of the top management, the funds for promotion are appropriated on discretionary basis under this method. No wonder then, that companies adopting this method find their promotion appropriations fluctuating from year to year depending on the top management's thinking for the year.

Competitive parity: Incorporating a measure of competitiveness in planning, this method guides the budget determination in terms of relativity to what the competitors are likely to allocate. Being a slightly more market-oriented method than the ones ' discussed so far, when based on the representative average of the industry promotion expenditure, it becomes a good norm to moderate the promotion expenditure of a company.

Objective and task method: This is one of the most scientific methods of budget determination. It approaches the budget exercise by first setting the specific objectives to be achieved. It then identifies the tasks involved in achieving the said objectives followed by ascertaining the costs involved in the performance of each task required. The result of the exercise is an estimation of the amount required for accomplishing the set promotion goals. Typical objectives might be to increase awareness say by 15% or increase message/theme recall say by 25%.

Indeed, it a good method as far as promotion budgeting for new products is concerned, or when a new thrust to the image of a company and its products is to be provided.

This method presupposes that objectives set are realistic and promotion results can be measured precisely. These assumptions continue to be the subject of unending debate at the one end, and of pursuit of research on the other: It is as a result of the continuing research that some models for promotion budgeting have been developed and are now being refined to be of practical utility to the marketer.

The practice: In practice most companies make use of more than one method for determining the promotion budget. The research into the practices of the companies in India in this regard revealed the above finding. Among the individual methods used "affordable funds" method emerged as the most popular. There were, however, quite a few companies which had started using the approach of 'objective and task' in setting their promotion budget either exclusively or in combination with other methods. Most of such companies were dealing in consumer goods.

The practices of the companies using a combination of methods for determining promotion budget pointed to the efforts they were putting in to gather competitive promotion outlays and its apportioning to various promotion components.

10.7 SETTING ADVERTISING OBJECTIVES: THE INDIAN EXPERIENCE

An advertisement is either good or bad in its ability to achieve its objectives. Though advertising is largely informative and persuasive in nature, yet to do a good job, the objectives of each advertising campaign need to be clearly spelt out in measurable terms, in order to focus clearly on the target audience, and on the time period over which these are to be achieved.

Russel H. Colley called for the need to provide explicit link between advertising goals and advertising results in his pioneering approach nicknamed **DAGMAR**-Defining Advertising Goals for Measured Advertising Results. Colley distinguished 52 advertising goals that might be used in connection with a single advertisement, a year's campaign for a product or a company's entire advertising philosophy. Some of such goals are:

- ... announce a special reason for 'buying now' (price, premium and so on)
- ... build familiarity and easy recognition of package or trade mark

- ... place advertiser in position to select preferred distributors and dealers
- ... persuade prospect to visit a show room, ask for a demonstration
- ... build up the morale of company sales force
- ... correct false impression, misinformation and other obstacles to sales
- ... implant information or attitude regarding benefits and superior features of brand.

According to **DAGMAR**, the communication task of the brand is to gain (a) awareness, (b) comprehension, (c) conviction, (d) image, and (e) action. Advertising goals should, therefore, be specific to the communication task(s) to be performed. The process of advertising goal-setting thus, should begin by understanding the dynamics of the consumer behaviour and the market environment in order to carry out the task of marketing communication effectively.

Further, let us also understand that improving sales is not the only objective of advertising. Advertising is only one of the factors influencing sales, the other being: (a) different elements of the marketing mix, (b) the competitive position of the firm, and (c) the purchasing power and the need of the buyer. Also, the impact of advertising often occurs over the long-run and not necessarily immediately, since consumers may belong to different stages of the product adoption process at a point of time. The advertising objectives are to:

- ... inform and build awareness
- ... create brand knowledge
- ... reinforce positive attitudes about the brand
- ... precipitate buying action
- ... increase sales
- ... build up an image

To facilitate the realisation of advertising objectives, it is necessary that these are laid down in specific operational terms and are linked to the time span during which these are to be accomplished.

Indian Experience: The research on the practices of large sized companies has pointed out that companies in India pursue a wide spectrum of advertising goals at different time periods and in

relation to different products. Even similar companies placed in more or less similar market situation may pursue different advertising goals depending upon a host of factors like advertising philosophy, past experience and the level of expertise existing in the company.

An analysis of the advertising goals pursued revealed that these basically focused on: moving the customer from one stage of the purchasing process to the other, expansion of the market and creation of favourable image, besides the overall goal of improving sales. The goals set, in general, lacked specific mention of the per cent of target market to be reached and influenced.

10.8 DEVELOPING ADVERTISING COPY AND MESSAGE

This decision-area relates to creative aspect of advertising. Studies reveal that advertising effectiveness to a very large extent is dependent on the type of message and copy selected for communication, and the way it is executed. Well conceived advertising objectives guide in the development of effective message and copy.

An advertisement copy is the communicative portion of an advertisement. It includes headline, illustration, body copy (incorporating product and selling appeals) and signature line identifying the sponsor of the advertisement.

A review of the history of advertising reflects the diversity of opinions among creative teams as to what makes an effective copy. Over a period of time certain creative styles have got associated with particular individuals or agencies using them.

Notable among these are the four given below:

David Ogilvy: What you say is more important than how you say it. Ogilvy believes in developing and retaining a prestige image of the brand. To reinforce the same Ogilvy often makes use of prestigious individuals and testimonials from celebrities to convey the desired prestigious image for products.

William Bernbach: How you say is as important as what you say in the copy style of Bernbach, where the execution part dominates. He preaches copywriters to be simple, swift and as

penetrating as possible. At the same time the advertisement should have its own character and stand out from others.

Rooser Reeves: The Unique Selling Proposition (USP). Reeves approach is that each product should develop its own USP, and use whatever repetition is necessary to communicate the USP. Reeves' three guidelines for developing USP are:

- ... the proposition must involve a specific product benefit
- ... the proposition must be unique-one that competing firms are not using
- ... the proposition must sell.

The examples of USP during 1980's include (i) Godrej Pentacool Refrigerator' (ii) Topaz stainless is the first Indian blade to win ISI approval. Now mark the lack of USP in the advertisement issued by a Topaz's competitor which read as follows: The perfect blade at the perfect price only 30 paise.

Leo Burnett: The common touch, Burnett advocates search into the product to locate the distinctive characteristic that made the manufacturer to make the product. He referred to it as the 'inherent drama' and wants to build the copy around that. He uses plain ordinary people and focuses on raising curiosity aimed at the mass market. He emphasises that the advertising copy should be (a) straightforward without being flatfooted, (b) warm without being mawkish, and (c) believable.

Advertising Appeals: Creative copy strategy rests heavily on the selection of the appropriate appeal and its execution through properly worded message. Surveys of advertisements reveal the use of the following primary appeals which are most commonly used: highlighting unique product feature, relative competitive advantage, perceived price advantage, popularity or market superiority, projected savings through product use, self-enhancement, and creation of fears, anxiety or guilt through use or non-use of the product.

John Maloney provides a structure to incorporate various advertising appeals in the message formulation exercise. Maloney identifies the four types of rewards that a buyer expects from a product. There are rational, sensory, social or ego-satisfaction. He thinks that buyers will experience this reward from result-of-use experience. The four types of rewards combined with

the three types of experience generate 12 types of advertising messages which are reproduced below in Table 5

Table: 5 Examples of Twelve Types of Appeals

Types of Potentially Rewarding Experience with a Product	Potential types of reward			
	Rational	Sensory	Social	Ego Satisfaction
Results-of-use Experience	1 Get clothes ' cleaner	2 Settles stomach upset completely	3 When you Care enough to serve the best	4 For the skin you deserve to have
Product-in-use Experience	5 The flour that needs no shifting	6 Real gusto in a great light beer	7 A deodorant to guarantee social	8 The shoe for the young' executive
incidental-to-use Experience	9 The plastic pack keeps cigarette fresh	10 The portable television that's lighter in weight, easier to lift	11 The furniture that identifies the home of modern people	12 Stereo for the man with discriminating taste

Source: Philip Kotler, Marketing Management, Analysis, Planning and Control, Fifth edition, p 641.
(Check new edition)

Role of Headline and Illustration: Another component that plays a vital-role in the development of an advertisement copy and formulation of a message is the role of headline and Illustration. The popular dictum in the advertising world reads "you must draw the reader's eyes to your advertisement like a magnet. Make them look into your sales message." Some copywriters believe that the headline alone can achieve the purpose, while others believe that the illustration serves this purpose, better. To us the ' compromise proposed by C.A. Kirkpatric's dictum, that "headline plus illustration assumes almost the complete attention of initial readership" sounds better. David Ogilvy also seems to be holding a similar view when he states that headlines below the illustration are read by 10 per cent more people than headlines above the illustration.

Before proceeding further, let us review some of the professionally acclaimed advertisements released during 1980's in India. This is a deliberate attempt to retain these advertisements which are more than four decades old. Try and make a note what aspect did these focus forty years ago. These have been adapted from the select columns on *Marketing and Advertising in the Economic Times*.

- 1 "Now the country need not look beyond Godrej for minting money" was the headline of an advertisement which appeared when the coin shortage was at its worst. Godrej had perfected a coin-making press capable of automatic production of coins from round shaped blanks at the rate of 200 coins a minute.
- 2 "Who killed the telephone? Finolex Cables advertisement-generated interest instantly. Copy said water seepage could affect the efficiency of conventional cables; Finolex was now making moisture-resistant jelly-filled telephone cables in India in collaboration with Essez of USA.
- 3 A Charms ad was divided into two columns with the following headlines: "The good news for Charms smokers" and "Now the not-so-good-news." In the first column some improvements were listed; the price increase was mentioned in the second.
- 4 "Lipton exports tea to China" was a delicious headline.
- 5 The Russians say "Da to Emami for Men" was an attention-getter.
- 6 "Bribe" was a poster-type headline in a small CBS advertisement. Copy: "Rumour has it that CBS is giving away a free cassette with every six international cassettes you buy over the next 45 days... sneak into your nearest CBS shop and catch the dealer red handed."
- 7 "Till now headache tablets stopped at just relieving your pain... the dullness carried on. Now, you can relieve your headache... and remove the 'after-headache' dullness".
- 8 "Do you suffer from monstrous colds?" "Ordinary medicines can only put the cold to sleep for a few hours. Ayurvedic has a weapon that knocks it out for good." The illustration of a man in the grip of a monster is what attracts you to the advertisement. Promise "Ayurvedic Trishun strengthens your body's own fighting mechanism so that it actually fights the cold. If you take Trishun at the first sign of cold, you can effectively avoid it."
- 9 Motorists all over India are banned from contact with children. This was the headline in Brakes India Limited Advertisement.
- 10 "Which jar has your favourite Monaco? None, Genuine Monaco are baked light, crisp and

Flaky that they need protective packing. That's why they come to you in airtight tin or foil pack-never loose."

In short, an advertisement copy to be effective must establish a clear link with the various stages or AIDA-the buyer adoption process. It must be capable of arresting attention, inspiring interest, creating desire, and precipitating action among the target customers. For this purpose, it should use a judicious mix of aspects like advertisement layout, headline, illustration, and motivating appeals. We must not forget that a bad advertisement copy is a bad investment, irrespective of how precisely the objectives were set, and how meticulously the media planning and scheduling were done. It pays to pretest the advertisement copy before release.

10.9 MEDIA SELECTION AND SCHEDULING

Media planning includes decisions relating to (i) which media should be used, and (ii) when and how often should advertisements be placed in the selected media. The basic purpose of media planning is to optimise the communication reach to the relevant audience within the available budget.

For making efficient and effective media decisions it is necessary that a beginning be made by collecting appropriate data from internal and external sources. The data to be collected from the internal sources relate to: advertising objectives, copy strategy, product attributes and the budget available. The external data relate to media characteristics such as reach, credibility, aid suitability to company's product/copy strategy; media availability; media cost; and competitors' media-mix. Before looking into other steps of media selection, let us take a look at the media scene in India.

Indian Media Scene

Major advertising media available currently in India along with the chief characteristics are given below:

Press (including all types of newspapers and magazines): wider circulation, limited life, good for mass communication and reminder message.

Direct Mail: Restricted circulation, flexible usage, private in nature, high impact.

Outdoor (including hoardings, posters, neon signs): local circulation, durable, reminder media.

Radio: Wide reach, cuts through illiteracy barriers, quick reminder messages possible.

Television: Combines both Audio and Visual, limited reach, high degree of viewers involvement, suitable for product demonstration.

Cinema: Limited to cinema going population, short life, effective use of audio- visual, also good for illiterates.

Miscellaneous (such as exhibition/fairs, shandies, etc.) local reach, good product demonstration, impactful.

However, with the advent and exponential growth of Information and Communication Technology the Indian media scene has transformed itself offering a range of new generation advertising and promotional media that has come into existence and are available to the marketers which are cost effective and impactful in terms of customization /standardization in reaching the intended target customers /markets across nations.

With the growing rate of literacy, increased electrification of rural areas, vast ownership of radio receivers, and widening network of television transmission, the Indian media scene has undergone a tremendous change during the last decade. For example, with the popularity of the Television media, the attraction of consumer goods for radio and the cinema has declined somewhat. Similarly, the increased availability of colour magazines and television time, consumer products needing colour exposure have moved away from the newspapers to the former. Hence, as consumer product advertisements are moving over to magazines, television and radio: investment advertisements and advertisements of restaurants and service business organisations are filling up the vacuum in the newspapers.

Media Selection: After the suitable and available media are shortlisted they are then subjected to evaluation criteria for their selection. Some of the concepts used in this connection are discussed here.

Reach: It refers to the number of households or individuals reached by a given medium over a period of time. In the case of press media this is called readership. Readership is calculated by

ascertaining the circulation figures of say a newspaper and then the same is multiplied by the average numbers of readers per copy. National readership surveys, in addition to several other specially conducted studies provide the reach data in India, though not regularly. The possibilities of duplication in readership also exist as two or more than two media may be reaching the same target audience.

Frequency: It refers to average number of times different target households or individuals are reached by a medium in a given period of time.

Gross Rating Point: A combined measure of reach and frequency gives gross rating points (GRPs) for a given medium. For example, if 35 per cent of people are reached four times in a week by a given medium, the GRP for the medium will work out to 140.

Comparative Costs: For facilitating media selection comparative cost sheets are prepared. In the cost sheets, media costs are converted into a common denomination. This denomination in the case of a newspaper is called "Milline Rate" which is arrived at as: (*check for revised rates/tariffs*)

$$\frac{\text{Line rate} \times 1,000,000}{\text{Circulation}}$$

In the case of magazines, this denomination is called cost per thousand and is arrived at as:

$$\frac{\text{Rate per page} \times 1,000}{\text{Circulation}}$$

In the case of TV and radio commercials, such a denomination is popularly known as cost per thousand viewers or listeners per commercial minute.

In addition to the comparative media (rental) costs, it is desirable that the production cost of advertisements for different media is also worked out. For example, TV time is expensive; so is the creation of the script and story, the hiring of actors, and other production costs.

An advertising film to be released through the cinema medium in addition will require enough number of prints to cover the desired number of cinemas. Similar estimation of costs should be

made while participating in an exhibition or using direct mail or releasing an advertisement through a newspaper. Efforts should be made in the company to develop data whereby cost per conversion of enquiries to sales, media-wise, could be ascertained_ This will prove to be a good source for measuring the impact of each media.

Based on the data relating to relative gross rating points, the costs involved, and the advertising goals of the firm, specific media mix is selected. To add precision to the media selection processes various operations research models are available now. The major limitation of these models continues to be the data base which becomes outdated soon, besides certain technical lacunae in the models. Clarion Advertising Services Limited is one of the few advertising agencies which enables its clients the benefit of scientific media planning. For this purpose, it offers them the usage of Clarion-Mote model, CASPA and the Response model.

Advertisement Scheduling: Once the media mix for the firm has been selected, the next task relates to scheduling of media over a period of time. The goals of media scheduling besides attaining longer time visibility and timely reminders for reinforcement of the message lie in the compatibility of advertisement release with the purchase occasion, seasonality peaks, product launch, relaunch or promotion needs of the firm. So, based on considerations such as the above factors media scheduling is done by the firm.

The steady appearance of Amul Chocolate advertisement; product launch and promotional scheduling and sustenance scheduling of Maggie 2-Minute noodles, aggressiveness of the campaigns of Air Coolers during summer; peaking of Unit Trust of India's advertisements for sale of Unit in June-July; and of woollen garments during winter months-are a few examples of the advertisement scheduling by their sponsors.

Exercise 1

Which advertising media would you suggest for advertising the following products and why?

- a) Branded Wheat Flour
- b) Hair Dye
- c) Bicycles

Exercise 2

Write a short note favouring radio as the advertising medium compared to television.

10.10 MEASURING ADVERTISING EFFECTIVENESS

Let us begin the discussion on this point by making a reference to a popular saying on advertising. "I know half the money I spend on advertising is wasted; but I can never find out which half". Measuring advertising effectiveness is one of those areas of advertising about which nothing can be said for sure. Advertising communications have a time lag between buyer's awareness and action. But, if the lag happens to be longer and/or the competitor happens to be more aggressive the decay or forgetting effect of the advertisement may set in soon. It is, thus, very difficult to define the appropriate advertising level and which advertisement will produce how much effect.

Notwithstanding the above, the task of measuring the advertising effectiveness can become simpler and methodical if the advertising goals are clearly set. You may recall here the importance of **DAGMAR** model mentioned earlier on seeing the advertising objectives.

What should be measured? The goals of advertising relate either to affecting some kind of communication between the sponsor and the audience, or to bring about desired sales. The advertising effectiveness, therefore, is measured by examining the following:

- ... communication effectiveness of the advertising campaign and
- ... sales-effect of advertising efforts.

Generally speaking, some of the aspects that need examination are which of the headlines, appeals, themes, symbolic contents or illustrations etc. in the advertising copy are effective and how much. And, which among the broad class of media, which space type and which pattern of scheduling of advertisements productive and how much. Let us look at some of these aspects now.

Measuring Communication Effectiveness

You would recall that advertising is a very popular method of marketing communication. Also, lot of advertising efforts are put into encourage the customer to buy the advertised product starting from gaining the customer's attention to this product to inculcate a desire in him to possess the product. The effectiveness of advertising, therefore, depends on why and how the communications are made.

The communication effectiveness of an advertising campaign can be measured both before and after its release. The three major methods used for pretesting advertisements are:

- ... Asking consumers or specialists to rate or rank alternative advertisements in terms of elements such as attractiveness, liking, and interest of the theme, slogan and illustration used in the advertisement copy. This method of pretesting is called '**Direct Ratings**' method.
- ... Checking the extent of recall of both the overall advertisement as well as its content. This, is done by first making available, to select consumers, a set of advertisements. This type of pretesting can be done both by providing aid/lead to the consumer to recall, or can be unaided. The purpose is to ascertain the extent of recall of the alternative advertisements, and the reasons that make an advertisement stand out. This method is called **Portfolio Test** method.
- ... The third method makes use of equipment and gadgets to measure consumer's physiological reactions like pupil dilation, heart beat, etc, on seeing an advertisement. These tests popularly call as `Laboratory tests help in the measurement of attractiveness of the advertisement to a consumer.

Post-testing of advertisement: Testing of the communication effectiveness after the advertisements are released is done through measuring the 'recognition' and 'recall' among the target audience.

Recognition Tests aim at measuring the degree of memorability of an advertisement. For this purpose, the use of Daniel Starch methodology is used. The test begins by qualifying the readers in terms of whether they have seen or read the specific issue of the magazine which carried the advertisement. The qualifying readers are classified into the following three categories.

Noted: Per cent of readers who have seen the advertisement

Associated: Per cent of readers who have seen and read parts of the advertisement

Read most: Per cent of readers who reported they had read more than 50 per cent of advertisement reading matter.

The results of the recognition tests help in ascertaining the extent to which a company's advertisement made a communication impact. When compared to past or alternate campaigns used, the results throw light both on the trends, as well as the popularity of a company's advertising campaigns besides contributing to making the advertisements better read.

Recall Tests: As already mentioned under Pretesting, these tests aim at measuring the extent of recall of what had been seen or read in the advertisement. Gallop and Robinson Impact post-test is one of the popular test used for recall studies. Under the test, the qualifying readers are shown the magazine cover and with the help of a deck of cards bearing names of different brands are asked to state which brand advertisement has been seen by the reader, and he is asked to recall everything he can remember about each advertisement identified by him.

Probing is done in areas like what did the advertisement look like? What did it say? Did it increase his interest in buying the product, etc.? In the next steps the same advertisement which he was thinking of, is shown to the reader. The percentage of all qualified magazine issue readers who successfully associate the brand or advertiser with specific feature or sale point of the advertisement is called 'Proved Name Registration' (PNR). Like the above tests, various other

tests are conducted for measuring the association, awareness, knowledge and attitudes of the readers.

Measuring Sales Effectiveness,

Sales being the result of both advertising as well as other elements of the marketing mix, it is very difficult to isolate and relate advertising to sales. However, it can be done to some degree of accuracy by:

- ... measuring sales that take place in response to mail order offers in select sales territories
- ... counting of inquiry coupons received and relating them to the sales effected out of them
- ... conducting experiments by varying advertising efforts in isolated sales territories and comparing sales results, or
- ... establishing historical relationship between advertising expenditure, media used and sales over a sufficiently long duration.

Based on various researches in the field of measuring advertising effectiveness, some of the benchmarks which have been established are as follows:

- ... A full-page advertisement in four-colour generally attracts about 40 per cent more readers than a full-page black and white advertisement.
- ... Two-colour advertisement (black and one colour) generally achieve lower levels of readership than black and white only.
- ... Advertisements in cover positions get sizeable readership bonus compared with those in regular pages.
- ... Illustrations showing the product in use normally obtain higher readership than static' product illustrations.
- ... Household appliance advertisements shown in a household setting usually score higher than advertisements which show the product alone.
- ... Working women are more likely to read major appliance advertisements than the non-working women.
- ... Food advertisements with recipes are usually better read than those without recipes.
- ... In general, advertisements with illustrations that take up more than half the space are more effective than those in which the picture occupies less than half of the advertisement.

Exercise 3

From the recent magazines or newspaper select one advertisement each of an industrial product and a consumer product. For both the advertisements (a) describe the target market for each advertisement, and (b) offer your observations on their effectiveness.

10.11 COORDINATING WITH ADVERTISING AGENCY

We have seen how complex the advertising function is. We also note from our experience that whether it be a newspaper, magazine or television, each of these carry an increasing number of advertisements these days. But a good number of advertisements fail to get our attention and thus lead to wastage of their sponsors' efforts. On the other hand, the growing competitive orientation demands that the advertising activity be stepped up. The rising media costs are also compelling the firms to budget larger advertising outlays. The challenge thus lies in optimising advertising, outlays, which demands that at least the creative and media planning aspects of advertising be managed professionally. The growth in advertising and promotion business has resulted in the emergence of specialists in this field popularly known as advertising agency. An advertising agency is an independent business organization composed of creative and business people who develop, prepare, and place advertising in advertising media for sellers seeking to find customers for their goods and services. Well established advertising agencies in India offer a mix of the following services: copywriting, media buying, media planning, personnel placement advertising, marketing research, sales promotion and merchandising, public relations and advertising research.

Considerations of specialist advice and experience are influencing' larger number of firms to take the assistance of advertising agency in the management of their advertising function. Research on marketing practices of Indian companies brought out that nearly seventy per cent of the large sized companies surveyed hired the services of advertising agencies. The major services for

which assistance was solicited included developing advertising campaigns; media selection; measuring the effectiveness of advertising campaigns; development of point-of-purchase material; organisation of consumer contests; test marketing; and market research. By offering their specialised services at very competitive rates advertising agencies have established a place of significant importance in the advertising and marketing world.

The issue is no longer whether to use an advertising agency or not but how to use it effectively. Like any other service, these agencies are quite keen to retain and build on relationships with their clients. Satisfactory relationship between the client and advertising agency, among others, is the function of complete and common understanding of each others' business, and development of mutually compatible goals and working styles.

Particularly, at the initial stage of relationship, the client has to entrust a lot of time and information to enable the agency to have a complete understanding of the client's business, its marketing objectives and product-market situation.

A thorough briefing on the marketing communication objectives followed by detailed discussion of each major aspect of an advertising campaign for example helps the client in getting a better deal from an advertising agency. It proves beneficial if the client firm identifies an executive, who is entrusted with the task of keeping communications open with the agency, and who coordinates the routines of advertising copy{ preparation, production, media planning, scheduling, insertion, etc., including getting the approval of senior management on all activities performed by the advertising agency.

10.12 SALES PROMOTION

Of all the methods of promotion that constitute the promotion mix, sales promotion is the only method that makes use of incentives to complete the push-pull promotional strategy of motivating the sales force, the dealer and the consumer in transacting for short term sales of the firms offering.

There is no single universally accepted definition of sales promotion. One can, however, gather its essence by perusing a few definitions. Let us look at some of the popular definitions of sales promotion.

According to **American Marketing Association**, sales promotion refers to those activities other than personal selling, advertising and publicity, that stimulate consumer purchasing and dealer effectiveness, such as display shows and exhibitions, demonstrations, and various other non-recurrent selling efforts not in ordinary routine. This definition suggests that sales promotion is a catch-all for all those promotion activities which do not fall clearly into advertising, personal selling or publicity.

Roger A. Strang offers a simpler definition:

Sales promotions are short term incentives to encourage purchase or sale of a product or service.

Yet another definition that seems fairly exhaustive, and hence, will be used in this unit is the one given by **Stanley M. Ulanoff** in his Handbook of Sales Promotion. Stanley defines sales promotion as all the marketing and promotion activities, other than advertising, personal selling, and publicity, that motivate and encourage the consumer to purchase by means of such inducements as premiums, advertising specialties, samples, cents-off coupons, sweepstakes, contests, games, trading stamps, refunds, rebates, exhibits, displays, slogan writing and demonstrations. It is employed as well, to motivate retailers', wholesaler; the manufacturer's sales forces to sell through the use of such incentives as awards or prizes (merchandise, cash and travel), direct payments and allowances, cooperative advertising, and trade shows.

It offers a direct inducement to act by providing extra worth over and above what is built into the product as its normal price. These temporary inducements are offered usually at a time and place the buying decision is made.

Summing up, sales promotion deals with promotion of sales by the offer of incentives which are essentially non-recurring in nature. It is also known by the names of Extra-Purchase-Value (EPV) and Below-the-line selling.

Product group-wise, the major users of sales promotion are: tea, coffee and beverages, soaps, toiletries, detergents and washing soaps; toothpaste; textiles; food products and baby foods; household remedies; and consumer durables like fans, refrigerators, sound systems television and household appliances.

Among the various types of sales promotion schemes used contests at the consumer; dealer and sales force levels have made a significant headway.

Why rapid growth?

A perusal of the list of the product groups which emerged as the major users of sales promotion, and from the market feel, it seems clear that a transformation from the seller's to the buyers' market is taking place and marketing has become more competitive in these product markets. In addition to **increasing competition**, other reasons for rapid growth of sales promotion in India, as pointed out ninety five large sized cooperating companies in survey are summarised below:

- ... sales promotion makes an immediate effect on sales
 - ... measurement of the effectiveness of sales promotion is easier as against the other promotional methods
 - ... channels of distribution are emerging as powerful entities and demand greater use of incentives to get desired results
 - ... products are becoming standardised and similar, and so need increased support of non-price factors of which sales promotion is an important one
 - ... impulse buying is on the increase, and so is the rise in the number of marginal, customers.
- With virtually no brand loyalty, offer of attractive schemes help manufacturers to induce such customers to choose their product.

10.13 SALES PROMOTION OBJECTIVES

As a powerful method of sales promotion with a capability to complement and supplement the advertising function of marketing, sales promotion helps marketers realise a variety of objectives. These objectives could relate to the promotion of sales in general, or to a specific

activity at a particular level i.e. consumer, dealer or sales force. Some of the commonly attempted objectives are to:

- ... increase sales (in general, and focusing on new uses, increased usage, upgrading unit of purchase, winning sales of fading brands etc.)
- ... make the sale of slow-moving products faster
- ... stabilise a fluctuating sales pattern
- ... identify and attract new customers
- ... launch a new product quickly
- ... educate customers regarding product improvements
- ... reduce the perception of risk associated with the purchase of a product
- ... motivate dealers to stock and sell more (including complete product line)
- ... attract dealers to participate in manufacturer's dealer display and sales contests
- ... obtain more and better shelf space and displays
- ... bring more customers to dealer stores
- ... make goods move faster through dealers
- ... improve manufacturer-dealer relationship
- ... motivate sales force to take the achievement higher than targets
- ... attract sales force to give desired emphasis on new accounts, latent accounts, new products, and difficult territories
- ... reward salesforce for active market surveillance and for rendering superior customer service
- ... put power into the sales-presentation
- ... counter competitors sales-promotion and, marketing efforts
- ... provide punch to the company's advertising efforts
- ... build goodwill.

Companies may use anyone or a combination of the above objectives in varying form to suit the product-market needs of their product. What is of significance is that the sales promotion objectives set to be accomplished must be integrated with the promotion and marketing objectives pursued by the company.

10.14 SALES PROMOTION METHODS

Many methods of sales promotion are used by marketers. Depending upon the creativity level of their sponsors, their variety seems very large. We refer here to some of the most commonly used methods of sales promotion.

As noted above, the accomplishments of the desired promotion and marketing objectives ultimately depend on the extent of the desired response received from consumers, dealers and members of the sales force. Hence various sales promotion methods are building around these three target groups. Further, in terms of the impact desired, the variety of sales promotion schemes offered are grouped into two categories: One, aimed at producing immediate impact, and the other delayed impact i.e. carrying on the impact over a period of time. Immediate impact schemes are those schemes where the consumer, dealer or salesperson gets the incentive on first contact, purchase or on performing a one-time act. On the other hand, under the delayed impact schemes, the consumer, dealer or sales force is called upon to comply with the scheme over a period of time before receiving the full benefit of the scheme. Price discounts, free samples or large quantity packs are the popular examples of immediate impact schemes, whereas coupons, trading stamps, and contests are examples of delayed impact category of sales promotion schemes. Table 1 presents the variety of sales promotion schemes directed at the consumer, dealer and sales force levels according to their grouping under immediate impact or delayed impact categories. The meaning and objectives of these schemes are given in Table 2.

Table 1: Sales Promotion

Directed at				
Impact	Users	Non-users	Trade/Suppliers	Salesforce
	*Price –off	*Price-off	*Discounts	*Perquisites & Allowances
	*Qty-off	*Sampling	*Shelf space allowance	
Immediate	*Over-the-counter	*Over-the-counter		
	*Package Premium *Banded Premium *Container Premium		*Gifts *Push Money *Posting of Salesforce	*Gifts

Delayed/over a period of Time	*In Prdt. Coupons *Personality Premiums	*Media/Door *Coupons *Return/Refund Offers *Trading Stamps *Self-Liquidators *Contests/Lucky Draws	*Merchandise Deals *Coupons *Display Contests *Co-op Allowance *Sales Contest Training Sales Force/ Privileges	*Sales Contests *Honours and Recognitions *Customer Service Awards
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* The format of this table is based on Donald W'cowell's article on Sales Promotion and the Marketing of Local Government Recreation and Liesure Service, European Journal of Marketing, 18.2.

Table 2: Sales Promotions: Meaning and Objectives

	Sales Promotion	Meaning	Objectives
1	Price –off offers	Offering product at lower than the normal price	To encourage immediate sales, attract non-users, induce new product trial, counter competition, inventory clearance at the retail level, inventory build-up at the trade level.
2	Quality –off offers	Offering more quantity of the same product at no extra cost or with a very nominal increase in the price of the larger quantity packs	To encourage more/longer duration consumption, higher or excess quantity movement from the factory, trade up consumer for higher quantity packs size.
3	Premium	Offer of an article of merchandise as an incentive in order to sell product or service. It forms are:	To encourage purchase, stimulate loyalty, off-season sales promotion, induce trial of new product, ensures reach of premium to the consumer .

	a)Packaged Premium	When the incentive article is packed (inserted) inside the package of the product.	
	b) Banded Premium	Where the premium article is banded to the package of the product say with cello tape etc.	Sampling new products, adding speed to slow moving products.
	c) Over –the-counter (OTC) Premium	When the premium article is neither inserted inside nor banded to the product package but is given away to the consumer over the counter along with the product package	To counter competition, improve inventory clearance at the trade level
	d) Container Premiums	When the product itself is placed in an attractive an reusable container which serves as a gift.	As a durable reminder at home
	e) Self-liquidating Premiums	Where the consumer usually is asked to pay a specified amount to liquidate or offset a part or full cost of the premium article or the scheme administration costs	To induce consumer to appropriate premium article, reinforce brand image, encourage more consumption enables sponsor to offer better quality premium
	f) Personality Premium	Where the consumer is required to redeem a specified proof-of-purchase for the premium article. Proof-of-purchase may be labels, pack tops, bottle tops, corks, etc.	To build loyalty and reward the consumer for that to counter competitive offers
4	Coupons	When the consumer is entitled to redeem a specific standard certificate for a product/article free or in part payment. Coupons are used by both the manufacturer and the	To encourage product trail, build loyalty, trade-up regular users, stimulate re-purchase rate, solicit inquiries.

		dealers for sales promotion. Coupons may be distributed by mail, by media advertisements, door-to-door, inside product package or by dealers on purchase.	
5	Refund offers	Offer of a refund of money to consumer for mailing in a proof-of-purchase of a particular product(s)	To induce trial form primary users, motivate several product purchases, obtain displays at the retailers, help retailers tie-in-with other product, switch competing brand users to sponsor's brand, loading dealers with increased stock.
6	Trading stamps	Organised by Trading Stamp companies or large retailers. Trading stamps are a kind of discount coupons offered to consumers linked with the quantum of their purchase. On enough accumulation these are redeemable	
7	Consumer and Lucky draws	Where individuals are invited to compete on the basis of creative skills. The latter is based on the chance or luck factor.	To create brand awareness and stimulate interest in the brand, acquaint consumer with brand usage and benefits, build traffic at the store precipitate brand purchase, obtain consumer feedback, promote advertising theme of the company.

8	Dealer stock Display contests	It is a type of point-of-purchase advertising which uses the show windows of the dealers for providing exposure to the sponsor's products. Dealers participating enthusiastically and creatively are awarded.	To provide product exposure at the point of purchase, generate traffic at the store, infuse enthusiasm among dealers.
9	Dealer Sales contests	Where participating dealers are invited to compete in terms of the sales performance	To increase sales, buy dealers' loyalty; motivate dealers' staff to sell more.
10	Discounts	Other than normal trade and cash discounts	To push more sales to trade, early cash recovery.
11	Trade Allowances	These are temporary price reductions/reimbursement of expenses incurred by dealers-in full or in part, its varied types are as under: Offer of price reduction on purchase of specified quantity of a product	To load the trade
	a) Trade or Buying allowance		
	b) Buy-back allowance	A secondary incentive which offers a certain sum of money to trade for each additional unit bought over the above the deal.	To encourage trade co-operation and stimulate repurchase
	c) Count and recount allowance	When a specific amount of money is offered ascertaining the number of units sold during a specified period.	To move stocks faster, reward on sale only.
	d) Merchandise (display) allowance	An allowance to trade for providing desired sales promotion and product displays	To create enthusiasm in trade, improve traffic and exposure at the point-of-purchase, gain larger space/effort of the trade in the promotion of

			sponsor's product as against the competitors.
	e) Co-operative advertising & Promotion allowance	Where in a manufacture shares at an agreed rate the advertising and promotional cost incurred by the dealer in the promotion of manufacturer's product.	To gain product and retail identity motivate dealers to promote manufacturer's product, obtain local advertising and promotion.
12	Dealer gifts	Offer of useful articles and attractive gifts to dealers for his personal, family or office use	To improve dealer relations, make impact on consumer scheme/contest offered
13	Premium or Push money	When an additional compensation is offered to trade or sales force for pushing additionally a specific product or product line	To push a specific product or product line
14	Merchandise Deals (13 for 12)	Where in additional quantity of the same or the same manufacturer's another product is offered to trade. May be offered jointly by non-competing manufacturers.	To load dealers with inventory, expose other products of the sponsor, encouraging dealers to sell more and early to realize their incentive.
15	Point-of-Purchase (POP)	Those special displays, racks, banners, exhibits, that are placed in the retail store to support the sale of a brand.	To attract traffic at retail store, remind customers, encourage impulse buying, ensure additional visibility to the advertising campaign.

* The format of this table is based on Donald W' Cowell's article on Sales Promotion and the Marketing of Local Government Recreation and Leisure Services, European Journal of Marketing, 18, 2.

Though ideal for consumer goods, sales promotions are also used for promoting industrial-goods. The difference in the use lies in the types of schemes offered, and in the frequency of their offer. Sales promotion schemes offered to industrial customers, besides the usual gifts, price-off coupons and contests, include product demonstration, training to customer staff, offer of interest-free installment payment plan, ready and regular availability of repairs and spares, and posting of trained staff to assist/supervise in the working of the equipment in the client's premises, at the manufacturer's cost. The sales promotion schemes offered at the level of industrial distributors are: provision of extended credit, and provision of specialised sales/technical staff at the manufacturer's cost, besides the usual cooperative advertising and sales promotion, gifts, and organisation of distributor's contests. The sales promotion schemes popularly used to motivate industrial salesforce are: prizes and awards on special achievements, sales contests, new accounts contests and prompt service awards.

Need for Orderly Management

In spite of the growth in the Sales promotion activity, one of the survey of the company practices revealed that the managerial efforts put in to manage this function were unsatisfactory. Use of adhoc approaches, neglect of sales promotion research, and lack of formal systems and procedures were found to be more prevalent in the case of a good number of companies surveyed. Consequently, larger number of companies experienced less than expected success of their schemes. When asked specifically about forty per cent of the companies surveyed, admitted that one or more of their sales promotion schemes misfired during the last three years due to causes which could be categorised as:

- ... faulty administration
- ... failure to match the scheme to the objective
- ... lack of proper planning
- ... poor dealer relations

... lack of creativity

10.15 STEPS IN PLANNING SALES PROMOTION PROGRAM

With growing competition at the marketplace and the need to realise full benefits of this unique method of promotion it is required that the perfunctory approach used in its management is stopped forthwith and the sales promotion function' is managed professionally. Systematic planning of this function should initiate the managerial process. The following steps are suggested for effective planning and management of the sales promotion function.

The **first** step is to assess and analyse the present situation of the brand in terms of market share, major competitors, and brand performance of brands users, non-users and lapsed users. This benchmark should then be related to the market size and the potential estimated. It will now pave the way for determining the role of sales promotion in effecting the desired change in the market share of the brand. The outcome of this exercise will be the availability of desired information to set measurable and attainable goals:

After the goals for sales promotion of the brand are set, the **second** step deals with the identification of the alternative schemes, and the selection of the most appropriate sales promotion scheme(s), capable of accomplishing the goal set, within the available budget.

The **third** step relates to incorporating creativity into the scheme to be offered. This is, making the scheme novel, attractive, and challenging from the viewpoint of its target group i.e. consumer, trade or salesforce.

The **fourth** step relates to legal validity of the sales promotion scheme to be offered. For example, before a consumer contest can be offered permission from the licensing authority of a State, usually, the Collector of the District is required under the Prize Competition Act, 1955. **Competitive Commission of India (CCI)** is the chief national competition regulator in India. It is a statutory body within the Ministry of Corporate Affairs and is responsible for enforcing The Competition Act, 2002 in order to promote competition and prevent activities that have an appreciable adverse effect on competition in India.

Website: cci.gov.in. You may access the website to get first hand information of various provisions and guidelines with respect to sales promotion schemes and the legal provisions that firms should adhere if any.

The **fifth** step covers primary decisions relating to timing and duration of the schemes to be offered, location-wise selection of dealers, and conviction of the trade and sales force about the appropriateness of the scheme. It will be useful to quote here the findings of a recent study of Kenneth G. Hardy on Key success factors for manufacturer's sales promotions. The major findings are given in a tabular form below:

Sales Promotion Objectives	Key Success Factors	
	Consumer Promotions	Trade Promotions
1 Short-term volume objective	*Dual promotions (offer or trade promotions simultaneous with consumer promotions) *Sales (trade) support	*Trade Support *Short promotion period *Offer of high level of incentives
2 Long –term market share objectives	*Sales force support	* Dual Promotions *Trade support
3 Building trade inventory objective	*Avoid competitive promotion *Sales force (trade) support *Offer of high level of incentives to the consumer (and to the trade in case of dual promotions).	*Absence of competitive promotions *Trade support *Shorter –promotion period
4 Increase consumer Trial	*Sales force (trade) support *Longer promotion period *Offer of higher level of incentives	*Dual promotions
5 Load the consumer objective (Situational)	*Sales force (trade)support *High promotion cost-special advertising, p.o.p., etc.	

Other important decisions relate to scheduling for procurement of scheme related premiums, production of the brand, advertising, P.O.P. materials and other logistics related aspects

The **sixth** step covers the development of the evaluation criteria in relation to the sales promotion goals set. The decision areas include what to measure, when to measure, how to measure and for how long to measure.

Effectiveness of Sales promotions is usually measured in references to sales achieved, cost effectiveness, redemption rate of coupons and trading stamps, turnover of special packs or special liquidators, number of entries received to the contest, etc. To do a good job special focus must be laid on measuring the incremental sales arising out of sales promotions. Before proceeding to the last two steps involved in management of sales promotions let us take note of the select findings from the literature survey relating to the effectiveness of sales promotion. These are:

- ... Incremental sales are harder to get for high market share brands
- ... A coupon with a sample can be almost twice as effective as a coupon alone.
- ... High redemption rates can be very costly
- ... The earliest redemptions are the incremental sales
- ... Short purchase cycles mean shorter term effects.

At the sales promotion offer commences, the **seventh** step relates to monitoring the offer and collecting the relevant data and experience for future use as well as mid- period corrections.

The **eighth** and last step relates to evaluating the effectiveness of sales promotions in the context of their goals. Efforts must also be put into perfect the measurement methodologies, and in conducting researches on aspects like deal prone consumer, incentive scheme and gift selection factors, attitudes of trade and consumers towards the use of sales promotion schemes. Documentation of corporate experiences on sales promotions, the pitfalls in the existing systems and procedures, and the mishaps that occurred, etc., ultimately help in improving the state of the art of managing the sales promotion function professionally.

Exercise 3

The sales promotion manager of an established low priced washing powder is planning the sales promotion programme for the next year. Suggest a suitable programme for his consideration.

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10.16 TOWARDS PROMOTIONAL STRATEGY

After gaining an understanding of the concepts, issues and decision areas relating to two important methods of promotion mix name advertising and sales promotion in this unit. Let's look at the formulation of promotional strategy. You would recall that promotion constitutes one of the important elements of the marketing mix of a firm. Each firm has a need to perform its promotion (marketing communication) function effectively. Further each of the four promotion methods have already been touched in unit 9 of this course. Promotion has its own unique place in the marketing communications mix of a firm. The question facing marketers, therefore, is not which promotion method to use to meet today's complex marketing tasks. Rather the real question is which promotion method should be emphasised, and the level of intensity one should use and how it can be integrated with the other promotional methods.

Decisions on determination of promotion mix take us back to the promotion objectives which must emanate out of the marketing objectives of the firm. A promotional strategy aims at accomplishing the promotion objectives in the allocated funds and within a specific period of time.

Promotional objectives, generally speaking, relate to sales and the marketing communication tasks required to be performed as per the needs of the product and the market scenario. Expressed in measurable terms these can be put as: increasing sales, improving market share, creating product awareness and comprehension, developing positive attitude of the public towards the product, building favourable image of the product, or gaining competitive advantage.

In this contest Leonard M. Lodish suggests 'vaguely right' criteria, the relevant part of which is as follows:

Promotion Decision Area	Vaguely Right Criteria for evaluation
Advertising Budget	Changes in buyer behavior-long term or short term – and its resulting profitability.
Media Planning Promotion Management	Changes in buyer behavior per dollar Changes in buyer behavior and resulting long and short term profits.
Trade Promotion Management Consumer Coupons	Changes in buyer behavior of the ultimate consumer Sales and profit changes (both short and long term) caused by the coupons.

The extent of emphasis to be placed on the different promotion methods is determined by several variables. Firstly, it is dependent on the promotional objectives. Secondly, on the characteristics of the target public their psychology, and the allocated funds. For example, a marketer of consumer durables in any metropolitan city may use different means like advertising to create awareness and build comprehension. It would also require publicity which could be through press release on the contest technology backing his product. Sales promotion through demonstration, P.O.P. and offer of introductory price to encourage intentions would also be used and, definitely, personal selling to overcome objections offer conviction and precipitate purchase action would complete the promotion picture. Further, as revealed by Kenouth G. Nardy, for achieving the set objectives for example, loading the consumer with larger supplies, and some can see that it requires all the methods of promotion be approached simultaneously in terms of objectives to be achieved. Attaining synergistic advantage arising out of the use of different promotional methods is the hall-mark of an effective promotional strategy.

10.17 SUMMARY

Advertising is an impersonal mass selling and communication method. It makes use of various types of media to reach the target public in a short-time. Being persuasive in nature, advertising broadly aims at gaining exposure, creating awareness, changing attitudes of target customers in favour of sponsor's products and services, and also at offensive/defensive tool in managing competition.

