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STUDY MATERIAL

for

MARKETING AND SERVICES MANAGEMENT

Prepared as per the syllabus prescribed by Karnataka State Law University (KSLU), Hubballi

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MARKETING AND SERVICES MANAGEMENT

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INTRODUCTION TO MARKETING

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McDonald's Case Study

McDonald's Corporation, the American fast-food hamburger retailer, is a master global marketer. With over 18,000 outlets in more than 90 countries and more than $23 billion in annual worldwide sales, McDonald's opens a new restaurant every three hours somewhere in the world. Credit for this performance belongs to a strong marketing orientation: McDonald's knows how to serve people and adapt to changing consumer wants. Before McDonald's appeared, Americans could get hamburgers in restaurants or diners. But consumers often encountered poor-quality hamburgers, slow and unfriendly service, unattractive decor, unclean conditions and a noisy atmosphere.

In 1955 Ray Kroc, a 52year-old salesman of milkshake mixing machines, became excited about a string of seven fast-food restaurants owned by Richard and Maurice McDonald. He bought the chain for $2.7 million and expanded it by selling franchises, and the number of restaurants grew rapidly. As times changed, so did McDonald's. It expanded its sit-down sections, improved the decor, launched a breakfast menu, added new food items and opened new outlets in busy, high-traffic areas. Kroc's marketing philosophy is captured in McDonald's motto of 'QSC & V, which stands for quality, service, cleanliness and value.

Customers enter a spotlessly clean restaurant, walk up to a friendly counter-person, quickly receive a goodtasting meal, and eat it there or take it out. There are no jukeboxes or telephones to create a teenage hang-out. Nor are there any cigarette machines - McDonald's is a family affair, appealing strongly to children. McDonald's has mastered the art of serving consumers and it carefully teaches the basics to its employees and franchisees. All franchisees take training courses at McDonald's 'Hamburger University' in Elk Grove Village, Illinois.

McDonald's monitors product and service quality through continuous customer surveys and puts great energy into improving hamburger production methods in order to simplify operations, bring down costs, speed up service and bring greater value to customers. Beyond these efforts, each McDonald's restaurant works to become a part of its neighbourhood through community involvement and service projects. In its restaurants outside the United States, McDonald's carefully customizes its menu arid service to local tastes and customs. For instance, McDonald's India offers products developed especially for the Indian market - particularly vegetarians. It serves only mutton, chicken, fish and vegetable products, not beef, pork and their byproducts. Big Mac in India is called Maharaja Mac! It serves corn soup and teriyaki burgers in Japan, pasta salads in Rome, and wine and live piano music with its McNuggets in Paris.

When McDonald's opened its first restaurant in Moscow, the company had to overcome enormous hurdles to meet its high standards for consumer satisfaction in this new market. It had to educate suppliers, employees and even consumers about the time-tested McDonald's way of doing things. Technical experts with special strains of disease resistant seed were brought in from Canada to teach Russian farmers how to grow nisset Burbank potatoes for French fries, and the company built its own pasteurizing plant to ensure a plentiful supply of fresh milk, it trained Russian managers at Hamburger University and subjected each of 630 new employees to hours of training on such essentials as cooking meat patties, assembling Filet-O-Fish sandwiches and giving service with a smile.

McDonald's even had to train consumers, most of whom had never seen a fastfood restaurant. Customers waiting in line were shown videos telling them everything from how to order and pay at the counter to how to handle a Big Mac. And in its usual way, McDonald's began immediately to build community involvement.

On opening day, it held a kick-off party for 700 Muscovite orphans and donated the day's proceeds to the Moscow Children's Fund. As a result, the new Moscow restaurant got off to a very successful start. About 50,000 customers swarmed through the restaurant during its first day of business. Riding on its success in Moscow, McDonald's continues to expand its worldwide presence. The 28,000 square-foot restaurant in Beijing has 29 cash registers and seats 700 people. Thus, McDonald's focus on consumers has made it the world's largest food-service organization. The company's huge success has been reflected in the increased value of its stock over the years: 250 shares of McDonald's stock purchased for less than $6,000 in 1965 would be worth well over a million dollars todav!