Management of effective advertising requires that the process be initiated by setting of measurable and realistic goals. Matching with a firm's advertising needs' advertising budget be

determined, message formulated copy developed, and media selected and scheduled. Identification and knowledge of the economic, demographic, cultural and psychological characteristics of the target customer should trigger the process of advertising planning. This should be followed by selection of appropriate appeals, proper illustrations and unique copy themes in the language which the audience understands and should be transmitted to them through such media vehicles which have a meaningful reach and desired credibility.

Advertising decisions are complex and capable of getting influenced by various forces. The decisions, arrived at should, therefore, be evaluated in a regular manner so that remedial measures and corrective actions could be taken before it is too late. Pretesting of advertising campaigns before release and post-testing in terms of recall and recognition studies as well as their impact on sales or the number of inquiry coupons received back are some of the ways through which advertising efforts can be evaluated. In this context, the use of professionally manned advertising agency proves by the large advantageous to the company.

Sales promotion, of late, has emerged as one of the more popular methods of promotion in the case of consumer goods. Stated simply sales promotion deals with offering something extra as an incentive to motivate an early purchase. Sales promotions can be offered at the level of the consumer, trade and sales force. Sales promotions aid in achieving both the push-pull elements of a promotion strategy.

Sales promotion schemes used to attain consumer pull include free samples, price-offs, premium give aways coupons and contests. Schemes offered for gaining the push cover promotional allowances, gifts, discounts, cooperative promotions, contests and awards and rewards. To save a sales promotion programme from getting misfired, it should be planned and managed in a systematic manner.

Promotion is an important marketing function of each firm. And, rare will be a firm which makes use of only one promotional method. The commonality in the ultimate goal of all the promotional methods apart, their limited suitability in influencing only a specific part of the consumer adoption process calls for the need to use the promotional mix in an integrative

manner. Given the complexities in the management of the promotion function and its vulnerability to failure, it is desired that the function be managed professionally.

10.18 KEY -WORDS

Advertising Campaign: Advertising effort relating to a specific product or service extending over a specified time period.

Advertising Target: The group of people toward which advertisement is aimed.

Cooperative Advertisement: Joint advertising in which a manufacturer and retailer join hands and share the costs.

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

Corporate Advertising (also called Institutional Advertising): Advertising aimed at promoting the image of a firm as a whole instead of any of its specific product or service.

Layout: The arrangement in which various design elements of an advertisement such as headline illustration, body copy, and signature appear so that the desired impact is achieved

Media Plan: The plan that specifies the media mix and the date time, and sequence in which advertisements are scheduled for release.

Read-Most: Those members of the audience who read half or more of the written part in the advertisement.

Reinforcement: Efforts to keep the existing customers sold and advising them to get the maximum satisfaction from the product.

Reminder Advertising: Advertising reminding consumers about the availability and benefits of the specific brand or service.

Unaided Recall: Post-testing of advertisements by asking audience to identify what they have seen or heard but without giving any clues to aid their memory.

Point-of-Purchase (POP): Promotional material displayed in the retail store to encourage sales.

Pull: Promotional methods directing the end consumer to demand specified products or services. One popular form is advertising.

Push: Promotional strategy directing the dealers and the sales force to achieve marketing communication and sales objective.

Trade promotion: Sales Promotion activities directed at the wholesaler and retailer levels

Price –off offers: Offering product at lower than the normal price

Over –the-counter (OTC) Premium: When the premium article is neither inserted inside nor banded to the product package but is given away to the consumer over the counter along with the product package

Refund offers: Offer of a refund of money to consumer for mailing in a proof-of-purchase of a particular product(s)

Point-of-Purchase :(POP) those special displays, racks, banners, exhibits, that are placed in the retail store to support the sale of a brand.

10.19 SELF – ASSESSMENT EXERCISE

A) Check whether the following statements are true or false statement

	True	False
1. The most frequently stated goal of advertising is to increase sales.	<input type="checkbox"/>	<input type="checkbox"/>
2. Reach is the total audience that an advertising medium covers.	<input type="checkbox"/>	<input type="checkbox"/>
3. It is easier to measure the sales effectiveness of advertising than to measure accomplishment of communication objectives.	<input type="checkbox"/>	<input type="checkbox"/>
4. Advertising can be used to reduce fluctuations in sales.	<input type="checkbox"/>	<input type="checkbox"/>
5 The extensive media coverage of the Union Carbide’s Bhopal plant tragedy is not an example of publicity since the coverage was not indicated by Union Carbide India Ltd.	<input type="checkbox"/>	<input type="checkbox"/>

B) Tick the one most appropriate answer

- The total audience that an advertising medium covers is called
 - target population
 - frequency
 - reach
 - response
- While Managing advertising efforts
 - objectives should be very general to facilitate creative techniques
 - objective become self-evident after advertisements are released

- c) objectives should be very specific and quantifiable
3. Generally speaking, advertising media selected by advertisers are such that
- these could have as large a coverage as the funds permit
 - these attain a high level of reach and frequency
 - these reach only the target market
4. Advertising effectiveness during an advertising campaign is usually measured by
- post-test
 - inquires
 - pretest
 - sales comparison
5. The creative challenge in developing an advertising campaign is to finalize
- what to say
 - how to say it
 - the headline and the illustration
 - a and b
 - none of the above
6. The milling rate is cost-comparison indicator for
- magazines
 - radio
 - outdoor
 - newspapers
7. The first objective of any advertisement is to
- communicate effectively
 - stimulate exchange
 - increase sales
 - enhance customer satisfaction
8. “Siemens Quality – Because anything less costs you more” is an advertising theme which in terms of basic advertising appeals can be categorized as
- sensory
 - rational
 - social
 - ego-satisfaction
 - none of the above

Key to Self-assessment Exercises

A) 1 True, 2 True, 3 False, 4 True, 5 False.

B) 1 (c) 2 (c) 3(c) 4 (b) 5(d) 6(d) 7(a) 8(b)

10.20 FURTHER READINGS

Philip Kotler - *Marketing Management*, 11th edition 2008, PHI- New Delhi U.C.Mathur,
Advertising Management .-2002, -New Age Publication-Delhi

P.K.Sahu, K.C.Raut, *Salesmanship and sales Management*, 3rd edition, Vikas Publication, New
Delhi



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UNIT -11 PERSONAL SELLING AND MANAGING SALES PERSONNEL

Objectives

On completion of this Unit, you should be able to:

- ... explain the nature and role of personal selling
- ... list different types of sales positions and their responsibilities
- ... describe the steps involved in the selling process
- ... selling role of sales person and the stages involved
- ... meaning of the selling effort
- ... to differentiate between 'selling' and 'managing'
- ... understand the meaning and role of sales management
- ... be aware of the process of recruiting, training and motivating the sales personnel
- ... the allocation of duties of the sales manager.

Structure

- 11.1 Introduction
- 11.2 Role of Personal Selling
- 11.3 Types of Selling Jobs
- 11.4 The Selling Process
- 11.5 Selling and Sales Management
- 11.6 Recruitment and Selection of Salesman
- 11.7 Training of Sales Personnel
- 11.8 Motivating the Sales Personnel
- 11.9 Controlling the Sales Personnel
- 11.10 Summary
- 11.11 Key Words
- 11.12 Self-Assessment Test
- 11.13 Further Reading

11.1 INTRODUCTION

In contrast to advertising and publicity, which use impersonal methods of communication, personal selling makes use of direct personal communications to influence the target customers. Personal selling is a highly distinctive method of promotion, and makes use of oral presentation in conversation with existing and potential customers, for the purpose of making a sale. It is one of the oldest methods of business promotion. The contributions made by personal selling in making the promotion function more effective have earned the distinction of being the most reliable promotion method. Though, it is the most expensive method of promotion, yet we see an increasing number of firms making use of it, and a good number of them realize that they cannot, perhaps, live without it. Increasing competition, growing sophistication of the buyer and his buying process, are making personal selling more or less indispensable.

As we have seen and understood the importance of personal selling effort by the sales force in promoting the firms product/service offering to the market. It is far more important to recognise and nurture these set of personnel in terms of their needs and wants in discharging their profession responsibilities to best of their ability and competence. Thus managing the firm's sales personnel is one of the core activities of the firm. The success of distribution strategy is primarily governed by the involvement and motivation of these set of sales personnel/staff. Not only their involvement is critical, but in the first place the organisation has to recruit the right persons, train them adequately and assign them to various jobs. Of course, we know that the control and review of performance is also important. Thus personal selling aspects and the personnel who manage the selling activities of the firm will be discussed in this unit.

11.2 ROLE OF PERSONAL SELLING

Personal selling, as the name implies, is an individual to individual selling. It, therefore, carries the distinctive advantage of **flexibility** in terms of tailoring the sales presentation/interaction to the needs of the buyer. Another unique advantage comes from its **two-way communication**, and human interaction thereby providing instant feedback. These two unique advantages make personal selling the most result-oriented promotion method.

Generally speaking, the **nature of goods/products** marketed, as well as the **distribution system** adopted; determine the role of personal selling in a firm. Therefore, personal selling is used extensively in the case of industrial goods, where the salesperson performs functions such as assisting the customer in designing the product specifications, product installation, product commissioning, solving technical problems through providing service after sales and helping customer to have optimal utilization of the product. In the case of consumer goods, on the other hand, the role of personal selling gets usually restricted to the dealer/distributor/stockiest level. The scope of the tasks performed include obtaining periodic orders, ensuring supplies, offering tips to dealers on product display and attaining desired levels of stock movement. Similarly, the role played by personal selling is more in a firm which uses door-to-door selling method through its sales force than in the firm which sells through large stockiest, distributors or sole- selling agents.

Notwithstanding the varying role of personal selling in the strategies followed by different companies, the nature of the selling function requires that the following tasks be performed:

- ... sales generation
- ... feedback and market information collection
- ... provision of customer service covering aspects such as delivery of goods, warranty administration, timely availability of repair and spares etc.
- ... performance of sales support activities such as monitoring distribution function, credit collection, improving manufacturer-dealer relations, implementing the promotional programmes, etc.

In practice, the complexity of the selling task actually performed varies from company to company even under the above four categories.

Activity 1

The importance of personal selling varies from industry to industry and company to company. Explain why this variation occurs. Give examples of industries/companies which rely primarily on personal selling give reasons.

11.3 TYPES OF SELLING JOBS

From the previous discussion we understand that while sales as a function has a common purpose, that is, to effect sales, the selling situations differs due to interplay of various factors. These factors are nature of goods sold, type of distribution system used, nature of demand and the type of sales strategy followed by the firm. These factors require the salesforce to possess different traits and abilities suitable to the selling situation with which they are associated. To underscore the differences, Robert N. McCurry in "The Mystique of Super-salesmanship" classifies individual sales position based on the degree of creativity required into seven categories. These seven categories are described below:

Merchandise Deliveries: The sales person, whose primary job is to deliver the product usually against routine orders-popularly called sales and delivery boys.

Inside Order-taker: Working inside a store the primary job of such a sales person is to service the customer's request or suggest appropriate product to meet customer wants; such type of salespersons are popularly called retail salesman.

Outside Order-taker: The salespersons engaged in the task of taking orders from the resellers. They normally do not use hard selling approach for making orders.

Missionary Salesperson: The salesperson whose primary job is to educate, give product detailing, build goodwill or create primary demand for the product. Strictly speaking, missionary salespersons are not permitted to take orders. Pharmaceutical companies hiring medical representatives for promotion of their products among Doctor's (medical fraternity) is a classic example.

Sales Engineer: The salesperson who acts as a technical consultant to the client and as per the need helps him to design products or production system for the client. This type of salesperson is popularly called Technical Salesperson.

Tangible Product Seller: The salesperson whose job is to sell tangible products such as furniture, appliances, automobiles, etc. The job involves abilities to persuade and convince the customer.

Intangible Product Seller: Here the salesperson is associated with selling intangible products or services such as advertising services, insurance, education, banking, and telecom etc., the common factor being difficulty in immediate demonstration of the perceived benefits of the product. This selling job requires perhaps the greatest degree of creativity in the salesperson.

We have discussed the different types of selling jobs which are very much in existence but currently the nomenclature of these selling jobs may vary from firm to firm and also from one industry to another. Yet the fact remains that the role and responsibilities remains intact.

Defining the Salesperson's Job: The earlier classification of the sales position into seven categories, on the basis of degree of creativity required in the performance of each job is only general in nature. Depending upon the organisational need, each company should clearly define what it expects from a salesperson in terms of the tasks to be performed by him. It should broadly specify how much of salesperson's time should be spent on developing new accounts versus servicing existing accounts, large accounts versus small accounts; bulk orders versus small orders; selling individual products versus selling the product line; selling old products versus selling new products; etc. Lack of clear definition regarding the selling tasks to be performed, often results in disproportionate spending of time between the tasks, as well as in imbalances in the goals achieved. To avoid this type of loss in productivity of the salesforce it is worth repeating that the job of the salesperson should be defined with sufficient clarity, focus and specificity, so that he can use it as a guideline to keep himself in the right direction.

11.4 THE SELLING PROCESS

Up to this point we were discussing the role of personal selling and the degree of creativity required in a salesperson to perform his task satisfactorily.

Now we will take a look at the selling process followed for completing a sale. Though the steps in the selling process discussed below will be applicable to most of the selling situation. What will differ will be the degree of importance given to each step of the process under different selling situations. The basic steps in the selling process are given in Figure I. A salesperson must become accomplished at performing the selling steps. These steps are:

Figure I: Steps in the Selling Process

Resource customers on the correctness of their decision.		SALE	
Check whether the order was filled and delivered when promised.		POST,FOLLOW-UP	
Make certain that the product is properly installed used and serviced.			
Make conscious effort to close.		CLOSING THE SALE	
Don't be afraid of being rejected.			
Understand reasons for objection Have a positive attitude. Avoid arguments.		HANDLING OBJECTIONS	
		Arouse Desire	
		SALES PRESENTATION	
APPROACH		Make initial contact with prospect	
PRE-APPROACH		Study the organisation and those involved in buying	
PROSPECTING AND QUALIFYING		Develop sales leads from various sources "Separate the suspects from the prospects"	
PREPARATION		Know your product, Know your customer, Know, your competitor, Know your company	

Step 1

Preparation: Before starting the selling job, a salesperson should make a valuable investment of time and resources to know the products he will be selling, know the customers (i.e. customer types, buying motives and buying process) to whom he will be selling; know the competitors against whom he will be selling, and finally know the philosophy, policies and range of products of his company, In short, he should be well equipped with the fundamentals of selling.

Step 2

Prospecting: This step of the selling process deals with locating and preparing a list of prospective customers. Prospects can be located through (1) identifying the potential of buying more in the existing customers, (2) recommendations of existing customers, (3) winning back lost customers, (4) attracting competitor's customers, (5) customers' information request from advertisement, (6) newspaper announcements, (7) public records, (8) directories like telephone, trade association etc., (9) other salesmen, (10) references from friends, neighbours and business associates, and (11) cold canvassing, that is, going from door-to-door.

The located prospects should first be qualified broadly in terms of (i) whether they want the product and how intense their want is (ii) whether they have the adequate purchasing power, and (iii) whether and who possesses the power or authorisation to purchase and spend the required money. The qualifying of prospects is the process of separating the prospects from the suspects.

It is worth-mentioning here that the ability to prospect is the most essential ability of a successful salesperson. A good salesperson keeps examining, weeding out the already tapped prospects and updating his lists of prospects, and remains in constant search of new prospects.

Step 3

Pre approach: The qualifying process of separating prospects from suspects further requires that the salesperson should possess detailed information relating to the prospects in terms of existing products consumed, their scale of operation, product range, their buying size, frequency, budget

and the process, etc. In short, obtain customer orientation. The sources of information for the purpose include company annual reports, other salespersons, other suppliers to the prospects, census of manufacturers, professional journals, newspapers and market intelligence, The availability of the above information in a detailed manner as possible will help the salesperson in ranking the prospect in terms of their priority to the company. Good salespersons use the above information in classifying the prospects in A, B and C categories in terms of the immediacy of the attention to be given to them.

Step 4

Approach: 'First impression counts'. As such, this step needs to be carefully planned. This step has two distinct parts. One, of meeting the customer with a positive set of mind, and the second, is make an impact on him. For the former, referrals of reliable persons known to prospects, calling after fixing an appointment, use of door openers, help. For the latter the salesperson should equip himself with the key benefit to be emphasised, samples or new literature to be handed over, etc.

Step 5

Sales Presentation: Through advance information relating to the prospect every effort should be made to match the product offered to the needs/problems faced by the customer. The sales presentation should generally go according to the AIDA-attention, interest, desire, and action approach. How can this be done? Use of key benefit or a problem solver, or a unique act of the salesperson results in gaining attention. When used attentively this part also provides opportunity to get the main point of the initial statements made by the prospect.

The presentation should proceed in a straightforward manner to help the prospect know that you understand his problem and that is the reason of your being there. To convince the prospect as early as possible, the salesperson should offer evidence through demonstration of the product, use of exhibits, models, sharing Of acts, citing examples of its successful applications/usage, showing testimonials, etc. The overall approach should be to build credibility and confidence in the supplying company, its products, and also in its competence to render specialised type of service to the, complete satisfaction of its customers.

The flexibility of the sales presentations can range from the 'Canned' or previously prepared presentation, to those allowing the salesperson complete freedom in the presentation. Though both the extremes, and even the hybrid of the two, have their own situational suitability, the important point to note is that salesmanship, being a showmanship function, must arouse active participation of the prospect in the presentation process. This can be done by introducing some action which would keep the prospect captivated. One possible way would be a joint review of the problem faced by the prospect. Another is helping the prospect imagine the projected benefits of owning the product.

Step 6

Handling Objections: It is in the last phase of the sales presentation step that the prospects start expressing doubts, or raising objections whether relating to price, need for more time to think, satisfied with the existing product/supplier or product quality claims.

These doubts or objections should be welcome and they should be answered with confidence. There is certainly no doubt that the prospect has to be thoroughly convinced that the product would satisfy his need. The ability of the salesperson of mind reading of the prospects enables him to anticipate the prospect's objections and reactions.

The golden rules for handling objections are: (1) welcome the objection and show respect to the prospect, and (2) do not argue with the prospect. Even when the objections raised are half-backed or trivial in nature, the salesperson should handle the situation tactfully. Only in extreme necessity, should a salesperson ask the prospect to adequately explain his problem faced. Even under these circumstances courtesy should not be lost sight of, and while the discussion is on, the salesperson should start recounting the benefits of the product agreed upon, and lead the prospect to make a favourable decision. It should be remembered that handling objections sharpens the selling skills of the salespersons.

Step 7

Closing the Sale: Closing is that aspect of the selling process in which the salesperson asks the prospect to buy the product. There is a critical point during each presentation when the salesperson should ask for the order. Pending the location of the critical point, as the objections

are being met, the salesperson should help reduce the choice of options, summarise the benefits of buying, and the consequences of not buying, and if need be, make use of the big idea appeal of buying 'now' at that moment.

The salesperson should have the ability of catching the buying signals given by the prospect and should act on them fast. Some such signals are changing the sitting/standing position and moving closer to the product; reading the instructions on the product; perusing the testimonials; showing hesitation in being able to afford; asking for another demonstration, if applicable; checking the warranty or asking questions relating to warranty terms. These signals show that the time is ripe to start taking the order.

Step 8

Post-sale Follow-up: The selling process does not come to an end by writing the order. A few repetitions reassuring the benefits of the product keep the customer sold. Follow-up provides an opportunity to ensure that the product is being rightly used, and if necessary to re-explain the method of using, handling, and storing of the product when not in use. This builds favourable feelings and nurtures strong buyer- seller relationships.

Post-sale follow-up not only reinforces the customer's confidence in the salesperson and his company but also tends to keep competition out. This also helps generate repeat business and valuable word-of-mouth publicity. The follow-up is a good source of feedback too.

Let us conclude this section by stating that although the eight steps of the selling process are essential in spirit, these may not always be followed. This could be partly the (1) the selling situation involved (e.g., in the case of insider order-taker or retail salesperson) the first three steps of the selling process are generally not applicable as the customer walks into the store for buying a product, (2) the expertise of the salesperson (such that he can ignore or assume some information), or (3) the seller's market of the product where customers generally queue up for the product.

Let us also look at the findings of a study by Robertson and Chase on the subject. They point out that:

advertisements and is thus induced to go to the shop or wait for the salesman and make his purchase. The salesman's job is to hand over the merchandise against exchange of money and provide satisfaction to the customer. Besides, he also some times has to provide after-sales service. In terms of selling, the role of a salesman can be sub-divided into several stages. These are:

- 1) **Prospecting**, i.e. trying to find out likely customers who are called Prospects.
- 2) **Pre-approach**, i.e. trying to find out more about the customers, before actually meeting them.
- 3) **The Approach**, i.e. when the-salesman actually communicates with the prospect with a view to sell the product.
- 4) The actual selling where he **Answers Objections** and **Closes** the sale.
- 5) In addition to this, he may also provide services such as giving technical **Assistance**, arranging credit facilities and expediting deliveries.
- 6) Collecting **Information** useful for the organization.

A salesman following these steps will have a higher chance of being successful with his customers. In sharp contrast to selling activity, a sales supervisor performs the function of managing the sales staff. This is a very important aspect. It is at times thought that good salesmen can make good sales managers. This is not true because a good salesman is very keen on selling or the 'doing' part of his job. When he becomes a sales supervisor, and as he goes up higher and higher and becomes a sales manager, his job changes in emphasis to that of 'managing', which consists of (1) **planning** and goal setting, (2) **organizing**, (3) **motivating**, and (4) **controlling** his subordinates. Thus the job has changed from 'doing' to "getting things done through people". Of course, it is true that many sales managers continue to perform the selling function and provide necessary support.

Activity 1

What do you understand by selling and managing?

Selling consists of:

Activity 2

Interview a salesman and a sales manager from within your organisation or from any other organisation and prepare a list of their activities. Identify some of the activities that are common to both. Discuss the reasons for such common activities with the salesman and the sales manager:

Activities of Salesman

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Activities of a Sales Manager

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Re-list common activities

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Identify reasons for common activities

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11.6 RECRUITMENT AND SELECTION OF SALESMEN

The sales manager's job is basically to provide leadership to the sales force. However, if he does not have the right persons, it will be difficult for him to get desired results. Therefore, the first step, or the first function of the sales manager, is to be concerned about recruiting and selecting the right type of salesmen.

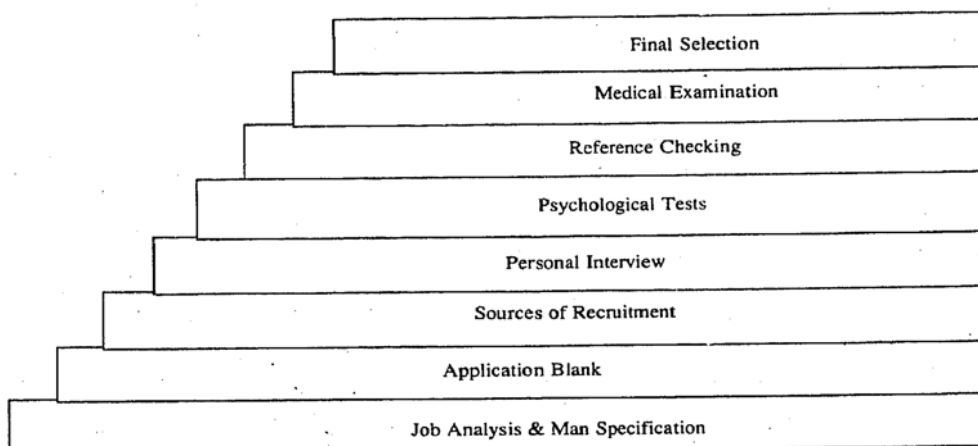
A good salesman creates a good image of the company, as the customer evaluates even the company from the way in which the salesman has behaved. It can thus be said that the salesman who is working under you, represents your face and that of your organisation. To the people he meets casually as well as your customers he handles, he is **YOU** and **YOUR COMPANY**. Therefore, how he conducts himself and how he speaks reflects on you and your company. In addition, proper selection would result in better employer-employee relations as the salesman would be happy in his job. There will be a smaller turnover, meaning that the salesmen will not leave out of disgust or inefficiency. The organisation will have a more effective salesforce, and will enjoy good customer relations.

The Selection Procedure

Adequate selection requires a proper step by step approach. You must first know the type of persons you want. Then it becomes necessary to find out from where you can get them. Then alone can arise the question of actually going about getting the man, testing him and making your final decision. The steps in the selection procedure are given in Figure II.

Let us now go through these steps. In actual practice, often organisations are not very clear as to the type of person they require. They just decide that we need 'salesmen'. We have to be more specific. In order to do this, it is necessary to analyse the job for which the salesman is going to

Figure II: Steps in the Selection Procedure



be selected. In good companies, there are **job descriptions** available which give details of the particular job. Even this is not enough, because we want to know the type of man who will be able to fill that job. This is described as man specification and gives the qualities required of the person who can do this job properly.

The job analysis would indicate, for example; the following namely:

- 1) the difficulties involved in performing the duties (e.g. in case of high priced products, the selling job becomes difficult),
- 2) the basic duties and responsibilities,
- 3) the conditions of work, and
- 4) the personal characteristics required to handle the job.

The qualities required in the salesman may include any one or more of the following, namely:

- 1) general qualities,
- 2) specific qualities, and
- 3) technical qualities.

At times, **technical qualities** are required. If this is not required, one should not try and get a man with a technical background and pay unnecessarily more money. Besides, he may not prove to be a good salesman. Thus we must specify what are the general qualities required in addition to the technical ones, if any.

Many researchers have been conducted to find the **general qualities** which make a good salesman. Given below are some of the **general qualities** which are required of a good salesman.

- 1) **Honesty and Reliability:** The salesman must be one who can be trusted, as he has to handle even money, besides merchandise. He must be prompt and on the job every day. He must be one who can be relied on not only by you but also by his customers and his fellow employees.
- 2) **A Self-starter:** A salesman is often on his own, particularly the travelling salesman. He must therefore be able to work without constant supervision.

- 3) **Orderliness:** He should have a neat and pleasing appearance and must be one who keeps things clean and in good working condition.
- 4) **Friendliness:** Perhaps friendliness is one of the most important qualities. He must be sociable and must get along well with people, as otherwise he will not be able to sell at all.
- 5) **Self-control:** He should be able to handle difficult people and not lose his temper or become upset.
- 6) **Good Handwriting:** He should be able to write legibly, as salesmen often have to write orders and complete report forms.

The above are a few qualities. In addition, many more are given by different people like courtesy, industriousness, initiative, judgment, persuasiveness, and resourcefulness and so on.

We now come to the preparation of an Application Blank listing questions required to be answered by the applicant. From the man specification, we have realised the qualities we are looking for in the salesman. Appropriate questions have to be now drafted so that the answer to these questions will indicate the suitability of the applicant who will thereafter be considered.

Now we are ready to get people to apply for the job, as we are clear regarding what we want and the application blank is ready. Now the question of locating the appropriate person arises.

Following are some of the sources from which recruitment can be made, namely:

- 1) **Internal**, i.e. from inside your own staff as well as through recommendations from existing salesmen or customers.
- 2) **External**, like (a) advertisements, (b) employment exchanges, (c) educational institutions, (d) from competitor's staff and (e) placement services.

Advertisement is the commonest source from which recruits are obtained. However, the advertisement should be sufficiently detailed so that you are not deluged with a large number of undesirable or inappropriate applicants.

It is common knowledge in India that, even when the advertisement states specifically that "Chartered Accountants need only apply", in practice even B.Com's apply because they feel that

they know accountancy. Therefore, if such a qualification was not mentioned, you can well imagine how many more unsuitable applications would have been received.

Now that we have got a number of applications, we must go through them and weed out those which are obviously undesirable or inappropriate for our requirements. Then comes the important step with which you, as a manager, would very likely be concerned, namely, the personal interview when you come face to face with the applicant and have to determine his suitability for the job. You may indulge in one or a number of interviews as you may deem appropriate.

The greatest advantage of the interview is that you can now see what he looks like and check if he has any undesirable expressions. We have mentioned that certain qualities are required. By asking appropriate questions, you can judge whether he has those qualities from his answers during the interview.

Some organisations indulge in psychological and personality tests. It should be mentioned here that it is difficult to devise proper psychological test that can predict a good salesman with high degree of accuracy. Hence it is not given great importance.

Now that we have almost arrived at a final decision, we must check the references given by him regarding his character, educational background and previous experience. This is an important step and should not be neglected.

The medical or physical examination is not always necessary and should not be indulged in unless it is needed for certain qualities essential for the job. For example, if we want a salesman who can distinguish colours, a medical test showing whether he is colour blind or not would certainly be appropriate. Similarly, if he has to travel consistently, his health condition becomes relevant.

Now the time have arrived when the final decision has to be made about his suitability. Everything done so far has to be reviewed. We must find out whether he is a willing worker. He should not be a "rolling stone", which can be found out immediately if he has had many previous jobs. Even when he has previous jobs, the trend of the jobs-progressive or not will show you his desirability for recruitment. Thus a final decision has to be taken now.

Activity 3

Examine the salesman recruitment and selection process in a large and a small company. Compare how the selection processes differ from each other. Examine the reasons for such difference.

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11.7 TRAINING OF SALES PERSONNEL

Now that we have made the selection, we must provide for adequate training so that the applicant really becomes suitable for the job. Gone are the days when people thought that "salesmen were born and not made". Research has clearly indicated that the person can be trained to become a good salesman.

Research has clearly indicated that the following are some of the factors which exist in case of a good salesman, i.e. a salesman properly trained as against one who was not so trained:

- 1) He makes a more enthusiastic presentation.
- 2) He has the ability to clinch the order.
- 3) He has greater product knowledge.
- 4) He pays closer attention to ensure that services are rendered to the customers.
- 5) He has superior territory organisation.
- 6) He answers objections better.
- 7) He can obtain more customer interviews.
- 8) He keeps abreast of competition and competitor activities

The objectives of training are to give the following types of information to the salesmen, namely:

1. **Knowledge of the company**, its background and history. This will give him a perspective as to how he fits into the organization structure of the company.
2. Knowledge of the **Company's products** and more particularly the 'selling points' or advantages that he can emphasize with a view to close the sale.
3. Knowledge of **customers**, i.e. details about the types of customers and how they should be handled.
4. Knowledge of **sales and other procedure** which is prescribed, such as how to get orders, what forms to fill up, the sales reports required, etc.
5. Training in the **art of selling** or salesmanship.

The last point is extremely important. Salesmanship is desirable for everybody because it is the art of persuasion.

Now that we discussed the benefits and goals of training, we should consider the three basic types of training which have to be given. In the beginning, break-in/induction training is given, which gives him the basic knowledge or material as already indicated. However, this is not sufficient in practice. The Salesman must thereafter be given coaching actually in the field and put in charge of a senior salesman who is also a good trainer. In addition, from time to time stimulation or motivational training is given at sales conferences and other places, so that the salesman is all the time being updated and motivated.

Having decided what knowledge or information has to be given and where it is to be given. It now becomes necessary to determine how this has to be done. This is what is meant by training methods.

Now that you have given your own answer, let us mention that there are basically three **types of training methods**, namely:

- 1) the 'telling' method
- 2) the 'showing' method
- 3) the 'discussion' method

The **Telling Method** is the oldest form of communicating information sharing and is often described as lectures. These can be quite boring and the salesman may feel that he is not a

student in a classroom. However, this is a method which is extremely good in communicating information quickly. The other methods take a little time, although they may be more effective in terms of results.

In the **Showing Method**, the trainer actually shows or demonstrates the technique. This is the actual 'doing'-more or less like 'role playing' and is a very effective method. He may take the salesman to a customer and actually sell. The salesman watches him carefully and thereafter there is a discussion on what happened and how he would have behaved in the particular situation.

Finally, the **Discussion Method** involves the participant in the training process. It permits the trainee to ask questions. He can thus clarify any doubts which might exist in his mind. Even appropriate **case studies** can be provided for discussion and training the salesmen

With the emergence of new technologies, processes and systems in place you find extremely technical products in the market. To sell such new generation technical products it becomes necessary to possess sound technical knowledge and expertise by the salesman to sell and offer services to the customers becomes vital. This paves way for new training methods to be offered to the sales force in the light of fast changing tastes and preferences of the customers in the light of these new technologies and processes. Today, you can see firms offering online training for their sales team making it more interactive and flexible both for the employer and employees. You may identify and make a study on such training methods to keep updated and informed.

Activity 4

Examine the various dimensions of salesman training in your organization. Just in case your organization does not have selling activities, you may visit another organization and study how they train the newly recruited salesman. Are there any deficiencies in the training approaches that you have examined? Can you suggest some modifications?

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11.8 MOTIVATING THE SALES PERSONNEL

The aspect of motivating consists of getting the best effort from the salesman while he is performing his job. If he is a good salesman and likes to sell, he will automatically be motivated. Thus motivation is a function of the salesman himself and the organisation as well as the environment in which he is operating.

In the early days, the disciplinary aspect fear was used to motivate people. Later-on, the economic factor came into existence and stress was laid on appropriate methods of remunerating the sales force. Finally, apart from the 'hope of reward' replacing the fear of the sack', psychological incentives are also sought to be used.

Incentives

Incentives are factors which provide motivation, in a positive direction to the person concerned. These may be of two types, namely:

- 1) Financial and
- 2) Non-financial or Psychic.

We will now deal with these two types of incentives separately.

Financial incentives are incorporated in the compensation plan. There are several methods used for remunerating salesmen. The following are some of the methods used for remunerating or compensating the sales force namely:

- 1) A straight salary.
- 2) Straight commission on sales.
- 3) Salary and commission on sales.
- 4) Salary plus commission on sales above a certain amount.
- 5) Salary plus commission on varying totals or different types of goods.
- 6) Salary plus a share in the profits.

It will thus be noticed that there are many methods of remunerating salesmen from which a

In case of a **straight salary**, the salesman is paid the amount irrespective of his performance. Thus the remuneration is not geared to his productivity. However, some organisations are of the view that if you select and train a salesman properly and provide adequate salary, it will motivate him as he knows that he can get increments as motivational factors. As against this, the opposite view is that a straight salary makes the salesmen complacent.

If he is given **commission on sales**, there is a direct link of the remuneration with his sales performance. It is true that the commission method is more motivating. However, it can be undesirable, where through no fault of his own; the salesman cannot earn enough commission to support himself and his family. Therefore, the third method is the most popular one where a **basic salary** is given to provide him with the basic necessities of life. If the salesman wants to enjoy life, he must earn his **commission**. This provides the maximum motivation from the compensation structure. Thus motivation should be built into the system itself.

It should however be remembered that the compensation plan should be appropriate. It should be 'simple' and not complicated, so that the salesman understands and appreciates it. It should be 'personal' so that it would motivate the particular salesman. The plan should be 'moderate' and within the reach of the salesman. If he finds that he cannot earn the commission, he will stop trying to increase his sales. The compensation should provide a 'continuous incentive'.

Apart from remuneration as an incentive, there are other methods of motivating salesmen. There are certain 'needs' requiring satisfactions in the human being. These are not merely physiological. There is a **need to belong or be loved**. This can be provided in the work situation

by the supervisor under whom the salesman works. There is the question of esteem. A pat on the back at the right time can go a long way to motivate the salesman. Finally, there is **self-actualisation**, i.e. a person wants to do better and get promoted further. Thus there are certain needs which can be satisfied through an adequate incentive plan of a non-financial nature. These are called **psychic wages**.

- 1) **Make the salesman like you**, be fond of you and want to work for you as the supervisor.
- 2) **Praise him when praise is due**: A good rule of human relations is "to praise in public and scold in private". However, idle flattery will soon be found out by the intelligent salesman.
- 3) **Respect his personal ego**: He should not be belittled. As already indicated, do not criticize him in the presence of others.
- 4) **Allow him to participate**, i.e. to discuss with you and help you in the shaping of decisions, particularly those which affect him. For example, when setting the sales target, the salesman can be consulted before a quota is fixed for that particular salesman. This is what is meant by 'participation'- the modern leadership technique.
- 5) **Set a good example**: This is perhaps the most important. The subordinate generally watches his superior and often tries to 'copy' him.
- 6) **Give him emotional security**, by showing him that he is working for a good company, a good boss and a good product.
- 7) Finally, **show him how he would benefit** and not how the company benefits from his performance.

Thus, for effective motivation, you must inform him as to what is expected from him. Tell him what the company gives him, use the **carrot technique** to get his cooperation and above all set a good example.

Activity 5

As a salesman, identify which method did your employer followed in remunerating for your services? List out and specify any other incentives that the company offered to you.

- 1) The report should be brief.
- 2) As far as possible a printed form should be used where a check mark (./) would answer most of the questions and very little of writing is required.
- 3) Information should be so arranged that it can be summarised and used at the home/head office. Please remember that you should not ask questions where the answers are not going to be used by the organisation.
- 4) Carbon copy must be provided for the salesman.

There are many types of reports used in practice. The tendency is to have many reports and the advice is to have as few as possible. The following are some of the types of the reports used, namely:

- 1) Expense Account Report.
- 2) Report of Daily Calls, covering the entire day and giving details for each call separately.
- 3) Report on Prospective Customers, to indicate how much missionary work is being done.
- 4) Report on Customer's Complaints.
- 5) Reports on Demonstrations.
- 6) Reports on Working Plans.
- 7) Report of Customer's Inventories.

You can thus well imagine that there are a host of reports from which a selection can be made. Today, the reporting system has changed drastically in view of Information and communication Technology, being in place to connect and report to the manager or the Head office about the whereabouts and the daily activities of the salesman to all the concerned.

Allocation of Territories

Now supposing you have about a hundred salesmen to cover the whole of India, you naturally have to divide India into one hundred parts and allocate one part to each salesman... we are sure you must have realised that you cannot just take the map of India and cut it into one hundred equal parts and allocate them to the salesmen. If you do this some of your salesmen may get mountains or desert, where no prospects exist. The following are some of the factors which determine in the allocation of the territory:

- 1) Prospect density, i.e. the number of likely customers in the area concerned.
- 2) Extent of ground to be covered.
- 3) Possible volume of sales.
- 4) Frequency of visits required.
- 5) Intensity of selling required, i.e. the time taken up by each interview.
- 6) Convenience of getting from one place to another includes modes of transport provided or available.
- 7) The rate at which the shopkeeper buys and resells.
- 8) Whether the product is easy or difficult to sell. Considering all these factors and the number of salesmen available, it then becomes possible to allocate the territories intelligently.

It should be remembered that salesmen are anxious to get as large a territory as possible. Experience has however indicated that a smaller territory is better, as the salesman takes less time in travelling from one prospect to another and provides greater depth of effort. It is better to have this intensive rather than the extensive cultivation of a territory.

Activity 6

Collect all the reporting formats used by a salesman working for a marketing organisation.

Analyse them and record the various types of information provided by the salesman. Comment on the usefulness of such information for the company as well as for the salesman himself.

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11.10 SUMMARY

In this unit we discussed the nature, role, types and the planning process involved in personal selling function. Personal selling is a direct person-to-person selling and promotion method. The specific role and goals of personal selling vary from firm to firm depending upon nature of goods marketed, distribution system used, and the sales strategy adopted by a firm. The changing market environment calls upon the sales force to transform itself in order to perform a more creative role.

Based on the degree of creativity required, McCurry classifies the sales positions into seven types-merchandise deliverer, inside order-taker, outside order-take, missionary sales person, sales engineer, tangible product seller and intangible product seller. To accomplish the job of making a sale satisfactorily, a salesperson should follow the basic elements of the selling process. These are: preparation, prospecting, pre-approach, approach, sales presentation, handling objections, closing the sale and post-sale follow up. An understanding of each element helps a salesperson in developing skills necessary for successful selling.

You have understood the importance of the selling effort and the functions of the sales man of the company. Basically, the sales manager has to get the targeted sales, i.e., sales as decided by the marketing manager or the top level of the organisation. He has to do this through the sales force at his disposal. He must therefore select very carefully.

Once you have recruited somebody, it is not necessary that he would have the proper ability. Adequate **training** must therefore be provided so that he understands more about your company, your products and your policies as well as philosophy.

Thereafter, the question of **motivation** becomes important. We have appreciated how financial incentives can be provided to the salesman. Finally, some extent of **controlling** the sales personnel is essential.

Now let us briefly recapitulate what we have covered. We have realised that we are on a very important aspect of managing the human resource. People are difficult to handle and yet, if you provide the correct environment they will be able to manage and motivate themselves. It is

therefore essential to provide a proper system for motivation rather than have a detailed controlling procedure in managing the firm's sale personnel.

11.11 KEY WORDS

Canned Presentation: A structured sales presentation made of an inflexible nature.

Cold Canvassing: Door to door conviction and sale of products.

Lead: Name of an individual or organisation who might be a prospect.

Prospect: A lead who can both benefit from the use of the product and afford to buy it.

Prospecting: The step during which probable customers are found for the product or service.

Industrial Salesman: Salesman, who deals with the industrial market, i.e. deals with organisations who buy goods and services to produce other products or services which are thereafter sold again to others.

Job Description: This describes the job in detail, indicating what the salesman will have to do including the difficulties that he may have to face in selling the company's products.

Man Specification: This provides the qualities which are required of the salesman who can best fill the job as described in the job description.

Personal Selling: Oral presentation by a salesman in a conversation with one or more prospective purchasers with a view to effect the sale.

Pre-approach: This is the stage just before the salesman actually approaches the customer, in which stage he tries to find out as much as he can about the prospect so that his job at the time of approach would become easy.

Presentation and Demonstration: This is the stage where the salesman tries to affect a sale by actually showing the product and demonstrating it in use.

Prospecting: This is the stage where the salesman collects information of possible customers known as prospects.

Sales Quota: A sales goal or quota set for a product line, or representative or even a company division for defining and stimulating sales effort by such individual or unit.

Sales Territory: This is the geographical area which is assigned to a particular salesman for his operation with a view to sell or carry out his selling activities in that area.

11.12 SELF ASSESSMENT TEST

A) Check whether the following statements are True or False

Statement	True	False
1 Personal selling provides marketers with greatest opportunity to adjust a message to satisfy customers' information needs.	<input type="checkbox"/>	<input type="checkbox"/>
2 The personal selling process begins with approaching the customer.	<input type="checkbox"/>	<input type="checkbox"/>
3 An important function of the technical sales person is to provide advice to the application of the product.	<input type="checkbox"/>	<input type="checkbox"/>
4 Missionary salesperson is a position where salesperson build goodwill and educate the consumer while taking orders and selling the firm's goods and services.	<input type="checkbox"/>	<input type="checkbox"/>
5 Getting the order is called closing the sale.	<input type="checkbox"/>	<input type="checkbox"/>
6 Objections tell the salesperson how far away the sale.	<input type="checkbox"/>	<input type="checkbox"/>
7 Sales promotion tends to be used to build up brand loyalty.	<input type="checkbox"/>	<input type="checkbox"/>
8 The short-term trade promotion used frequently with the introduction of a new product is a buying allowance.	<input type="checkbox"/>	<input type="checkbox"/>
9 Consumer sales promotion schemes stimulate trade to carry a product and promote it aggressively	<input type="checkbox"/>	<input type="checkbox"/>
10 Sales promotion activities are only appropriate when directed at the salesforce level.	<input type="checkbox"/>	<input type="checkbox"/>

B) Tick the Most Appropriate Answer

- Creative selling, which requires a salesperson to recognise the potential buyer's need and then to provide the prospect with the necessary information, is performed by sales position called
 - order-taker
 - missionary salesperson
 - technical salesperson
- Learning about the potential buyer, the buyers' purchasing process and needs, and anything else that could be helpful in the selling process is the activity of:
 - the approach
 - the preapproach
 - qualifying
- The most effective short-term sales promotion incentive results from
 - price-off
 - coupons
 - premiums
 - contests
- In establishing sales promotion objectives, marketers
 - focus on consumers
 - focus on trade
 - concentrate on activities that will increase consumer demand
 - align objectives with the overall 'organisation' objectives
- The most effective sales promotion scheme to use in the product information is:
 - demonstration,
 - push money,
 - samples,
 - coupon,
 - contest.

Key to Self-assessment Exercises

- A) 1 (True), 2 (False), 3 (True), 4 (False), 5 (True), 6 (True),
7 (False), 8 (True), 9 (False), 10 (False).
B) 1(b), 2(b), 3(a), 4(b), 5(c)

You may answer the following questions for self-assessment in a separate exercise book. You can, as usual, refresh your memory before starting to answer the questions.

Questions:

- 1) "Sales Management is primarily a matter of selecting and training men, then evaluating their performance."
Do you consider this recent statement adequate or helpful in identifying sales management's responsibilities? Give your comments in detail.
- 2) Mention briefly the sources from which you can get sales personnel as new recruits.
- 3) Mention the types of training you would provide for salesmen of a company selling medicines.
- 4) Explain the several methods available for remunerating the salesmen and give your opinion as to the most desirable system.
- 5) Explain the need for non-financial motivation for salesmen and mention some of the methods through which this can be achieved.
- 6) Mention briefly the factors that have to be considered in order to objectively determine the sales territories for allocation to salesmen.
- 7) Explain the concept and role of personal selling. With suitable examples discuss the different types of selling jobs that you are familiar with.
- 8) Discuss the steps involved in the selling process and highlight the importance of the degree of creativity that is required to in each of these steps for success.