SOURCES: Scott Hume, 'McDonald's l<'red Turner: making all the right moves', Ad-oertiKini> Age (1 January 1990), pp. 6, 17; Gail McKnight, '1 [ere comes Bolshoi Mac', USA Today Weekend (26-8 January 1990), pp. 4-5; Roscniarie Boyle, 'McDonald's gives Soviets something worth waiting for', Adocrtising Age (19 March 1990), p. 61; 'Food draws raves, prices don't aE Beijing McDonald's opening', Durham HeraldSun (12 April 1992|, p. HI 2; Laura Manur, Marketing Kusiness (September 1997), p. 35.

Introduction:

Marketing is the process by which producers of goods and services aim to find out where a demand exists for certain services and products and then find solutions to those needs as well as the way to make consumers aware of the solutions. Marketing is the aspect of business which is most consumer focused as all of the principles of marketing relate directly to the consumer.
The principles of marketing follow a logical sequence. First, a target consumer of a particular product or service must be identified. Knowing who uses a given product or service is essential to determining what that consumer wants and how to get it to them. This is essential for companies operating in the free market as success depends upon identifying and retaining customers in order to remain profitable and ensure business growth.

Marketing is an organizational function and a set-of process for creating communication and delivering value for the consumer and for managing customer relationship in such a way, which benefits the organization. In all types of organizations like manufacturing, service, profit and non-profit marketing plays the key role. "Marketing is everywhere. Formally or informally people and organization are engaged in a large number of activities that could be called marketing." Good marketing has become an increasingly vital ingredient for business success and marketing profoundly affects any business. Marketing is applicable to almost every activity of our day to-day life. We can understand that marketing management is an art as well as science. It is multi-functional because it chooses target market, gets prospective customers through creating, delivering and communicating superior customer value.

Philip Kotler, defines modern marketing as, "Marketing is social and managerial process by which individuals and groups obtains what the needs and wants through creating and exchanging product and value with others."

Marketing may be defined as the collection of activities undertaken by the firm to relate profitability to its market. Marketing goes beyond its immediate role as a process through which exchange of goods and services takes place and is viewed as an integral part of the total socioeconomic system which provides the framework within which activities take place.

It is, therefore, imperative to understand the total structure of the society in order to gain an insight into the true character of the marketing system.

What is marketing?

The AMA's definitions of marketing and marketing research are reviewed and reapproved/modified every three-year by a panel of five scholars who are active researchers.

Definition of Marketing

Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large. (Approved 2017).

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

The Role of Marketing within a Firm

The official American Marketing Association definition published in July 2013 defines marketing as "the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large."

While this definition can help us better comprehend the parameters of marketing, it does not provide a full picture. Definitions of marketing cannot flesh out specific transactions and other relationships among these elements. The following propositions are offered to supplement this definition:

1. The overall directive for any organization is the mission statement or an equivalent expression of organizational goals. It reflects the inherent business philosophy of the organization.

2. Every organization has a set of functional areas (e.g., accounting, production, finance, data processing, and marketing) in which tasks pertinent to the success of the organization are performed. These functional areas must be managed if they are to achieve maximum performance.
3. Every functional area is guided by a philosophy (derived from the mission statement or company goals) that governs its approach toward its ultimate set of tasks.
4. Marketing differs from the other functional areas, because its primary concern is exchanges that take place in markets outside the organization.
5. Marketing is most successful when the philosophy, tasks, and implementation of available technology are coordinated and complementary to the rest of the business.

Importance of Marketing:

Marketing is the eyes and ears of business, because it keeps the business in close contact with its environment and informs about events that can influence its operations. Marketing is concerned with the creation of four utilities. They are firm, place, time and possession. The firm utility includes product development, packaging, branding, transportation, and intermediaries who direct the flow of goods and services from producers to consumers. Until and unless the selling of the produced goods takes place, they remain in warehouses that are also part of marketing. Marketing is more or less essential to all the aspects of business activities.

They are as follows:

1. Importance of marketing in a Firm Marketing plays a very important role in achieving the objectives of the firm and it helps in focusing on the activities of an organization regarding the needs and wants of the consumer. Every business firm exploits marketing thoroughly for the beginning of the firm, for its development, for running it smoothly, for achieving its end and so on.

2. Importance of marketing in Economy Marketing also plays a significant role in the development of the organizational economy. It can inspire people to undertake new activities and to set-up enterprises for producing goods that are needed by customers. Marketing gives a wide exposure by creating large job opportunities in the economic system of the firm.

Marketing not only contributes to sustain economic development of the firm but also help to make the development speedy. Marketing is the motivating factor or engine of economic development.

3. Importance of marketing for a Consumer Marketing plays a significant role in enhancing consumer satisfaction and benefits. Marketing helps the customer to select a specific product from the wide range of products. The customer decides the product of his choice from the variety of products according to his taste, need and purchase capacity. Marketing provides different tools like advertising, personal selling, promotion, publicity etc.

4. Importance of marketing for the Society the Commercial and Government agencies and non-profit organizations also employ marketing approach to promote socially desirable product. Thus, the government recently promoted the Pulse-Polio program through the marketing approach. Through marketing, people get plenty information of the things what they want to buy at reasonable prices.

Nature of Marketing

1. Marketing is an Economic Function:

Marketing embraces all the business activities involved in getting goods and services , from the hands of producers into the hands of final consumers. The business steps through which goods progress on their way to final consumers is the concern of marketing.

2. Marketing is a Legal Process by which Ownership Transfers:

In the process of marketing the ownership of goods transfers from seller to the purchaser or from producer to the end user.

3. Marketing is a System of Interacting Business Activities:

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

4. Marketing is a Managerial function

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

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

5. Marketing is a social process

Marketing is the delivery of a standard of living to society. According to **Cunningham and Cunningham (1981)** societal marketing performs three essential functions:-

- Knowing and understanding the consumer's changing needs and wants;
- Efficiently and effectively managing the supply and demand of products and services; and efficient provision of distribution and payment processing systems.

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

7. Marketing had dual objectives - profit making and consumer satisfaction

Scope of Marketing

1. Study of Consumer Wants and Needs

Goods are produced to satisfy consumer wants. Therefore study is done to identify consumer needs and wants. These needs and wants motivates consumer to purchase.

2. Study of Consumer behaviour

Marketers performs study of consumer behaviour. Analysis of buyer behaviour helps marketer in market segmentation and targeting.

3. Production planning and development

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

4. Pricing Policies

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

5. Distribution

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

6. Promotion

Promotion includes personal selling, sales promotion, and advertising. Right promotion mix is crucial in accomplishment of marketing goals.

7. Consumer Satisfaction

The product or service offered must satisfy consumer. Consumer satisfaction is the major objective of marketing.

8. Marketing Control

Marketing audit is done to control the marketing activities.

Type	Description	Examples	Responsible function
Form	Conversion of raw materials and components into finished goods and services	Pizza made from several ingredients	Production
Time	Availability of goods and services when consumers want them	Dial-a-pizza; delivery guaranteed in 30 min	Marketing
Place	Availability of goods and services where consumers want them	Delivery at your doorstep	Marketing
Owenership	Ability to transfer title to goods or services from marketer to buyer	Pizza sales (in exchange for rupees or credit card payment	Marketing