11.13 FURTHER READINGS

Philip Kotler ^o *Marketing Management*, 11th edition 2008, PHI- New Delhi

P.K.Sahu, K.C.Raut, *Salesmanship and sales Management*, 3rd edition, Vikas Publication, New Delhi

UNIT 12 DISTRIBUTION MANAGEMENT

Objectives

After completing this unit you should be able to:

- ... understand the concept of distribution management
- ... appreciate its importance in the marketing mix
- ... discuss the different channels of distribution
- ... understand the role, importance and types of intermediaries.
- ... realise the issues in efficient distribution in contemporary times.
- ... ascertain the factors that determine choice of channel selection
- ... understand the distribution strategies adopted by the firm
- ... role of channel system as an important link between the manufacturer and the ultimate customer

Structure

12.1 Introduction to Distribution

12.2 Definition of Distribution Management

12.3 Need for Distribution Management

12.4 Channels of Distribution

12.5 Types of distribution channels

 12.5.1 Direct Channel

 12.5.2 Indirect Channel

12.6 Intermediaries

 12.6.1 Wholesalers

 12.6.2 Retailers

12.7 Factors determining choice of channels of distribution:

12.7.1 Product Related Factors

12.7.2 Company Characteristics

12.7.3 Competitive Factors

12.7.4 Market Forces

12.8 Distribution Strategies

12.9 Channel System

12.10 Channel Conflict

12.10.1 Causes of Marketing Channel Conflict

12.10.2 Management of channel conflict

12.11 Distribution Management Challenges

12.12 Elements of Distribution Management:

12.12.1 Traditional Elements

12.12.2 Emerging Elements

12.13 Summary

12.14 Self-Assessment Test

12.15 Further Readings

12.1 INTRODUCTION TO DISTRIBUTION

In the earlier units we have discussed and familiarised you with important terms like needs, wants, customer, markets, competition, sales, marketing and a host of relevant terms pertaining to marketing function. We have also touched upon how businesses and firms reach out to their target market segments through well blended and well defined marketing mix elements and strategy formulation for the business. Besides, we did talk about the elements of marketing mix

for products comprising of i.e. product, price, place and promotion (generally referred as 4P's of marketing mix). While the elements of services marketing does include the same four elements i.e. product, price, place and promotion and an additional three more elements namely, physical evidence, process and people (generally referred as 7P's of service marketing). Which will be discussed at length in Unit-13 of this course.

If you notice carefully at the elements of marketing mix of both products and services "Place" is common to both. This suggests that "Place" play a pivotal role to sell the right product/service to the right customer at right price at and at right time thus assumes significance to every marketer. Therefore the focus of this unit will be on "Place" wherein all distribution activities and functions focus on this aspect of the marketing mix. It is one link in the chain, which starts from suppliers to manufacturers and finally to the point of sale.

Very often we come across that during festive season or on any other happy occasion we tend to buy gifts for friends and relatives as we all believe in the joy of giving something to someone near and dear on such joyful celebrations. Assume that your friends or relatives stay in another city then what do you do? How do you send the gift to them? Yes, you do have a solution to either send them by courier or by online delivery. Thus, a delivery company is a type of distribution process. In the same way firms create a distribution system that enhances the reach of the firm's offerings to the end customer at the right place and right time which is at the core of distribution.

12.2 DEFINITION OF DISTRIBUTION MANAGEMENT

The function of distribution is in providing three utilities namely place, time and possession. For example, if you need a notebook, you will go to the nearest stationery shop and purchase a "Classmate" notebook. This nearest stationery shop offers you "Place" utility. You could get the notebook close by your residence. If you need to buy a gel pen at 9.00 pm then also you can go and purchase it at that time. So you get "time" utility. Having purchased the notebook and pen and you can take it back home. You get "possession" utility. In all these instances, ITC, a leading Indian Multinational company sells "Classmate" notebook and Cello Pens India, which sells "Cello Pointec Gel Pens", has ensured that you can avail of all the three utilities very conveniently without any difficulty.

Let's look at a couple of definitions of distribution as per the American Marketing Association, "distribution refers to the act of marketing and carrying products to consumers. It is also used to describe the extent of market coverage for a given product. In the 4 Ps, distribution is represented by the word place or placement". According to Mossman & Norton "distribution is the operation which creates time, place and form utility through the movement of goods and persons from one place to another".

To sum up, *distribution management can be defined as a combination of all activities which facilitates movement and co-ordination of supply and demand in creation of time, place and possession utility in goods.* It is the art and science of determining requirements, obtaining them, distributing them and finally maintaining them in an operationally prepared condition. Therefore, the broad range of activities concerned with the efficient movement of finished products from the end of the production line to the consumer and also the movement of raw materials from the source of supply to the beginning of the production line, fall under the domain of Distribution Management (Fig 12.1)

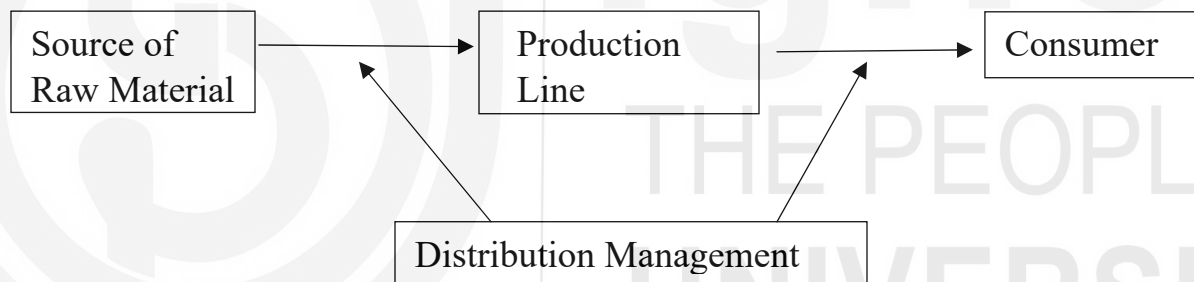


Figure 12.1 Domain of Distribution Management

Through distribution activities a company ensures that a sequential flow of products and goods from the source of raw material through the production/operation is made available to the final customer. This involves a sequential flow of procedures, systems and activities which are designed and linked to facilitate and monitor the movement of goods and service from the source to the consumer.

12.3 NEED FOR DISTRIBUTION MANAGEMENT

In the previous section, we saw that "Classmate" Notebook was made available at the local stationery shop through distribution management. It is manufactured by ITC, which has its

headquarters in Kolkata. To reach out to its customers, ITC has an unmatched distribution network. Its products are available in 4.3 million retail shop/outlets/stores in India. ITC constantly tries to make the products reach to the retailers as quickly as possible. ITC's Paperboards and Specialty Papers Division has four manufacturing units, eight regional sales offices and over sixty dealers in India. At the backend ITC sources good quality raw materials from 17 states in India through its e-choupal network.

A good distribution system performs the following *functions* for the company;

- ... It helps in tracking the growth and decline in demand of the company's products/services.
- ... It enables to design and implement a joint marketing strategy with the distributor and retailers, like customising sales arguments, pricing and discount structures based on the local situation/conditions.
- ... The firm can give marketing support, product sales training, after sales support, etc., with the help of a good distribution network.

The *objectives* that need to be kept in mind viz., a viz., distribution are;

- i. The major objective of distribution is getting the right goods to the right place at the right time at the least possible cost.
- ii. To fully make use of the available human and material resources to the maximum possible extent without wastage.
- iii. To enhance the rapid growth and development of country and organization

12.4 CHANNELS OF DISTRIBUTION

Distribution channels are the methods by which companies deliver products and services to customers and end users. Some businesses sell directly to their customers, while others might use a retailer or wholesaler to serve as an intermediary. Companies may also use agents or brokers to facilitate the movement of products to distributors that sell those wares to the customer. At the beginning of this unit we had discussed the examples of "Classmate" notebooks. The company has chosen an extensive network of dealers and retailers to reach you. When the business is on a

small scale like a local sweet shop, the customers can directly go and purchase from the shop. In such cases, the business and the customers are in close proximity. Suppose this sweet shop expands, and starts making other products, it would require a larger customer base. These customers might not be in close range of the exact shop. Their product might be sold through someone to customers who are residing far off. This “someone” becomes an intermediary. Haldiram is one such sweet company which has gone on such a large scale and expanded its business that now it has various ways/channels to reach the customer more conveniently.

Philip Kotler defines channel of distribution as ***“a set of independent organisations involved in the process of making a product or service available for use or consumption”***.

Distribution channel has been defined by Hill, ***“Distribution channel consists of one or more companies or individuals who participate in the flow of goods and services from the manufacturer to the final user or consumer”*** (Hill, 2010.)

The role of distribution channels through an example

a) When there is no channel of distribution:

When a customer wants to buy soap, rice and toothpaste etc there is no channel of distribution. Meaning thereby the product has to be delivered to the end customer, directly by the producers of the above mentioned products. Imagine the difficulty in reaching all the customers that a manufacturer will face. Secondly farmer growing rice may not have the resources to reach out to its customers and deliver it in a mutually satisfying transaction.

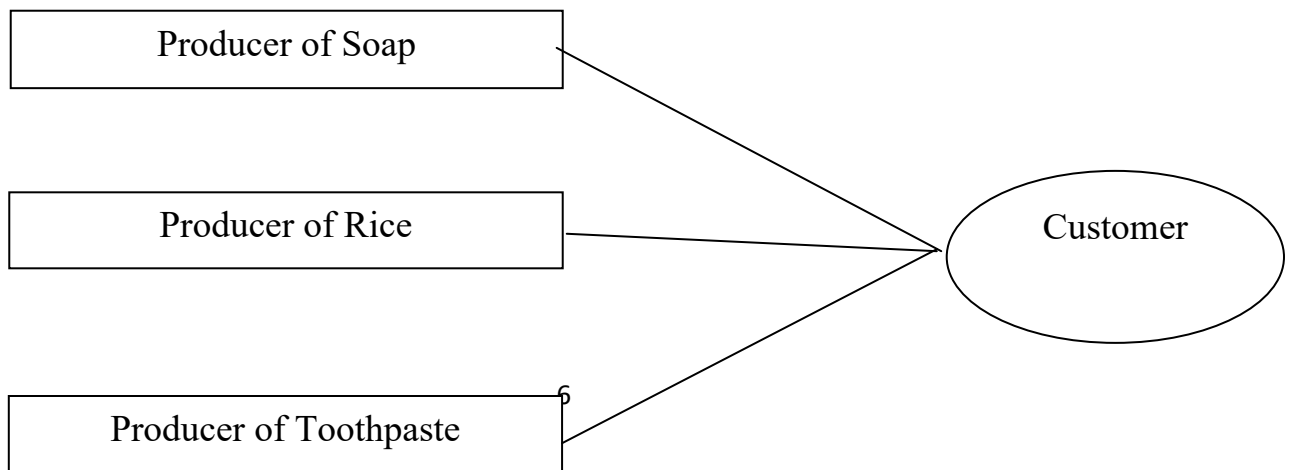


Fig 12.2. No intermediary in the distribution process

b) When there is a channel of distribution involving a retailer: In the above case, even if one intermediary (retailer), is involved, the process becomes simplified not only for the customer but also for the producer. The product can now be available to a larger number of customers, with less effort on the producer's side.

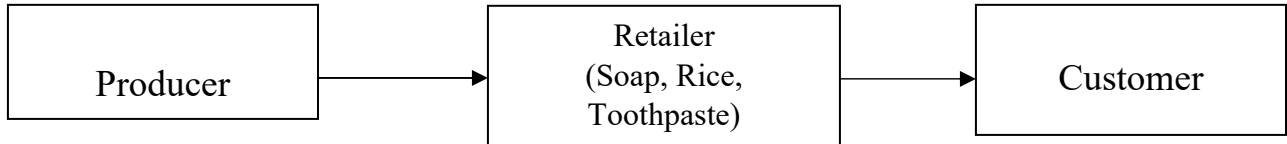


Fig 12.3 One intermediary in the distribution process

Activity 1

- a) List down any six products of the top two FMCG companies in India. Keep in mind that these companies have rural as well as urban presence..
- b) Note down the places/ platforms from where you can purchase the products that you have listed.
- c) Which places/ platforms give you the maximum convenience and why?

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12.5 TYPES OF DISTRIBUTION CHANNELS

Broadly speaking the distribution channels can be classified as follows:

- a) Direct Channels
- b) Indirect Channels

12.5.1 Direct Channel – When the producer or the manufacturer directly sells the goods to the customers without involving any middlemen, it is known as direct channel or zero-level channel. It is the simplest and the shortest mode of distribution. Selling through post services, internet or door to door selling etc. are some of the examples of this channel. Nykaa, Homeshop 18 etc. are cases of direct channel .

(a) **Door to door selling:** Very small companies or start-ups sell their products via this method. You might have seen vendors selling “papad”, clothes etc. This method of selling directly to customers is more common and visible in semi urban and rural areas and also in big capital cities across India.

(b) **Internet selling:** Currently, this has become the most common phenomenon among most of the marketers across sectors to tap tech savvy customers. In cases where the target audience is approachable through internet, it is far easier for companies than other methods. Generally it caters to those potential buyers who are interested enough in the firm’s merchandise only approach the company. For example, “HealthifyMe” is selling different types of salads for health conscious people.

(c) **Mail order selling:** As the name suggests that the products are generally sold through mails as they might not be readily available in local markets. In such cases, the goods need to be durable, and of standardised qualities. The delivery costs should also be considerably low. Mostly books and magazines are sold through this method. E.g., Reader’s Digest.

(d) **Company owned retail outlets:** Instead of using other retailers to sell its products to customers, company establishes its own company exclusive retail outlets to cater to customer as one stop shop for all the its merchandise under one roof examples are Raymond’s Shoppe, Calico Mills, Dell computers etc.

(e) **Telemarketing:** The products are promoted for selling through call centres over outbound calls. Sometimes the company can receive calls on a helpline number regarding their products demonstrated on television. These are inbound calls. For example Home shop 18 etc.

12.5.2 Indirect Channel – When a manufacturer or a producer uses the services of one or more middlemen to distribute goods, it is known as indirect channel. This is the most commonly used channel. As businesses expand it is not feasible for companies to reach all markets directly. The different levels of indirect channels are;

- a) **One Level channel:** This channel involves the use of one middleman i.e. retailer who in turn sells them to the ultimate customers. It is usually adopted for speciality goods. For example – Tata sells its cars through company approved retailers.

Manufacturer → Retailer → Consumer

- b) **Two Level channel:** Under this channel, wholesaler and retailer act as a link between the manufacturer and the customer. This is the most commonly used channel for distributing goods like soap, rice, wheat, clothes etc.

Manufacturer → Wholesaler → Retailer → Customer

- c) **Three Level channe:** This level comprises of three middlemen i.e. agent, wholesaler and the retailer. The manufacturers supply the goods to their agents who in turn supply them to wholesalers and retailers. This level is usually used when a manufacturer or farmers (growing dry fruits, saffron, etc.,) deals in limited products and yet wants to cover a wide market.

Manufacturer → Agent → Wholesaler → Retailer → Consumer

12.6 INTERMEDIARIES

As mentioned in the earlier section intermediaries can be an agent, a group of people or an organization that facilitates the flow of goods from the producer to the final consumer. They can be broadly classified as a) Agent middlemen and b) Merchant middlemen

1. Agent Middlemen: If you intend to sell or purchase property may be a flat or a house, generally you contact real estate agents who help you in selling or purchasing the desired property. Similarly when you want to purchase company stocks or shares from the market, you seek the help of brokers. Even online brokerage houses fall under this category. These are called agent middlemen. They do not take ownership of what they are selling. They earn money by charging a facilitation fee.

2. Merchant Middlemen: Merchants are a set of intermediaries like wholesalers and retailers, buy and re-sell their goods. They not only take the ownership of inventory, but they also bear the expense of storing and distributing the product. They charge a certain “mark-up” amount to the actual cost of the product. For example, they might have purchased a toothbrush at Rs. 20 and might sell you the toothbrush at Rs.25. This five rupee difference is called the mark-up which the middlemen earn in the transaction for all the tasks that he undertakes from buying to storing to distributing the product.

12.6.1 Wholesalers

The American Marketing Association has defined the wholesaler as *“a business unit which buys and resells the merchandise to the retailers and the merchants or to the industrial, institutional and commercial users but does not sell insignificant amounts to the ultimate consumers.”*

Wholesalers are those merchants who act as intermediaries between the primary producers, manufacturers or importers, on one side, and retailers or industrial consumers on the other. They buy goods and commodities in large quantities with a view to selling them to retailers in smaller quantities. They assemble/collect merchandise from many sources, warehouse/store and regroup the goods for convenient buying by retailers. Thus wholesalers make it possible for the manufacturer to sell to a large number of retailers to whom the merchandise cannot be easily sold directly from the factory. In the light of the business activities they perform they play a dual role as a buyer and as well as seller.

The wholesaler performs the following important functions of marketing:

- i. **Assembling**-The wholesaler collects varieties of product from different manufacturers and keeps them in stock for sale to the retailers at the time when they need them.
- ii. **Dispersion**-The products assembled and stocked by the wholesalers are supplied to the retailers who may be widely scattered.
- iii. **Warehousing**-The goods purchased by the wholesalers from the manufacturers and producers have to be stocked in warehouses pending their sale to the retailers. The arrangement for such storage is the responsibility of the wholesalers.
- iv. **Transportation**-The wholesaler has to move the goods from the various factories to his own warehouse and from there to the retail stores. He may do so either by employing his own vans or by hiring public carriers or a combination of both.
- v. **Financing**-The wholesaler in most cases provides goods on credit to the retailers based on the credit worthiness of the retailer.
- vi. **Risk-assuming**-The wholesaler by virtue of their business model do assume the risk arising out of the changes in prices and demand as also loss due to spoilage or destruction of goods in his warehouse.
- vii. **Grading and Packaging**-The wholesaler has to sort out different grades of products according to quality and other considerations and pack the goods into smaller lots for retailers.

Services provided to the manufacturers by wholesalers include the following:

- i. The manufacturers get the benefit of bulk orders from wholesalers. He does not have to take the trouble or incur the expenses of procuring large number of small orders.
- ii. Wholesalers remain in close touch with the retailers and keep themselves informed about the changes in the direction and pattern of demand and thus help the manufacturers in planning their production function.
- iii. The wholesaler places bulk orders with the manufacturer and thus enables him to concentrate on production.
- iv. The wholesaler to a great extent relieves the manufacturer of the trouble of performing most marketing functions.

Services provided by wholesalers to the retailers include:

- i. The retailer need not stock goods in unduly large proportions and can replenish his supplies from the wholesalers as and when necessary.
- ii. The wholesalers provide goods to the retailers on credit and the retailers need not block their funds in idle inventories.
- iii. The wholesalers generally specialise in a few lines of allied goods and try to obtain their supplies from the best and the cheapest source. The advantages of such specialisation are passed on to the retailers in the form of lower prices or may in the form of discount and rebate.
- iv. The wholesaler assumes most of the risks involved in marketing functions such as price fluctuations and spoilage or pilferage of goods.
- v. Wholesalers keep the retailer informed of the new types of products that are being introduced in the market. This gives the retailers an opportunity to extend their business.

Types of Wholesalers

Depending on the nature of the product/goods, type of industry and the type of market it caters to, different types of wholesalers can be found. In highly fragmented industries as with unbranded clothes or farm produce, there could even be different levels of wholesalers. Wholesalers could also specialize in one function. For instance a wholesaler could specialize in warehousing. Such a wholesaler maintains a big warehouse and specializes in the storage function and depends on others for other functions such as transportation, financing insurance etc.

Dibb et al. (2006) classify wholesalers into two broad classes- (i) merchant wholesalers and (ii) agents and brokers.

(i) Merchant Wholesalers:

Merchant wholesalers buy goods from manufacturers and sell them to retailers or industrial buyers. Such wholesalers therefore take up the tide to the goods. This is an important function that has to be performed for the flow of goods from the manufacturer to the ultimate customer.

Merchant wholesalers can be classified as either full-service wholesalers or limited-service wholesalers. Some of the types of merchant wholesalers that are seen around the world are:

- (a) General merchandise wholesalers,
- (b) Limited line wholesalers,
- (c) Cash-and-carry wholesalers,
- (d) Truck wholesalers, and
- (e) Drop shippers.

(a) *General Merchandise Wholesaler:*

General merchandise wholesalers deal with a large variety of items without much depth in each category. A wholesaler could, for instance, deal in grocery items, selling products from a few manufacturers to retailers. Such a merchandiser provides all the services including warehousing, transportation, and financing to the manufacturer.

Such large general merchandisers typically dominate a geographic region, supplying merchandise to most of the retail outlets in a particular region. A general merchandiser typically deals with multiple brands, though some of them may deal with just one large manufacturer for a particular line of merchandise.

(b) *Limited Line Merchandisers:*

A limited line merchandiser typically specializes in just one product category and can either be an exclusive wholesaler representing a particular firm or a multi brand merchandiser. Limited line merchandisers deal with products such as pharmaceuticals, hardware, paint, cement, and steel. Some limited line merchandisers serve a niche market (for example, laboratory equipment to be sold to medical laboratories and educational institutions etc.).

In certain markets where manufacturers are small and fragmented, limited line merchandisers can be powerful. The industry must rely on the wholesalers to sell to their customers. Such wholesalers typically have in-depth knowledge about the market and its players. These limited line merchandisers are very useful for small niche manufacturers who serve a small but important market.

(c) *Cash-and-Carry Wholesalers:*

Cash-and-carry wholesalers are a new wholesale category in India, but have existed for quite a long while in other countries. The Wal-Mart group's is an example to make an entry into India through a cash-and-carry wholesaling format. In cash-and-carry wholesaling, retailers could buy

goods in bulk (often carton loads) at a reduced price, to be resold at a higher price in their retail outlets. Cash-and-carry set-ups are typically large warehouses with little display and fewer staff. Goods are only sold in bulk and without any credit lines.

Cash-and-carry wholesalers are therefore classified as limited service merchant wholesalers. Small retailers who can rely on cash-and-carry retailers benefit, as they get access to goods without any waiting time and at a low priced. Cash-and-carry wholesalers only deal with high turnover items such as groceries and stationery items. With the entry of large wholesale groups into India in the future, more such cash-and-carry wholesalers can be expected. Metro cash and carry is another wholesaler who has a strong presence in the Indian wholesale business.

(d) Truck Wholesalers:

Many small wholesalers in the Indian FMCG sector which serve small independently-owned retailers are actually truck/mini van wholesalers (sometimes called truck jobbers). These truck/mini van wholesalers typically transport small quantities of typically perishable commodities (such as bread, biscuits, snack items etc.) to retail outlets where the retailer could inspect and purchase goods from the truck.

Such truck/ minivan wholesalers are typically small operators and could carry a variety of multi-brand items. They often do not provide credit lines and are typically owned by other large wholesalers. These wholesalers provide critical transportation and stocking services to the distribution channel. They are also involved in managing the inventory of small retailers.

(e) Drop Shippers:

These intermediaries are sometimes called desk jobbers. They do not take physical possession of the goods. They collect orders from retailers or industrial buyers and arrange for these to be transported to the customers from the manufacturer. The ownership of the goods will pass on to drop shippers from the time the contract is signed with the manufacturer, until the goods are received in proper condition by the buyer.

Such wholesalers are typically seen in commodity markets, where transaction volumes are typically very large, such as markets for oil, coal, and iron ore. Drop shippers provide value by

linking several fragmented customers to suppliers who are often based in a totally different continent.

(ii) Agents and Brokers:

Agents and brokers typically provide sales support for the manufacturers by offering the services of a sales force network and related infrastructure. Agents and brokers thus enable manufacturers to expand their markets without the overhead associated with establishing a sales force. Agents could represent just one manufacturer or a group of manufacturers who have complementary products. Clearing and forwarding (C&F) agents are quite common in Indian markets as they provide a means to avoid multiple sales tax regimes.

Different types of wholesalers therefore facilitate the transactions between different players in the market. They provide value by performing several activities that are important to the smooth flow of goods and services from the manufacturer to the end consumer.

In certain industries, the nature of demand and supply provide opportunities for wholesalers to grow in stature and become the most powerful entity in the market.

12.6.2 Retailers

A retailer is defined as *"a middleman who sells mainly to the ultimate consumer. He may sell to institutions but most of his sales are made to industrial or household consumers. He usually sells in small lots"*.

The retailer is the last link and the most important intermediary in the chain of distribution. Mass production in the present day set-up is geared to the requirements of the ultimate consumer. Retailers are directly and intimately in touch with the ultimate consumers and thus occupy a strategic position in the whole chain of distribution. The basic feature of retail trading is the purchase of goods from wholesalers and selling it in small lots to consumers. Thus retailing includes all activities directly related to the sale of goods to the ultimate consumers. The retail shop is one of the oldest and most widely used business establishments in any country. Retail business originated through the use of peddlers engaged in house to house sales. This was followed by opening up of small retail shops usually owned by sole proprietors or small

partnership firms, which are frequented by customers for obtaining their requirements. In course of time, large retail stores like department stores, co operative stores, super bazaar etc became popular in developing countries.

In addition, people living in far off places are served by mail order houses who solicit business by catalogues, advertisement in popular magazines or correspondence. The latest development is retailing through automatic vending machines. Most standard items in standard packs including food items are available in most developed countries through automatic vending machines located at convenient places like railway stations. Air ports, commercial places etc. Milk-vending machines are now being used by Mother Dairy in India.

Following are some of the functions of retailers:

- i. Estimation of the probable demand of the consumers for the various types of goods dealt by him.
- ii. Assembling of various types of goods from different wholesalers
- iii. Sale of the various products to the consumers as and when needed by them
- iv. Physical movement of goods from the wholesaler's godowns to their own establishment in case such a service is not provided by any wholesaler(s)
- v. Warehousing/storage of goods to maintain uninterrupted supply of goods to the consumers
- vi. Standardisation, grading and packing of goods in consumer packs, if necessary
- vii. Assumption of risk of loss of goods by fire, theft, deterioration, etc., so long as they are not disposed of to the consumers
- viii. Extension of credit to some selected regular customers
- ix. Providing information about consumer tastes and preferences to wholesalers/manufacturers.

Services rendered by the Retailers to consumers:

- i. By holding ready stocks of various commodities required by the consumers, retailers relieve the customers of the need for stocking a wide variety of goods which could be extremely inconvenient and cumbersome.

- ii. By keeping a good assortment of the various varieties of a particular product, say soaps, toothpastes, etc. retailers provide a wide variety of choice to their customers.
- iii. By proper display of new products, the retailers keep the consumers informed about the availability of new products and the variety of different goods.
- iv. Retailers very often guide their customers about the relative merits of the various brands of a particular product and thus help them in the selection of goods.
- v. Retailers may provide special facilities to their customers, for example, free home delivery, extension of credit, after-sales service, etc.

Coordination between wholesalers and retailer:

Effective coordination between wholesalers and retailers would lead to a reduction in the overall operating expenses involved in the distribution function as follows:

- ... Economical Buying-wholesalers know what, when and how much the retailers will buy.
- ... Economical warehousing and delivery-as the wholesaler knows the nature, amount and frequency of retailer's orders, he can plan his operation in the most economical manner.
- ... Economy in selling because the effort involved in selling is substantially reduced.
- ... Economy in office and administrative expenses-the work involved can be better planned and organised.
- ... Reduced wholesale expenses permit the wholesalers to quote lower prices to retailers and this in turn permits a reduction in retail prices which ultimately benefit the consumers

Type of Retailers

There is a wide variety of retail trading establishments. They vary from hawkers and peddlers to big departmental stores. Hawkers and peddlers move from door-to-door in residential localities to sell their goods. Pavement shops usually arrange their wares at busy street corners or pavements of busy streets. Some traders sell their wares at weekly markets which are very common in rural India, and are not uncommon in urban centers. For example, in every state capital and in other major locations of every city weekly markets is a common sight. Then there

are fixed shop retailers who operate from shops in busy markets or even in residential areas. These stores may be either general stores dealing in a wide variety of goods needed by consumers in their day to day requirement or may be shops dealing in a particular item, as for example, cloth, shoes, building materials, electrical goods, confectionary, etc. Stores dealing in a particular line may further specialise, as for example, children's wear in clothing. Then there may be bigger stores like departmental stores and multiple shops. As all of us are familiar with small scale retail establishments and their modus operandi, we will confine our discussion to a limited variety of large-scale establishments.

a) Department Stores

Thus department stores are characterized by their wide product mixes. That is, they carry many different types of merchandise, which may include clothing, appliances and other items. The display of this merchandise is done separately within the store. The depth of the product mix depends on the store, but department stores' primary uniqueness is the ability to provide a wide range of products within a single store. For example, if you visit Big Bazaar, you can shop for clothes, vegetables, utensils, consumer durables, and groceries etc., all in one store/shop.

Thus a department store is a large-scale retail establishment comprising a number of departments, each department specialising in a separate line of products. All these departments are under one roof and one unified control. The consumer can find all what he needs in one store rather than move around from shop to shop. These stores are located in almost all major cities including major towns so that they are easily accessible to customers.

Traditionally, department stores grew up in developed countries mainly to cater to the requirements of well-to-do people who required articles of high quality and looked forward for comfortable shopping. But they have also become popular in urban centres in many developing countries. The launch of departmental stores in India can be traced back to 19th century the first being **Spencer & Co Ltd.** established in the year 1895 in Madras Presidency, and in 1897 it was **Akbar ally's**, in Mumbai, but in mid 1990's followed some more departmental stores in urban areas, especially in Metropolitan Cities.

Advantages

1. Department stores make shopping convenient to consumers by providing them a whole range of goods under one roof.
2. Their central location attracts a large number of customers leading to a large turnover. Thus they can afford to make large profits even with smaller margins.
3. Bulk-buying by department stores enables them to obtain heavy discounts from manufacturers and thus buy at a cheaper rate. There are savings in freight charges as well.
4. Department stores can afford to have effective advertising through press, radio and television and thus they are able to attract more and more customers.
5. Being large business units, department stores can afford to employ skilled and expert staff for all their operations and thus they are able to achieve a high degree of efficiency in their working.

Disadvantages;

1. The running costs for such establishments are relatively high, as they are centrally located.
2. The customers may not get personalised attention.
3. Experience has shown that operating costs of department stores tend to become very high because of the necessity to run some departments at a loss to attract customers and heavy emphasis in service. As a result, more often than not, their goods are marked at higher prices.
4. Central location also involves higher rents and thus higher overheads. Central location may not be convenient to persons living in far off places which mean that they will make their purchases of articles of everyday use from nearby shops. However, in recent years, department stores have branched themselves out to suburban areas as well to reach the customers nearer their location.

b) Multiple Shops or Chain stores

Conventionally, the other term for chain stores is multiple shops which control a number of stores under one common ownership and management. These multiple shops are located in

various cities and in various localities of bigger cities. Multiple shops refer to a group of retail stores dealing in similar types of goods. The basic idea behind the establishment of the multiple shops is to approach the customer in his vicinity unlike department stores which seek to attract customers to a central location. These shops could be operated by manufacturers or by wholesalers with the basic objective of eliminating retailers. Bata Shoes and Usha Sewing Machines are the two classic examples of products for which multiple shops have been opened by manufacturers in India. Today, almost most of the businesses or brands do operate chain stores for expanding and penetrating the business.

While a chain store is a retail company having more than one branch in one city/ town. Since there are many retail points of one chain, the retailer gets the advantage of bulk purchasing. Therefore, they can substantially lower the prices as compared to retailers who have only one shop or unit. Furthermore, chains were able to attract many customers because of their convenient locations, made possible by their financial resources and expertise in selecting locations. For example 7-Eleven, Easy Day, etc.

Advantages

1. Multiple shops are able to offer lower prices due to the economics of bulk buying.
2. As sales are on cash basis, losses on bad debts are eliminated and accounting is also made simpler.
3. Rapid turnover and common advertising and promotion strategy for all shops/retail outlets make their operations more economical.
4. Any shortage of goods faced by one branch can be easily made up by transfer from some other branch in the same city.
5. Since advertising material and interior layout of each shop is Similar, each shop serves to advertise the other shops. This leads to further economy in advertising and a quicker turnover.

Disadvantages

1. Multiple shops/chain stores offer less variety of choice in comparison to department stores or even ordinary retail stores offer.
2. These shops do not normally offer home delivery service or credit sales and thus lose a good number of customers..
3. Each unit is controlled by the head office and thus branch managers cannot adjust their sales policy to local conditions and emerging opportunities.
4. Limitations of bureaucratic organisation usually creep in so that the shop personnel tend to lose initiative.

c) Supermarkets

Supermarkets are large, self-service stores with central checkout facilities. They carry a wide range of food items and often non-food products. Supermarkets' entire approach to the distribution of food and household cleaning and maintenance products is to offer large assortments of these goods at each store at a minimal price. For example, Reliance Fresh Stores, Spencer's fall under this category.

Advantages;

1. The product assortment is large. A customer can get most of their daily need products at one place.
2. The products are relatively economical.

Disadvantages;

1. Since these are self- service stores, all types of customers may not feel comfortable in shopping.
2. Invidualised attention cannot be given to customers.

d) Discount Retailers

Discount retailers, like Wal-Mart are characterized by their emphasis on price as their main sales appeal. The assortments in merchandise have a wide range, but most popular items in terms of size, colour and packaging are stored on a priority basis. The stores are large, have adequate

space for browsing, are open for longer hours, have self-service and facilities like free parking, etc. Online retailers such as ebay.com, Flipkart have aggregated products and offered them at deep discounts.

Advantages;

1. As the name suggests, the major advantage is in terms of much reduced retail prices.
2. All popular items are available, with adequate space for browsing.

Disadvantage;

1. Only popular items are stocked. Products which are less in demand might not be available.

e) *Warehouse Retailers*

Warehouse retailers provide a bare-bones shopping experience at very low prices. Warehouse retailers streamline all operational aspects of their business and pass on the efficiency savings to customers. For example, Costco generally uses a cost-plus pricing structure and provides goods in wholesale quantities. In India we do not have this format of retailers, although Best Buy can be a close substitute.

Advantages;

1. Products are available in bulk and bulk purchases are encouraged.
2. Cost effective.

Disadvantage;

1. These stores are not commonly available as they require huge spaces.
2. They are generally on the outskirts of towns and cities, so people have to travel long distances.

f) *Franchises:*

The franchise approach brings together national chains and local ownership. An owner purchases a franchise which gives him the right to use the firm's business model and brand for a set period of time. Often, the franchise agreement includes well-defined code of conduct for the owner,

training to the staff, and on-going support by the company to the franchiser. The owner, or franchisee, builds and manages the local business. For example McDonald's, KFC etc.

Advantages;

1. It helps in wider availability of stores.
2. Since a code of conduct has to be followed, these stores provide standardized and good services.

Disadvantage;

1. They operate for a set period and in case of disputes with the owner, the shops may have to close operations.

g) Malls and Shopping centre:

Malls and shopping center are successful because they provide customers with a wide assortment of products across many stores. If you want to buy a suit or a dress, a mall provides many alternatives in one location. In big malls in Northern India, like Great India Place, or Select City Walk, etc you will find many department stores like Spencer's, Big Bazaar, etc. *Strip malls* are a common string of stores along major traffic routes like national highways, while isolated locations are freestanding sites not necessarily in heavy traffic areas. Stores in remote locations must use promotion or some other facet of their marketing mix to appeal shoppers.

Advantages;

1. The customers can avail greater variety.
2. People can shop even while travelling as some malls are located on highways, major traffic routes and outskirts of the main city.

Disadvantages;

1. It cannot be accessed by all the customers. Some less educated customers might not feel comfortable in shopping in these high profile areas.

h) Online Retailing:

Online retailing is indisputably a dominant force in the retail industry. Companies like Amazon, Myntra, etc., complete all or most of their sales online. Many established retailers have also started their online portal to sell their products. For example Pantaloons have their own retail outlets in major cities. They have an online platform pantaloons.com, to reach out to those customers who do not have access to their retail outlets.

Advantage;

1. The growth in online retailing has been primarily that it provides convenience of shopping from home/office etc.
2. There is wider reach, as customers in distant places can also access the site for shopping/ browsing.

Disadvantage;

1. It requires an active internet connection.
2. Computer literacy and a certain level of education is a required for shopping online.

i) Non-store Retailing:

Beyond those mentioned in the categories above, there's a wide range of traditional and innovative retailing approaches. Vending machines and point-of-sale kiosks have long been a popular retail device. Today they are becoming more targeted, such as companies selling easily forgotten items such as small electronics devices and makeup items to travelers in airports.

Each of these retailing approaches can be customized to meet the needs of the target buyer or combined to span a range of needs.

Advantage;

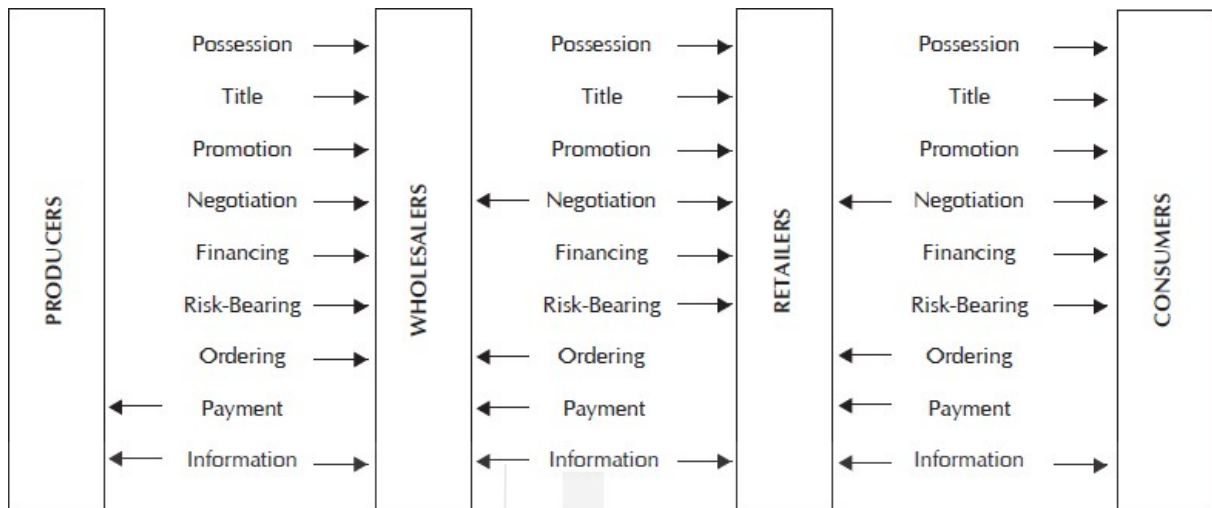
1. These stores are conveniently located.
2. It is good for travelers, in case they have forgotten to pack any gadget or want to purchase gifts.

Disadvantage;

1. These are mainly for urban customers.

To sum up, wholesalers and retailers provide a variety of functions. There are different types of retailers and wholesalers. Almost all of them provide the functions summarized through a flow chart in the following figure;

Fig 12.4 Marketing Flows in a distribution



12.7 FACTORS DETERMINING CHOICE OF CHANNELS OF DISTRIBUTION

The choice of channel decision is important for two reasons. The costs involved in the use of a channel enter the price that the consumer has to pay. The channel decision also has a bearing on other marketing decisions like price of the product and its availability, product line etc. Through proper market feedback, an appropriate selection of channels can reduce fluctuations in production. A rational decision regarding choice of channels of distribution should ensure (a) maximum geographical coverage of the market, (b) maximum promotional efforts and (c) minimum cost. Thus, choice of distribution channel depends on a variety of factors these can be product related, company related, market related or competitor related factors. Each of the factors has been explained in the following sub sections.

12.7.1 *Product Related Factors ensure:*

- a) *Nature of Product* – In case of industrial goods like heavy machinery, radiator, power generator etc. short channels like zero level channel or first level channel should be preferred because they are usually technical, expensive, made to order and purchased by few buyers. Consumer goods like televisions (LEDs), refrigerator can be distributed through long channels as they are less expensive, not technical and frequently purchased.

- b) *Perishable and Non-Perishable Products* – Perishable products like fruits or vegetables are circulated through short channels while non-perishable products like soaps, oils, sugar, salt etc. require longer channels.
- c) *Value of Product* – In case of products having low unit value such as groceries, long channels are preferred while those with high unit value such as diamond jewellery short channels are used.
- d) *Product Complexity* – Short channels are preferred for technically complex goods like industrial or engineering products like machinery, generators like torches while non-complex or simple ones can be distributed through long channels.

12.7.2 Company Characteristics:

- a) *Financial Strength* – The companies having huge funds at their disposal go for direct distribution. Those without such funds go for indirect channels.
- b) *Control* – Short channels are used if management wants greater control on the channel members otherwise a company can opt for longer channels.

12.7.3 Competitive Factors

Policies and channels selected by the competitors also affect the choice of channels. An enterprise has to decide whether to adopt the same channel as that of its competitor or select a different one. For example, if Nokia has selected a particular channel say Big Bazaars for sale of their hand sets, other firms like Samsung and LG have also selected comparable channels.

12.7.4 Market Factors

- a) *Size of Market* – If the number of customers is small like in case of industrial goods, short channels are preferred while if the number of customers is high as in case of convenience goods, long channels are used.
- b) *Geographical Concentration* – Generally, long channels are used if the consumers are widely spread while if they are located in a small place, short channels can be used.
- c) *Quantity Purchased* – Long channels are used in case the size of order is small while in case of large orders, direct channel may be used.

Fig 12.5 Channel options in consumer goods market

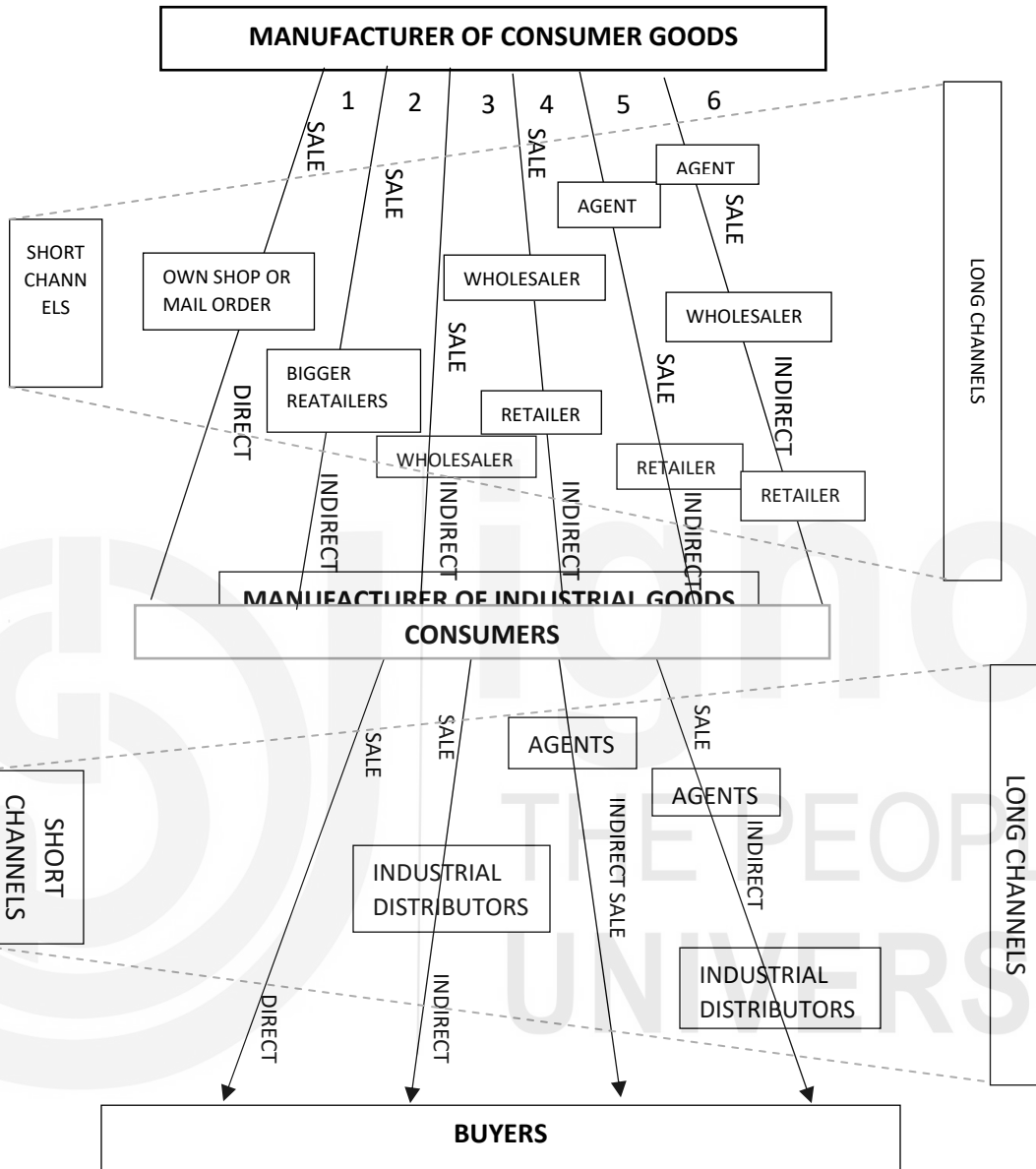


Fig 12.6 Channel options in industrial goods market

12.8 DISTRIBUTION STRATEGIES

In the above sections, we have seen the different types of intermediaries and their functions, as well as the factors that affect the choice of intermediaries. A business entity chooses whether to be present at all the possible places where a customer can potentially buy a product or to make its

products available at selected places only. Depending upon the need the overall marketing strategy, the distribution strategy is developed. The different strategies are as follows;

a) Intensive or Mass Distribution Strategies

As the name suggests that mass means distribute in large volumes and in bulk. Bulk in this context refers to wholesale and when the firm decides to sell its products in a huge quantity. Also, mass distribution means the company does not provide specific retailers or shops where they sell the product. For example, different snacks and drinks outlets. You can see in different locations and across locations.

b) Selective Strategies

In this case, companies decided to sell their products in very limited stores. When special services are needed, *e.g.*, certain cosmetics to be sold only through chemists, we have selective distribution. The number of outlets at each level of distribution is limited in a given geographic area. If the product has long useful life and consumer brand preference can be established, selective distribution will be more profitable.

c) Exclusive Strategies

If the buyers are demanding and expect considerable product service, the company opts for exclusive distribution. Exclusive distribution creates a sole agency or sole distributorship in a given market. Such a system is very useful for consumer speciality goods and industrial products. For example, Rolls Royce has very few showrooms all over India. To maintain the exclusivity, the following four legal aspects have to be kept in mind;

- i. Exclusive dealing contracts
- ii. Tying Contracts
- iii. Closed sales territory
- iv. Franchise selling

Activity 2

- a) List down all the places/outlets where you can purchase the following items;
1. Pond's cold cream/lotion
 2. Centre Fruit chewing gum

3. Amul Butter (100gm)
4. Apple MacBook
5. Redmi mobile phones
6. Mercedes-Benz Cars

c) What are the reasons for some of the above products are available in some places and not in other places? Explain

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12.9 CHANNEL SYSTEMS

The channel systems are generally built around local situational opportunities, and requirements. The channel system is a connecting link between the manufacturer, and the ultimate customer of the products or services offered by the company. Therefore, the company has to very carefully consider its product mix, and marketing mix, as well as the expectations from the channel partners. The company also considers the kind of involvement it wants in the distribution process, how much control it wants to exercise on its channel members, as well as the cost incurred in the designing of the channel. Keeping in mind all the factors, there are three kinds of options available for the firm to decide upon. These are as follows;

a) Vertical Marketing System:

A distribution channel structure in which producers, wholesalers and retailers act as a unified system. They formally agree to cooperate with each other. The responsibility of functioning of each channel member is owned by one member. This arrangement is done through

contractual agreement. One channel member owns the other, has contracts with them so that they all co-operate. The member who has authority over all the others members can be the manufacturer, wholesaler or the retailer. They work in cohesion, and there will be no conflicts whatsoever between channel members. This type of channel came into existence to avoid disagreements and conflicts among channel member. As independent members try to force their influence to meet their objectives, there is always a possibility of conflict and powerful channel member influencing the other. Once the channel operates as a one system and is managed by one member, there is much clarity and coordination among channel members to achieve the channel objectives. For example, Ikea, Starbucks, etc. The economies are achieved through size, bargaining power and elimination of duplicated services. To sum up a vertical marketing system is the type of cooperation between the members of a distribution channel. It includes a producer, wholesaler, and retailer collaborating to deliver customers the necessary product and aims at achieving better efficiency and economies of scale.

b) Horizontal Marketing System:

A channel arrangement in which two or more companies at one level join together to follow a new marketing opportunity where they can combine their resources and use, them optimally. These companies are generally unrelated. This technique is adopted by companies which want to minimize the risk of capital losses, or want to utilize idle manpower, or when they lack technical knowhow, or lack adequate marketing expertise. For example, Johnson and Johnson have joined hands with google, with an objective of having a robotic-assisted surgical platform. Horizontal arrangements can be between two manufacturers, two, wholesalers, or even two retailers.

c) Hybrid Marketing Systems:

Multi-channel distribution system in which a single firm sets up two or more marketing channels to reach one or more customer segments. As the name suggests the company can have a mix of vertical marketing system and horizontal marketing system, depending upon the area or the customer base it wants to reach.

12.10 CHANNEL CONFLICT

Even when a company has set up an effective distribution system, some friction may arise between the channel members or between the company and channel members. This happens generally due to conflicting business interest. There are generally three types of channel conflict;

- a) **Vertical Channel conflict:** It is the conflict between different levels in the same channel. For example, conflict between distributor and retailer.
- b) **Horizontal channel conflict:** It occurs between members at the same level of the distribution channel. For example, two retailers may have a conflict if they target the same customers by giving price cuts.
- c) **Multi-channel conflict:** When the company selects, two or more channels to sell its product in the same market. A company may sell its product to wholesalers and some important retailers simultaneously in one market. Here the wholesaler may feel that the company is not giving him sufficient attention and is bypassing him.

12.10.1 Causes of Marketing Channel Conflict:

- i. **Role Ambiguity:** The uncertain act of an intermediary in a multi-channel arrangement may lead to disturbance in the channel of distribution and cause conflict among the intermediaries.
- ii. **Incompatible Goals:** When the manufacturer and the intermediaries do not share the same objectives, both work in different directions to meet their ends, then, these results in channel conflict.
- iii. **Marketing or Strategic Mis-Alignment:** Sometimes, two-channel partners promote the manufacturer's product in a different manner, which created two different images of the same product in the consumers' mindset, which creates conflicting brand perception.
- iv. **Difference in Market Perception:** The manufacturer understands of the potential market and penetration into a specific region or territory may vary from the perception of the intermediaries, which can create conflict and reduce the intermediary's interest in capturing that particular market.

- v. ***Change Resistant:*** When the channel leader plans to modify the distribution channel, the intermediaries may or may not accept this change. Thus, it may result in a condition of discord or non-cooperation.
- vi. ***Improper Geographic or Demographic Distribution:*** If the sales territory has a narrow consumer base, and the channel leader allows many selling partners, they tend to lose interest.

12.10.2 Managing channel conflict:

The conflict between channel members can be resolved in the following ways;

- a) ***Mediation, Arbitration and Diplomacy:*** To resolve a dispute, the manufacturer can adopt a strategy of intervention where a third person intervenes to create harmony. The other option is arbitration, where an arbitrator listens to the argument of the parties involved in a conflict and declares a decision. Alternatively, the parties can resort to diplomacy where the representatives of both the parties discuss and find an amicable solution.
- b) ***Co-optation:*** The manufacturer should hire an expert who has already gained experience in managing the channel conflicts in other organizations, as a member of the grievance redressal committee or board of directors, for addressing such conflicts.
- c) ***Dealer Councils and Trade Associations:*** To handle the horizontal or vertical conflicts, the manufacturer forms a dealer council where the dealers can unanimously put up their problems and grievances in front of the channel leader. To bring in unity among the channel partners or intermediaries, they can be added as members in trade association which safeguards their interests.
- d) ***Superior Goals:*** Establishing a supreme goal of the organization and aligning it with the individual goals or objectives of the channel partners may reduce the channel conflicts.
- e) ***Regular Communication:*** The channel leader should take regular feedback from the channel partners through formal and informal meetings to know about market trends and dynamics. In addition, the channel partner's issues and conflicts can be addressed through frequent interactions.
- f) ***Legal Procedure:*** When the conflict is critical and uncontrollable by the channel leader, the aggrieved party can seek legal action, by filing a lawsuit against the accused party.

- g) **Fair Pricing:** Most of the channel conflicts are a result of the price war, and therefore, these can be resolved by ensuring that products have the same price in all the territories and a fair margin is given to the channel partners.

12.11 DISTRIBUTION MANAGEMENT CHALLENGES

Distribution challenges can arise from a variety of disruptions.

- i. Natural disruptions include severe weather events, raw material shortages (e.g., bad crop years), pest damages, and epidemics or pandemics. Human disruptions include riots, protests, wars and strikes.
- ii. Transportation disruptions include transport vehicle disrepair, maintenance downtimes and accidents, as well as delayed flights and restrictive or new transportation regulations such as those regularly seen in trucking.
- iii. Economic challenges include recessions, depressions, sudden drops or increases in consumer or market demands, new or changes in fees or compliance costs, changes in currency exchange values and payment issues.
- iv. Product disruptions include product recalls, packaging issues and quality control issues. Buyer disruptions include order changes, shipment address changes and product returns.

12.12 ELEMENTS OF DISTRIBUTION MANAGEMENT

These include the integral components in the distribution system. As the distribution has evolved over a period of time, new elements have also come into the system. The intervention of technology has been a great facilitator as well as disrupter in the existing flow of distribution systems. The various components and elements have been classified as traditional and emerging elements in the following sub sections;

12.12.1 Traditional Elements:

- i. **Supply Chain-** A supply chain is defined as the entire process of making and selling commercial goods, including every stage from the supply of materials and the manufacture of the goods through to their distribution and final sale. This term was coined by Keith Oliver in 1982. APICS, the global association for supply chain management professionals, defines supply chain management as: “the design, planning, execution, control, and monitoring of supply chain activities with the objective of creating net value, building a competitive infrastructure, leveraging worldwide logistics, synchronizing supply with demand, and measuring performance globally.”
- ii. **Logistics-** It is the business of transporting, supplying and delivering goods. Michigan State University’s professors (2020) define logistics as activities which include transportation, warehousing, packaging and more – that move and position inventory and acknowledge its role in terms of synchronizing the supply chain.
- iii. **Purchase order and invoicing system** -The creation of a purchase order is the first step in a business transaction, it is issued by the buyer and authorizes a seller to provide a product or service at a specified price. The invoice is a bill issued by the seller when that product has been delivered or the service has been completed.

12.12.2 Emerging elements:

- i. **Block Chain-** Block chain can enable more transparent and accurate end-to-end tracking in the supply chain: Organizations can digitize physical assets and create a decentralized immutable record of all transactions, making it possible to track assets from production to delivery or use by end user.
- ii. **VRM-** Vendor relationship management (VRM) is a category of business activity made possible by software tools that aim to provide customers with both independence from vendors and better means for engaging with vendors. These same tools can also apply to individuals' relations with other institutions and organizations.

- iii. **CRM-** CRM stands for Customer Relationship Management. It's a technology tool used to manage interactions with customers and potential customers. A CRM system helps organisations build customer relationships and streamline processes so they can increase sales, improve customer service, and increase profitability.
- iv. **IMS-** An inventory management system (or inventory system) is the process by which you track your goods throughout your entire supply chain, from purchasing to production to end sales. It governs how you approach inventory management for your business.
- v. **WMS-** A warehouse management system (WMS) is a software solution that offers visibility into a business' entire inventory and manages supply chain fulfilment operations from the distribution centre to the store shelf.
- vi. **TMS-** A transportation management system (TMS) is a logistics platform that uses technology to help businesses plan, execute, and optimize the physical movement of goods, both incoming and outgoing, and making sure the shipment is compliant, proper documentation is available.

12.13 SUMMARY

Distribution is an important component of the marketing mix. For an effective implementation of the marketing activities, distribution plays an important role. The channel intermediaries, namely the wholesalers, retailers, jobbers, C &F agents etc, facilitate the smooth movement of goods and services from the manufacturers to the ultimate consumers.

As the marketing landscape has changed over the years, the roles and responsibilities of intermediaries has also changed. Some traditional channels have graduated to modern retail concepts like hypermarkets, chain stores etc. Internet technology has been a great disrupter as well as enabler in better distribution.

Supply Chain management has evolved as a fully fledged discipline so also Customer Relationship Management, Transport Management are the evolving disciplines in these changing times.

12.14 SELF-ASSESSMENT TEST

1. How does distribution add value to the marketing efforts? Take the case of any FMCG company and explain the distribution network in urban as well as rural areas.
2. Describe the importance of wholesalers in the distribution process. Explain with the help of suitable examples from the textile industry.
3. “The retailing landscape has changed drastically with the advent of digital age”. Elucidate citing relevant examples.
4. What are the challenges and opportunities faced by distributors in developing countries? How is the distribution system in India different from any developed nation like the USA?
5. Describe the concept of channel systems. Different channel systems can exist within the same company leading to Channel conflict. Explain the causes of channel conflict and suggest ways of resolution of such conflicts with suitable examples.
6. What kind of distribution channel (direct or indirect) would you recommend for each of these products and why?
 - a) Health Drink
 - b) A new, exclusive, premium priced range of sanitary fittings (such as wash basins, bath tubs, etc.).
 - c) Textile machinery
 - d) Branded spices
 - e) Industrial lubricant.
7. A new toy manufacturing company is planning to launch its toys in the market and wishes to appoint retail outlets in all the major towns. What should be the criteria for selecting appropriate outlets? Specify the distinct attributes or features that the company should look for in the retail outlets.

12.15 FURTHER READINGS

1. Richard R Still, Edward W Cundiff, Norman A P Govoni, Sales and Distribution Management, 6 th edition, Pearson, 2017.
2. Krishna K Havaladar and Vasant M Cavale, Sales and Distribution Management, Tata McGraw Hill, 2nd Edition, 2011.
3. Ramendra Singh: sales and distribution management: a practice-based approach, Vikas Publication, 2016.



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Block

4

SECTORAL APPLICATIONS AND EMERGING ISSUES

UNIT 13 Marketing of Services	4
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UNIT 15 Other Emerging Issues in Marketing	111

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Block 4 SECTORAL APPLICATIONS AND EMERGING ISSUES

This is the last block of the course focusing on some of the key sectors of marketing as well as the other emerging issues associated that has made a dent in the recent past. The advent of ICT i.e. Information and Communication Technologies and other related mobile technologies has paved way to both for the marketers and consumers to adopt for a seamless transactions.

This block has three Units. The first Unit will take you through the most important and growing service sector which is also the major contributor to the Indian economy. The focus would be on the intrinsic characteristics of various services and how they influence the marketing of services.

The second Unit introduces you to a completely new and latest way to market a product or service using technology for speed and safety in all business transactions. This development of digital technology, its implementation and its use by customers and businesses in the area of marketing is called as Digital Marketing.

The concluding Unit of this block covers the role and scope of changing landscape of services marketing, digital marketing, rural marketing, green marketing, relationship marketing and other allied new ways and means of technology enabled marketing methods.

Note:

Dear Student, You will find that Unit 13 and Unit 14 are briefly touched upon once again in Unit 15. The rationale is to be in line with the title of the block and hence they are being discussed from a different perspective.

UNIT 13 **MARKETING OF SERVICES**

Objectives

The learning objectives of this unit are:

- ... to understand the basis for making a distinction between products and services
- ... to understand the concept of service in terms of its special characteristics
- ... to understand the implications of these characteristics in designing a marketing strategy
- ... to identify the various elements of a marketing strategy required to successfully market a service
- ... to develop familiarity with each element of the marketing strategy as it is applicable in the case of services

Structure

- 13.1 Introduction
- 13.2 The Concept of Service
- 13.3 Reasons for Growth of the Service Sector
- 13.4 Characteristics of Services
- 13.5 Elements of Marketing Mix in Service Marketing
- 13.6 Product
- 13.7 Pricing
- 13.8 Promotion
- 13.9 Distribution
- 13.10 People
- 13.11 Physical Evidence
- 13.12 Process
- 13.13 Summary
- 13.14 Key Words
- 13.15 Self – Assessment Test
- 13.16 Further Readings

13.1 INTRODUCTION

Economists have divided all industrial and economic activities into three main groups: primary, secondary and tertiary. Primary activities include agriculture, fishing and forestry. Secondary activities cover manufacturing and construction, and tertiary activities refer to the services and distribution. In the pre-industrialised era, primary activities were the mainstay of the economy. The Industrial Revolution marked the beginning of increasing importance of secondary activities and the gradually decreasing status of agriculture and allied activities. The period following World War II saw USA become the world's first 'service economy' with more than fifty per cent of the working population employed in producing services.

Around 75 million Americans are employed in the service sector and as much as seventy nine per cent of the US economy is service-oriented. This led a New York Congressman to remark that America is becoming a nation of people who are "serving each other hamburgers or taking in each other's laundry". However, the US service industry is a very technical and sophisticated one comprising computer and software development, business consultancy, telecommunication, banking and insurance.

This pattern of economic development is not universally applicable to all countries. In many African and Asian countries the agriculture sector is still the dominant one. In countries like, India, we can observe the growing importance of the manufacturing and service sectors while agriculture still continues to retain its stronghold on the economy. The manufacturing and service sectors are growing not only in volume but also in Sophistication and complexity. The wide array of services found in the metropolitan cities of Mumbai, Bangalore, Delhi, Calcutta, and Chennai compare favourably with those found anywhere in the world.

Daniel Bell, in his book 'The Coming of the Post-Industrial Society' called this period of dominance by the service sector as the post-industrial society. According to him: "If an industrial society is defined by the quantity of goods as marking a standard of living, the post-industrial society is defined by the quality of life as measured by the services and amenities-health, education, recreation, and the arts- which are now deemed desirable and possible for everyone".

13.2 THE CONCEPT OF SERVICE

The term *service* is rather general in concept, and it includes a wide variety of services. There are the business and professional services such as advertising, marketing research, banking, insurance, and computer-programming, legal and medical advice. Then there are services which are provided by professionals but consumed for reasons not of business, rather for leisure, recreation, entertainment and fulfillment of other psychological and emotional needs such as education, fine arts, etc.

Table – 1
List of Selected Services

Utilities	Insurance, Banking, Finance
Electricity	Banks
Water Supply	Share & Stock Brokers
Law Enforcement, Civil, Administrative and Defense Services	Business, Professional & Scientific Activities
Police	Advertising
Army	Marketing Research
Air Force	Consulting
Navy	Accountancy
Judiciary	Legal
Civil Administration	Medical
Municipal Services	Educational Research
(Sewage, disposal of corpses, maintenance of roads, parks & public buildings)	Maintenance & repairs (of plants, machinery & equipment) Leasing Computer Programming Employment Agencies
Transport & Communication	Leisure, Recreation
Railways (Passenger & Freight)	Cinema Theatre
Air Transport (Passenger & Freight)	Clubs, Gyms, etc.
Post & Telegraph Telephone &	Restaurants, Hotels
Telecommunication Broadcasting (All India	Video Game Parlours

Radio)	Casinos
Telecasting (Doordarshan)	Self-improvement Courses
Distributive Trades	Miscellaneous
Wholesale Distribution	Beauty Parlours
Retail Distribution	Health Clubs
Dealers, Agents	Domestic Help
	Dry-cleaning
	Matrimonial Services

Source: Adapted from Donald Cowell, *The Marketing of Services* Heincurip, London.

Faced with such a broad spectrum we need to define the concept' of service from a marketing view-point. Kotler offers one such definition: *"A service is any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product"*.

W.J. Stanton views services as fulfilling certain wants and states that, *"services are those separately identifiable, essentially intangible activities which provide want- satisfaction, and that are not necessarily tied to the sale of a product or another service. To produce a service may or may not require the use of tangible goods. However, when such use is required, there is no transfer of title (permanent ownership) to these tangible goods"*.

As in the case of a product, in the case of services also your starting point for understanding the marketing dynamics is the want satisfaction of the customers. It is important to correctly identify the particular want(s) which your service is fulfilling, since this will provide the clue for designing the most appropriate marketing strategy.

A restaurant provides satisfaction to its customers on the basis of type and quality of its food, its decor and environment and the behaviour of its staff and its location in a busy commercial-cum-office complex. For instance, 'Havmor' was started as a restaurant serving exclusive Western and Chinese cuisine with expensive decor, a live band, beautifully liveried waiters and a high-price menu. The venture was a flop right from the start. On the advice of its marketing consultant, the restaurant changed over from serving elaborate, expensive meals to a 'fast-food' character providing quick, reasonably priced meals for consumption both within and outside the restaurant. Today this restaurant is a big success. It was the correct identification of the want-satisfaction

which helped the restaurant become successful. Located in a predominantly office area, the restaurant's major clientele was office going people.

During office lunch-break, people do not visit a restaurant for relaxation or status satisfaction. They have limited time at their disposal and want a quick clean meal at a reasonable price, with minimum frill and fancy. In this case, the restaurant was satisfying the basic hunger need, but was catering to a very specific class of customers (office-goers) with a special kind of constraint (that of time and money).

To be successful, you have to firstly, identify the basic need which is being fulfilled by your service, and secondly, find ways and means to differentiate it from that of the competitors so that you can increase your number of customers and also command their loyalty. In our earlier example of the restaurant it was only after the basic need had been correctly identified that the restaurant could adopt an appropriate marketing strategy and turn the corner. Thus, as a marketing manager involved in the marketing of services your first concern should be the identification of the customers' needs. A clue to this can be provided by looking into the reasons for the phenomenal growth of the service sector in recent times.

13.3 REASONS FOR GROWTH OF THE SERVICE SECTOR

Manufacturing industries grew because they produced tangible goods which satisfied man's physiological needs of food, shelter and clothing. As the basic need was fulfilled there was demand for improved satisfaction, and this led to a proliferation of variations of the same product and a number of companies involved in its manufacture. The growth of service industries can be traced to the economic development of society and the socio-cultural changes that have accompanied it. Table 2 presents the reasons for growth of service industries.

Sometimes, the growth of specific service industry is the result of a combination of several reasons. Increasing affluence coupled with the desire to utilise leisure time for leisure rather than for doing odd repair jobs in the house had led to the growing tribe of plumbers and electricians. Increasing affluence combined with increasing complexity of life and increasing insecurity has led to the phenomenon of credit cards and travelers cheques which have proved to be almost perfect substitutes for money. These credit cards provide convenience and safety. In fact, convenience is proving to be a key concept in the provision of services.

Table 2

Reasons for Growth in Service Industries

Reasons	Types of services required
1. Increasing affluences	Greater demand for services (activities which consumers used in perform themselves) such as interior decoration, laundry, care of household products such as carpets, care of garden et.
2. More leisure times	Greater demand for recreation and facilities, travel resorts, adult education and self – improvement courses.
3. Higher percentage of women in the labour force	Greater demand for crèches, baby sitting household domestic help.
4. Greater life expectancy	Greater demand for nursing homes and health care services.
5. Greater complexity of products	Greater demand for skilled specialists to provide maintenance for complex products such as air-conditioners, cars, home computer.
6. Increasing complexity of life	Greater demand for specialists in income-tax, labour laws, legal affairs, marriage counseling, employment services.
7. Greater concern about ecology and resource scarcity	Greater demand for purchased or leased services, or rental, travel, resort to time sharing rather than ownership basis.
8. Increasing number of new products	The computer-sparked development of such service industries as programming, repair and time sharing.

Source: *Schoell, K.F. and J.T. Ley, 1981 "Marketing: Contemporary Concepts and Practices, Allyn and Bason, Boston.*

Activity 1

If your firm is engaged in marketing services

- a) identify the need or want satisfaction provided by the service,
- b) describe the nature of service which your firm is providing,
- c) describe how your firm is differentiating its service as compared to that provided by the competing firms.

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Activity 2

What are the services which your firm uses on a regular basis in the areas of marketing, finance and government dealing? Against each service, describe the nature of organisation providing the service (viz. individual, firm, government agency etc.)

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13.4 CHARACTERISTICS OF SERVICES

Services have a number of unique characteristics that make them so different from products.

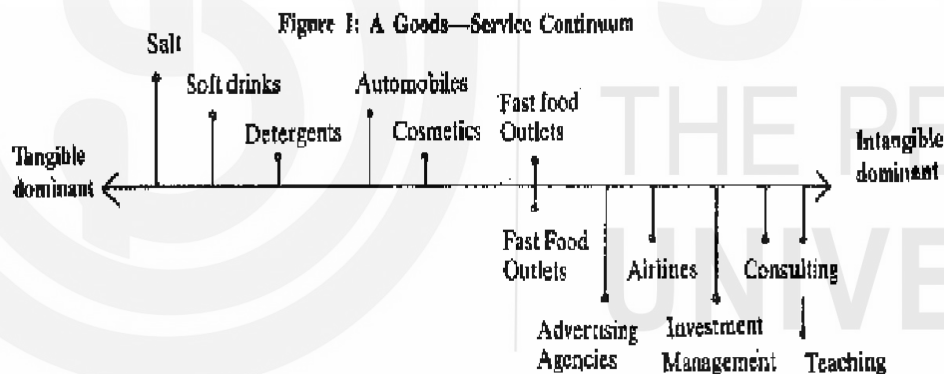
Some of the most commonly accepted characteristics are:

- a) intangibility
- b) inseparability
- c) heterogeneity
- d) perishability
- e) ownership

Intangibility:

When you buy a cake of soap, you can see, feel, touch, smell and use to check its effectiveness in cleaning. But when you pay fees for a term in college, you are paying for the benefit of deriving knowledge and education which is delivered to you by teachers. In contrast to the soap where you can immediately check its benefits, there is no way you, can do so in case of the teachers who are providing you the benefits.

Teaching is an intangible service. When you travel by aeroplane, the benefit which you are deriving is a service (transportation) but it has some tangible aspects such as the particular plane in which you fly (Boeing, Avro, Concorde, and the food and drink which is served). In this case the service has both a tangible and intangible aspect as compared to teaching which has no tangible aspect at all. Figure 1 presents the tangible-intangible dominant aspect on a goods-service continuum. This continuum highlights the fact that most services are in reality a combination of product and service having both tangible and intangible aspects. There are only a few truly pure tangible products or pure intangible services.



Source: Shostack, G.L., 1977 "Breaking Free from Product Marketing" *Journal of Marketing*, Vol. 41, No. 2 American Marketing Association.

The distinguishing feature of a service is that its intangible aspect is dominant. J. Bateson has described the intangible characteristics of services which make them distinct from products.

These intangible features are:

- ... a service cannot be touched
- ... precise standardization is not possible
- ... there is no ownership transfer
- ... a service cannot be patented

- ... production and consumption are inseparable
- ... there are no inventories of the service
- ... middlemen roles are different
- ... the consumer is part of the production process so the delivery system must go to the market or the customer must come to the delivery system.

Activity 3

Identify and describe the tangible and intangible aspects of the service provided by the following:

- i) hospital
- ii) petrol – station
- iii) property dealer
- iv) beauty parlour
- v) dry cleaner

Are any of these a pure tangible product or pure intangible service?

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Inseparability:

In most cases service cannot be separated from the person or firm providing it. Service is provided by a person who possesses a particular skill (singer), by using equipment to handle a tangible product (dry cleaning) or by allowing access to or use of physical infrastructure (hotel, train). A plumber has to be physically present to provide the service; the beautician has to be available to perform the massage. This is in direct contrast to products which can be produced in the factory today, stocked for the next two, three or more months and sold when an order is procured.

Heterogeneity:

The human element is very much involved in providing and rendering services and this makes standardisation a very difficult task to achieve. The doctor who gave you his complete attention in your last visit may behave a little differently the next time. The new bank clerk who cashes your cheques may not be as efficient as the previous one and you have to spend more time for the same activity. This is despite the fact that rules and procedures have been laid down to reduce the role of the human element and ensure maximum efficiency. Airlines, restaurants, banks, hotels have a large number of standardised procedures. You have to reserve a room in a hotel and this is a straight forward procedure for which all the steps are clearly defined. Human contact is minimal in the computerised reservation systems, but when you go to the hotel there will be a person at the reception to hand over the key of your room. The way this person interacts with you will be an important factor in your overall assessment of the service provided by the hotel. The rooms, the food, the facilities may be all perfect, but it is the people interacting with you who make all the difference between a favourable and unfavourable perception of the hotel.

Perishability:

Services cannot be stored and are perishable. A car mechanic who has no cars to repair today, or spare berths on a train, unsold seats in a cinema hall represent service capacity which is lost forever. Apart from the fact that a service not fully utilised represents a total loss, the other dimension of this perishability aspect is that most services may face a fluctuating demand. There is a peak demand time for buses in morning and evening (office hours), certain train routes are always more heavily booked than others. This fluctuating demand pattern aggravates the perishability characteristic of services.

Ownership:

When you buy a product you become its owner-be it a pencil, book, shirt, refrigerator or car. In the case of service, you may pay for its use but you never own it. By buying a ticket you can see the evening film show in the local cinema theatre; by paying wages you can hire the services of a chauffeur who will drive your car; by paying the required charges you can have a marketing research firm survey into the reasons for your products' poor sales performance, etc. In case of service, the payment is not for purchase, but only for the use or access to or for hire of items or facilities.

A service is purchased for the benefits it provides. If we closely examine the reasons why products are purchased, we find that they are bought not because of their physical, tangible features but because they provide certain intangible benefits and satisfactions.

Detergent powder provides the primary benefit of cleanliness, air-conditioner provides the benefit of a cool, comfortable environment, a mixer-cum-grinder provides convenience. The only difference between products and services is that in the latter the intangible component is greater than in the former. Thus, services can be treated as a special kind of product.

From a marketing view-point the same concepts and techniques are applicable for both products and services. The successful marketing of both requires market research, product design, product planning and development, pricing, promotion and distribution. However, for marketing of services, the marketing manager must understand the nature of the five characteristics of services and the manner in which they impinge on the marketing strategy.

Table 3 describes the implications of characteristics of services and how the marketing strategy can be focused to overcome these constraints. Besides the constraints highlighted in Table 3, there are some other factors which have inhibited the active marketing of services. Professionals such as doctors and lawyers have traditionally been

Table 3

Implication of service characteristics and ways of overcoming them

Service characteristics	Implications	Means of overcoming characteristics
1. Intangibility	Sampling difficult, Difficulty to judge quality and value in advance. Not possible to patent or have copyright. Relatively difficult to promote.	Focus on benefits. Use brand names. Use personalities to personalize service. Develop reputation. Increase tangibility (e.g. its physical representation).
2. Inseparability	Requires presence of performer /producer. Direct	Loans to work in larger groups. Work faster. Train

	sale. Limited scale of operations. Geographically limited market.	more service performers.
3. Heterogeneity	Difficult to standardize quality.	Careful selection and training of personnel. Define behaviours norms. Reduce role of human element. Mechanise and automate maximum possible operation.
4. Perishability	Cannot be stored. Problem of demand fluctuation.	Better match between supply and demand by price reductions in low demand season.
5. Ownership	Customer has access to but not ownership of facility or activity.	Stress advantages of non-ownership such as easier payment scheme.

Source: Cowell, Donald, “*The Marketing of services*”. Heinemann, London.

opposed to the idea of marketing, rather they have relied on the word of mouth of satisfied customers for increasing their clientele.

The small size of many service organisations such as beauty parlours, repair shops, barber shops etc. also limits the use of marketing techniques which can be successfully used in larger organisations and then there is the case of service organisation such as schools, hospitals, universities which enjoy more demand than they can cope with. These institutions have therefore never felt the need for actively marketing their services.

13.5 ELEMENTS OF MARKETING MIX IN SERVICE MARKETING

For marketing of products, the four elements of marketing mix are product, price, distribution and promotion, which are used in a specific combination to arrive at the marketing strategy. In the case of services, there are three additional elements. These elements are people, physical evidence and process. We shall now take up each of these elements for discussion.

13.6 PRODUCT

The most important issue in the service product understands what benefits and satisfaction the consumer is seeking from the service. From the view-point of a restaurant's manager, the restaurant simply provides food. But the customers coming to the restaurant may be seeking an 'outing', an atmosphere different from home, relaxation, entertainment or even status. The marketing of services can be a success only if there is a match between the service product from the consumer's view-point and the supplier's view-point. To find this match, as a manager you would have to analyse your service at the following levels:

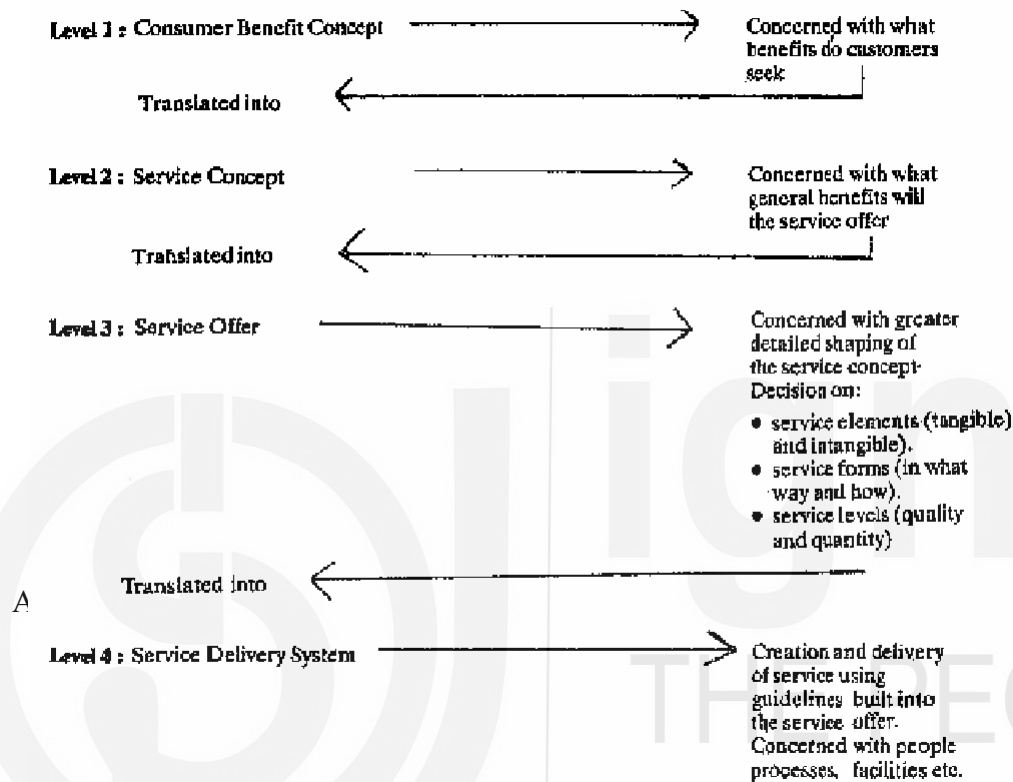
- i) the customer benefit concept;
 - ii) the service concept;
 - iii) the service offer; and
 - iv) the service delivery system.
- i) **Customer Benefit Concept:** The service product which you offer in the market place must have its origin in the benefits which the customers are seeking. But the problem is that customers themselves may not have a clear idea of what they are seeking or they may find it difficult to express or it may be a combination of several benefits and not a single one. Over a period of time, the benefits sought may also change. This change in customers may come about by a satisfactory or unhappy experience in utilising the service, through increased sophistication in service use and consumption, and changing expectations. All these make the issue of marketing a service product very complex.
- ii) **Service Concept:** Using the customer benefits as the starting point, the service concept defines the specific benefits which the service offers. At the generic level the service concept refers to the basic service which is being offered. A centre for the performing arts may offer entertainment and recreation. But within this broad framework, there can be specific choice paths for satisfying the entertainment objective, such as, drama, musical concerts, mime, poetry recitation, dance etc. Defining the service concept helps answer the fundamental question, 'What business are we in?'
- iii) **Service Offer:** Having defined the business in which you are operating, the next step is to give a specific shape and form to the basic service concept. To refer to the example of

centre for the performing arts, the service concept is to provide entertainment. The service offer is concerned with the specific elements that will be used to provide entertainment: drama, music, mime, poetry recitation, dance. In the category of musical concerts the choice may be vocal or instrumental, within. vocal whether light or classical, Hindustani, Carnatic or Western. While these represent the intangible items of the service offer, the physical infrastructure of the centre, in terms of its setting capacity, comfortable seats, quality and acoustics, provision of air-conditioning, snack bar and toilets are the tangible items. The tangible aspects can be controlled by offering the best possible benefit, but the quality and performance of the actors, singers, musicians cannot be controlled. Theoretically, a manager must control both the tangible and intangible components. But in practice, he can control only the tangible components and lay down norms for the intangible components (e.g. maximum duration of recital, brief introduction before each dance item, etc.)

- iv) **Service Forms:** In what form should the services be made available to the customers is another area of decision-making. Should all the shows of the centre be available in a package deal against a yearly membership fee or a seasonal ticket? Should there be daily tickets with the consumer having freedom to watch any one or more performances being staged on that particular day? Or should each performance have a separate entrance ticket, with a higher priced ticket for a well-known performer. Service form refers to the various options relating to each service element. The manner in which they are combined gives shape to the service form.
- v) **Service Delivery System:** When you go to your bank to withdraw money from your account, you either use a cheque or a withdrawal slip in which you fill all the particulars and hand it over to the clerk, who, after verifying the details, gives you money. The cheque or withdrawal slip and the clerk constitute the delivery system. In a restaurant, the waiters are the elements of the delivery system. The two main elements in a delivery system are the people and the physical evidence. The competence and public relations ability of a lawyer represent the 'people' component, while his office building, office door, letterhead, etc. are all elements of the 'physical evidence'. The physical evidence components have also been called 'facilitating goods' and 'support goods'. These are the tangible elements of the service and they exert an important influence on the quality of

the service as perceived by the consumers. Figure II presents a graphical conceptualisation of the service product.

Figure II: Conceptualisation of the Service Product



ce but a range of services. You would need to take decisions on the length and width of the range of services, the manner in which they complement and support each other, and how well they face up to the competitor's offerings. Figure III illustrates the concept of range of services, using the example of a club.

The service or services which you offer must be targeted at a specific market segment. The target market segment must have a definite need for the service. In the illustration of the club in Figure III the recreation facilities for children would succeed only if the parents of the children perceive a definite advantage in the trade-off of money versus time. The parents must perceive it worthwhile to spend money on the children to keep them busy rather than spending their own time.

Figure III: Example of Range of Service Customer Groups

Figure –III Example of Range of Service

Customer Groups

Children	Mixed Adults	Only Women or Men	Business groups
Swimming Lessons	Swimming	Beauty Parlour / Massage Facility	Conference Rooms
Badminton Lessons	Badminton, Tennis Lessons	Yoga/Judo Lessons	Secretarial assistance
Indoor games	Card Room	Thurampents	Video coverage
Library	Billiards	Kitty Parties	
Film Shows	Facilities for Parties & receptions		

Activity 4

Identify the controllable elements in the following service organisations:

- ... airlines
- ... a lawyers' firm
- ... a firm which undertakes contract for maintenance and repairs (AMC) of air-conditioners and refrigerators.

Attempt to evolve procedures and standards for these controllable elements with the objective of improving the overall performance of the service.

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13.7 PRICING

In the case of products, the term 'price' is used for all kinds of goods, fruits, clothes, computers, building etc. but in the case of services, different terms are used for different services. Table 4 presents the term used for some selected services.

Table – 4
Price Terminology for Selected Services

Terminology	Services
Admission	Theatric entry
Commission	Brokerage Service
Fare	Transport
Fee	Legal Services
Interest	Use of money
Premium	Insurance
Rent	Property usage
Salary	Employee services
Tariff	Utilities
Tuition	Education

Source: Donald Cowell, "The Marketing of Services" Heimnann, London.

In determining the prices of services, the one characteristic which has great impact is their perishability and the fact that fluctuations in demand cannot be met through inventory. Hotels and airlines offering lower rates in off-season and lower telephone charges for outstation calls after office hours are examples of how pricing strategy can be used to offset the perishable characteristic of services.

Another characteristic of services that creates problem in price determination is the high content of the intangible component. The higher the intangibility the more difficult it is to calculate cost and greater the tendency towards non-uniform services, such as fees of doctors, management consultants, lawyers. In such cases, the price may sometimes be settled through negotiation between the buyer and seller.

On the other hand, in services such as dry cleaning the tangible component is higher, and the service provided is homogeneous. It is easier to calculate cost on a unit basis and have a uniform pricing policy. In general, the more unique a service the greater the freedom to fix the price at any level. Often the price may be fixed according to the customer's ability to pay. In such cases price may be used as an indicator of quality

The third characteristic to be kept in mind while determining prices is that in many services, the prices are subject to regulations, either by the government or by trade associations. Bank charges, electricity and water rates, fare for rail and air transport in India are controlled by the government. In many other cases, the trade or industry association may regulate prices in order to avoid undercutting and maintain quality standards. International air fares are regulated by international agreement of airlines, sea freight fares may be regulated by shipping conferences. In all such cases, the producer has no freedom to determine his own price.

The two methods which a service organisation may use to determine prices are cost-based pricing and market-oriented pricing. In the former, the price may be regulated by the government or industry association on the basis of the cost incurred by the most efficient unit. Such a pricing strategy is effective in restricting entry and aiming at minimum profit target. The market-oriented pricing may either be competition or customer-oriented. In case of competition-oriented pricing, the price may be fixed at the level which the competitor is charging, or fixed lower to increase market share. Customer-oriented pricing is varied according to customers' ability to pay.

The pricing tactics that may be used to sell services are:

- i) differential or flexible pricing;
- ii) discount pricing;
- iii) diversionary pricing;
- iv) guaranteed pricing;
- v) high price maintenance pricing;
- vi) loss leader pricing; and
- vii) offset pricing

- i) **Differential or flexible pricing** is used to reduce the 'perishability' characteristic of services and iron out the fluctuations in demand. Differential price implies changing different prices according to:

- a) customer's ability to pay differentials (as in professional services of management consultants, lawyers);
 - b) price tune differentials (used in hotels, airlines, telephones where there is the concept of season and off-season and peak hours); and
 - c) place differential used in rent of property-theatre seat pricing (balcony tickets are more expensive than front row seats) houses in better located colonies command high rent.
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- ii) **Discount pricing** refers to the practice of offering a commission or discount to intermediaries such as advertising agencies, stock brokers, and property dealers for rendering a service. It may also be used as a promotional device to encourage use during low-demand time slots or to encourage customers to try a new service (such as an introductory discount).
 - iii) **Diversionsary pricing** refers to a low price which is quoted for a basic service to attract customers. A restaurant may offer a basic meal at a low price but one which includes no soft drink or sweet dish. Once the customer is attracted because of the initial low price he may be tempted to buy a drink or an ice- cream or an additional dish. Thus he may end up buying more than just the basic meal.
 - iv) **Guaranteed pricing** refers to pricing strategy in which payment is to be made only after the results are achieved. Employment agencies charge their fee only when a person actually gets a job, a property dealer charges his commission only after the deal is actually transacted.
 - v) **High price maintenance pricing** strategy is used when the high price is associated with the quality of the service. Many doctors, lawyers and other professionals follow this pricing strategy.
 - vi) **Loss leader pricing** is one in which an initial low price is charged in the hope of getting more business at subsequently better prices. The danger is that the initial low

price may become the price for all times to come.

- vii) **Offset pricing** is quite similar to diversionary pricing in which a basic low price is quoted but the extra services are rather high priced. A gynecologist may charge a low fee for the nine months of pregnancy through which she regularly checks her patient, but may charge extra for performing the actual delivery and post-delivery visits.

13.8 PROMOTION

The fundamental difference which must be kept in mind while designing the promotion strategy for services is that the customer relies more on subjective impressions rather than concrete evidence. This is because of the inherent intangible nature of services. Secondly, the customer is likely to judge the quality of service on the basis of the performer rather than the actual service. Thirdly, since it is difficult to sample the service before paying for it, the customer finds it difficult to evaluate its quality and value. Thus, buying a service is a riskier proposition than buying a product. As a marketing manager you must design a promotion strategy which helps the customer overcome these constraints. The four methods used for promoting services, viz. advertising, personal selling, publicity and sales promotion, are the same as used in the promotion of products. We shall now discuss them in the context of services.

Advertising

Advertising is any kind of paid, non-personal method of promoting by an identified organisation or individual. Certain services such as entertainment (cinema, theatre), passenger and freight transport (roadways, airlines, trains), hotel, tourism and travel, insurance have been advertising heavily in newspapers magazines, radio, TV to promote greater usage and attract more customers. However, certain service professionals such as doctors and lawyers have rarely used advertising as a means of increasing their clientele. A study conducted by J.R. Darling and D.W. Hackett in 1978 revealed that doctors, dentists, lawyers and accountants have a negative attitude towards advertising their services. But today, it's being the other way round. These groups have traditionally relied on word-of-mouth for attracting new customers. But this situation is changing and you can occasionally see an advertisement in the daily newspaper giving information about the location and timings that a particular doctor is available for consultation. These advertisements may also carry the message 'Honorary doctor to the

President of India' or ex-director of a prestigious medical college or institution. Such messages help create positive image and credibility.

The guidelines which can be kept in mind while promoting services are as follows:

- i) use-simple, clear messages;
- ii) emphasise the benefits of service;
- iii) promise only that which can be delivered and do not exaggerate claims;
- iv) built on the word-of-mouth communication by using testimony of actual consumers in advertisements; and
- v) provide tangible clues to services by using well-known personalities or objects to help customers identify the service. This is being done by Indian Railways in their advertising on TV wherein they are using well-known sports personalities to talk about the importance of railways to the nations' economic development and protection of railway property.

One other aspect which is of importance in designing an appropriate advertising strategy is the high level of consumer-organisation interaction required in certain types of services (beauty saloons, management consultant, and doctor). In these types of services, the objectives of advertising have been identified as:

- i) creating an understanding of the company in the customers' mind by describing the company's services, activities and its areas of expertise
- ii) creating a positive image for the company
- iii) building a strong sense of identification with the customer by tuning in onto his needs, values and attitudes
- iv) creating a positive background for the sales people to sell the services by providing all relevant information about the company.