The core concepts in marketing

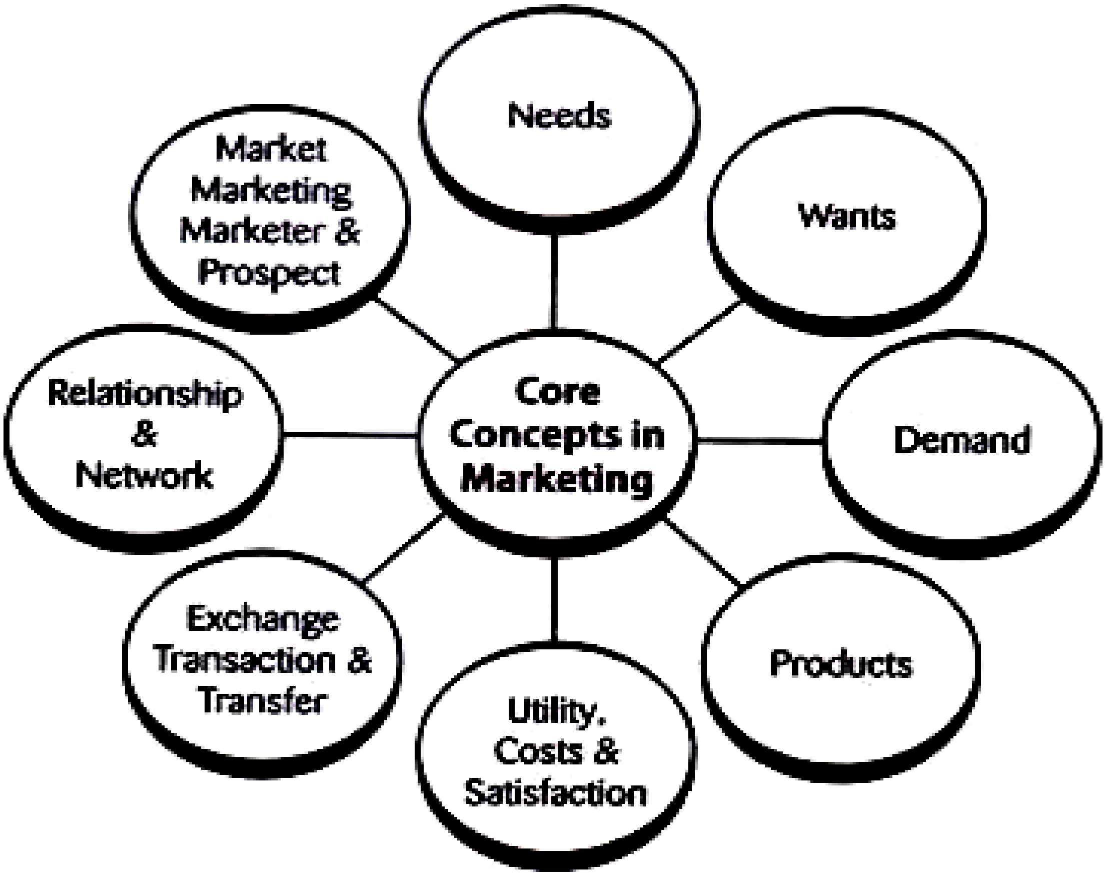


Figure 4: Core Concepts in Marketing

1. Needs:

Existence of unmet needs is precondition to undertake marketing activities. Marketing tries to satisfy needs of consumers. Human needs are the state of felt deprivation of some basic satisfaction. A need is the state of mind that reflects the lack-ness and restlessness situation.

Needs are physiological in nature. People require food, shelter, clothing, esteem, belonging, and likewise. Note that needs are not created. They are pre-existed in human being. Needs create physiological tension that can be released by consuming/using products.

2. WANTS:

Wants are the options to satisfy a specific need. They are desire for specific satisfiers to meet specific need. For example, food is a need that can be satisfied by variety of ways, such as sweet, bread, rice, Chapati, puff, etc. These options are known as wants. In fact, every need can be satisfied by using different options. Maximum satisfaction of consumer need depends upon availability of better options. Needs are limited, but wants are many; for every need, there are many wants. Marketer can influence wants, not needs. He concentrates on creating and satisfying wants.

3. DEMAND:

Demand is the want for specific products that are backed by the ability and willingness (may be readiness) to buy them. It is always expressed in relation to time. All wants are not transmitted in demand. Such wants which are supported by ability and willingness to buy can turn as demand. Marketer tries to influence demand by making the product attractive, affordable, and easily available. Marketing management concerns with managing quantum and timing of demand. Marketing management is called as demand management.

4. PRODUCT:

Product can also be referred as a bundle of satisfaction, physical and psychological both. Product includes core product (basic contents or utility), product-related features (colour, branding, packaging, labeling, varieties, etc.), and product-related services (after-sales services, guarantee and warrantee, free home delivery, free repairing, and so on). So, tangible product is a package of services or benefits. Marketer should consider product benefits and services, instead of product itself. Marketer can satisfy needs and wants of the target consumers by product.

It can be broadly defined as anything that can be offered to someone to satisfy a need or want. Product includes both good and service. Normally, product is taken as tangible object, for example, pen, television set, bread, book, etc. However, importance lies in service rendered by the product. People are not interested just owning or possessing products, but the services rendered by them. For examples, we do not buy a pen, but writing service. Similarly, we do not buy a car, but transportation service. Just owning product is not enough, the product must serve our needs and wants. Thus, physical product is just a vehicle or medium that offers services to us.

5. UTILITY (VALUE), COST, AND SATISFACTION:

Utility means overall capacity of product to satisfy need and want. It is a guiding concept to choose the product. Every product has varying degree of utility. As per level of utility, products can be ranked from the most need-satisfying to the least need-satisfying. Utility is the consumer's estimate of the product's overall capacity to satisfy his/her needs. Buyer purchases such a product, which has more utility. Utility is, thus, the strength of product to satisfy a particular need.

Cost means the price of product. It is an economic value of product. The charges a customer has to pay to avail certain services can be said as cost. The utility of product is compared with cost that he has to pay. He will select such a product that can offer more utility (value) for certain price. He tries to maximize value, that is, the utility of product per rupee.

Satisfaction means fulfillment of needs. Satisfaction is possible when buyer perceives that product has more value compared to the cost paid for. Satisfaction closely concerns with fulfillment of all the expectations of buyer. Satisfaction releases the tension that has aroused due to unmet need(s). In short, more utility/value with less cost results into more satisfaction.

6. EXCHANGE, TRANSACTION, AND TRANSFER:

Exchange is in the center of marketing. Marketing management tries to arrive at the desired exchange. People can satisfy their needs and wants in one of the four ways – self-production, coercion/snatching, begging, or exchanging. Marketing emerges only when people want to satisfy their needs and wants through exchange. Exchange is an act of obtaining a desired product from someone by offering something in return. Obtaining sweet by paying money is the example an exchange.

7. RELATIONSHIPS AND NETWORK:

Today's marketing practice gives more importance to relation building. Marketing practice based on relation building can be said as relationship marketing. Relationship marketing is the practice of building long-term profitable or satisfying relations with key parties like customers, suppliers, distributors, and others in order to retain their long-term preference in business.

A smart marketer tries to build up long-term, trusting, and 'win-win' relations with valued customers, distributors, and suppliers. Relationship marketing needs trust, commitment, cooperation, and high degree of understanding.

Network is the ultimate outcome of relationship marketing. A marketing network consists of the company and its supporting stakeholders – customers, employees, suppliers, distributors, advertising agencies, colleges and universities, and others – whose role is considered to be essential for success of business. It is a permanent setup of relations with stakeholders. A good network of relationships with key stakeholders results into excelling the marketing performance over time.

8. MARKET, MARKETING, MARKETER, AND PROSPECT:

In marketing management, frequently used words are markets, marketing, marketer, and prospects. A market consists of all potential customers sharing a particular need or want who might be willing and able to engage in exchange to satisfy this need or want. Marketing is social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging product and value with others.

Marketer is one who seeks one or more prospects (buyers) to engage in an exchange. Here, seller can be marketer as he wants other to engage in an exchange. Normally, company or business unit can be said as marketer. Prospect is someone to whom the marketer identifies as potentially willing and able to engage in the exchange. (In case of exchange between two companies, both can be said as prospects as well as marketers). Generally, consumer or customer who buys product from a company for satisfying his needs or wants can be said as the prospect.

Marketing Concepts

The marketing concept is the strategy that firms implement to satisfy customers needs, increase sales, maximize profit and beat the competition. There are five marketing concepts that organizations adopt and execute. Marketing is a department of management that tries to design strategies that will build profitable relationships with target consumers. But what philosophy is the best for a company in setting marketing strategies?

There are five alternative concepts under which organizations design and carry out their marketing strategies.

1. Production Concept,
2. Product Concept,
3. Selling Concept,
4. Marketing Concept,
5. Societal Marketing Concept.

1. <u>Production Concept:</u>

The idea of production concept – "Consumers will favor products that are available and highly affordable". This concept is one of the oldest Marketing management orientations that guide sellers. Companies adopting this orientation run a major risk of focusing too narrowly on their own operations and losing sight of the real objective.

Most times; the production concept can lead to marketing myopia(short sightedness). Management focuses on improving production and distribution efficiency. Although; in some situations; the production concept is still a useful philosophy.

2. <u>Product Concept:</u>

The product concept holds that the consumers will favor products that offer the most in quality, performance and innovative features. Here; under this concept, Marketing strategies are focused on making continuous product improvements. Product quality and improvement are important parts of marketing strategies, sometimes the only part. Targeting only on the company's products could also lead to marketing myopia.

For example; suppose a company makes the best quality Floppy disk. But a customer does really need a floppy disk?