Personal Selling: The problem with using personal selling to promote services is that in certain types of services, the service cannot be separated from the performer. Moreover, it is not a homogeneous service in which exact standards of performance can be specified. In such situations, personal selling implies using an actual professional rather than a salesman to sell the service. A firm of management consultants may send one of its consultants (junior or senior depending on the kind of customer being attended to) for soliciting new business. This kind of personal selling is certainly effective but also very expensive. One way of making personal selling more cost effective is to create derived demand by tying up with associated products and

services. A management consultant may associate with a bank, so that the bank recommends his (consultant) name to any new entrepreneur coming for a loan. A chain of hotels may team up with an airline to offer a concessional package tour (as has been successfully done for promoting Nepal, and is being done by Vayudoot and Indian Airlines and Jammu and Kashmir Tourism Department) way back in the seventies. The other way is to maintain a high visibility in professional and social organisations, getting involved in community affairs and cultivating other professionals so as to maximise personal exposure and the opportunities for getting work from new sources.

Publicity: Publicity is unpaid for exposure which is derived by getting coverage as a news or editorial item. It is possible to get publicity when the service which you are offering is unique and, therefore, newsworthy, by holding a press conference in which you can associate your service with some issues of greater social relevance or by involving the interest of the newspaper or its staff in covering your service. The important point about publicity is that your choice of the newspaper, magazine and journal should be correct. The vehicle which you choose must be credible and enjoy a reputation of being trustworthy. Wrong choice of media vehicle will result in adverse publicity.

Sales Promotion

In the case of services, the sales promotion techniques which are used are varied and various in number. A doctor may charge lesser amount of fee on subsequent visits to encourage the patient's loyalty, paediatrician may send reminder cards to parents about their children's pending inoculations, a car mechanic may offer a guarantee for repairs undertaken up to three months, a chartered accountant may offer his services free for the first two visits to allow the customer to evaluate his work.

In services, sales promotion techniques are used to offset their perishability characteristic (family discounts offered by hotels in off-season in which two children under twelve are allowed free of charge) and to overcome the problem faced by customers in evaluating and judging the quality before making the purchase. Sales promotion techniques reduce the risk associated with the purchase.

13.9 DISTRIBUTION

The most important decision element in the distribution strategy relates to the issue of location of the service so as to attract the maximum number of consumers. The inseparability characteristic of services such as those of doctors, teachers, consultants, mechanics etc. poses a distribution constraint since they are able to serve only a limited, localised market. The other characteristic of services which affects the distribution strategy is the fixed location of services such as universities, restaurants, hospitals which necessitates the customer to go to the service location rather than vice-versa.

The first decisional variable in planning the distribution strategy relates to the location of the service. In deciding where to locate your service, you should raise the following questions as they would help you arrive at the right decision.

- i) How important is the location of the service to the customers? Will an inconvenient location lead to purchase being postponed or being taken over by a competitor? The answer is yes in case of services such as dry cleaning, fast food outlets where convenience is the most critical factor. The answer is no in case of services provided by doctors and beauty parlours, where the customers' involvement with the provider of the service is very high and the decision is made on the basis of reputation, competence and past experience.
- ii) Is the service, technology-based or people-based? How does the technology or people factor affect the choice of locations? How flexible is the service? Can the equipment and people be moved to another location without any loss in quality?
- iii) How important are complementary services to the location decision? Can the clientele be increased by locating services where complementary products or services already exist? Garages and mechanic shops located next to petrol stations are examples of complementary location decision

The second decisional variable in the distribution strategy is whether to sell directly to the customers or through intermediaries. In case of services which are inseparable from the performer, direct sale is the only possible way of reaching the consumer. In case of other services such as hotels, airlines, property, life insurance, they may operate through middlemen. Table 5 provides an illustrative list of the intermediaries who sell services.

Table – 5

Typical Intermediaries for services

Services	Intermediaries
Hotels	Travel agents, tour operators, airlines
Airlines	Travel agents, hotels
Life Insurance	Agents
Shares	Stock brokers
Employment	Employment agencies
Financial Services	Banks, Financial Institutions
Products	Wholesalers, Stockiest, Retailers

The third decisional variable in the distribution strategy is how to provide the service to maximum number of customers in the most cost-effective manner (if the service is not of the kind that is inseparable). Some of the recent innovations in the area are rental or leasing, franchising and service integration.

India has witnessed a boom in the leasing business since 1982. Leasing or rental offers an easy solution for companies which want to expand and diversify but do not have the necessary resources to buy the required plant and machinery. Leasing offers them use of equipment, machines and building on the basis of a 'rental' rather than outright purchase. Leasing is also available for buying cars and other consumer durables. This trend is now also becoming popular in services. Today we have the concept of time-sharing for holiday resorts. By making a one-time payment or paying an annual rental you become eligible to use accommodation facilities for a holiday in the place of your choice. Some holiday resort companies offer you the facility forever while others offer it for limited time duration. Sterling Resorts, MS Resorts, Punjab Tourism Resorts and Dalmia Resorts are some of the companies offering this service.

The other recent trend in distribution of services is that of franchising. Franchising is the granting of right to another person or institution to exploit a trade name, trade mark, or product in return for a lump-sum payment or a royalty. Companies have paid to use 'Appu' the elephant which was used as the mascot for New Delhi Asian Games in 1982 to promote their products. This is an example of franchising in which companies have sought to increase their sales or enhance their

image by associating with a well known international event or personality (Walt Disney Characters such as Mickey Mouse). The other variation of this kind of franchising is when companies pay for use of the phrase 'official suppliers'. Franchising is also widely used in services where some kind of homogeneity is possible as in the case of restaurants, beauty saloons, health clubs etc. Kwality (manufacturers of Kwality ice-creams and managers of chain restaurants) have established restaurants in major cities on the basis of franchise arrangements. International hotel chains such as Holiday Inn, Sheraton, Inter-Continental, have expanded world-wide using this franchising strategy.

Recent times have also witnessed the growth of integrated service system. Hotels may also offer local tours. This is being done by India Tourism Development Corporation (ITDC) which offers to its clients conducted tours to important tourist spots besides the hotel facility. This facility is offered under the name of Ashoka Travels and Tours. Hotel chains such as Taj, Oberoi, Welcomgroup offer the facility of making reservations in any of their associate hotels in the chain. Travel agencies offer 'package tours' in which they take care of all formalities such as visa, foreign exchange, reservations, local travel etc. Many computer companies offer free training for the employees of their customers on how to operate the computer. All these trends highlight the importance of using innovative methods to overcome the inherent characteristics of service products which make their distribution a complex affair.

13.10 PEOPLE

People constitute an important dimension in the management of services in their role both as performers of service and as customers. People as performers of service are important because, "A customer sees a company through its employees. The employees represent the first line of contact with the customer. They must, therefore, be well informed and provide the kind of service that wins customer approval. The firm must recognise that each employee is a salesman for the company's service" (E.M. Johnson, "An Introduction to the Problems of Service Marketing Management".) The importance of customers in services stems from the fact that most services imply active and involved customer-organisation interface.

Service Personnel: Service Personnel are important in all organisations but more so in an organisation involved in providing services. The behaviour and attitude of the personnel providing the service is an important influence on the customers' overall perception of the service and he can rarely distinguish between the actual service rendered and the human element

involved in it. How often have you had the experience of holding onto a telephone after dialing for assistance or trunk booking and receiving no response? Check with your parents or relatives who had experienced this poor response previously when mobile services not introduced in the country. What do you think has been the role and contribution of the operators towards giving our telephone system the image which it has during those days?

The case of telephone operators is still controllable because the telephone system presents a low contact organisation. Higher or low contact is defined on the basis of percentage of total time the customer has to spend in the system compared with the relative time it takes to service him. By this definition, restaurants, hospitals, schools represent a low contact organisation. High or low contact is defined on the basis of organisations. The other important distinction of service personnel is between those that are visible to the customer and those that are not. In a restaurant the waiters are visible while the cook in the kitchen is not. As a marketing manager you have to devote more time training the visible personnel, since they have greater responsibility in maintaining relations with the customer. The rice dish which is not cooked properly is the cook's fault but it is the waiter who will have to bear the brunt of the customers' anger. The manner in which the waiter behaves with the customer will be an important determinant in the restaurant losing that customer forever or retaining him as a regular client.

As a marketing manager your primary concern is the visible service personnel and especially so if yours is a high contact organization. You have to be concerned with ways in which you can improve the quality and performance of your service personnel. This can be done through:

- iv) Careful selection and training of personnel;
- v) Laying down norms, rules and procedures to ensure consistent behavior;
- vi) Ensuring consistent appearance; and
- vii) Reducing the importance of personal contact by introducing automation and computerization wherever possible.

Customers: Customers are important because they are a source of influencing other customers. In the case of doctors, lawyers, consultant's one satisfied customer will lead to a chain reaction bringing in his wake a number of other customers. Thus as a marketing manager, your first task should be to ensure complete satisfaction of the existing customers.

The kind of customers that you attract exerts an important influence on prospective customers. The prospective customer may feel attractive towards the organisation (it may be a restaurant, club, school, college) because it has his 'type' of customers or it has the customer clientele towards which he himself is aspiring. On the other hand, the customer may turn away if he perceives the existing customers to be the kind with whom he would not like to be associated. You have to decide about the class of customers you would like to have and work towards providing your service organisation an image which will fetch you your future customers. The physical appearance of your organisation, the looks and behaviour of service personnel, the delivery of the service have all to be tuned into a desirable composite package.

13.11 PHYSICAL EVIDENCE

Cleanliness in doctor's clinic, exterior appearance and interior decor of restaurant, the comfort of the seating arrangement in a cinema hall, adequate facility for personal needs at the airport all contribute towards the image of the service (organisation) as perceived by the customer. The common element in these is that they are all physical, tangible and controllable aspects of a service organisation. They constitute the physical evidence of the service. There may be two kinds of physical evidence:

- i) peripheral evidence; and
- ii) essential evidence,

Peripheral evidence is actually possessed as a part of the purchase of service but by itself is of no value. Airline ticket, cheque book, receipt for a confirmed reservation in a hotel are examples of peripheral evidence. A cheque book is of value only if you have money in the bank-without that it is of no significance. Peripheral evidence adds on' to the - value of essential evidence. In a hotel you may find matchbox, writing pad, pen, complimentary flowers and drinks, which you may take away. These are representations of peripheral evidence. Such evidence must be designed keeping in mind the overall image which the organisation wishes to project and the reminder value of the evidence in its ability to remind the customer about the organisation.

Whereas peripheral evidence is possessed and taken away by the customer the essential evidence cannot be possessed by the customer; the building, its size and design, interior Layout and decor, logo and mnemonic device of the organisations are constituents of the essential evidence. The

essential evidence is a very critical input in determining the atmosphere and environment of the service organisation. Contrast the essential evidence of a Five-star hotel (its long driveway, grand entrance manned by a liveried doorman, sophisticated decor of lobby) with that of a fast food outlet (with bright colours, loud music, and bright lights) and judge the kind of rich and formal atmosphere of the former with the relaxed and casual atmosphere of the latter. You can use physical evidence to build a strong association in the customers' minds and also to differentiate your service from the competition. As a marketing manager it is your responsibility to manage the physical evidence in order to create the ideal environment for your service. You can do this in two ways: one by making the service more tangible, and two, by making it easier for the customer to grasp the concept of the service.

One obvious way of making the service more tangible is by developing a tangible representation of the service as is done in case of credit cards. Credit cards have a physical entity and are identifiable by their brand name (American Express, Diners, Visa, BOB, i.e., Bank of Baroda) and distinct looks of the card. Other ways by which a service can be made more tangible is by standardising the physical attributes such as location, interior decor, colour scheme etc. Most airlines use a dress for all their staff to help create a sense of identification Kwaliti ice-cream vendors and the packaging container for ice-creams have a standardised design of blue stripes on a white background. Similarly, Indian Airline's white and orange colour combination is well recognised:

The second way is to make it easier for the consumer to understand the concept of the service which you are offering with easily perceived objects and ideas. Promoters of package tours may provide detailed information about the hotel, food and transport facility they would be using to help the consumers understand the concrete dimensions of the tour and thus reduce their anxiety arising out of uncertainty.

Information which helps reduce uncertainty and provides specific: information about the various dimensions of the service should be provided to prospective consumers.

As a marketing manager you can help the consumers to understand the service you are offering by stressing the organisation and consumer relationship. Advertising agencies assign one account executive or a team to a particular client to help him identify with the agency.

which are arranged in a sequence. In a self- service departmental store, the consumer starts picking up the items he needs and pays for them near the exit. This kind of delivery process is relevant when the service you are providing is fairly standard and the consumers' requirement is of a routine nature.

When the consumers require a combination of services using different sequences, the job shop type of operation is more useful. Hospitals, restaurants and educational institutions usually have this type of delivery process. In a hospital, some patients need only consultation in the Out Patient Department, some others may need consultation as well as medication or X-ray, some patients require hospitalisation for surgery, medication or investigations. All these categories of consumers require a different combination of the hospital's services. In a restaurant consumers order their own combination of dishes. A college may offer courses for full-time students, as well as for working people through correspondence.

Intermittent operations are useful when the type of service is rarely repeated. Firms offering consultancy for projects use this kind of delivery system. Advertising agencies also use the intermittent delivery system since each advertising campaign requires a unique set of input factors.

As a manager you are interested in optimising the efficiency of your organisation without sacrificing the qualitative aspect. Some of the critical questions you need to focus upon are:

1. What are the specific steps involved in delivering the service to the consumer?
2. Are they arranged in the most logical sequence?
3. If not, can some steps be eliminated, combined or rearranged to form a smoother sequence?
4. What are the steps in which the consumer is involved?
5. Can the consumers' contact be reduced or totally eliminated?
6. Can we introduce automation to speed up the delivery process?

13.13 SUMMARY

Services can be distinguished from products on the basis of their characteristics of intangibility, inseparability, heterogeneity, lack of ownership and perishability. These characteristics pose a

challenge to the marketing manager who has to find solution to constraints imposed by these features.

The marketing of services requires an extended marketing mix comprising production pricing, promotion and distribution as well as people, physical evidence and process. The marketer has to lay great stress on the last three elements of the marketing strategy and combine them with the first four to achieve a harmonious blend which fulfils the customer's want-satisfaction

13.14 KEY WORDS

Intangible: That which cannot be seen, touched, smelt or tasted but can only be perceived.

Perishable: If not used or consumed will be lost forever. Cannot be stored.

Inseparable: Cannot be separated from the person responsible for providing the service.

Loss leader pricing: Initial low pricing to attract more customers/repeated usage or consumption at subsequently higher prices.

Physical evidence: Building, decor, lighting, logo, letterhead, labels, design of product, physical representative (credit card, life insurance, policy document) which contributes to the 'looks' and 'atmosphere' of the service organisation.

13.15 SELF – ASSESSMENT TEST

- 1) Distinguish Product Marketing and Services Marketing, giving suitable examples. Discuss the reasons for growth of the service sector post Indian economic reforms. Elaborate.
- 2) Discuss the distinguishing characteristics of services which make them different from tangible goods. What is the implication of these characteristics in marketing of services?
- 3) Explain the concept of service. Why do People and Physical Evidence assume significance in the overall marketing effort of the following services?
 - a. An Educational Institute
 - b. Health Club

4) Marketing social issues is more challenging than Product/Service Marketing. Discuss.

Identify any socially relevant issue in the Indian context and discuss how you would go about marketing it.

5) Explain the three additional marketing mix elements essential in marketing of services explain with two service offerings of your choice.

6) What makes pricing of services a challenging task for marketers? Identify any two service offerings of you are familiar with and propose how to overcome these challenges.

13.16 FURTHER READINGS

V.S.Ramaswamy & S. Nama Kumar, 2008 *Marketing Management planning, implementation & Control*, 3rd edition, Macmillan India Ltd., New Delhi

Steve Baron 1995, *Services Marketing*, Macmillian India Ltd. New Delhi

UNIT 14 DIGITAL MARKETING

Objectives

After reading this unit, you should be able to:

- ... understand what is Digital Marketing
- ... appreciate the growing importance of Digital Marketing
- ... discuss the difference between Traditional Marketing and Digital Marketing
- ... describe different types of Digital marketing
- ... recognize the importance of Digital Marketing for business success
- ... identify the future trends in Digital Marketing
- ... put together a Digital Marketing plan successfully

Structure

- 14.1 Introduction to Digital Marketing
- 14.2 Internet and Digital Marketing
- 14.3 Definition of Digital Marketing
- 14.4 History and Evolution of Digital Marketing
- 14.5 Difference between the Traditional and Digital Marketing
- 14.6 Pull and Push Approaches to Digital Marketing
- 14.7 Importance of Digital Marketing
- 14.8 Types of Online Presence
- 14.9 Different types of Digital Marketing
- 14.10 Future and Growth of Digital Marketing
- 14.11 Summary

14.12 Self- Assessment Questions

14.13 Key-Words

14.14 Further Readings

14.1 INTRODUCTION TO DIGITAL MARKETING

Dear Students, in this section, we will be learning about Digital Marketing, its importance and its contribution to Marketing.

Before the development of technology, marketing and purchasing was done by the people using old traditional method. Do you remember how in the past your grandparents and parents used to read the Newspapers or hear to an advertisements on Radio or Television and thus collect the information before visiting the shops physically to purchase the goods and services.

As the digital technology developed, more and more businesses started to use digital technologies which were well within their means for the sales and marketing of their goods and services. This usage of digital technology by businesses, led to goods and services being made available on ‘online purchasing platforms’ for the consumers. This development of digital technology, its implementation and its use by businesses in the area of marketing is called as Digital Marketing.

Digital Marketing has changed the people’s viewpoint towards business, sales and marketing of goods and services.

The continuous development in technology and digital media is changing the world at a very fast rate. Digital technology has transformed business and human lives across the world. It has brought change in the manner we try to access the information. For example, the way we use the Computers, Mobiles and Google to search information. It has also changed the way we interact and communicate with our family members and friends, for example, by using Email, SMS, WhatsApp and Social Media.

Digital Marketing is a modern form of marketing. It uses internet, digital technologies, digital platforms and devices such as computers, laptops, mobiles, and tablets. It is used to promote,

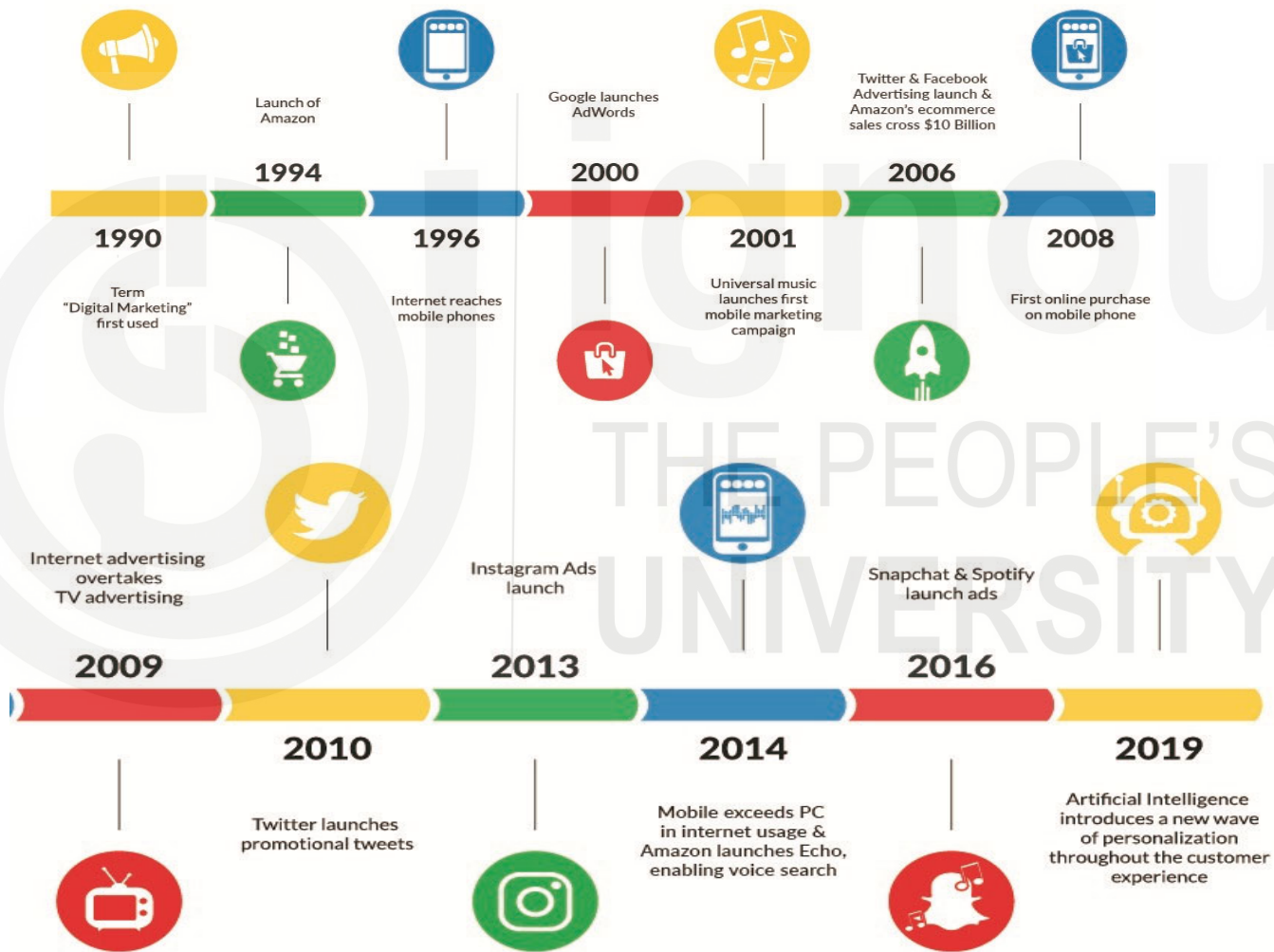
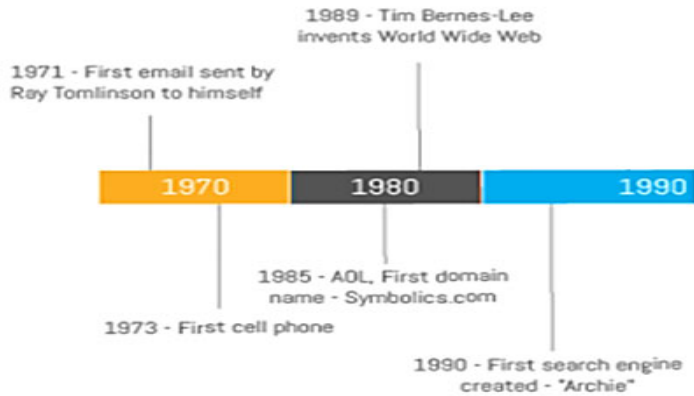
help and support –products, brands and services to the consumers. The progress in the area of Digital Marketing has changed the manner brands use technology for marketing.

The Digital Marketing makes use of the online channels and means, to help the businesses observe and study their marketing campaigns. The Digital Marketing gives ‘real time’ results, which helps the businesses to understand and explore its success and failure.

Digital technologies and digital platforms are fast growing. We see them increasing day by day in the marketing strategies and the everyday life of the consumers. Therefore, consumers today are now well aware of the digital devices such as computers, mobiles, tablets etc. For example, if a person wants to buy a good laptop, he/she can find and read all the information regarding its features, purchase and price. He/she can search for it online and purchase it on Amazon or Flipkart. He can also contact the available brands on their respective website or social media handles, instead of physically visiting the markets and shops for it.

The Digital Marketing campaigns have become well-known in the recent years. These campaigns use the following strategies namely, Search Engine Optimization (SEO), Pay-Per-Click, Search Engine Marketing (SEM), Influencer Marketing, Content Marketing, Content Automation, Campaign Marketing, Data-Driven Marketing, E-Mail, Social Media Marketing, E-Commerce Marketing, Direct Marketing and Social Media Optimization. We shall understand and discuss these strategies in detail in the later part of this chapter. Non-internet based channels for example - TV, Mobiles (MMS and SMS), cold calls, and on-hold mobile hello-tunes and ringtones are all a part of Digital Marketing.

The info graphic given below shows the timeline which would help us understand the evolution and development of Digital Marketing from 1970 to 2019.



14.2 INTERNET AND DIGITAL MARKETING

We have read so far, that the developments in Digital Marketing are dependent on the advances of the internet. The later 1960s saw the making of the first workable prototype funded by the Defense Department of the United States of the ‘Advanced Research Projects Agency Network’ (ARPANET). The ARPANET then made use of ‘packet switching’ (i.e. the transfer of small parts of data to many networks) to allow several computers to communicate on a single network.

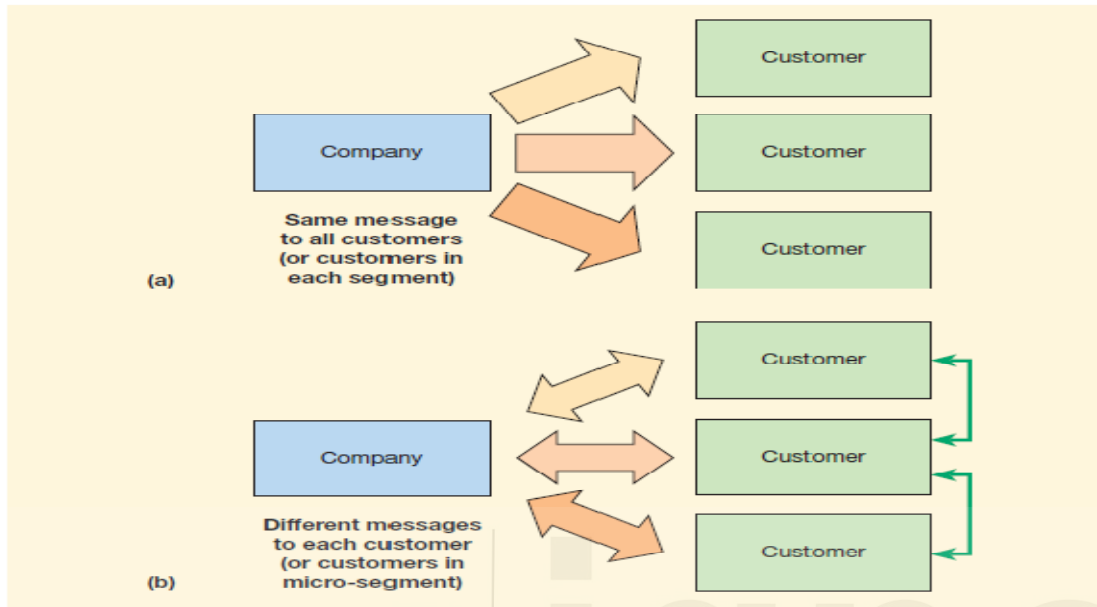
The continuous hard work, involvement and contribution of many scientists, helped in the development on the internet. The online world became recognizable in the 1990s, when computer scientist Tim Berners-Lee invented the World Wide Web (WWW).

The digital age started with the launch of the internet and the development of Web 1.0 platform. Therefore, the term ‘Digital Marketing’ was first used in the 1990s. Digital Marketing is also known as Online Marketing.

Digital Marketing helps the businesses to connect with their existing and their future customers by using electronic device or the internet. This is just in contrast to the Traditional Marketing which is often referred to as “one-way” communication. For example, in the Traditional type of marketing the customers could not interact with business through a billboard, TV or print advertisement.

Whereas, the Digital Marketing being a dynamic tool, offers scope for a two-way communication between the brands and its actual or future customers. For example, a customer in order to purchase a Fastrack wrist watch can visit the website and place the order for it. After the purchase he can post the pictures, reviews of the watch or can even complain on the social media handle of Fastrack. Thus the digital marketing through social media not only helps the customers to write and communicate with the brands but also helps customers to communicate, like, share and comment on each other’s posts.

This type of communication pattern i.e. (a) one way communication - the traditional marketing method and (b) two way communication - the digital marketing method, is hereby shown graphically.



Source: Digital Marketing (6th Edition) by Dave Chaffey, Fiona Ellis-Chadwick, Publisher: Pearson.

14.3 DEFINITIONS OF DIGITAL MARKETING

Various marketers and authors have from time to time defined digital marketing according to their different viewpoints, for example:

... The *Institute of Direct and Digital Marketing (IDM)* has defined Digital Marketing as –‘the management and execution of marketing using electronic media such as the web, e-mail, interactive TV and wireless media in conjunction with digital data about customers’ characteristics and behaviour’. The IDM’s definition highlights how digital marketing uses electronic devices and media, along with their customer behaviour data to form marketing strategies.

... In 2000, the ‘Smarter Insights’ (a publisher and an online learning platform), defined Digital Marketing as - ‘Achieving marketing objectives through applying digital technologies’. That is to say Smarter Insights stressed on the use of digital technologies by companies to help them realize their Marketing objectives.

- ... Kotler and Armstrong, well-known marketing gurus defined Digital Marketing in 2009 as – ‘A form of direct marketing which links consumers with sellers electronically using interactive technologies like emails, websites, online forums and newsgroups, interactive television, mobile communications etcetera’. Kotler and Armstrong stated and explained that digital marketing directly connects the customers with the sellers, by using electronic devices for communication.
- ... In 2011 Bains et al. defined Digital Marketing as - ‘It facilitates many-to-many communications due to its high level of connectivity and is usually executed to promote products or services in a timely, relevant, personal and cost-effective manner’. This definition highlights the ability of digital marketing to connect, communicate and promote to multiple people in a personalized manner at a reasonable cost.
- ... Chaffey, 2012 defines Digital Marketing as – ‘The application of the Internet and related digital technologies in conjunction with traditional communications to achieve marketing objectives’. This definition emphasizes on the application of a combination of digital technologies and the existing traditional marketing methods to effectively succeed in business.
- ... The Chartered Institute of Marketing in 2015, defined Digital Marketing as – ‘the management process responsible for identifying, anticipating and satisfying customer requirements profitably’. The definition refers to Digital Marketing as a management process which successfully helps in satisfying the customers by identifying their expectations.
- ... Kingsnorth, 2016 defined Digital marketing as – ‘basically applying all marketing techniques to digital channels. Different sources can be used to promote services and products like SMS, search engines, email, websites, social media and mobile devices. The digital nature of this marketing method makes it a cost-effective means of promoting one’s business’. The definition clearly emphasizes on Digital Marketing as a cost – effective way of marketing a business with the help of websites, SMSs, emails, Social Media and Search Engine Marketing.

... The American Association of Marketing defines Digital marketing as – ‘the use of digital or social channels to promote a brand or reach consumers. This kind of marketing can be executed on the internet, social media, search engines, mobile devices and other channels.’ The definition recognizes the use of internet, search engines, social media, mobiles and other digital channels to promote brands among the consumers.

Activity 1

Choose any one of the definitions mentioned above and explain it using an example:

14.4 HISTORY AND EVOLUTION OF DIGITAL MARKETING

This section will help us understand the advent, development and growth of Digital Marketing from time to time.

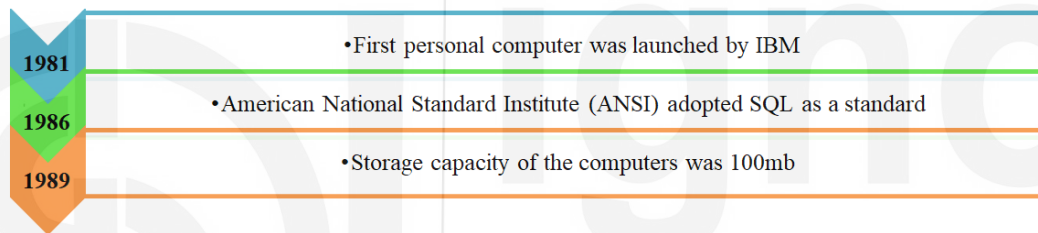
Digital Marketing in the 1980s

Digital Marketing can be traced back to the 1980s. IBM in 1981 launched its first personal computer and by 1989 its storage capacity was increased to 100 MB. In 1980s the organizations felt and realized the importance of maintaining relationships with customers. This realization saw the emergence of Digital Databases (A Digital Database is an extensive record regarding a specific subject). These Data bases changed the dynamics of the buyer-seller relationship. Thus the organizations too started maintaining a database of customers, prospects and commercial contacts. For example, Google books is one of the most popularly used digital library.

As a result of the above mentioned database formation and the importance of its use, around the 1986, the father of marketing automation - Robert Kestenbaum and Robert Shaw, together

created quite a lot of database-marketing models. These Database Marketing solutions contained several features that include - campaign management, contact strategy optimization, sales channel automation, marketing resource management and marketing analytics. This enabled the organizations to further track, gain information and store their customers like never before. For example, when you shop at Westside for the first time, the executive at the billing counter collects your phone number, date of birth, anniversary and place of residence to be added to their database. This information helps Westside to continuously track and connect with you by sending SMSs regarding birthday and anniversary greetings, sales, discounts, points earned information.

Given below is a simple figure to explain the Digital Marketing timeline in the 1980s.



Source: Created by the author

Digital Marketing in the 1990s

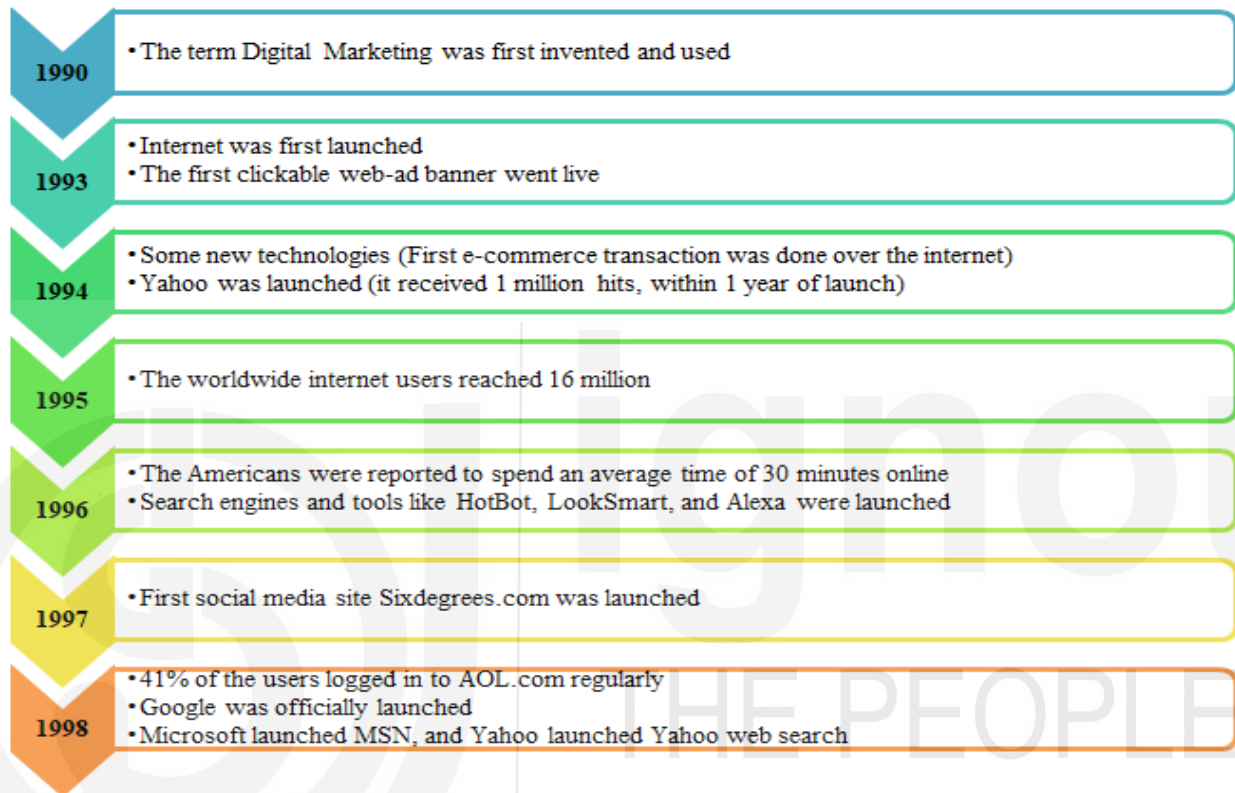
During the 1990s, the Customer Relationship Management (CRM) tools grew into being extremely popular. CRM is defined as - a software which tracked all the business interactions between the current and future customers.

Sales Force Automation (SFA) was the first step towards CRM. SFA is a system which aims to improve the sales by automating various sales related processes. For example, automation of emails, newsletters, social media updates by brands, Chat bots, automatic email replies etc. The SFA also provided the organizations with the information regarding inventory levels and control, and interactions with the customers.

Google by 1998 became the most popular web-based search engine and played a pivotal role in optimizing Digital Marketing Campaigns and Search Marketing. During 1999 the internet supported the emerging eCRM vendors, thus, increasing their online data storage volume. This

development enabled companies to continuously update their information, leading to their enhanced customer experience.

Given below is a simple figure to explain the Digital Marketing timeline in the 1990s.

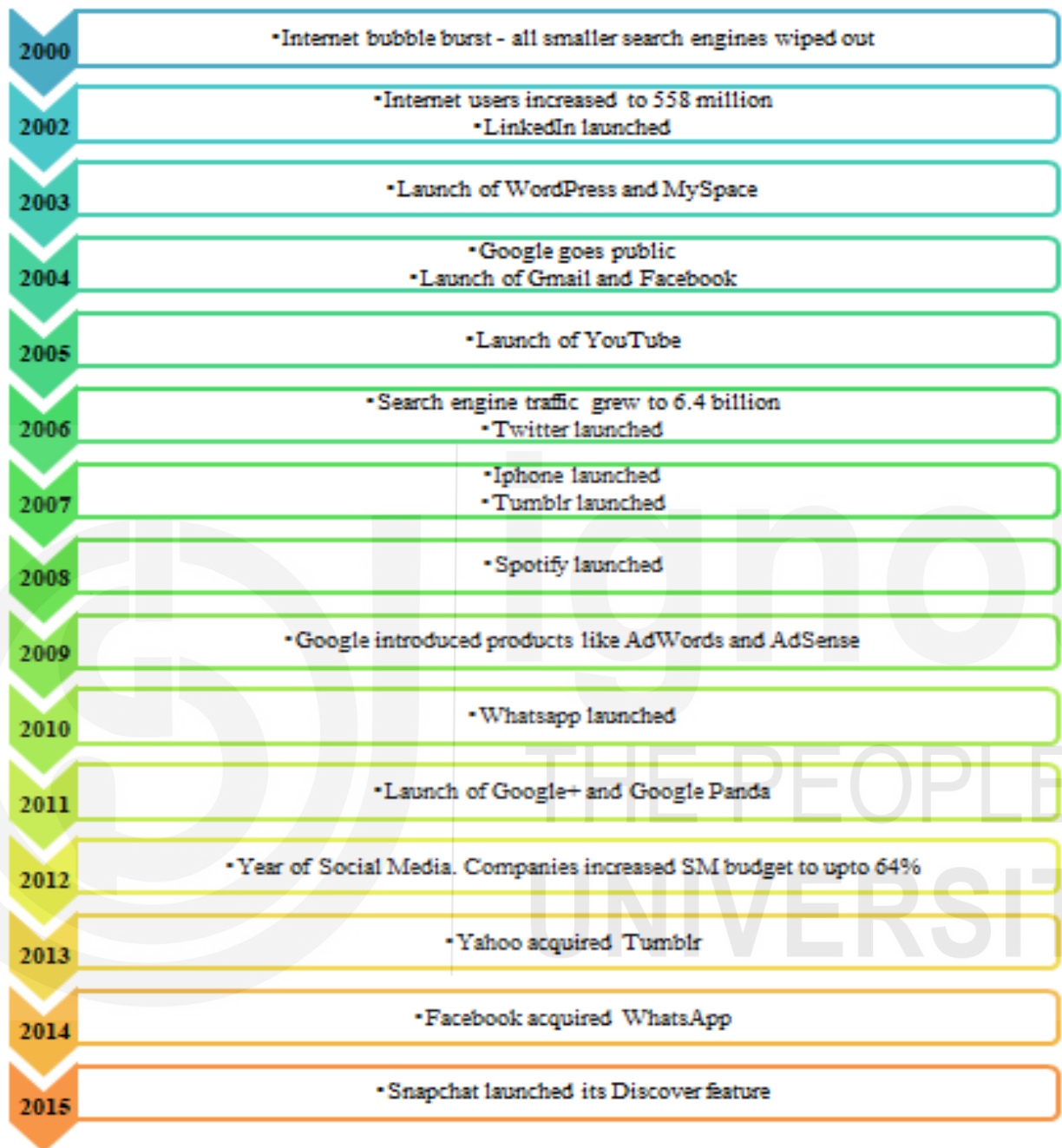


Source: Created by the author

Digital Marketing in Post Millennium

Post millennium witnessed huge development in the area of Digital Marketing. The 2000s saw the entry and launching of today's well-known star performers such as Facebook, LinkedIn, WhatsApp, Snapchat to name a few. These developments changed the manner in which the companies did businesses around the world. Realizing the potential of Digital Marketing many companies ventured into investing up to 60% of their funds in Digital Marketing.

Given below is a simple figure to explain the Digital Marketing timeline in the 2000s.



Source: Created by the author

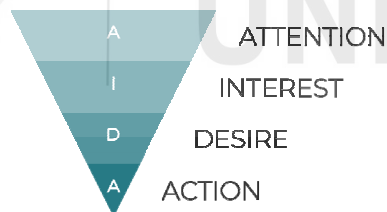
Therefore, it can be concluded that Digital Marketing has been exponentially growing and continuously providing large opportunities to connect both the users and the companies.

14.5 DIFFERENCES BETWEEN TRADITIONAL MARKETING AND DIGITAL MARKETING

Traditional Marketing: Traditional Marketing is an old technique of marketing used by brands and companies to market, promote and sell their products and services. It includes - promotions, advertisements – such as use of Flyers, Billboards, Print, Newspaper, Television and Radio advertisements, just to name a few for you. The Traditional Marketing revolves around the following four phases: Attention, Interest, Desire, and Action (AIDA).For example:

- ... Attention – When you come across an improved and effective version of face mask or cloth sanitizer it grabs your attention.
- ... Interest – Interest can be created by sharing more information about the face mask or cloth sanitizer through a video, a poster or a detailed description with people.
- ... Desire – Desire for buying the face mask or the cloth sanitizer can be created by the seller by sharing their advantages and the benefits of using the new or the improved version of the face mask or the cloth sanitizer.
- ... Action –The purchasing of the face mask or the cloth sanitizer or adding these items to the shopping cart online is the final action.

The figure below shows the AIDA funnel showing how customer goes through the above mentioned four phases of the purchase process in the Traditional Marketing.



Activity 2

Explain the four phases of AIDA in your own words by giving an example of a product or service of your choice.

Digital Marketing: It is the present-day technique of marketing that began with the introduction and development of the internet, electronic devices and technology. The products and services are introduced, promoted, marketed and sold using online (internet based) process and resources. Digital Marketing includes platforms such as Google, Facebook, Instagram, YouTube, Twitter, Amazon, Flipkart, Myntra, Ajo, etc.



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Explained below are the differences between the Traditional Marketing and the Digital Marketing:

Area/Zone	Traditional Marketing	Digital Marketing
Medium	<ul style="list-style-type: none"> • T.V. Advertisements • Radio • Banner Advertisements • Broadcast • Sponsorship • Print Advertisements 	<ul style="list-style-type: none"> • Search Engine Optimization (SEO) • Pay-Per-Click advertising (PPC) • Web Design • Content Marketing • Social Media Marketing • Email Marketing
Cost	It is expensive as it involves Printing, Radio/ TV advertisements which cost more to the company.	It costs lesser than the Traditional Marketing, since the use of online and social websites does not cost much.
Speed	Slow	Fast and dynamic
Impact	Difficult to measure	Supported by analytics
Target Audience Reach	Limited. It's easy to reach out to local audience with the Traditional Marketing methods or process.	Wide It allows you reach the targeted audience from all over the world.
Marketing Approach	It is a more personal approach, as it is very easy for marketers to have a person-to-person relationship or promoting their brand's name.	The physical presence of the marketers is not required in digital marketing. However, physical presence of the marketers could act as a bonus.
Documentation	It enables the marketers to provide hard copies of product and service descriptions.	Digital marketing platforms host the description of the products and services on their websites, social media handles, videos, YouTube, etc. which can be accessed anytime and anywhere using the internet by the consumer.
Customer Interaction	Very less amount of interaction is involved as the promotion media is not flexible enough to include the customers' interaction.	Digital marketing offers a number of digital interaction platforms to their customers like social networking sites, e-commerce websites, Feedback apps, etc.
Marketing Analysis	The result of marketing analysis of the traditional marketing is complex, as the companies need to rely on the surveys and the findings of the market research.	Digital marketing data and facts are recorded and stored online which makes it easy for the marketers to analyze the marketing result from time to time.
Real-Time Result	Companies are forced to wait for weeks or months to get the result.	Digital marketing gives quick and real time results.
Interruptions	Consumers cannot choose to skip advertisements or other promotional content.	Digital marketing allows the consumers to skip the promotional content and continue to engage with the products and services.
Strategy Refinement	Companies are not able to quickly draft or change their strategies as the Traditional Marketing does not offer real-time results.	Digital marketing offers real time results, thus, enabling the companies to change or update their market strategy according to the market results.
Communication	It involves only one-way communication as marketing media is rigid.	It promotes two-way communication. Thus helps satisfy the customers and make them feel cared and wanted.

Activity 3

Describe the difference between traditional marketing and digital marketing by giving example of any mobile phone.

Case Example

Below given is a case example of the brand Coca Cola using the Traditional and Digital Marketing in India.

Traditional Marketing: For several decades Coca Cola has been using Traditional Marketing to market, promote and sell its products in India using Hoardings, News papers and TV as the media of communication with the customers.

The following given below are some examples of Coca Cola's Traditional Marketing campaign in India.

Hoarding advertisement

Newspaper advertisement

TV advertisement



Digital Marketing

With development of internet and increased usage of online and social media platforms, Coca Cola shifted towards Digital Marketing. It caught the attention of its consumers with the help of

a simple yet brilliant campaign ‘Share a Coke’, wherein they offered their consumers the opportunity to interchange the brand name ‘Coke’ with their own names and followed by sharing their experiences with others through social media. This campaign was one of the most revolutionary marketing campaigns ever. Overnight globally, this campaign became a successful case study for the digital marketers against other traditional forms of marketing. The ‘Share a Coke’ campaign reflected a complementary mix of both online and offline media. Digital Marketing made it all the more important, as it made Coke’s aim to deliver ‘personalized brand experience’ a reality.

The following given below are some examples of Coca Cola’s Digital Marketing campaign in India.

Names in Indian languages on the Coca Cola bottle



Social Media Advertisements



Indian User Generated Content on Social Media



Activity 4

Choose any post – pandemic movie of your choice and describe how that movie adapted to the digital marketing strategies.

14.6 PUSH AND PULL APPROACHES OF DIGITAL MARKETING

Push and Pull are two known approaches of Digital Marketing

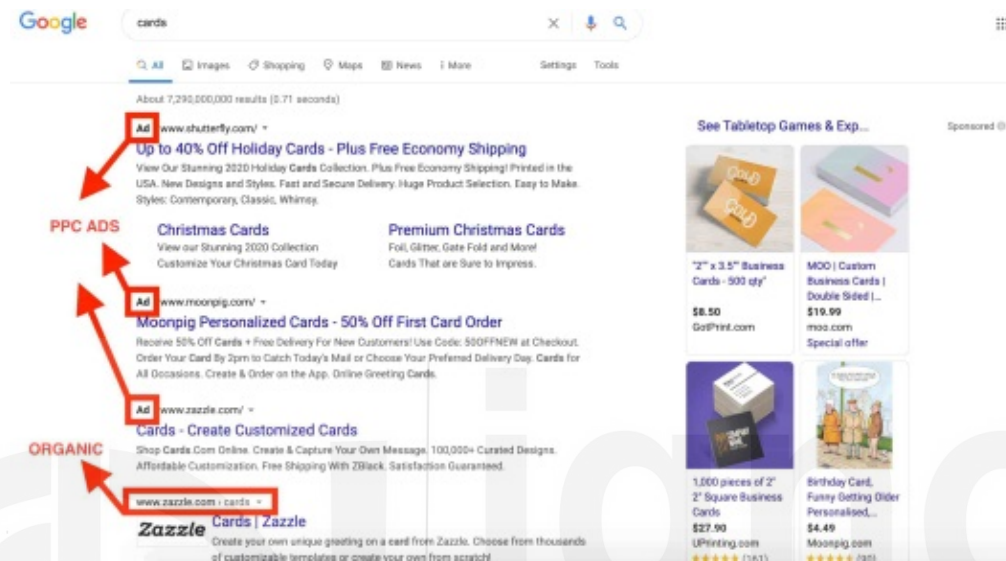
Push Marketing

Push Marketing is fundamentally or basically a form of Traditional Marketing.

In Push Marketing the companies make use of the Television, Radio, Direct mails, Print, Billboards, etc. to communicate with their target audience. It is a broad, shotgun approach that makes the products, brands or services, more visible among the audience to get the best results – but at a cost. Push Marketing is more considerate and active than other inbound marketing methods. It is generally preferred by businesses who intend to take benefit in a short period of time or making efforts to generate quick sales.

The Push Marketing usually involves spending money on promotions. For example, Pay-Per-Click (PPC) is one of the most popular advertising forms of Push Marketing. In PPC the

marketers can place their banners and display their shopping advertisements across online platforms using Search Engine Advertisements (as shown below) by paying a small amount of money every time the advertisement is clicked upon.



Push Marketing is often the primary business strategy for companies who are looking for:

- ... Launch of a fresh business idea or site without a reputation
- ... Launching new services or products, holiday packages or seasonal events
- ... Promoting sales
- ... Growing to a newer niche market
- ... Generating quick sales or cash-flow
- ... Clearing out stocks before the end of a season
- ... Brand recognition in the competitor market
- ... Subsidizing a multi-channel strategy

Given below is an example which will help you understand the application of Push Marketing in a business situation.

For Example: Mr. Abhinav Sood is fond of traveling and is a sustainable tourism enthusiast. He recently launched a new travel agency named Galaxia, in New Delhi. His major short-term objectives of his new travel agency are:

- ... To provide excellent service

- ... Customers' satisfaction
- ... Business promotion

In order to attract customers' attention, reach the target audience, to build a good reputation and to establish his business Mr. Sooduses Push Marketing strategies.

- ... He uses Television, Radio and Print advertisements to promote his travel agency, the new travel packages and services offered.
- ... He uses the Search Engine Advertising tool to promote an exclusive seasonal trip to Kulu-Manali, Coorg, Darjeeling etc.
- ... He makes a quick cash flow by advertising about the discount he offers on a weekend getaway to destinations near Delhi or an off season trip to Goa.
- ... He also uses the Push Marketing strategies to promote an international trip to Maldives.

Activity 5

Explain how a Car companies use Push Marketing Strategies in their business.

Pull Marketing

Pull Marketing, involves increasing the traffic naturally. It aims to create high-value and relevant content appropriate to attract the targeted audience. Pull Marketing reaches its goals by being sensitive towards the needs of the users, who actively seek information on the products and services offered. Search Engine Optimization (SEO), display advertising and creative content on social media are a few prominent forms of Pull Marketing.

Pull Marketing can be used as the primary business strategy by companies who are looking for:

- ... Ensuring long-term growth in business
- ... Maintaining domination in a specific industry or niche

- ... Building improved loyalty
- ... Promoting brand's recognition by working on the engagement of customers and brand visibility
- ... Increasing traffic on social media handles in addition to sharing social media content
- ... Growing traffic on the site across referral, organic and social segments
- ... Affordably improving the revenue and sales
- ... Engaging the customers at the top of the shopping funnel, even before they know what they want.

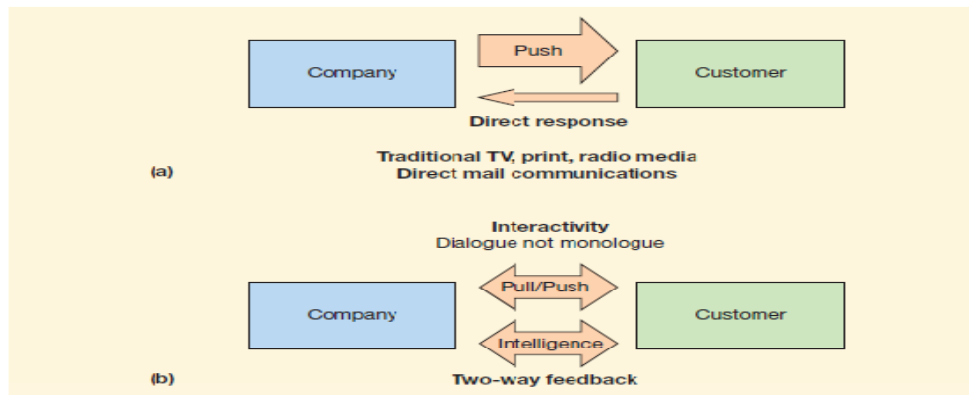
Given below is an example which will help you understand the application of Pull Marketing in a business situation.

For Example: Whenever, Nisha Malik wanted to shop online, the Amazon site appeared on top of the Search Engine list. It was so because Amazon continuously updates its content to suit the SEO requirements. Remembering the shopping experiences on the Amazon website, Nisha downloaded the Amazon app during the lockdown period to purchase necessary products and some essentials. The Amazon app soon becomes her go to space for shopping, as she engages in the Pull Marketing strategies implemented and used by Amazon, such as:

- ... The Amazon website and app sends a push notification to welcome Nisha on board.
- ... The app notifies Nisha each time about a new item added or an exclusive Amazon only offer.
- ... The app notifies Nisha on product she could add on her Wish list and the products that are offered on discount.
- ... She is redirected to the Amazon website and recently viewed products on Amazon, when she visits social media sites.
- ... During the pandemic Amazon also informs about their added product categories such as: masks, sanitizers, face shields, UV lights, gloves, etc. based on the demands of the environment.

Thus making itself all time relevant for the SEO, attracting and engaging the consumers with Pull strategies.

The figure given below shows the communication between the company and the customer using the Push and Pull/Push Marketing strategies.



Source: Digital Marketing (6th Edition) by Dave Chaffey, Fiona Ellis-Chadwick, Publisher: Pearson.

Activity 6

Explain how Swiggy/Zomato uses Pull Marketing Strategies in their business.

14.7 IMPORTANCE OF DIGITAL MARKETING

Digital Marketing tries to reach and engage its targeted audience by providing and using variety of new, innovative, cost effective and personalized ways. A well planned and made Digital Marketing strategy delivers greater Return on Investment (ROI) than the Traditional Marketing strategies.

For example, when it comes to printing of advertisements, in magazines or newspapers what many businessmen don't understand are the aspects of circulation. The total number of readers who in reality see your advertisement will always be lesser than the numbers in circulation. Since a large number of magazines/newspapers issues almost always remain unsold.

However, the Digital advertisements are easily customizable than the print advertisements. Therefore, making digital marketing less risky. For example, if you are running a digital campaign, you can easily change the targeted audience from time to time. Digital advertisements easily allow you to make real-time adjustments in your marketing plans.

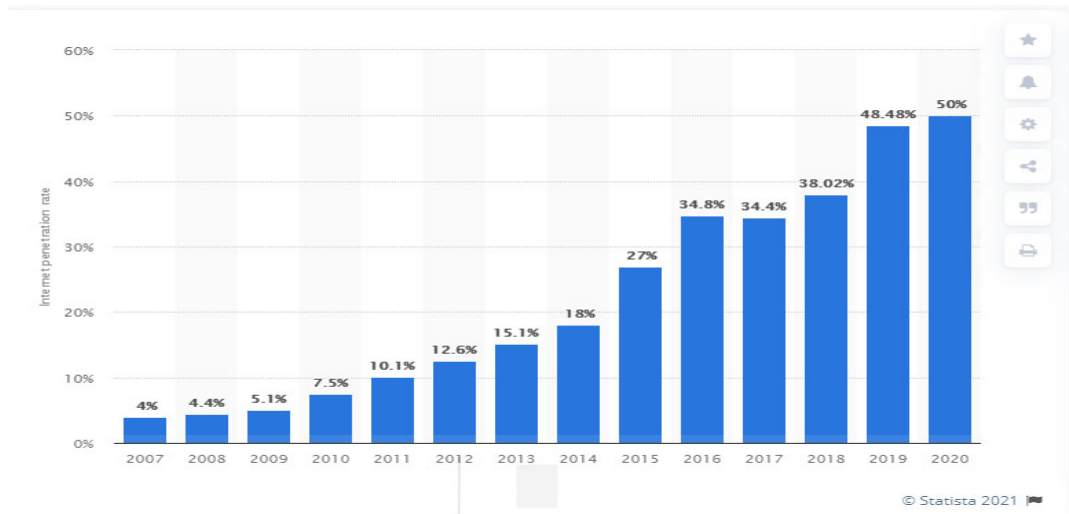
Digital marketing channel such as Google Ad words, charge based on Pay-Per-Click, rather than per impression. This means that the Cost per thousand impressions in some cases is zero. Therefore, digital marketing is the best bet for businesses with a limited budget that want to increase their chances of success.

Currently, the world without the internet is almost unimaginable. There are 4.66 billion active internet users all over the world, as of January 2021, which is around 59.5 percent of the world's population. 92.6 percent (4.32 billion) of this total, access the internet through mobiles. Internet is a fundamental pillar of the modern information society, connecting billions of people around the world.

Asia had the largest number of online users – over 2.3 billion as of 2019, whereas, China, US and India rank ahead all other countries. China and India have more than 854 million and 560 million online users respectively, however, large parts of their population is still offline.

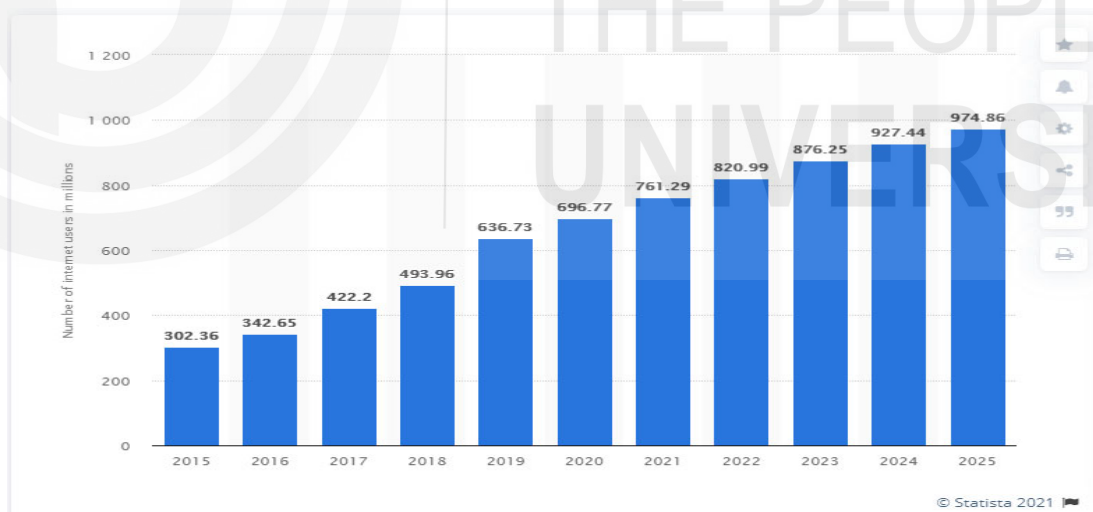
Discussed below are a few interesting statistics offered by Statista research data of India, that will help you understand the extent of penetration, usage and growth potential of Internet, Digital Marketing and Social Media for the success of any business.

Internet penetration rate in India from 2007 to 2020



The internet penetration rate in India has drastically grown around 50 percent in 2020, from about 4 percent in 2007.

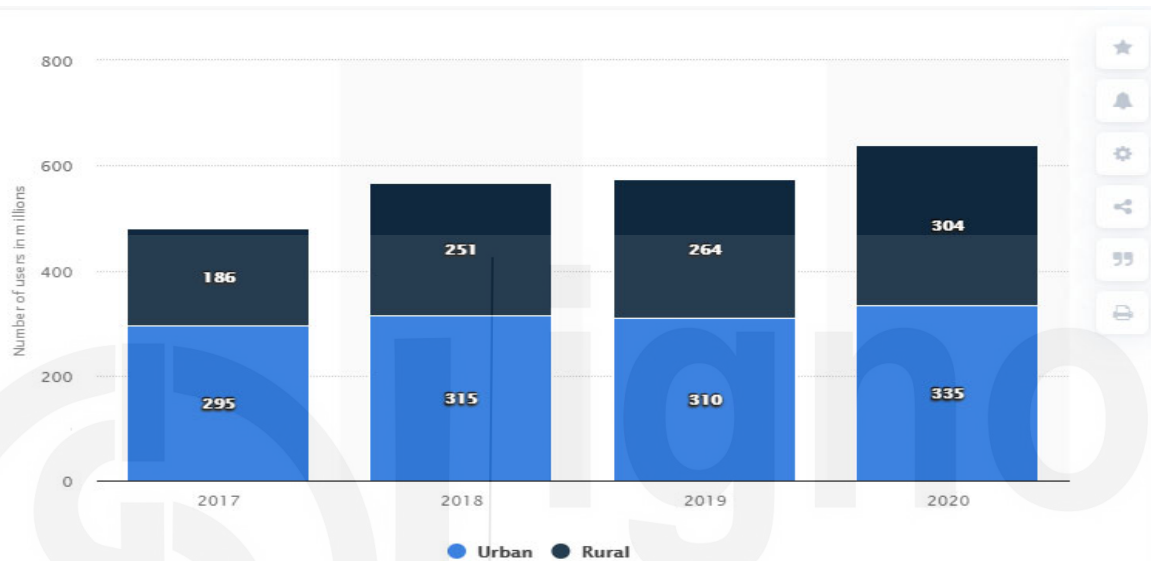
Number of internet users in India from 2015 to 2020 with a forecast until 2025 (in millions)



In 2020, it was estimated that India had almost 700 million internet users. This estimation is expected to grow more than 974 million users by 2025. This indicates a big leap in the market potential in internet services. In 2019, India was acknowledged second only to China as far as the largest online market of the world is concerned. Thus the rise of the Indian internet users is

expected to increase in both rural and the urban regions, promising a vibrant growth in the accessibility to the internet.

The Number of internet users in India - 2017 to 2019 (with an estimate for 2020 by region in millions)

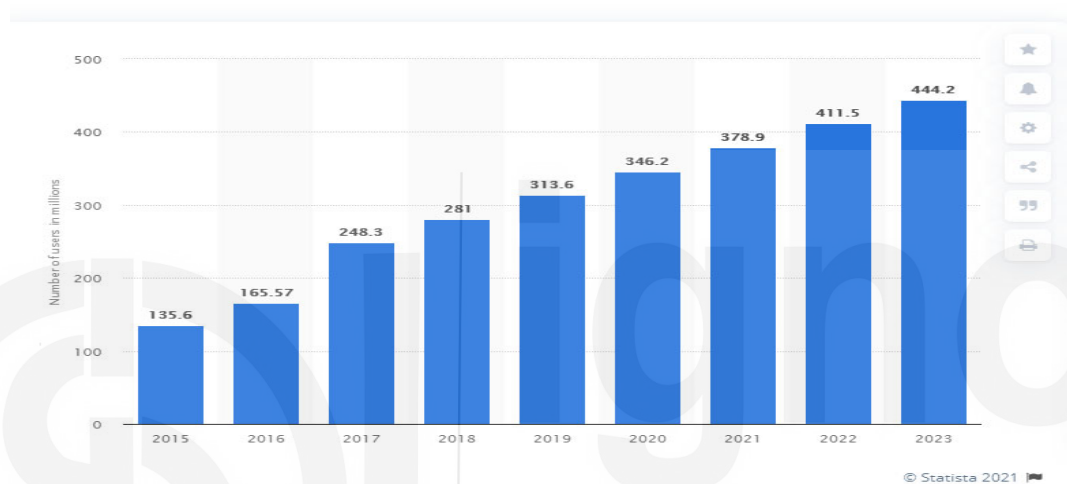


India's digital implementation has surprisingly been driven with high growth of internet users in the rural regions as compared to the urban counterparts of the country. It was found in 2019 that there were 264 million rural Indians who used internet, as compared to 310 million Indian urban internet users. It was estimated that by 2020, almost 304 million Indian rural users would be able to have access to the internet. This rise in Indian rural internet penetration is largely based on the improved availability of bandwidth, inexpensive data plans and numerous initiations taken by the government under the 'Digital India Campaign'. In 2019 more than 118 thousand villages and Gram Panchayats (small-town councils), have been equipped with the internet accessibility across India.

Researchers have observed that the number of women internet users or having access to internet is considerably lower as compared to their male counterparts. This bias is more evident in the rural India. In the same way, the use of internet is found low among the older adults possibly due to their internet illiteracy and the technology know-how. India's digital footprint can

significantly grow by encouraging the usage of internet among the sidelined groups which may also constitute the older people, the rural inhabitants and the women.

The Number of Facebook users in India - 2015 to 2018 (with a forecast until 2023 in millions)



The number of Facebook users in India is expected to reach 444.2 million in 2023, which has increased from 281 million of 2018. This indicates a stable growth and progress in the social media user base.

Benefits of using Digital Marketing for Business

Based on the above discussed statistics, it is clear that there is a significant increase in the user base, internet penetration and in the use of digital and social media. Thus, Digital Marketing becomes potential factor which can affect the success of the businesses.

Therefore, the following are some direct benefits of using Digital Marketing, based on the statistics discussed above:

- ... Marketing efforts that cost low and have higher flexibility.
- ... Easy accessibility to consumers using mobiles or consumers who indulge in online shopping.
- ... Ability to address with authority on product or industry related topics due to social media.

- ... Opportunities to involve with the influencers and make a rapport, earn their trust and respect and encourage them to endorse the brand.
- ... Chances to include and use various types of media in the marketing plans.
- ... It is able to track the customers' purchase journey, by following their digital foot-steps.
- ... Higher return on investment can be expected.

14.8 TYPES OF ONLINE PRESENCE

Chaffey and Ellis Chadwick (2015) identified four major types of online presence. Each of these online presences have different aims and purposes and are appropriate for diverse markets. We need to understand that these are not clear-cut defined categories of websites. A business may use any of these combinations of the online presence types and use it according to their market needs. As you review some websites on the internet, you may come across and note that an organization's website has different pages focusing on - services, sales and transactions, relationship-building, providing entertainment and news and brand-building.

The four major types of sites are:

1. Transactional e-commerce site

Transactional e-commerce sites enable online product purchase. The major contribution of this business site is through sales. The purpose of these sites is also to support the businesses by giving information to their consumers who choose to purchase offline.

For Example: Amazon, Big Basket, Myntra

2. Services-oriented relationship-building website

These sites give information to encourage buying, its consumption and build their relationships. Services and products listed on the site are not for purchase. However, information is given to the consumers to help them be informed and make their buying decisions. Their major business contribution is to encourage sales offline and to generate queries and leads from their potential customers. These types of sites provide value to their existing customers by giving them detailed information to support and help their purchase decision.

For Example: Hyundai, Tripadvisor

3. Brand-building site

This site just gives an experience to its consumers to support the brand. The services and products at this site are not for online purchase. Their major focus is to support the brand by developing an online experience of the brand for the consumer. These sites are typically for low-cost and high-volume brands.

For Example: Any Fast-Moving Consumer Goods (FMCG)

4. Portal or media site

This site offers news and information regarding various ranges of topics. The 'Portal' means or denotes to a gateway of information. The information is made available on this site in addition to information links to other sites. Portals generate revenue through variety of options – commission based sales advertising and sale of customer data (lists).

For example: MSN

Activity G: Visit the sites mentioned below and describe them.

- ... **Transactional e-commerce site** - Online retailers: Amazon (www.amazon.in) or Myntra (www.myntra.com)
- ... **Services-oriented relationship-building web site** - Volkswagen (www.volkswagen.co.in) or Phillips (www.philips.co.in)
- ... **Brand-building site** - ITC (<https://www.itcportal.com/brands-microsite/aashirvaad.aspx>)
- ... **Portal or media site** - Yahoo! (www.yahoo.com)

14.9 DIFFERENT TYPES OF DIGITAL MARKETING

We have already defined and discussed digital marketing in detail in the previous sections.

This section would help you know and understand regarding the various types of Digital Marketing services which companies or individuals opt to increase their digital presence.

The big brands or companies use almost all the below mentioned Digital Marketing strategies. Whereas, the small brands or companies with low budgets may consider investing only in a few to benefit them. The selection of strategy is majorly based on the kind of business and their business promotion goals.

The following is the list of various Digital Marketing types:

- ... SEM (Search Engine Marketing)
- ... SEO (Search Engine Optimization)
- ... PPC (Pay-per-click)
- ... SMM (Social Media Marketing)
- ... Content Marketing
- ... Email Marketing
- ... Influencer / Affiliate Marketing
- ... Viral Marketing
- ... Radio Advertising
- ... Television Advertising
- ... Mobile Advertising

1. Search Engine Marketing (SEM)

SEM usually includes PPC and SEO works. Attracting the traffic to the websites through search engines is challenging. Therefore, SEO and PPC are used to get website traffic through paid and unpaid means. Keywords are the foundation of the Search Engine Marketing strategy. Primarily one needs to recognize and classify the keywords relevant to the products, services or business. The keywords need to be relevant to the prospective customers' search query. This type of Digital Marketing strategy can be used by both big and small businesses to grow and attract traffic to their sites.

For example: The following are the suggested Keywords for a shop that sells cotton clothing.

Ad group	Keyword	Avg. Monthly Searches
Fabric	chenille fabric	8100
Fabric	chiffon fabric	18100
Clothing	clothe	14800
Clothing Store	clothing stores	110000
Clothing	cloths	40500
Cotton Fabric	cotton fabric	49500
Fabric By The Yard	cotton fabric by the yard	49500
Cotton Fabric	cotton fabrics	6600
Fabric	denim fabric	9900
Fabric Design	designer fabric	6600
Fabric Design	designer fabrics	6600
Discount Fabric	discount fabric	9900
Fabric	drapery fabric	12100
Dress	dress fabric	14800
Fabric	dress fabric	14800
Fabric	dressmaking fabric	12100
Fabric Dye	dylon fabric dye	8100
Keywords like: Fabric	fabric	673000
Fabric	fabric by the metre	12100

2. Search Engine Optimization (SEO)

SEO aims to improve the business for search engines, such as Bing, Yahoo, Google, and YouTube to name a few. SEO helps to move up the Search Engine Results Page (SERP) rankings of a website to enable better visibility while the users search online. A lot of consumers do not scroll to 'page 2' of search engines. Therefore, it becomes important and necessary to work towards generating more business from online searches. SEO takes time to give results.

The SEO works using the crawlers or robots to collect and index the data in the archives of the search engine. The research of keyword, its ranking and analysis, defines how a brand fairs against its competitors. Based on this, the website and its content is optimized to build quality links 'to and from', for search engines to crawl efficiently. SEO is continuous on-going strategy to attract traffic organically and the longer and more you invest in it, the higher and better results it would yield. It is suitable for both big and small businesses.



3. Pay-per-click (PPC)

PPC is a form of advertisement on search engines, like Yahoo, Bing, YouTube, Google etc. PPC is a method of pushing the website or product to the top of Search Engine Results Pages (SERP) using paid mechanism. The client's account is charged every time when the customer clicks on the adverts. The CPC (cost per click), is determined based on the website's quality score and the selection of keywords and its competition. It is advisable to successfully find the keywords that do not charge too much. PPC campaigns can be used a long-term or a short-term solution; many brands and companies also use it to promote seasonal deals, as a means to increase revenue. SEO works on the ranking 'earned', but through PPC the rankings on the first page can be 'purchased'.

Given below is an example of SEO and PPC

The image shows a collage of examples for PPC and SEO. On the left, there are three product listings for Van Heusen clothing:

- Van Heusen Shirts**: Shirts for men & women. Shop Now.
- Van Heusen Bottom Wear**: Complete your look with stylish jeans, chinos & more. Shop Now.
- Van Heusen Navy Sweater**: ₹2,212
- Van Heusen Green**: ₹1,975
- Van Heusen Navy Sweater**: ₹2,212
- Van Heusen Grey Sweater**: ₹1,975
- Van Heusen Maroon Sli**: ₹2,250
- Van Heusen Navy Sweater**: ₹3,000
- Van Heusen Nykaa Fash**: ₹1,975
- Van Heusen**: ₹3,000

On the right, a Google search for "seo audit services" is shown. The search results include:

- Ad - Shop van heusen sweater**: A product listing for a navy sweater.
- Ad - Van Heusen Online Store - Up To 50% Off***: A promotional ad for Van Heusen clothing.
- Ad - Van Heusen Shirts**: A product listing for shirts.
- Ad - Van Heusen Bottom Wear**: A product listing for bottom wear.
- Ad - Van Heusen Navy Sweater**: A product listing for a navy sweater.
- Ad - Van Heusen Green**: A product listing for a green sweater.
- Ad - Van Heusen Navy Sweater**: A product listing for a navy sweater.
- Ad - Van Heusen Grey Sweater**: A product listing for a grey sweater.
- Ad - Van Heusen Maroon Sli**: A product listing for a maroon sweater.
- Ad - Van Heusen Navy Sweater**: A product listing for a navy sweater.
- Ad - Van Heusen Nykaa Fash**: A product listing for a navy sweater.
- Ad - Van Heusen**: A product listing for a navy sweater.
- Search Results**: A list of search results for "seo audit services". The first result is "Certified, Proven SEO Company - Use an Agency You Can Trust" with a red arrow pointing to "ADWORDS". The second result is "SEO Audits | SEO Services | SEO Company | PushFire®" with a red arrow pointing to "SEO".

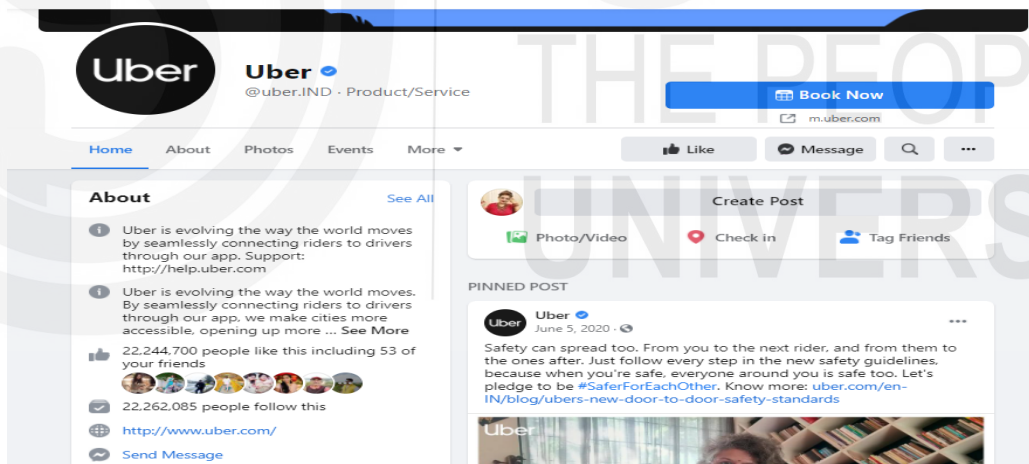
4. Social Media Marketing (SMM)

Social Media Marketing is the process of marketing through platforms such as Facebook, Instagram, Twitter, LinkedIn etc. Businesses require investing in the social media marketing so as to increase their following and also to reach new potential customers.

Type of business defines the type of social media engagement. For example, Facebook works well for B2C, but for B2B type of businesses LinkedIn works better.

Social media platforms mainly use the 'like' campaigns and targeted advertisements. The major goal of the social media pages is to continually engage and grow their social media following. For example, Facebook collects and shares the data about the individual's likes and interests, in addition, to their personal factors such as age, gender, location etc., with the brands. The sharing of this information enables the brands to design and create targeted advertisements. SMM can be used both a long-term and a short-term business needs.

Below given are a few Social media advertisements.



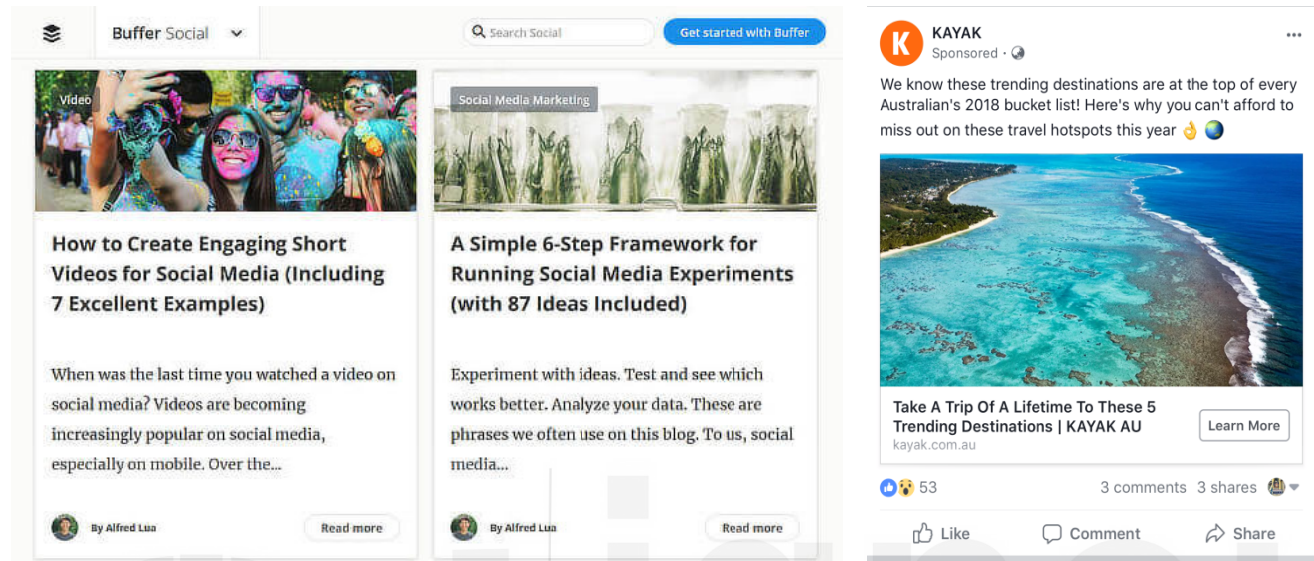


5. Content Marketing

Content marketing is a slightly different from the other types of marketing. It doesn't directly market or sell the products, services or brands to the customers. It rather creates a valuable and enriching content that improves the customer's overall experience. It can be observed that some of the biggest brands worldwide enthusiastically create and post entertaining and informative - images, videos and blogs related to their businesses. It's like promoting a brand without aiming to sell anything – it is simply providing news and information, which is engaging and enriching.

By posting images, videos and blogs, the brands thus, build loyalty among the consumers who visit the website/page for its content. For example, the brand Canon sharing informative and entertaining content about photography tricks or show beautiful sunset photographs from world over. Content marketing is about listening and understanding your customer's need and producing content they want and value. Content marketing is a long-term investment, like the SEO, and you need to work on it constantly to get better results.

Below given are few examples of Content marketing.



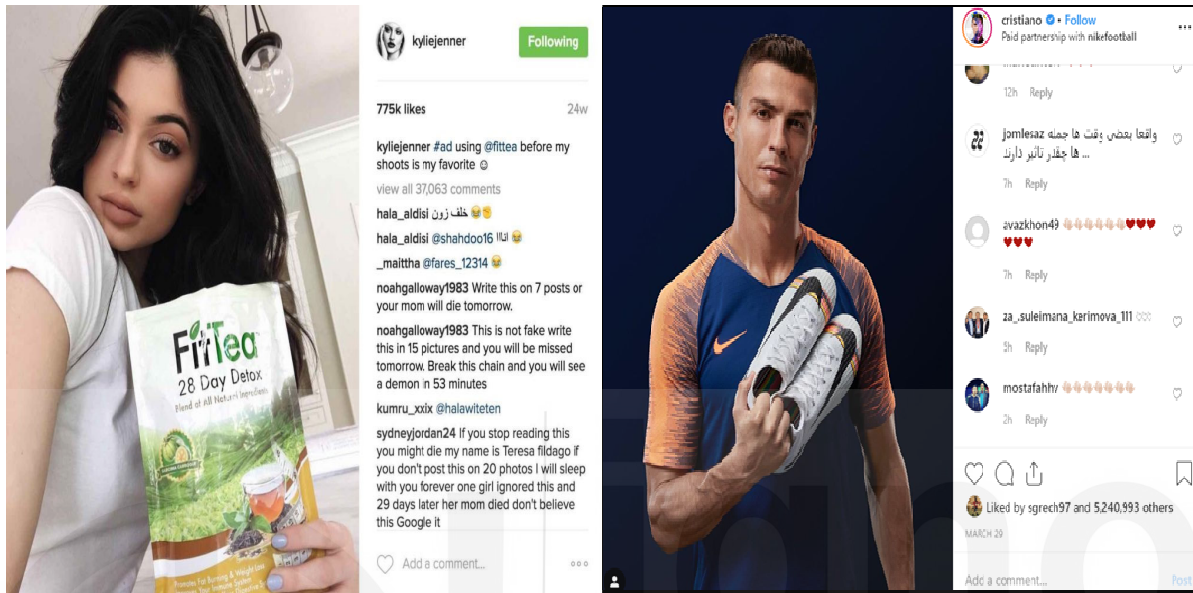
6. Email Marketing

It's a method of direct marketing where blogs, information, discounts and offers etc. are shared directly on the mail. Email marketing is tricky, because though the email reaches the inbox it needs to be eye-catching so as to be read. Sometimes, sending unsolicited emails may also land the brand in the spam box. It is a very nice way of reaching out to the customers, post purchase interaction or mailing the newsletters. It is generally considered a short-term technique, but it can be used for long-term too. For example, sending exclusive discount codes for a small duration is a short term solution to boost sales. Sending blogs and newsletters, to boost website traffic, is a long-term use.

7. Influencer / Affiliate Marketing

It usually uses individuals in position of 'power' or having large followers, on social media. Influencers assist the brands in promoting a service or a product to their audience. This mechanism has become very popular in the recent years, due to sites such as YouTube and Instagram, where brands engage a famous influencer, to endorse market their services or products on their social media handles or affiliate websites. These associations include, prize draws, sponsored blog posts, unique discount codes etc. Influencer marketing and Affiliate

marketing can be used as a short-term campaign, to enable more volume of sales or increased traffic on the website.



8. Viral Marketing

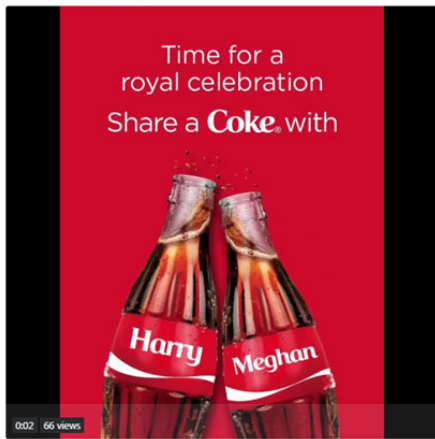
The aim is to create content pictures/videos/posts share-worthy – by making it on trend, funny and topical. Many brands use these as a smart means of promotion and advertising, by joining hands with popular viral content creators, influencers or promote it themselves.

This kind of promotion works successfully for B2C brands. It is by far one of the toughest types of Digital Marketing and is advisable to research which ideas succeeded or failed in the past. Once brand's content goes viral it not only increases the ROI, but also results in increase in brand awareness. For example:



Time for a royal celebration!
#ShareACoke 🍷

Follow



9. Radio Advertising

Radio advertising is one of the forms of Digital Marketing. Radio advertisements are a wonderful way to get a brand or a business heard. Radio advertisements can be designed for targeted consumers at different locations; it can either be at National or at Local levels. Apps such as Spotify, Ganna play advertisements to the non-premium users. These advertisements can be targeted based on demographic details such as the age, gender, location and much more – as the users information is shared with the brands.

RADIO ADS
TUNE-IN WITH YOUR AUDIENCE MUSICALLY. GET YOUR JINGLE FROM US AND SPREAD YOUR MESSAGE TODAY.

THE SMART WAY TO ADVERTISE ON RADIO
Book Radio Ads across India, the SMARTEST, EASIEST & CHEAPEST way

releaseocycad.com

10. Television Advertising

TV advertising is also counted as Digital Marketing. The social division and digital shift of TV advertising, offer huge options. Brands that want to advertise their products or services on TV without paying for costly prime-time slots can opt for it.

Marketers use this channel by linking personal data of the consumer with new delivery approaches such as - addressable ads, localization of ads, cross-channel marketing campaigns (when a consumer watches an ad on TV, the same would be displayed on digital devices reinforcing the ad's message.)

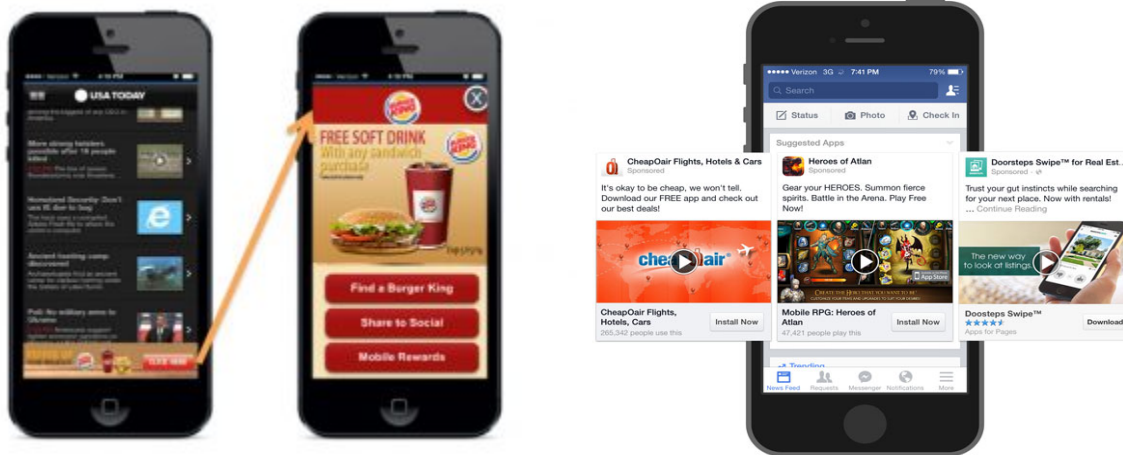
TV adverts remain as a chief component of the marketing mix of a brand. It is important to make and adapt strategies depending on the demographics and geography of the audience.



11. Mobile Advertising

Mobile advertising spans across all forms of digital marketing, whether it is social media ads, search ads, mobile TV ads or Radio ads. Businesses all over the world are moving towards mobile advertising as consumers spend most of their time on their mobiles than any other devices. Brands can target mobile users by applying geo-fencing.

One of the most prevalent strategies in the recent times is Geo-fencing - based on a consumer's physical location. It is a laser-focused strategy used by brands to clearly target a defined and appropriate audience.



14.10 FUTURE AND GROWTH OF DIGITAL MARKETING

Digital Marketing is an evergreen industry where the only constant is ‘change’. Marketers and entrepreneurs need to understand it. The following are a few emerging Digital Marketing trends to look forward to with specific emphasis on the marketing channels:

... **Advanced Chatbots**

As artificial intelligence (AI) develops, the Chatbots will be more useful for both – the customer support tools and the marketing channels. In the past, Chatbots were considered as annoying, inauthentic and disruptive; but with improvement in AI and machine learning, Chatbots now offer helpful solutions specific to users’ individual needs. For example, Facebook data finds that 56% of shoppers would rather send instant messages than to make a call to a support line. Chatbot is the best way to deliver instant answers to prospects and customers, allowing the brands to ascertain their sales.

... **Shoppable Social Posts**

Shoppable posts are still new to Instagram; however, they have already proven to be highly effective in generating conversions. For example, the latest data from Instagram states that 130 million users tap on Shoppable ads every month. E-commerce brands worldwide can capitalize on this opportunity of running Shoppable advertisements.

... **Optimize for Voice Search**

In a recent survey the Search Engine Watch found that 27% of global internet users utilize voice search on mobile devices. As more households tend to adopt the IoT (Internet of Things) technologies like smart speakers and personal assistants, this percentage of users is expected to rise in the years ahead. The regular SEO don't offer the same results as voice-activated SEO. In order to optimize the voice-activated SEO, brands need to focus on ranking of the 'long-tail' keywords, utilizing the FAQ section, and practice SEO optimization for the mobile devices.

... **The Rise of Micro-influencer Marketing**

Influencer marketing is still in its infancy, yet it offers a great ROI compared to more traditional advertising channels. As consumers continue to value 'individual recommendations', it makes more sense to invest in "micro-influencers". The Micro-influencers are social media users who have a much smaller but dedicated following. They can deliver truly authentic marketing messages to their trusting audience. Influencers' power is measured by their personal relationships with each individual follower, rather than the sheer number of followers.

... **Affordable**

Comparing it with other marketing platforms, Digital Marketing is one of the most affordable media to promote the product. With digital media, it has become very easy. For example, if you are a real estate company, you can promote your new project on social media by reaching thousands of people at one time. Creating an ad on Facebook hardly costs around ₹40 per day, which is not expensive. The average cost per click is ₹0.52 to ₹2.3. Spending lakhs of rupees on a single ad and spending just ₹40 per day can yield good results.

Many industries and new start-ups, are all heavily investing in the digital marketing activities. They are looking for people who can devise and implement digital marketing strategies that suit their needs.

... **Interactive Content**

The fastest-growing trend in recent times is Interactive Content. In 2021, it is expected that shift from traditional text-based content toward dynamic, engaging content that offers users an immersive experience. For example, embedded calculators, polls and quizzes, 360-degree videos, augmented reality ads, to name a few. People like interactive content, not only because it is original and fresh, but also because it makes customers feel more connected to the brand and more involved in their purchasing process. Such contents are more engaging, more memorable and more likely to produce the results based on the needs of the business.

... **Growth of Geo-Fencing**

The idea of marketing services, products or brands to the customers based on their location is not new. However, this market of geo-fencing by 2023 is expected to increase to about \$2.4 billion, along with the increase in the mobile usage.

Geo-fencing permits real-time targeting, using the location details of the users. For example, the target area to market is defined as, say, within a 5 Kms of a Resto-bar. Whenever a user enters or leaves this 5 Kms area, the user receives a text message, a push notification or another form of marketing communication. Researches done in the past have shown that people often open a push notification on their mobiles - 54% of the users get 'converted' from the segmented push notifications, as compared to 15% only from the broadcast messages. Research also shows that 52% of the mobile users enable the 'push notification' on their mobiles. Geo-fencing becomes an extremely important and vital strategy for businesses and industries that need to convert digital users into 'brick-and-mortar' customers.

14.11 SUMMARY

In this unit, we have described and presented some of the most widely and effectively used Digital Marketing strategies. These strategies as and when adapted, can help any brand and organization to scale up to have an active and effective online presence.

We also learnt about some techniques to target the right audience and to encourage them to remain loyal to the organization and brands. For example, let us make a Digital Marketing plan summarizing what we have learnt so far.

14.12 SELF-ASSESSMENT QUESTIONS

1. Distinguish between Traditional Marketing and Digital Marketing.
2. Explain the main benefits that a company selling fast-moving consumer goods could derive by using Digital Marketing. Substantiate giving examples.
3. What is the relevance of 'Geo-fencing' to marketing? Substantiate giving examples.
4. Explain how Digital Marketing can be used to increase market penetration in the existing markets and to develop new markets. Give examples for the same.
5. Assume you are the marketing manager of a large real estate company, with branches in several Tier - 1 cities in India, suggest and discuss the HOW and WHY of different digital marketing strategies to reach your target audience.

14.13 KEY-WORDS

- ... **CPC or Cost per Click:** The amount a business or advertiser is paying per one click on their ad.
- ... **Crawl or Crawling:** The process of scanning a website to discover new pages, updated pages, or removed or redirected pages. This is done by a Googlebot, or 'Spider,' either when a user uses a search engine, or when an advertiser is indexing (see: Index) a website from the backend.
- ... **Display Advertising:** A type of online marketing that uses images or video to communicate their ad, rather than text-based advertising. Display advertising is used across platforms like Google AdWords, AdRoll, Facebook, Instagram, and more.
- ... **Google AdWords:** Google's pay-per-click (PPC) advertising platform. AdWords allows you to build, manage, and optimize campaigns, ad groups, ads, and keywords within a single account.

- ... **Influencer Marketing:** A marketing strategy that involves identifying and engaging with influencers and their audiences in an effort to increase brand awareness, brand-audience engagement, and sales.
- ... **Keyword:** In Search Engine Optimization, it is a word or set of words that help make up a site's metadata and describes what is on a web page. When used correctly, a keyword should help users find a web page based on their search terms.
- ... **Search Engine:** A software or platform that searches the Internet based on user queries. The search engine will then present the found information in the form of a search engine results page (SERP).
- ... **SEM or Search Engine Marketing:** A form of PPC marketing that targets users' search engine results in the form of relevant ads and results.
- ... **SEO or Search Engine Optimization:** Incorporating factors such as keywords, good copy, and back links in order to drive traffic and affect the visibility of a site organically. This is done by optimizing the content of a web page and increasing its relevance to certain keywords. By doing so, the website is more likely to show when a user searches for the targeted keywords.
- ... **SERP or Search Engine Results Page:** The resulting list a user receives after typing in a search query in a search engine. It may be a mix of ads and organic search results.
- ... **Website:** An address on the Internet made up of a collection of web pages that are connected to one another in order to host information and data.

14.14 FURTHER READINGS

- ... Digital Marketing (6th Edition) by Dave Chaffey, Fiona Ellis-Chadwick, Publisher: Pearson.
- ... Principles of Internet Marketing - New Tools and Methods for Web Developers, Jason I. Miletsky, Course Technology, Cengage Learning.

UNIT 15: OTHER EMERGING ISSUES IN MARKETING

Objectives

After studying this unit you should be able to:

- understand the unique characteristics and changing dynamics of services marketing
- discuss the concept, benefits and strategies of digital marketing
- appreciate the evolution and relevance of rural marketing
- understand the need and importance of green marketing
- define customer relationship management
- introduce the concept of online behavior advertising
- develop an understanding of new concepts like sensory marketing, online behaviour advertising, Direct to Consumer (D2C) and Consumer to Consumer (C2C) Marketing

Structure

15.1 Introduction

15.2 Changing Landscape of Services Marketing

15.2.1 Concept of Services

15.2.2 Differentiating Services from Physical goods

15.2.3 Marketing Strategy for Services: The Extended Marketing Mix

15.2.4 Technology Interventions and Service Delivery

15.3 Digital Marketing

15.3.1 Introduction to Digital Marketing

15.3.2 The advantages of digital marketing

15.3.3 An overview of some Digital Marketing Strategies

15.4 Rural Marketing evolution, relevance and trends

15.4.1 Importance of Rural Market in India

15.4.2 Nature of Rural Marketing transactions

15.4.3 Challenges faced in rural marketing

15.4.4 Marketing challenges and Rural Marketing Strategies

15.5 Green Marketing

15.5.1 Meaning and Importance

15.5.2 Green Marketing Mix

15.5.3 Problems Associated with Green Marketing

15.6 Relationship Marketing

15.6.1 Elements of Relationship Marketing

- 15.6.2 Role of Sales Force in Relationship Marketing
- 15.6.3 Relationship Marketing in Direct Marketing
- 15.6.4 Relationship Marketing in Retailing
- 15.6.5 Concept of Customer Relationship Management (CRM)
- 15.6.6 Advantages of CRM
- 15.7 Overview of some latest marketing trends
 - 15.7.1 Sensory Marketing
 - 15.7.2 Online Behavior Advertising
 - 15.7.3 Consumer to Consumer (C2C) Marketing
 - 15.7.4 Direct to Consumer (D2C) Marketing
- 15.8 Summary
- 15.9 Key words
- 15.10 Self-Assessment Questions
- 15.11 Further Readings
- 15.12 References

15.1 INTRODUCTION

Note: Dear Student Dear you will find that Unit 13 and Unit 14 are briefly touched upon once again in Unit 15. The rationale is to be in line with the title of the block and hence they are being discussed from a different perspective.

We are all familiar with the term “Technology” in some form or the other either by using a smart phone, riding a bike, driving a car or may be watching an action movie in a multiplex. In all these situations we are knowingly or unknowingly being exposed to different kinds of technologies and their adoption and as customers and end users we are adapting these technologies to our convenience to satisfy the inherent needs and desires. Therefore, technology can include a highly sophisticated mother computer, artificial intelligence, a robot or even simple tools like hammer and wheels. In a nut shell, Technology is the application of scientific knowledge to achieve practical ends.

Technology is centuries old in its existence and with passage of time it continues to advance in precision and sophistication and expanding into newer fields or sectors of an economy.

Now let’s look at the technological ecosystem of the 21stcentaury which is characterised by new age technological innovations and development which has led to the dawn of the new

economy. As with other components of economy and society, the marketing landscape too has evolved drastically during the last couple of decades.

The marketing era that started during 1950s had placed the customer at the focal point and paved the way for the relationship marketing in the 1990s where customer attraction and customer retention were the core objectives. Thus the perspective and strategies so evolved led into the era of digital marketing era in the early 2000s. Today's cutting-edge marketing combines the best of traditional as well as digital channels to market products and services. The rise in income, and increased buying power of new emerging consumers coupled with technological innovations has replaced the old standardization, in product and services, and given way to customization that was unheard in the past.

Purchase process and experience too has drastically changed with the advent of online shopping, which has made buying and selling a 24 hours business with ease of on-door delivery. This 24x7 commerce has exponentially increased the direct interaction between the marketers and consumers. Loaded with the data of how consumers interact and behave online, marketers are able to customize their offering further, be it the most sought-after colour or most preferred payment mode. New avenues of personalisation are made possible only through behavioural targeting. This level of personalisation, thoroughly enjoyed by consumers, also increases customers' privacy concerns.

Technology has also affected the services sector in an unprecedented manner. With increased and easy availability of information, companies are now better placed to design more efficient marketing strategies across consumer and distribution channel. All these newer avenues bring forth numerous challenges as well, sustainability and green concerns has also caught attention of marketers and consumers alike.

In this unit we shall discuss major emerging issues in marketing in the 21st century like digital marketing, and green marketing. An overview of relationship marketing and to understand the concept and importance of customer relationship management will also be talked. Some key insights will be discussed into the unique treatment that marketing of services require. The growing importance and dynamics of rural marketing and its challenge is also being covered. We conclude the unit by sharing the latest of marketing trends like sensory marketing, C2C and D2C respectively.

15.2 CHANGING LANDSCAPE OF SERVICES MARKETING

Let us first understand what comprises of service sector and why is it considered so important for any economy. The broad spectrum of activities covered under services sector include hospitality sector, banking and financial services, insurance, transport and communication, real estate, healthcare, community, social and personal services etc. The services sector is one of the major contributors to country's economic growth. It not only attracts substantial foreign investment, contributes significantly to export but also provides huge employment avenues. Figure 1. Represents some of the prominent brands of services in India.

Figure 1: Overview of services brands



15.2.1 Concept of Services

“A service is any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product”. Kotler, 2004

Service consumption is an inherent part of our daily lives. All of us avail a range of services every day on a routine basis like using internet, talking on phone, using metro and cab services to reach our colleges and place of work, withdrawing money from ATM/banks, eating out at restaurants to ordering food online. This service consumption may range from

routine low involvement decision making (that does not require too much money or risk) to high involvement (that requires a lot of money and risk) for example choosing a University for higher education, medical and healthcare services, banking and investment, planning a luxury cruise etc.

Activity 1

Try to note down any eight services availed by you today from the time you woke up till the time you sleep!

S.No.	Service Used	Service Provider (Brand)
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		

15.2.2 Differentiating Services from Physical goods

“There are no such things as service industries. There are only industries whose service components are greater or less than those of other industries. Everybody is in service.”

Theodore Levitt

If you recall a product is anything that has a value for consumer and can fulfill his/her needs. This product can be in the form of a physical good (FMCGs, Electronic items, Apparel, automobiles etc.) or in the form of intangible services (banking, tourism, academic and healthcare etc.). All the products are comprised of both the tangible and intangible elements. If we try to place these tangible and intangible elements at two extreme ends of a goods service continuum (refer figure 2) we will observe that most of the goods and services do not fall on extreme ends but come as combination of both the elements that are distinct and discrete.

Figure 2



Categories of Service Mix

- i. **Pure tangible good:** The offering includes tangible goods which do not require any added services eg. FMCGs like soap, toothpaste, confectionary items etc.
- ii. **Tangible good with accompanying services:** Offerings include tangible products accompanied by few services like installation, maintenance and after sale services eg. Automobiles, electronic gadgets etc.
- iii. **Hybrid:** As the name suggests in these offerings both the components (physical good as well as intangible service) are equally important e.g. restaurants, hotels etc.
- iv. **Major service with accompanying minor goods:** offering is predominantly intangible service which may be accompanied by some physical goods eg. Airline services
- v. **Pure services:** Primarily includes the service component without any associated tangible good eg. Consultancy, Insurance, psychotherapy etc.

Activity 2

Think of different physical goods or services that come under the different categories of service mix. Also provide the name of the brand that comes to your mind.

S.No.	Category of Service Mix	Goods/services	Brand
1.	Pure tangible good		
2.	Tangible good with accompanying services		
3.	Hybrid		
4.	Major service		
5.	Pure Service		

15.2.3 Marketing Strategy for Services: The Extended Marketing Mix

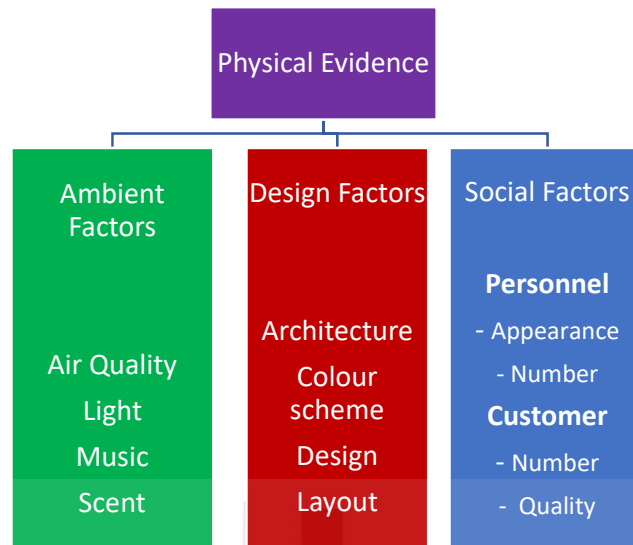
The marketing mix of goods includes the 4 Ps namely, product strategy, price strategy, promotion strategy and place strategy. There are certain unique characteristics of services that require a separate treatment in terms of marketing strategy. These characteristics are:

- i. **Intangibility** – Services do not have a physical form, you cannot see, taste, smell or feel the services beforehand and hence it is difficult to sample and evaluate them. For example, how could you sample a hair transplant or a Luxury cruise?
- ii. **Inseparability** – Services are produced and consumed simultaneously which means that the service provision and consumption happens simultaneously. It is also difficult to separate the service delivery from the service provider. Can you think of treatment without a doctor? a barber, plumber construction worker etc.
- iii. **Perishability** – Services do not have a shelf life. They cannot be saved or stored for later consumption.
- iv. **Variability** - As humans beings/personnel are inherent part of service delivery and while performing a certain service inconsistency is bound to occur which is inherent in-service provision. The service provision is also very specific to the customer who is being served.

In the light of the above-mentioned unique characteristics of services it was observed that the traditional marketing of 4 Ps was inadequate. Hence additional 3 Ps were added to the mix namely physical evidence, people and process respectively.

Physical Evidence: Evidence of service quality through the tangible cues like the ambient, design and social elements at the service facility. Service quality is demonstrated through proper designing of place, people, equipment, communication material, symbols etc. Most service providers try to include certain tangible elements into their service offering to augment customer experience. For example, when you visit a beauty parlor or a doctor's clinic, you will find well designed waiting areas, often with stacks of magazines and luxurious sofas to read and relax while waiting. Similarly, restaurants also put in a lot of thought and money in designing their interiors to create a quality perception and memorable experience to their guests.

Figure 3: Components of Physical Evidence



People/Personnel: Personnel are the inherent part of service delivery and the face of the company for the consumers. Think of any service be it restaurant, bank or even departmental stores, all of them are known not only for their tangible offerings but also the service provided by its staff. Personnel perform not only the operational but also marketing related roles. For example, you must have had an experience in beauty salon that the personnel not only provide you the requested service (operational role) but also tries to suggest different packages available (marketing role of cross selling).

Process: Refers to methods and procedures used to deliver the service to the consumer. The process may include:

- Service personnel coming to the consumer to provide service eg. Urban Company sending personnel to provide a variety of services like parlor services, mechanics, cleaners, drivers, painters and a host of other similar service providers.
- Consumer going to the service facility to avail the service eg. Restaurants, medical services, tax consultants etc.
- Services delivered through mediums like internet, telephone, for example online banking, online stock broking, online air and rail tickets etc.

Depending upon the nature, duration and frequency of service encounters the services can be further classified into two viz:

i. High Contact Services:

These services involve personal visit of the customer to the service facility, active involvement with the service organization and its personnel during service delivery. Medical and hospital services, restaurant and hotel services etc.

ii. Low Contact Services:

These services require minimum physical contact between the customer and service providers. Service provider and the consumer communicate through mediums like mail, telephone and internet etc.

Activity 3

Visit a few cafes/restaurants and carefully study and compare the following components of the physical evidence:

- i) Colour such scheme of interiors
.....
- ii) Music played
.....
- iii) Scent used
.....
- iv) Furniture/seating arrangement
.....
- v) Uniform of personnel
.....
- vi) Exteriors
.....

15.2.4 Role of Technology Interventions on Service Delivery

With the advent and use of new technology although the broad service category or need remains constant the product form has altered, for example.

- Traditional cinema halls are replaced by Multiplexes, but they still fulfill the need for entertainment
- Traditional banking services are being replaced by online banking, ATM, Debit and Credit cards etc.

Though there are cases where technology has drastically altered or a decline is observed in certain category of services, for example Internet surpassing traditional postal services which was hitherto a high contact service delivery model.

With the onset of technology and far-reaching impact of technology interventions in general and information technology (IT enabled services) in particular, the whole platform and interface of service encounters and service delivery has undergone a sea change. Many of the service offerings which were categorized under high contact services like banking, commerce (retailing), restaurants, academics (teaching and learning process from K G – P G) etc. are now delivered through a low contact format eg. Online banking, ATMs, online shopping, online food delivery services, online education/learning etc. This transition along with the innumerable benefits compels the marketers with newer challenges differentiation, process management to nurture and monitor on a continuous basis.

Activity 4

List down any five of the services in which you switched from a high contact to a low contact format with the use of information technology (internet) and provide the service providers name:

S.No.	Service Aailed	Service Provider
1.		
2.		
3.		
4.		
5.		

15.3 DIGITAL MARKETING

One of the many challenges faced by every business today is to catch the customers’ attention. Marketing has assumed an even more critical role in not only attracting, engaging but also retaining the customers. With the entry of large number of big and small players, the domestic as well as global markets are becoming saturated. This saturation has led the marketers into exploring and using newer platforms for reaching out to the customers. Internet has emerged as an efficient way to reach and attract a larger number of tech savvy consumer base.

People usually get confused between Marketing and Digital Marketing. So, prior to moving ahead let's get this confusion be cleared in the minds of the people. Digital marketing is not different from marketing. The principles and significance of marketing remains the same. Digital marketing is just one of the many different marketing mediums and platforms.

15.3.1 Introduction to Digital Marketing

Digital marketing is a broad term that describes all the marketing activities to promote a given product or service using any form of digital channels and requires the use of an electronic device such as a smart phone; laptop, a P C etc. It includes all the platforms from Television ads, digital billboards, to social media. Digital marketing communication is not limited to the internet only.

Internet marketing, as the name suggests refers to any marketing activity that requires internet to connect with the audience. It is a subset of digital marketing. The whole focus of Internet marketing is to build online presence for the product or service being marketed. With the advent of internet, this mode of marketing becomes critical for companies to connect, engage and retain its customers.

The following comparative table will make it easier to understand the difference between the two:

Marketing Strategy	Digital Marketing	Internet Marketing
Email Marketing	✓	✓
Social Media Marketing	✓	✓
Web Design	✓	✓
Pay per click advertising	✓	✓
Search Engine optimization	✓	✓
TV advertisements	✓	x
SMS Alerts	✓	x
Digital Billboards	✓	x

Rise of Digital Marketing is accelerated by the increase in Smartphone and internet usage. People, now a days, prefer talking and meeting people online rather than in person. Due to this shift in human nature and psychology, our ever-innovative marketers came up with newer ways to connect with people, and that is, online – over the web or internet.

15.3. The advantages of digital marketing:

- i. **Universal reach** – Allows all marketers whether small or large to reach new markets and carry out their business globally
- ii. **Cost Effectiveness**- Digital marketing provides a more targeted and lower cost option of reaching the right customer
- iii. **Results are easier to measure and track** – with the help of various sophisticated web analytics tools companies can measure the effectiveness of their websites and promotional campaigns.
- iv. **High level of customization** and personalization by making use of the customer database which is usually linked with the company's website. This database helps the company to profile their customers more effectively and position their offerings to well identified segments.
- v. **Improved conversion rates** – Presence of a website makes the whole process of purchase very easy and simple. It requires lesser efforts on the part of consumer as compared to the traditional methods of shopping.

15.3.3 An overview of some Digital Marketing Strategies:

i) Email Marketing

Engaging the consumers by sending the promotional content and advertisement through emails is termed as email marketing. Businesses usually maintain email directories for email marketing. It provides information and spreads awareness about the offerings (product or service) of the organization. It is the most subtle way to initiate conversation with your prospects.

ii) Search Engine Optimization

Search engine optimization, in short known as SEO, is the process or procedure to make the content of our website efficient with respect to the keywords that are entered by the users in the form of search queries in search engine. Keywords are at the heart of SEO. Keywords vary with niche you are operating in. Based on the ethical practices, SEO can be performed in three different ways, namely, White Hat SEO, Grey Hat SEO and lastly Black Hat SEO.

SEO is majorly responsible for getting our website or a webpage ranked on top of Search Engine Result Page (SERP).

iii) Social Media Marketing

The term seems quite self-explanatory as it includes social media in it. No doubt, this area of Digital Marketing is gaining a lot of attention and popularity, as most of the youth and college going population is heavy users of social media platforms. And therefore, this is the most favorite and liked media channel by people because they are in touch with this tool.

Social media marketing refers to connecting with people, sharing or exchanging information, promoting our offerings and creating awareness about our existence over the social media platforms. Most used social media platforms are Facebook, Instagram, LinkedIn, Pinterest, Twitter, Quora, and so on, the list is quite long and unending.

So, organizations use these platforms, the most, to stay in touch with the people, as more than half the entire population of earth is online right now while you are reading this.

iv) Facebook Ad

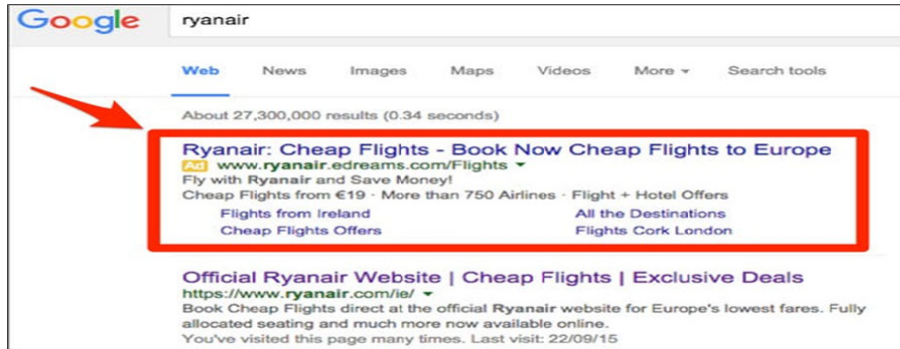
Facebook has a vast user base. It does not only provide platform for people to connect but also aid organizations to promote their offerings. It provides advertisement services as well, and advertising on Facebook is the most economical of all the options available. And it's not only economical but also the effective and efficient one, the one that fetches you good results. Facebook help companies/businesses to find themselves their customers/audience.

v) Google Ad

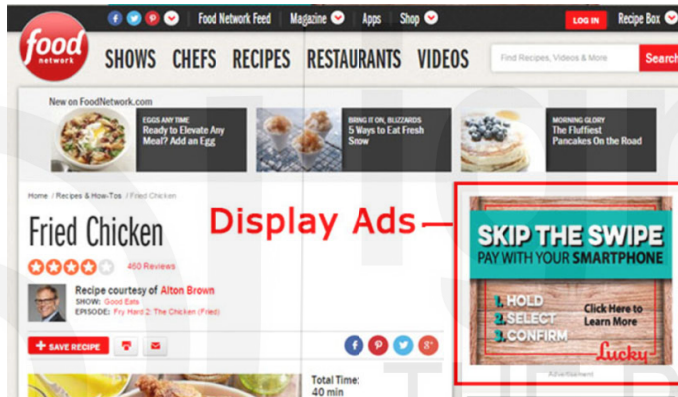
This is the advertising services offered by Google. On an average Google receives more than 3.5 billion search queries on a daily basis (Bond, C.2020). Of course, they are all of different niche. Google offers different formats of ads, like, Search ads, Display ads, and Video ads.

Let's take look at how these formats look like

a) Search ad



b) Display ad



c) Video ad



vi) Web Analytics

Just running an ad campaign or a website is not enough. One must be well aware of the performance of its website and ads. And therefore, to help businesses measure their performance, analytics tool is provided to them by the platform owner. For example, to track and check the performance of your ad campaigns over Google, Google provides Google Analytics. Similarly, how your ads are doing on Facebook can be tracked via stats provided by Facebook Ad Manager.

Analytics gives us a fair and clear picture about whether our efforts, time and money are getting up well and heading right direction or not. And therefore, Web analytics is one of the major areas of Digital Marketing that is to be taken care of.

vii) Search Engine Marketing

Search engine marketing promotes website's visibility in the search result of the search engine. It is of two types – firstly Paid advertising and secondly, the free one, Search engine optimization (SEO) we have already seen earlier, so, let's have a look at the paid forms. There are different forms of paid advertising solutions that include

- a) Pay Per Click (PPC) – where the advertiser only has to pay when his/her ad is clicked upon by the user
- b) Cost Per Thousand Impression (CPM) – in this advertiser is charged on the basis of number of times the ads is shown for the concerned query
- c) Cost Per Acquisition/ Cost per Customer – it analyses the cost incurred for acquiring a single customer.

Activity 5

Answer the following

- a) Digital marketing is often referred to as _____.
 - i) online marketing
 - ii) internet marketing
 - iii) web marketing
 - iv) All of the above

- b) Which of the following is a type of digital marketing activity?

- i) Email marketing.
 - ii) Social media marketing.
 - iii) Web Analytics.
 - iv) All of the above
- c) What is not true about digital marketing?
- i) Digital marketing refers to marketing products or services using electronic devices.
 - ii) Digital marketing can be done online.
 - iii) Digital marketing cannot be done online.
 - iv) Digital marketing includes internet marketing.
- d) Search page engine optimization refers to _____
- i) Programming keywords into a website
 - ii) Each page of a website for design
 - iii) Number of links appearing in your website
 - iv) The number of search engine sites a website

15.4 RURAL MARKETING

15.4.1 Rural Market in India

With about 65.5% of population living in the villages (World Bank, 2020) and generating nearly half of the national income, the rural market has a very significant and critical place in the Indian marketing environment. The huge potential of this rural market along with the saturation in urban markets has caught the interest of all the companies big and small to explore and exploit the growing demand for all product categories and services offerings being offered by the businesses.

An Overview and Importance of Rural marketing

The underlying reasons for the growing importance given to rural marketing and the need for a suitable framework of marketing strategies for the rural market are diverse in nature. Firstly, the fact that not only a huge proportion of the population is residing in the villages but also their purchasing capacity is increasing. According to Indian Brand Equity Foundation

(2021), the rural FMCG market is expected to grow to US\$ 220 billion by 2025. The rural markets are witnessing higher rate of growth in the FMCG sector as compared to their urban counterpart. Major players in the category of FMCG like Hindustan Unilever Limited (HUL), Nestle, Britannia, ITC, Marico etc are targeting the rural market in a big way. Rural segment is also seen as a very lucrative segment by the electronics and Smartphone companies thanks to the significant young population living in Rural India. This segment has higher brand awareness, evolving aspirations, internet access and affordability.

Secondly, the marketers have also realised that the characteristics and challenges of rural markets are very different from the urban markets. The needs mindset and behaviour of rural consumers is not like their urban counterparts, so in order to tap the huge rural potential marketers need to create innovative and creative solutions appealing to this section of rural buyers.

Rural consumer represents a very different and distinct socio-economic and lifestyle profile. The whole decision-making process adopted by a typical rural consumer right from need identification, information gathering, evaluation of alternatives, and impact of reference groups to the final purchase is unique and different. Marketers still do not have an adequate pool of knowledge to understand all facets of rural consumers and require having deeper insights into the buyer behaviour.

15.4.2 Nature of Rural Marketing Transactions

Initially rural marketing was synonymously used with agriculture marketing, but the spectrum of transactions and activities that come under rural marketing is much wider and deeper.

- ... Rural marketing involves marketing of rural agricultural products in urban markets. Agricultural produces included food grains and industrial inputs comprising of sugarcane, cotton and oilseeds etc.
- ... Rural transactions also include the sale of agricultural inputs like fertilizers, pesticides, high yield variety seeds, power tillers, threshers and harvesters etc. in the villages.
- ... Transaction of non-agricultural products produced by village industries and cottage industries like soaps, handicrafts, handloom textiles, paintings and heritage crafts etc. to the urban markets also comes under rural marketing.

- ... Rural marketing also involves goods and services produced and created in the villages and consumed locally within the village. These include products like pottery, local carpentry, hairdressing and tailoring etc.
- ... Today rural marketing transactions include sale and consumption of products and services of various organized player across the category of consumables (FMCGs), durables and services. From transactional marketing there is a move towards long term commitment and a holistic marketing approach for the rural markets. Rural markets witnessed a higher growth rate in the consumables as well as durables as compared to their urban counterpart.
- ... Big players like HUL with their initiatives like Project Shakti and ITC with its e-Chaupal are working for community mobilization, innovating distribution channels and brand activation. Organised retailing has also started, some of the popular examples are Chaupal Sagar, Hariyaali Kissan Bazaar etc. Companies also started CSR initiatives like ITCs Sunehra Kal.

15.4.3 Challenges in Rural Marketing

Rural market undoubtedly is one of the most attractive destinations for all the brands, but it is not free from challenges. This market is not only large, but also geographically scattered. The rural market is quite complex and cannot be considered as a homogenous segment because of the multiplicity of languages spoken, wide variations in the economic conditions and socio-cultural norms prevalent there. The major challenges in tapping this rural market are:

- i. **Low per capita and seasonal income:** A considerable proportion of rural population is dependent on agriculture for their livelihood. This makes their employment seasonal in nature. The agricultural situation determines the rural demand. Therefore, the demand is not stable or regular in view of the inconsistencies of the climate and weather conditions prevailing at a given point of time. The per-capita income is also low in villages compared with urban areas.
- ii. **Distribution bottlenecks:** Even today still many rural areas are not properly connected by proper road and railway transport. It is nearly impossible to reach some far-off villages. These logistic challenges often lead to high distribution cost.
- iii. **Communication problems:** The communication infrastructure is still underdeveloped. There still exists low level of literacy and the presence of many

languages and dialects further complicates the whole communication process. Traditional media channels also are not that effective in reaching the wider rural audience.

- iv. **Presence of fake and spurious brands:** Due to high level of illiteracy and lack of brand awareness the rural market is flooded with fake and spurious brands.
- v. **Differing Buying behaviour:** Rural Consumers are very different from their urban counterpart. They believe in collective decision making and are deeply influenced by culture, customs and rituals. Many of the decisions and purchases still require social sanctions. A typical rural consumer faces different constraints and possesses different needs.

Activity 6

The rural environment poses a range of opportunities and challenges for the marketers.

Explain with reference to:

- a) Marketing of banking services (SBI)

.....
.....
.....
.....

- b) Telecom (BSNL)

.....
.....
.....
.....

15.4.4 Marketing challenges and Rural Marketing Strategies

To enter and sustain in the rural market, companies and marketers have understood the need to rethink and redesign the whole marketing mix. The strategies designed for the urban markets will not yield the results in the rural scenario owing to huge economic, socio-cultural differences. The traditional marketing mix including the 4 Ps needs to be revisited and redesigned to match 4 Ps as viz. ***Product-Acceptability; Price-Affordability; Promotion-Awareness; Place-Accessibility.***

The above rephrased 4Ps of marketing mix elements for rural markets and their specific needs and wants and the proposed solutions and strategies is discussed below.

Product Strategy:

Challenge: While in the urban markets there is a demand for augmented and differentiated products, the rural market still operates at the basic level of product classification. The products are still at the introductory or early growth stage of PLC (Product life cycle). The rural consumers want a basic, durable and ‘no-frills’ product. They also lack proper exposure and awareness. The problem is further aggravated by the presence of fake and spurious products.

Solution: Product innovation as well as adaptation is required to meet the needs, habits and lifestyle of the rural consumer. In case of FMCGs there are a lot of product adaptations in terms pack sizing (small pack sizes and sachets) and variants e.g. Colgate toothpaste, chick shampoo, tiger biscuits etc came out with small packs and sachets for the rural market.

Let us see some of the very interesting product innovations:

- IFFCO Bazar, the e-commerce portal of Indian Farmers Fertiliser Cooperative (IFFCO), is available in 12 Indian languages and provides free home delivery across India.
- CEAT Specialty, a division of CEAT, launched its new range of farm tyres “Vardhan”. Vardhan is designed to perform activities related to core farming.
- LG introduced LG Sampoorna Television which had an onscreen display in regional language. Acting on the marketing insight that rural households usually have larger family-size and that power cuts are very common in villages, LG came out with a washing machines with higher load capacity and memory backup so that the washing function may resume from where it was interrupted by the power cut!
- Micromax came up with Macromax Xli which promised a 30-day battery backup
- Philips Free Power Radio was designed in such a way that it required one minute winding instead of a battery.

Branding strategy

Rural population has a higher recall for colours, numbers, and symbols. Brand names incorporating these elements have a higher brand resonance and recall. Some of the examples of brands using these elements are:

Colours - Lal Dant Manjan, Lal Battery, and Brook Bond Red label

Numbers - Godrej No.1, 555, 502 Pataka, Brook Bond A1

Logos and Symbols – Ghari Detergent, Rath Vanaspati, Wagh Bakri, 3 Roses Tea, Katchua Chaap, Cycle Agarbatti

Price Strategy

Challenge: Majority of rural population has a seasonal nature of employment; the per capita income is generally low and many of the consumers are daily wagers.

Solution: Affordable pricing is one of the most important consideration Key point to remember is that the rural consumers want ‘**value for money**’ products not ‘**Cheap**’ products Hence, fitting the consumer needs into an affordable price point is the priority and then other features of product are designed accordingly. Pack sizes and price points are very critical for sales. Smaller pack sizes sold at lower price have more acceptance than larger packs.

Promotion Strategy

Challenge: Unlike the urban markets where the issue faced by companies is to find ways of differentiating their offerings and breaking the clutter; rural market poses different set of challenges like finding innovative ways to reach and communicate with the rural audience due to the lack of literacy and media reach in the rural market. The objective here is awareness creation and education.

Solution: The rural promotion should include a lot of unconventional platforms like mandis, haats, melas, mills, primary health centres, pilgrim sites etc to reach to mass audience.

Innovative promotional techniques like puppet shows, folk theatre, songs, demonstrations, posters, and wall paintings are often used to create awareness. Video and demonstration vans are also gaining popularity, they provide ‘touch and feel’ experience to the rural audience. Radio jingles can be used to create awareness and brand recall. For example, LIC uses a lot of puppet shows to create awareness regarding life insurance. Colgate and Lifebouy carry out a lot of camps in local schools to create awareness regarding hygiene.

Activity 7

(a) You want to create awareness regarding health and hygiene in the rural areas. What promotional techniques will you use?

.....
.....
.....
.....
.....
.....

(b) Think of an innovative jingle and slogan for radio to have high association and recall

.....
.....
.....
.....
.....
.....

Place Strategy

Challenge: Lack of proper infrastructure like roads, railways lead to high distribution cost which along with non-availability of retail outlets poses a serious problem in entering the rural markets. Less than half the villages are connected through motorable, all weather roads.

Solution: Apart from the conventional distribution channels the following options are also used:

- a) Rural Marketing Vehicle (RMV): For establishing grassroots contact and provide ‘touch and feel’ demonstrations, RMVs are used.

- b) Melas and Haats: The importance of haats, melas and mandis as distribution channels is attributed to their sheer numbers and footfalls. Around 47,000 haats held throughout the country mostly on a weekly basis. The number of melas organised is 25,000 annually whereas there are 7600 mandis operating in India which provide one of the most used mediums of interaction with farmers.

15.5 GREEN MARKETING: A BRIEF INTRODUCTION

By now we are familiar with the term “green marketing”. What comes to your mind when you hear this term? Some common associations that come to the mind are "organic", "eco-friendly," "recyclable," or "sustainable". There is a reason why the concept of green marketing is gaining so much importance. Recent years have witnessed a rising concern with regards to the problems of climate change, ecological imbalance, rising carbon footprints, depleting natural resources and overuse of non-renewable resources. Today we are all discussing the issues of air pollution (poor air quality Index), plastic in oceans, global warming and food waste. These environmental issues influence all human activities, including business. This is particularly true for marketing. Today, there is an increasing interest and demand by both consumers and companies to adopt more green and sustainable practices.

The idea of green marketing emerged as the delayed response to minimise the harm that was done to our planet by the companies as well as society at large. Brands have understood that they need to change their missions and practices from revenue driven approach to environmentally responsible business practices with long term sustainability in mind. For example, ONGC, India’s largest oil producer is working to invent green crematoriums, which will replace funeral pyres that use excess oxygen and emit smoke.

15.5.1 Meaning and Importance

In simple English, green marketing refers to selling products and services by featuring their ecological advantages. Green marketing is an important and popular component of sustainable marketing. It refers to systematic designing, developing and promoting products and services in such a manner that they fulfil the needs of the consumers with respect to quantity, quality and price without negative impact on the environment and natural resources.

It promotes the adoption of an ideal marketing mix to maximize profits for the company while meeting the sustainability norms. The focus is to fulfil the consumer needs with no or minimum harm to the natural environment. Green marketing includes a broad spectrum of activities, including product redesigning and modification, changes to the production process, use of recycled packaging etc.

Factors Enabling Adoption of Green Marketing:

Businesses, consumers and society at large are of the opinion that a lot of damage has already been done to the planet. Having understood the extent of damage occurred in the last few years due to the limited resources available have been indiscriminately used to fulfill the limitless human wants.

It's time now for firms to wake up and initiate alternate ways and means to develop innovative strategies to fulfill the needs of the consumers with minimum use of natural resources and little damage to the environment. There are several reasons which have led to the rise in adoption of green marketing practices by companies.

- i. **Environmental concern:** Rapid depletion and rising prices of natural resources is making it mandatory for the companies to think of sustainable solutions going green is an environmental responsible decision. It is believed that India is the third largest emitter of greenhouse gases. Reducing these greenhouse gases will reduce the carbon footprint and untimely will help in reducing the global warming.
- ii. **Government pressure:** Government agencies, regulatory bodies and policy frameworks are also encouraging sustainability and green practices. Several regulations have been implemented by Governments to keep a check on the hazardous waste produced by firms and many environmental licenses are also issued to control the production byproducts.
- iii. **Rising Consumer awareness:** There is a rising awareness and concern regarding the composition and sourcing of products and the consumers are also eager to have to socially responsible products and services that are harmless to the ecosystem
- iv. **Economic advantages:** Reduction in wastages will reduce operating costs of the business and this will save more. Eco-friendly business equipment like, use of natural lighting, water conservation will not only save costs but also improves the image of business in the eyes of the customers, potential investors, communities and government.
- v. **Competitive advantage:** Another significant importance of green marketing is that it helps firm to maintain competitive position in the market. By and large firms notice competitors improving their natural practices. There are instances where competitive pressure has caused an entire industry to alter its practices and thus reduce its negative environmental impact.

- vi. **Innovation:** Green marketing helps to design many products and services that are not only economically affordable but also satisfy the human needs. For example, SBI used Eco and power friendly equipment in its ATMs; which not only saved power costs but also earned them carbon credits.

15.5.2 The 4Ps of Green Marketing Mix

Product: The raw materials considered while developing a green product include the sourcing and ingredients used in making the products, for example natural, organic and eco-friendly material is used, raw material is sourced from local suppliers; emphasis is also given on adopting lean processes of production to reduce carbon footprints. A very good example is that of Nestle which emphasizes on the sustainable use of natural and non-renewable resources. It works closely with the farmer communities and has engaged more than 100,000 milk farmers. The company also uses a lot of recycled material in its packaging. Another example is of Godrej which was the first brand to make soaps with chemicals which do not harm the marine environment. IndusInd Bank installed the country's first solar-powered ATM and initiated an eco-savvy move in the Indian banking sector.

Price: Green products are usually more expensive than the traditional products freely available in the market because of the ingredients that are used to make them. For example, organic food grown with natural fertilizers may be more expensive than those foods not utilizing natural fertilizers this higher price act as a hurdle in the mass acceptance for many green products. Companies need to reduce this price barrier. Also, there is a need to create the value of green products in the eyes of the consumer so that he doesn't mind paying a little extra to maintain a cleaner and greener environment.

Place: In order to reduce the carbon footprints and unnecessary fuel consumption sustainable distribution strategy uses a variety of efforts like using alternative energy sources, arranging for transportation with minimum emissions and optimizing distribution routes. Selling through Internet as compared to a shop also saves business resources.

Promotion: Sustainable promotion involves creating awareness amongst consumers regarding the environmental and social issues. Businesses and marketers should create awareness regarding the company's sustainable practices. Many consumers are still not aware

of the environmental, social and ethical initiatives undertaken by organizations. More and more public relations initiatives should be undertaken to create grass root awareness.

15.5.3 Problems Associated with Green Marketing

There are many challenges in adopting green marketing:

- 1) **New Concept:** Green marketing is relatively a new concept. Though buyers and sellers are getting more and more aware about this concept but it still requires more education. There is a need to make the masses aware about the green marketing.
- 2) **Need for standardization:** Not all marketing messages claiming to be green are actually green. There is no standardization currently available that could certify a product as authentic organic.
- 3) **Patience and Perseverance:** The green marketing is a movement that will require a lot of patience from the marketer as well as consumers. Marketers need to see green marketing as a long-term investment and this investment will not provide immediate results.
- 4) **Investments:** Green technologies require a lot of investment in research and development.
- 5) **Green Myopia:** In the zeal of producing a green product, the companies should not lose sight of the primary consumer need. There is a need to understand why a customer is purchasing a product. And then inspire the consumer to switch to environment friendly products. In other words, Green marketing should focus on both making the product green and achieving customer satisfaction.

Green marketing is much more than just marketing and earning profits. It is a way to give back to the nature, to help the environment in regenerating itself. There are still gap areas to fully understand green marketing and use green marketing on a day-to-day basis. It is extremely important that green marketing becomes the norm rather than an exception or just a fad.

Activity 8

List four green marketing initiatives that FMCG companies can adopt:

- i).....
.....

- ii).....
.....
- iii).....
.....
- iv).....
.....

15.6 RELATIONSHIP MARKETING

The primary objective or focus of marketing is to create strong and long-lasting relationship with all your customers. Companies do this by creating personal connections with the consumers, engaging them and making them feel ‘valued’.

You may recall the concept of marketing evolved from the production concept which worked on the principle of ‘make and sell’ to a holistic concept which emphasized on sensing the needs of all the stakeholder viz. customers, employees, suppliers, and the whole community at large. This led to a shift in the approach of the marketers from Transactional Marketing to Relationship Marketing. This brings us to the concept of transactional marketing. Transactional Marketing is a marketing technique used by businesses to attract consumers with a sole focus on one-time sales and profit while relationship marketing aims to retain the customers by satisfying their needs continuously. A tabular comparison of these two marketing concepts is represented below:

Basis	Transactional Marketing	Relationship Marketing
Meaning	Transactional Marketing is a marketing technique used by businesses to attract consumers with one-time sales.	Relationship Marketing is a method in which the main objective is to have a sustainable long relationship with customers and satisfy their needs continuously.
Time horizon	Short term involvement	Long term engagement
Customer goal	Attracting new customers	Customer retention
Customer loyalty	Low	High

Customer interaction	Minimum	Maximum
Nature	Centred on getting an order	Centred on repeat orders
Sales objectives	Maximization of current sales	To become the preferred supplier in the market.

Relationship marketing aims at creating a “Marketing network” which includes not only the company and consumers but also all the other stakeholders like employees, suppliers, distributors, retailers, advertising agencies, etc. All the stake holders work to create mutually beneficial business relationship in the form of strong economic, social and technical ties.

In relationship marketing the focus shifts from transaction to relationship building. Transactions move from being negotiated every time to a routine based task which in turn leads to decrease in transaction cost and time. In such a situation competition is between marketing networks rather than between companies, and the golden ball goes to those who have built better networks. The basic principle is simple. Build an effective network of relationships with key stakeholders and continue to benefit.

Firms nowadays are following a new trend known as relationship-marketing programs to stimulate usage and customer loyalty. For example, Myntra has launched a program known as Myntra insider which gives customers early access to new sales and extra discounts than regular customer, this is for those people that are regular buyers from the platform, the idea here is to encourage and reward customer loyalty. The reward for Myntra is that over a period of time they get a sustainable base of a loyal customer group and not switchers.

Many companies start “Club” membership and provide membership to the existing customers as a part of their relationship programs. These club memberships help in creating long term sustainable relationship with the customers by providing them special benefits and giving them preferential treatment in comparison to non-club members. This idea has taken off in the last decade, it is used by retail chains (Shoppers Stop), airlines, Gyms, hotel chains, online shopping platforms (Amazon prime, Myntra) etc. Induce loyalty in customer through monetary incentives and various schemes like club membership, loyalty point and vouchers. Airlines provide frequent flyer points to reward their loyal customers. Major retail chains also provide membership cards to provide benefits and rebates to loyal consumers. For example, Shoppers Stop First Citizen cards. Zomato Gold membership card etc.

It is very important for the marketers to determine the “lifetime value” of their customers. Till recently the customers lifetime value was solely determined by their profitability in terms of sales however now it also includes the consumers’ behaviour in terms of their referrals (positive word of mouth and reviews), and knowledge sharing (information and feedback provided by consumer).

15.6.1 Elements of Relationship Marketing: The relationship-marketing program incorporates the following three key elements:

(A) Identifying and building marketing databases of potential and present customers:

In relationship marketing, the focal point is to establish a company-wide database of detailed customer information. Once potential customers have been identified, marketers capture and store data about their names, contact information etc. in short, all the relevant data in a database for future communication. The data warehouse collects and stores the data at a central place, the data analysts use the data-mining techniques to profile and segment the customers and understand their lifestyle patterns. Advertiser then use more personalized and targeted media channels to reach and engage the customers.

Most of these databases can be built using secondary data. Furthermore, companies are known to buy data from “data brokers” and can further classify and verify data from their data base and the one bought from data brokers. This new data can be used to initiate contact with new potential customers.

(B) Delivering customized messages to targeted audience:

For advertisers, more precise targeting means greater impact. This specific targeting can be achieved as per the product or service being offered and study of consumer’s media consumption habits. Relationship marketing helps in understanding the lifestyle and media consumption habits of present as well as potential customers. For instance, if you are selling Jam, tea or snacks you will want Mass media advertising (Television advertising etc.) to go on air at morning or evening when people are having breakfast and, in the evening, when families are gathered around the television. Timing and media utilized are crucial in this case. Various media for message delivery are utilized presently but are categorized primarily under print and digital.

Social media advertising has seen a sharp rise in prominence in recent years as more and more eyes are glued to social media, via such a medium company can create customized

messages which are very potent can convert a potential prospect to a customer, all this is only possible when an enhanced database containing volumes of necessary data have been acquired.

(C) Tracking the relationship for better media utilization

Technological and media innovations along with the increased digital marketing initiatives help the advertisers to measure and understand the effectiveness of different advertising campaigns and media channels. Relationship marketing emphasizes on tracking the cost of acquiring and maintaining customer relationships over the years. Again, marketing research plays an important role in this phase of relationship marketing programs. Follow-up is usually done by research studies.

15.6.2 Role of Sales Force in Relationship Marketing:

In today's cut throat competition the role of sales personnel has become more critical. Their role is not restricted to just one transaction but in the creation of long-term partnership. New gen salespeople are becoming more market-focused and customer-oriented. They are not only concerned about producing sales but also aim at generating customer satisfaction and creating long term associations. Relationship marketing emphasizes that important accounts need focused and ongoing attention. The best salespeople are those who are not only highly motivated and good at closing sales (closers), but also customer problem solvers and relationship builders. In relationship marketing sales persons and their client work as a team, where the sales person assumes the role of a solution provider by identifying and understanding the specific needs of the client and customizing the products/services accordingly. Digital platforms like company websites and databases further help the sales executives in prospecting and targeting the potential customers as well as cross selling and engaging the existing customer.

15.6.3 Relationship Marketing in Direct Marketing:

Relationship marketing has been in practice since the time when direct marketing included the use of catalogues by retailers to promote and sell the products directly to the consumers to provide a "human contact". It has not lost its significance even in the current era of digital transformation where the manufacturers try to reach, communicate, engage and sell the products directly to the end users via digital channels. Earlier relationship marketing included editorial write ups, customized content to engage with the audience, for example cookware catalogue providing recipes and menus etc.

Today direct marketing players use a lot of relationship marketing initiatives to engage the customers which include

- Sending information about new products and discount options.
- Providing information about new products in which the consumer may be interested based on previous purchases.
- Taking customer feedback.

15.6.4 Relationship Marketing in Retailing:

Retailers have long realized that the cost and efforts required to attract new consumers are more than retaining the existing ones. This long and profitable relationship is possible only if there is a mutual give and take. The retailer needs to create a holistic retail experience, keep track of the customer's activity and satisfaction and finally create maximum contact points with the customer. Relationship marketing emphasizes on a symbiotic "win-win" relationship between the retailer and customer where the retailers prosper in the long run by attracting, retaining, making profits etc only when the customer also gains by receiving personalised treatment and good value. Otherwise, retailers lose (shoppers patronize competitors) and customers lose (by having to spend time and money learning about other retailers).

ICT has made it much easier to develop a customer database that contains information about the shoppers' attributes and past shopping behavior. This makes communication with the consumer better, more frequent, and more focused. All the major retailers indulge in a lot of relation marketing practices like providing loyalty points, membership cards, sending personalized SMS and emails intimating the consumers about new products, deals and discounts etc.

Benefits of Relationship Marketing:

Relationship marketing helps in generating customer loyalty and secures a customer for life time. There are innumerable benefits of having happy and loyal set of customers. Loyal customers are easy to service, do not deflect and spread positive word of mouth. Because of the trust which is gained over a period of time the customers are ready to try new offerings of the company. Continuous feedback mechanism which is a prominent feature of relationship

marketing helps the company to improve its product and service offerings. Loyal customers act as partners and often provide innovative insights for the company.

Activity 9

State whether true or false

- a) Relationship marketing aim at maximization of current profit from transaction.....
- b) Sales persons do not have much role to play in relationship marketing.....
- c) The focus of relationship marketing is on maintaining a central database of all the customers.....
- d) Loyalty points and memberships are some of the strategies used in relationship marketing.....

15.6.5 Concept of Customer Relationship Management (CRM)

Have you ever had an experience where you had gone to any well-known stores like Shoppers Stop, Lifestyle etc. and after shopping the personnel at the billing counter took some of your details like birthday, anniversary etc. offered you membership cards and once you reach home, you start getting SMS and emails asking for feedbacks, telling you about new offers and sales, wishing you on your birthday! Yes, this is CRM in practice.

Customer relationship management (CRM) is a set of practices, techniques, and strategies used by businesses to monitor and interpret customer relationships and data during the customer lifecycle.

It is a process that focuses on creating a deeper, richer, and better relationship with consumers, resulting in consumer satisfaction, regular contact, and long-term commitment. It is all about developing and sustaining long-term consumer business relationships. It is a strategy to develop stronger relationships with the customers by identifying and tracking their needs and behaviour.

CRM helps an organization in maximizing interactions with customers, suppliers, or prospects via one or more touch points like a call centres, sales representatives, Website, or e-mail – for the purpose of acquiring, retaining, or cross-selling customers.

An important part of CRM is to identify and classify different types of customers and developing specific strategies for engaging and communicating with them. Examples of such

strategies include rewarding and developing better relationships with profitable customers by providing them membership benefits, loyalty points and various other incentives; identifying and locating new customers who can be profitable and attracting them with various offers, and finally finding the unprofitable customers and managing them accordingly.

The whole process of attracting, engaging and retaining the consumer requires a number of tedious tasks which can be automated some examples of CRM marketing automation include:

- Sending of thank you message after every purchase.
- Offering greetings on special occasions like birthdays, anniversaries etc. along with promo codes.
- Sending information about new products and discount options.
- Sending an email to people that abandon purchases in their shopping cart without buying.
- Providing information about new products in which the consumer may be interested based on previous purchases.
- Intimating the consumer when a product in his/her wish list goes on sale.
- Taking customer feedback.

Activity 10

Search and write down the relationship marketing (CRM) strategies followed by the following

- a) Reliance Jio
.....
.....
.....
- b) Big Bazaar
.....
.....
.....
- c) Flipkart
.....
.....
.....

15.6.6 Advantages of CRM

- i. Improves customer service and enhancement of speed of delivery.
- ii. Helps in identifying potential customers.
- iii. CRM emphasizes on training and development of the employees to become more customers oriented which leads to increased customer retention.
- iv. Real time analysis of data collected from consumers.
- v. Increase in long-term relationships: By treating the customers as partners and involving them in the process of product designing as well taking regular feedbacks for service improvement, the firms can promote long term associations.
- vi. Higher return on investment.
- vii. A central database helps keep track of customer activities.

15.7 OVERVIEW OF SOME LATEST MARKETING TRENDS

15.7.1 Sensory Marketing

Has it ever happened that while walking through the gallery of a shopping mall a strong aroma of coffee caught your attention and you ended up having a coffee and muffin from the café! Or the colourful ambience, fresh lime fragrance and cheerful music triggered your appetite? These are the examples of sensory marketing. Sensory marketing as the name suggests refers to the marketing strategy adopted by the companies to target at least one or a combination of consumer senses namely the sense of vision, smell, taste, hearing or touch. That is the reason why the a lively, loud and fast music is played in the quick service restaurant to speed up the consumption while a fine dining restaurant plays soft, soothing and slow music.

Sensory marketing focuses on the human brain and the five senses to attract and retain the consumers. This is done to trigger an emotional, cognitive and behavioural response from the consumer.

The benefits of sensory marketing include:

- i. Building a sense of familiarity and trust with the brand
- ii. Creating a memorable experience which lead to positive brand associations

iii. Improving customer loyalty

Next, to help you gain a better understanding of sensory marketing and branding let us look at some of the examples:

- Dunkin' Donuts implemented a large-scale sensory branding campaign in Seoul, South Korea in which air infusers, fitted in the local city buses released the fragrance of freshly brewed coffee whenever the Dunkin Donuts jingle was played. After the jingle the buses would stop close to a Dunkin Donuts outlet.
- Luxury car manufacturers use “engine sound enhancements” along with the new car smell and work on the sound of the car door closing. These are all carefully planned to inspire feelings of excitement, safety and luxury.

By adopting these strategies brands are able to connect with the consumers on the emotional level. Brands nowadays are doing a lot of research and spending their time and money in determining what type of sensory cues can create a positive and memorable message.

15.7.2 Online Behavioural Advertising

One of the major phenomena which is affecting the whole landscape, content and focus of advertising is Online behaviour advertising. Online behavioural advertising (OBA) is the practice of collecting data from a particular computer regarding internet browsing activity for the purpose of understanding and predicting user's preferences to deliver highly personalized advertising. So, whenever we visit a website, search some information, tweet on twitter, post on Facebook, write blogs, our activities are being monitored continuously.

These activities also include online purchasing patterns and time spent by them on any internet platform. The data is often collected by marketers and advertisers and then they organize, aggregate and distribute this data among relevant data **fiduciaries**. In a nutshell, OBA is nothing but an internet advertisement provided by marketers to relevant customers based on their online behaviour. Let's consider the case of Harsh. Harsh was reading an article on The Hindu, titled 'Go Back to Bicycles'. The article was about climate change and how modern vehicular transportations like; cars are making the climate worse by their CFCs emissions. The writer gave a suggestion to cycle more. Later Harsh went on Flipkart and searched cycles. Later, on the same day he noticed the advertisements of cycles over every

website he visited. This is the classic example of OBA. Now, the question is why do marketers use this technique?

Online behavioral advertisement is a path breaking marketing technique that brings several opportunities for both marketers and customers. As the ads are personalized, customers get relevant offers leading to better user services. This indeed uplifts customer relationships. When a consumer notices an ad for the product which interests him, he immediately clicks on it. This is far easier and faster for the consumer than to manually navigate himself to that website. Hence, higher efficiency in online shopping is on the table. This increases the sales and profits of the marketer. Let us consider another example of OBA. But this time let's take OBA a step forward to understand the depth of this phenomenon.

15.7.3 Consumer to Consumer Marketing (C2C Marketing)

Consumer to Consumer Marketing or C2C e-Commerce is gaining a lot of popularity nowadays. It includes online transaction or selling of goods and services between consumers. C2C e-Commerce provides the individuals a platform to sell something they no longer need or to sell products made by them in a home-based business. This transaction is facilitated by a third-party website or online interface. This third-party site takes care of the smooth conduct of transaction and charges a small commission for the same.

Consumer-to-consumer e-Commerce helps consumers to buy and sell directly with other consumers without having a middleman, or maintaining their own offline or online storefront. Some of the examples of this model in India include OLX.com, Quikr.com and Ebay.in etc. Consumers can buy and sell anything right from furniture, electronic items, bikes, mobiles to flats.

Certain problems associated with C2C marketing include difficulty in payment mechanism and inconsistency in product quality as many times consumer-to-consumer trades are for second-hand goods.

15.7.4 Direct to Consumer Marketing (D2C marketing)

Direct to consumer marketing involves direct promotion and selling of products and services to the end consumer, thereby removing all the intermediaries. In direct-to-consumer marketing companies manufacture, promote, sell and ship the products independently and establish direct contact with the end consumers.

Today, markets worldwide are witnessing the rise of direct-to-consumer brands across categories from beauty, personal care, fashion to food and beverages, India is no exception. Some very popular D2C brands include Sugar, WOW Skin care, Freewill, Bare Anatomy Zivame, Nat Habit, Mamaearth, Lenskart, Licious, Healthkart, Country Delight etc.

This rising popularity of D2C brands can be attributed to rising internet penetration, evolving consumer needs, customized offerings, convenience and seamless processes. The companies involved in D2C marketing have a very clear value proposition and try to connect with the consumers at a very personal and emotional level. With efficient use of technology and innovative marketing these companies are able to achieve high level of operational efficiency. Making use of the consumer data to draw consumer insights and by having feedback led business model, D2C brands are able to develop products as per the evolving needs of consumers.

15.8 Summary

Marketing of services require a separate treatment because of its unique characteristics of intangibility, inseparability, variability and perishability. So, services marketing mix includes additional 3 Ps namely Physical evidence, personnel and process. Just any other sector, the landscape of service delivery has metamorphosed due to the rapidly changing technology.

Digital transformation has brought about a sea change in the interactions between companies and consumers. Digital marketing which encompasses a number of strategies like email marketing, search engine optimization (SEO), social media marketing, web analytics etc. has led to better customer engagement, customized communication and trackable results.

Marketers have understood that India lives in *Bharat* i.e. in rural hinterland. The huge untapped potential of this rural market along with the saturation in the urban market has led all the companies across different product and service categories to redesign the whole marketing mix. Product innovation, affordable pricing, use of unconventional promotional and distribution channels are the key to exploit the full potential of this market.

Last few decades have seen a shift from transactional marketing to Relationship marketing which focuses on consumer retention and sustainable long relationship. Customer Relationship management (CRM) aims to create a deeper, richer, and better relationship with consumers, resulting in consumer satisfaction, regular contact, and long-term commitment.

Climate change and environmental concerns have been given due importance by companies, consumers and policy makers. Sustainable marketing and green marketing practices have assumed a lot of importance. Sustainable marketing encompasses a host of activities starting from rethinking, redesigning, developing and promoting products and services in such a manner that they not only meet the current consumer needs but also the needs of future generations.

By tracking the online browsing behavior of consumers, companies are able to provide personalized promotion but this has led to rise in privacy concerns. Sensory marketing which aims at engaging all the senses of consumers for a better emotional, cognitive and behavioral response is being used by major product and service brands. C2C and D2C marketing has provided newer platforms for interactions between company and consumers as well as between consumers.

In order to keep pace with the changing technology and consumer needs the paradigms of marketing keep on changing and evolving. To conclude it all *change is the only constant*.

15.9 Key words

Physical Evidence: It is the additional marketing mix element for services which includes all the physical cues in the ambient, design and social environment of the service interface which reassures the consumer of the quality of service.

Search Engine Optimization (SEO): The process or procedure to make the content of the website efficient with respect to the keyword search so as to quantity and quality of website traffic.

Social Media Marketing: Social media marketing refers to connecting with people, sharing or exchanging information, promoting our offerings and creating awareness about our existence over the social media platforms

Green Marketing: refers to systematic designing, developing and promoting products and services in such a manner that they fulfil the needs of the consumers with respect to quantity, quality and price without negative impact on the environment and natural resources.

Haats: They are periodic markets (usually weekly) that form an integral part of the rural distribution system in India. This is a location which witnesses a public gathering of buyers and sellers at fixed times and at fixed locations

Mela: Mela in Sanskrit means "gathering" or a "fair". It comprises of gatherings and can be religious, commercial, cultural or sport-related.

Data Warehouse: A data warehouse is a large collection of business data used to help an organization make decisions.

Data mining: It is the process which the companies adopt to retrieve information from raw data by using different software. It helps them in learning more about their customers and design their marketing strategies.

Customer Relationship Management: Customer relationship management (CRM) is a set of practices, techniques, and strategies used by businesses to monitor and interpret customer relationships and data during the customer lifecycle.

Online Behavioral Advertising (OBA): Online behavioural advertising (OBA) is the practice of collecting data from a particular computer regarding internet browsing activity for the purpose of understanding and predicting user's preferences to deliver highly personalized advertising.

Consumer to consumer (C2C) Marketing: C2C marketing refers to online transaction of goods between consumers. C2C eCommerce provides the individuals a platform to sell something they no longer need or to sell products made by them in a home-based business

Direct to Consumer (D2C) Marketing: Direct to consumer marketing involves direct promotion and selling of products and services to the end consumer, thereby removing all the intermediaries

15.10 Self-Assessment Questions

1. The unique characteristics of services require special treatment in terms of extended marketing mix. Elaborate upon the statement by taking an example of restaurant.
2. Choose any company of your choice and list down the digital marketing tools used by it.

3. Choose pick the following two companies for example Amul and HUL and compare their green marketing strategies.
4. Study the relationship marketing initiatives of Airtel, also note down the benefits the company achieved due to its superior CRM practices.
5. Why it is essential to make the whole marketing mix elements tailor made according to the rural needs in order to be successful? Take an hypothetical example of your choice and discuss.
6. Discuss the various strategies that the marketers use for the product modification in rural markets with the help of suitable examples..
7. Visit any retail store or restaurant, observe all the sensory marketing elements there and discuss which of the element had the strongest impact on you and why?

15.11 FURTHER READINGS

Lovelock, C. and Chatterjee Jayanta (2017); *Services Marketing | People Technology Strategy* | 8th Edition, Pearson publication

Pradeep Kashyap (2016). *Rural Marketing*. 3rd Edition. Pearson publication

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Indian Brand Equity Foundation (2021). “Fast Moving Consumer Goods”, <https://www.ibef.org/download/FMCG-January-2021.pdf>

Fwd: Offer Letter for Unit Writing - MMPC -006 Marketing Management

1 message

Syedun nisa <snisa@jamiahamdard.ac.in>
To: "Dr. Mohd Abdul Ahad" <aahad@jamiahamdard.ac.in>

Tue, Oct 4, 2022 at 1:08 PM

----- Forwarded message -----

From: **Prof Dr. Reshma Nasreen** <drreshmanasreen@jamiahamdard.ac.in>
Date: Wed, Jan 19, 2022 at 3:49 PM
Subject: Fwd: Offer Letter for Unit Writing - MMPC -006 Marketing Management
To: Syeedun nisa <snisa@jamiahamdard.ac.in>

Prof.(Dr.) Reshma Nasreen
Dean Student's Welfare
Former-HoD
Department of Management, SMBS
Jamia Hamdard

----- Forwarded message -----

From: **T V Vijaykumar - 2189** <tvvijaykumar@ignou.ac.in>
Date: Fri, Feb 12, 2021 at 4:39 PM
Subject: Offer Letter for Unit Writing - MMPC -006 Marketing Management
To: <drreshmanasreen@jamiahamdard.ac.in>
Cc: <hod_mgmt@jamiahamdard.ac.in>

IGNOU
SOMS

Dated: February 12, 2021

Dear Madam,

As you are aware, the School of Management Studies (SOMS), IGNOU, offers different programmes in Management at Master's and PG Diploma levels. The School follows modular approach in its programmes. Self Learning Study Material is one of the main components of the multimedia packages through which IGNOU imparts education to the students. The study material developed by the SOMS is known for its quality and is very popular among students and the teachers. The School revises the study material from time-to-time in order to ensure that the contemporary changes are incorporated in it.

With this background, School of Management Studies has initiated the process of restructuring the entire Management Programme and proposes to offer from July 2021 onwards. In this process a Course Design and Development Committee meeting was conducted for the course **MMPC-006: Marketing Management** and the course outline has been developed. As per our discussion the following Units are allocated to you for writing:

MMPC-006: Marketing Management

Block	Unit No.	Title of the Unit
III. Distribution and Promotion Decisions	12	Distribution Management

A Unit in our context means a Chapter. The Unit should be of minimum 5000 words, however there is no upper limit to it. This Course, being at the Post Graduate Level, demands proper depth and insight in dealing with the topics. The Units are to be written in self-instructional style, with activities built into the text. Examples may be

given, wherever needed to bring in more clarity. At the end of the Unit Self-Assessment Questions that are relevant to the topics covered in that particular Unit may be given. Further readings which you want to recommend to the students may also be added at the end of the Unit. It would be convenient for us if you could complete the Units assigned to you by the end of March, 2021.

The University pays an honorarium of Rs. 10,000/- per Unit for writing and reimburses word processing charges @ Rs. 25/- per page on production of receipt and Rs. 32000/- for content editing of this Course.

Once again I seek your cooperation and contribution in developing this Course. The Course Outline for this Course is enclosed for your information.

With regards,

Yours Sincerely

(T.V. Vijay Kumar)
Course Coordinator

Unit 15: Other Emerging Issues in Marketing

Dr Sadaf Siraj

Objectives

The dynamic and ever evolving nature of marketing environment requires a constant scanning, study and analysis of the contemporary marketing trends. The objectives of the unit are to:

- Understand the unique characteristics and changing dynamics of services marketing
- Discuss the concept, benefits and strategies of digital marketing
- Study the evolution and relevance of rural marketing
- Understand the need and importance of green marketing
- Define customer relationship management
- Introduce the concept of online behavior advertising
- Develop an understanding of new concepts like sensory marketing, online behaviour advertising, Direct to Consumer (D2C) and Consumer to Consumer (C2C) Marketing

Structure

15.1 Introduction

15.2 Changing Landscape of Services Marketing

15.2.1 Concept of Services

15.2.2 Differentiating Services from Physical goods

15.2.3 Marketing Strategy for Services: The Extended Marketing Mix

15.2.4 Technology Interventions and Service Delivery

15.3 Digital Marketing

15.3.1 Introduction to Digital Marketing

15.3.2 The advantages of digital marketing

15.3.3 An overview of some Digital Marketing Strategies

15.4 Rural Marketing evolution, relevance and trends

15.4.1 Importance of Rural Market in India

15.4.2 Nature of Rural Marketing transactions

15.4.3 Challenges faced in rural marketing

15.4.4 Marketing challenges and Rural Marketing Strategies

15.5 Green Marketing

15.5.1 Meaning and Importance

15.5.2 Green Marketing Mix

15.5.3 Problems Associated with Green Marketing

15.6 Relationship Marketing

15.6.1 Elements of Relationship Marketing

15.6.2 Role of Sales Force in Relationship Marketing

15.6.3 Relationship Marketing in Direct Marketing

15.6.4 Relationship Marketing in Retailing

15.6.5 Concept of Customer Relationship Management (CRM)

15.6.6 Advantages of CRM

- 15.7 Overview of some latest marketing trends
 - 15.7.1 Sensory Marketing
 - 15.7.2 Online Behavior Advertising
 - 15.7.3 Consumer to Consumer (C2C) Marketing
 - 15.7.4 Direct to Consumer (D2C) Marketing
- 15.8 Summary
- 15.9 Key words
- 15.10 Self-Assessment Questions
- 15.11 Further Readings
- 15.12 References

15.1 Introduction

New age technological innovations and development has led to the dawn of the new economy. As with other components of economy and society, the marketing landscape too has evolved drastically during the last couple of decades. The marketing era that started in 1950s which placed the consumer at the centre paved way for the relationship marketing in the 1990s where not only customer attraction but also retention was given due importance and yet again the perspective and strategies evolved further into the digital marketing era in the early 2000s. Today's cutting-edge marketing combines the best of traditional as well as digital channels to market products and services. This greater buying power of consumers coupled with technological innovations has replaced the old standardization, in product and services, and given way to customization that was unthinkable in the past.

Purchase process and experience too has drastically changed with the advent of online shopping, which has made buying and selling a 24 hours affair with ease of on-door delivery. This 24x7 commerce has exponentially increased the direct interaction between the marketers and consumers. Loaded with the data of how consumers interact and behave online, marketers are able to customize their offering further, be it the most sought-after colour or most preferred payment mode. New avenues of personalisation are made possible only through behavioural targeting. This level of personalisation, thoroughly enjoyed by consumers, also increases customers' privacy concerns.

Technology has also affected the services sector in an unprecedented manner. With increased and easy availability of information, companies are now better placed to design more efficient marketing strategies across consumer and distribution channel. All these newer avenues bring forth numerous challenges as well, sustainability and green concerns has also caught attention of marketers and consumers alike.

In this Unit we shall discuss major emerging issues in marketing in the 21st century like digital marketing, green marketing. We will have an overview of relationship marketing and understand the concept and importance of customer relationship management. Unit will also provide insights into the unique treatment that marketing of services require. The importance and dynamics of rural marketing will also be covered. Finally, the latest of marketing trends like sensory marketing, C2C and D2C marketing shall be outlined.

15.2 Changing Landscape of Services Marketing

Let us first understand what comprises of service sector and why is it considered so important for any economy. The broad spectrum of activities covered under services sector include hospitality sector, banking and financial services, insurance, transport and communication, real estate, healthcare, community, social and personal services etc. The services sector is one of the major contributors to country's economic growth. It not only attracts substantial foreign investment, contributes significantly to export but also provides huge employment avenues. Figure 1. Represents some of the prominent brands of services in India.

Figure 1: Overview of services brands



15.2.1 Concept of Services

“A service is any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product”. Kotler, 2004

Service consumption is an inherent part of our daily lives. All of us avail an array of services every day on a routine basis like using internet, talking on phone, using metro and cab services to reach our colleges and place of work, withdrawing money from ATM/banks, eating out at restaurants to ordering food online. This service consumption may range from routine low involvement decision making (that does not require too much money or risk) to high involvement (that requires a lot of money and risk) for example choosing a University for higher education, medical and healthcare services, banking and investment, planning a luxury cruise etc.

Activity 1

Try to note down any five services availed by you today from the time you woke up till the time you sleep!

16.03.2021

Dear Dr. Sadaf Siraj

We are presently engaged in developing course content in the Self-Learning Format (SLM) for our **Post Graduate Diploma in Management Programmes**. This course content is aimed at providing an opportunity to our learners to study various Management courses in the Open and Distance Learning (ODL) Mode. You will appreciate that ODL Course Content is aimed at facilitating learning at a distance and requires presentation in specified formats in a language in which the subject matter becomes easy to comprehend and access to the learners.

We solicit the benevolent assistance of renowned experts like you in developing this course content in the form of printed text. Our courses are comparable with the best in the academia because of such contributions. **We are, therefore, formally inviting you with a request to kindly write for us the following unit/s for the course:**

Unit No.	Title	Course Name
3	Exploratory, Descriptive, and Causal Research Designs	Marketing Research, Elective course
9	Developing the Sampling Plan	Do

We expect each Unit to comprise 5500-6500 words, the normative length of a unit in such courses, yet you are at liberty to decide the length according to your treatment of the subject as the discretion of the expert contributor is uppermost in each case. The Unit/s should be in the word format and typed on A4 size paper in Times New Roman with font size 12 leaving a margin of 1 inch each on all sides of the page and keeping line spacing of 1.5. The other specifications are as below:

- The template for writing the Unit is appended as Annexure-A.
- As a course-writer, you need to think about the learning objectives of the course, the characteristics of the target audience, and the necessity to focus and direct your writing at them. Language used should be informal, simple and conversational in nature.
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- Integrate exercises / self -assessment questions after each Section within the Unit, wherever possible.
- Kindly use recent research and your subject expertise in the content provided by you.
- Additionally, provide Learning Resources in the form of PPTs of the content of the Unit/s (at least 15 slides per unit), MCQs (at least 20 per unit); and Case-

lets (1 per unit along with 05 multiple choice questions). We shall share the templates of the PPT and the MCQs, later.

- Provide enough guidance in the study material to develop confidence of the learner.
- Ensure that the content provided by you is plagiarism free and provide a self-attested plagiarism check report where the similarity index should not exceed 20%
- Any content picked up from any external source needs to have proper acknowledgement and references to be given at the end of the Unit.

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We merit the value of your contribution and appreciate that your scholarship cannot be compensated monetarily. IMT CDL offers, as a token of its gratitude, an honorarium of Rs. 10000/= for writing each Unit in the above format plus additional 5000/= for the Learning Material (PPTs/MCQs/Case-let) per Unit after. The copyright of the Unit/s will rest with IMT CDL and we shall duly acknowledge your contribution in the printed course material. The honorarium will be released once your submissions are reviewed and accepted in totality by the competent committee at IMT CDL.

We hope that you will be kind enough to agree to contribute the Unit/s as listed above. We also hope that it should be possible for you to send your contribution positively by the end of April 2021.

Ours is a time-bound programme and we need to be able to send the complete printed units to all the students latest by June 2021. Therefore, it is important to adhere to the above time limit meticulously to avoid any delays.

Kindly send us a line accepting our invitation to contribute the Unit/s as listed above. Please feel free to seek any further details/clarifications on the numbers/e-mail given below.

Yours sincerely,
Prof. Asif Zameer
Dean-Academics

CC. Dr. Vivek Singh Tomar
Course Coordinator - Marketing
9990612205, vstomar@imtcdl.ac.in

99+
Mail

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Chat

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Sent

Drafts 63

More

Labels +

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Search: vstomar@imtccl.ac.in

Active

JAMIA HANDBOOK

7 of 15

Dr. Vivek Singh Tomar <vstomar@imtccl.ac.in>
to me

Thu, Sep 23, 2021, 10:22 PM

Dear Dr. Sadaf Siraj,


We acknowledge your contribution and hard work that you put in for writing two Units for our Self Learning Material (SLM) for Marketing Research Course. We are all set to share the hard copy of the printed SLM with ISBN positively in the month of November 2021.

Unit 3: Exploratory, Descriptive, and Causal Research Designs
Unit 8: Developing the Sampling Plan

We express our gratitude once again for timely submission of aforementioned units.

Warm regards,

Dr. Vivek Singh Tomar
Chairperson – SLM Development Committee

 **Institute of Management Technology**
Centre for Distance Learning, Ghaziabad

A-16, Site-3, UPSIDC Industrial Area, Meerut Road, Ghaziabad – 201 003,
Uttar Pradesh,
India

Developing the Sampling Plan

Dr Sadaf Siraj

STRUCTURE

9.0 Objectives

9.1 Introduction to sampling

9.2 Distinguishing between sample and population

9.3 Difference between sampling and census

9.4 Sampling plan

9.5 Sampling frame

9.6 Distinguishing between Probability and Non-Probability sampling

9.7 Probability sampling techniques

Simple Random Sampling

Systematic Random Sampling

Stratified Random Sampling

Cluster Sampling

9.8 Non-Probability sampling techniques

Convenience Sampling

Judgemental Sampling

Snowball Sampling

Quota Sampling

9.9 Sample Size

9.10 Sampling Error

9.11 Let us sum up

9.12 Key Words

9.13 References and additional readings

9.14 Self-Assessment questions

9.15 Check your progress-possible answers

9.16 Self- Assessment -possible answers

Now that you have understood the basic concepts of marketing research process, learnt the art of designing questionnaires and asking the right question, we come to one of the most critical junctures which is deciding 'who' would participate in our study or identifying and recruiting the specific group of individuals that we will collect data from. In research terminology we have develop our sampling plan now!

9.0 Objectives

After going through the unit, you will be able to:

- Define the terms like population, census and sample.
- Understand the sampling process and its relevance.
- Distinguish between probability and non-probability sampling.
- Define the probability sample and understand the probability sampling techniques.
- Understand and use different non probability sampling techniques.

9.1 Introduction to sampling

Have you ever come across the word sampling? Let's recall a very routine household activity which will give you a very simplistic idea of sampling. When we are cooking rice, in order to check if it is done, we take a few grains to see if they are well cooked, we do this because it is not feasible to check each and every grain in the pot. These few grains give us the idea about the whole pot. Similarly, when large scale marketing research projects are undertaken it becomes nearly impossible for the marketer or researcher to collect the data from the whole population. That is when the process of sampling is adopted. Sampling refers to the process of

selecting a sub set of people to be studied, from the larger “population” or “universe” to which they belong. This sub set or ‘sample’ should be representative of the population because it is presumed that the results obtained from the sample can be used to describe the population or universe as such. For example, if we are doing a study to understand the study habits and satisfaction of distance learners with the learning material provided by IMT, we need to choose a representative sample from the entire population of IMT distance learners only. The process of selection demands thorough understanding of the concept of population, sample and various sampling techniques. In this Unit, we shall familiarize you with the concepts of sample and population.

9.2 Distinguishing between sample and population

While defining the sampling process we used two terms ‘sample’ and ‘population’ so it becomes very pertinent for us to understand the difference between the two. A “sample” is a miniature representation of a larger whole or aggregate. This larger whole is termed as “population” or “population of interest”. In simple language population includes the entire group or target audience for which you want to draw your inferences and conclusions, while sample refers to the specific group of people (who belong to this population) from where you are going to collect your data i.e., they are the representative sub set of the population. These are the individuals who you are going to interview (e.g., in a qualitative study) or who will participate in your survey (e.g., in a quantitative study). Many times, the size of population to be studied is so large that it becomes not only very expensive but also time consuming and cumbersome to include all the units of population, that is when samples need to be drawn to arrive to valid conclusion.

The population is usually defined on the basis of different parameters like geographical location (rural, urban), demographic profile like gender (male, female, transgender), age (kids, youth, old), income, and many other characteristics. It can be broad or quite focussed: you maybe wanting to draw inferences about brand preference of youths in major metros; maybe your research focuses on Netflix users, or impact of digital consumption on the physical and mental wellbeing of students in a single school. The right definition of population of interest is one of the key components for success or failure of the research project.

28.10.2021

Dear Dr. Syeedun Nisa

We are presently engaged in developing course content in the Self-Learning Format (SLM) for our **Post Graduate Diploma in Management Programmes**. This course content is aimed at providing an opportunity to our learners to study various Management courses in the Open and Distance Learning (ODL) Mode. You will appreciate that ODL Course Content is aimed at facilitating learning at a distance and requires presentation in specified formats in a language in which the subject matter becomes easy to comprehend and access to the learners.

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Unit No.	Title	Course Name
9	Data Collection: Enhancing Response Rates while Limiting Errors	Marketing Research, Elective course

We expect each Unit to comprise 5500-6500 words, the normative length of a unit in such courses, yet you are at liberty to decide the length according to your treatment of the subject as the discretion of the expert contributor is uppermost in each case. The Unit/s should be in the word format and typed on A4 size paper in Times New Roman with font size 12 leaving a margin of 1 inch each on all sides of the page and keeping line spacing of 1.5. The other specifications are as below:

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Ours is a time-bound and it is important to adhere to the above time limit meticulously to avoid any delays.

Kindly send us a line accepting our invitation to contribute the Unit/s as listed above. Please feel free to seek any further details/clarifications on the numbers/e-mail given below.

Yours sincerely,
Prof. Asif Zameer
Dean-Academics

CC. Dr. Vivek Singh Tomar
Course Coordinator - Marketing
9990612205, vstomar@imtc dl.ac.in

Gmail interface showing an email from Dr. Vivek Singh Tomar to me, dated Thu, Sep 23, 2021, 10:22 PM. The email content includes a thank you message for writing two units for a Self Learning Material (SLM) for Marketing Research Course, listing Unit 3 and Unit 8, and expressing gratitude for their timely submission. The sender is Dr. Vivek Singh Tomar, Chairperson – SLM Development Committee, Institute of Management Technology, Centre for Distance Learning, Ghaziabad, India.

Left Sidebar:

- 99+ Mail
- Compose
- Inbox (7,643)
- Starred
- Snoozed
- Sent
- Drafts (63)
- More
- Labels: [imap]/Drafts, INBOX/to delete

Search Bar: vstomar@imtccl.ac.in

Header: Active

Toolbar: Back, Forward, Delete, Reply, Reply All, Print, Share, More

7 of 15

From: Dr. Vivek Singh Tomar <vstomar@imtccl.ac.in> to me

Date: Thu, Sep 23, 2021, 10:22 PM

Dear Dr. Sadaf Siraj,

We acknowledge your contribution and hard work that you put in for writing two Units for our Self Learning Material (SLM) for Marketing Research Course. We are all set to share the hard copy of the printed SLM with ISBN positively in the month of November 2021.

Unit 3: Exploratory, Descriptive, and Causal Research Designs
Unit 8: Developing the Sampling Plan

We express our gratitude once again for timely submission of aforementioned units.

Warm regards,

Dr. Vivek Singh Tomar
Chairperson – SLM Development Committee

Institute of Management Technology
Centre for Distance Learning, Ghaziabad

A-16, Site-3, UPSIDC Industrial Area, Meerut Road, Ghaziabad – 201 003,
Uttar Pradesh,
India

UNIT 3

Research Design: Exploratory, Descriptive and Causal

"Research is formalized curiosity. It is poking and prying with a purpose."

- Zora Neale Hurston

STRUCTURE

3.0 Objectives

3.1 Introduction

3.2 Understanding research design

3.3 Familiarization with basic terms and concepts

3.4 Types of research design

3.5 Exploratory research design

3.5.1 Secondary data analysis

3.5.2 Pilot study

3.5.3 Expert survey

3.5.4 Qualitative techniques

3.5.5 Case study method

3.6 Descriptive research design

3.6.1 Survey

3.6.2 Cross sectional studies

3.6.3 Panel studies

3.6.4 Observation

3.7 Causal research design

3.8 Let us sum up

3.9 Key Words

3.10 References and additional readings

3.11 Self-assessment questions

3.12 Check your progress-possible answers

3.13 Answers to self-assessment questions

Till now you have made a great effort to:

- Understand the concept of marketing research and how it helps the managers in robust decision-making.
- Convert management problems into research questions.
- Develop the problem statement.

The next step is to design the research in such a manner that the required data can be gathered and analysed to answer your research questions; so that you are able to provide a solution to the problem which was a catalyst for the whole research project.

3.0 OBJECTIVES

After going through this unit, you will be able to:

- Understand the concept of research design.
- Classify the various research designs: exploratory, descriptive and causal.
- Compare the research designs.
- Understand the various factors which are considered before choosing a research design.
- Understand the strengths and weaknesses of key research designs.
- Identify appropriate data collection methods for a given research design.

3.1 INTRODUCTION

What comes to your mind when you hear the term ‘design’? Design in a general sense is the way in which something is planned or arranged, similarly research design is your **“Plan of Action”** or a **“Blueprint”** for conducting the research. Imagine the way architects make a blueprint of their buildings to visualise the basic structure of the building, how it will be built and how it will look like when it will be completed. Similarly, research design provides a step-by-step insight into ‘how’ to do the research.

According to Green and Tull, *“It is the specification of techniques and processes for obtaining the information required. It is the over-all operational pattern or framework of the project which stipulates what data is to be gathered from which source by what processes”*.

In this unit, we shall explore the various aspects of research design, we will familiarize ourselves with some of the terms which are frequently used while choosing a particular research design. We will develop an understanding of different research designs. But before we do that you should start thinking about these questions.

- Why do I need to have a research design?
- How do I choose a particular research design?
- What kind of data collection technique do I use under a specific research design?

So, let us get started!!

3.2 UNDERSTANDING RESEARCH DESIGN

The term ‘design’ means drawing a framework or planning or arranging details. Research design is the groundwork that you do before you start the actual research. It outlines **what** kind of data is to be gathered and from **whom**, **how** and **when** will this data be collected, and finally **how** this data would be analysed. It details out all the steps or procedures that you need to undertake, to successfully meet your research objectives.

You may think of research design as a road map letting you know your current position and where you will stand once you have completed the research. Just as a roadmap helps travellers in reaching their destination, research design helps researchers in deciding the best way to reach their destination keeping their research objectives in mind.

Once the research problem has been properly stated and a research approach is selected, the research design details out the practical steps of how the approach would be implemented. It specifies all the methods and techniques which would be adopted for the collection and analysis of data. The effectiveness and efficiency of the research project is dependent upon a strong research design. Typically, a research design involves the following components or tasks:

- (i) A clear and crisp statement of the research problem.
- (ii) Review of other studies to identify the variables of study.
- (iii) Identification of population to be studied and fixing the sample.
- (iv) Specifying the various procedures, methods, and techniques to be used for collecting data.

Unit 13: Analysis and Interpretation: Qualitative Data

Dr Sadaf Siraj

“When dealing with people, remember you are not dealing with creatures of logic, but with creatures of emotion.”

-Dale Carnegie

STRUCTURE

13.0 Objectives

13.1 Introduction to qualitative research

13.2 Understanding qualitative data

13.3 Difference between qualitative and quantitative research

13.4 Qualitative research approaches

13.4.1 Phenomenology

13.4.2 Grounded Theory

13.4.3 Symbolic Interactionists

13.4.4 Action Research

13.4.5 Ethnographic research

13.5 Qualitative research techniques

13.5.1 Focus group discussions

13.5.2 In depth interviews

13.5.3 Projective techniques

13.5.4 Observation

13.6 Qualitative data analysis

13.6.1 Content analysis

13.6.2 Narrative analysis

13.6.3 Thematic analysis

13.6.4 Steps in qualitative research

13.7 Let us sum up

13.8 Key Words

13.9 References and additional readings

13.10 Self-assessment questions

13.11 Check your progress-possible answers

13.12 Answers to self-assessment questions

In the last chapter we have examined how to analyse quantitative or numerical data. Having understood the whole process of business research, research design, sampling process, data collection and assessment using questionnaires and analysis of quantitative data now we are going to explore another very important, interesting and insightful domain of marketing research viz. qualitative research!

13.0 Objectives

After going through this unit, you will be able to:

- Understand the concept and relevance of qualitative research in behavioural/management sciences
- Study the different qualitative research approaches
- Explore the different techniques of qualitative data collection and analysis

13.1 Introduction to qualitative research

As a researcher many a times you are interested in understanding how and why things happen. When your research problem involves studying ‘what happened’ or ‘how often’ things happen, quantitative research methodology would serve the purpose. But in social sciences, management etc you may require to delve deeper into people’s motivations, feelings, perceptions and hidden interpretations. Qualitative research is designed to understand ‘how’ and ‘why’ things happen. Qualitative research in the area of marketing and management helps in providing an in-depth knowledge regarding consumer behaviour and tries to find out reasons behind their decision-making tendencies.

While quantitative research gives you a statistical overview of consumer behaviour, qualitative research goes much beyond the numbers and helps to develop in-depth understanding of what consumers think, feel, their attitudes and opinions. It also helps in exploring the motivations and aspirations of consumers. Qualitative research is therefore an ideal approach for getting insight into consumer activities and the factors influencing their behaviour.

Quantitative research is the process of collecting, analysing and interpreting non numerical data like text, language, audios, colours, emotions etc. It tries to understand how individual subjectively perceives and gives meaning to situations, stimuli and communications. It is most commonly used to generate new ideas for research and gather in depth insights into a problem.

Qualitative research question examples:

- How does virtual gaming impact the mental wellbeing of young adults?
- How is anxiety experienced and expressed?
- What associations do consumers have with our brand?
- Why do customers never add items to their wish list on our website?

13.2 Understanding qualitative data

Unlike quantitative data which involves logic, numbers, and unchanging static data, qualitative data includes non-numerical data, such as text, video, photographs or audio recordings. This type of data can be collected using an array of techniques like diary accounts, focus group discussions, in-depth interviews, projective techniques, participant observation and analysed using grounded theory, content analysis and thematic analysis etc.

It is concerned with opinions, feelings and experiences and describes social phenomena as they occur naturally wherein no attempt is made to manipulate the situation, data is collected through direct encounter like observations and interviews which makes it a time-consuming process.

13.3 Difference between qualitative and quantitative research

Let us look at some of the differences between qualitative and quantitative research (refer table 1.1)

SLM TEMPLATE

UNIT 1: COURSE DESIGN

Structure

1. **Introduction** (Brief introduction of the subject under discussion along with a quick recap of the preceding Unit)
2. **Objectives** (Containing Learning Outcomes)
3. **Developing a Curriculum**
 - 3.1. **Teaching the Hidden Curriculum**
 - 3.2. **Nature of the Students**
 - 3.3. **National Considerations**
 - 3.4. **Contents and Methods**
4. **Assessing Educational Needs**
 - 4.1. **The Characteristics of Adult Learners**
 - 4.2. **Assessment of Specific Needs**
5. **The Process of Curriculum Planning**
6. **The Systems Approach to Course Planning**
 - 6.1. **Educational Needs**
 - 6.1.1 **Target Audience**
 - 6.1.2 **Knowledge/Vocational Orientation**
 - 6.2. **Defining Objectives**
 - 6.3. **Resources and Constraints**
 - 6.4. **Selection Criteria**
 - 6.5. **Alternative Methods of Meeting Objectives**
 - 6.6. **Alternative Subject Matter**
 - 6.7. **Choice of Method**
 - 6.8. **Development, Feedback and Evaluation**
7. **Making a Course Planning**
8. **Problems in Course Planning**
9. **Let us sum Up**
10. **Glossary**
11. **SAQs (Self-Assessment Questions)-Possible/Model answers**
12. **Unit End Questions**
13. **Suggested/Further Readings**

NOTES:

1. The part in red is the main content of the Unit.
2. The part in blue may be arranged slightly differently e.g. Glossary may figure at the end or Unit End Questions may come last.
3. Similarly, Objectives may come at the beginning. We have a choice in the arrangement of headings, but should adhere uniformly to the title of the heading.
4. There should be general advisory about the word limit- say 5000-7000 words. In exceptional cases, however, this may vary at both ends.
5. Graphs, pictures, illustrations may be selected and duly indicated for their place in the text, but attached with the Unit in a separate file so that the printer is facilitated in arranging them suitably at the time of printing.