She or he needs something that can be used to store the data. It can be achieved by a USB Flash drive, SD memory cards, portable hard disks, and etc. So that company should not look to make the best floppy disk. They should focus to meet the customer's data storage needs.

3. <u>Selling Concept:</u>

The selling concept holds the idea- "consumers will not buy enough of the firm's products unless it undertakes a large-scale selling and promotion effort". Here the management focuses on creating sales transactions rather than on building long-term, profitable customer relationships.

In other words; the aim is to sell what the company makes rather than making what the market wants. Such aggressive selling program carries very high risks. In selling concept the marketer assumes that customers will be coaxed into buying the product, if they don't like it, they will possibly forget their disappointment and buy it again later. This is usually very poor and costly assumption. Typically the selling concept is practiced with unsought goods. Unsought goods are that buyers do not normally think of buying, such as insurance or blood donations. These industries must be good at tracking down prospects and selling them on a product's benefits.

4. <u>Marketing Concept:</u>

The marketing concept holds- "achieving organizational goals depends on knowing the needs and wants of target markets and delivering the desired satisfactions better than competitors do". Here marketing management takes a "customer first" approach. Under the marketing concept, customer focus and value are the routes to achieve sales and profits.

The marketing concept is a customer-centered "sense and responds" philosophy. The job is not to find the right customers for your product but to find the right products for your customers. The marketing concept and the selling concepts are two extreme concepts and totally different from each other.

Benefits of Marketing Concept:

When the marketing concept is recognized the organization, the consumers and the society at large are benefited.

The following are the main benefits of marketing concept:

(a) There is a total change in the philosophy of business, customer needs, and wants arid desires receive top consideration in all business activities.

(b) More emphasis is given on research and innovation;

(c) Greater attention is given to the product planning and development;

(d) Many changes in the product designs are introduced;

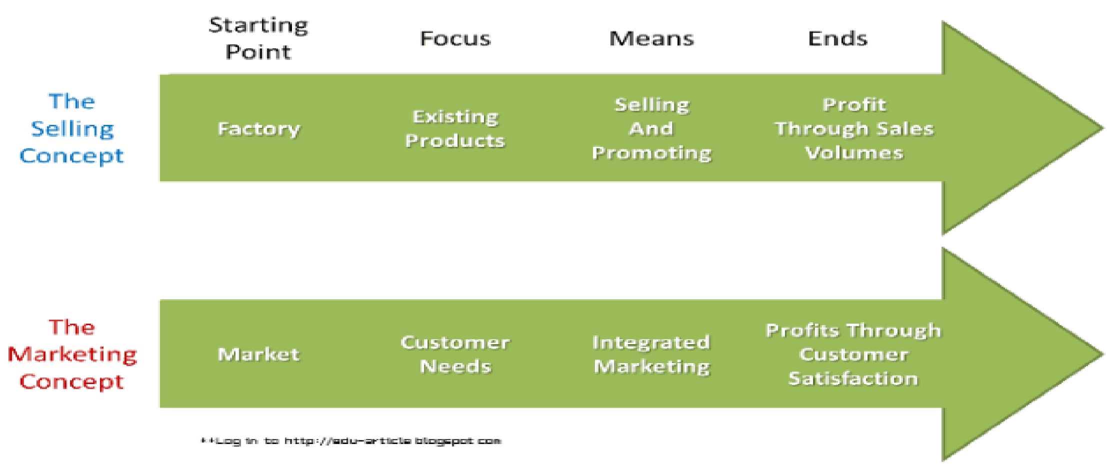
(e) Marketing research becomes an integral part of the marketing process and a managerial tool in decision-making;

(f) The interests of the enterprise and the society will be harmonized because the business gives due consideration to consumer service along with its goal of profit maximization;

(g) The satisfied consumer becomes the firm's unpaid sales force; and

(h) It ensures integrated view of business activities and indicates interdependence of various departments of an organization.

In spite of various advantages of the marketing concept it has been fully practiced because of various difficulties as it involves considerable planning, persuasion, education and reorganization. Philip Kotler has criticized this concept on the ground that it 'sidesteps the conflict between consumer wants, consumer interests and the long-run societal welfare'. He has suggested 'the societal marketing concept' as the possible remedy.



Difference between Selling Concept and Marketing Concept:

The Selling Concept

- undertakes a large-scale selling and promotion effort
- The Selling Concept is suitable with unsought goods—those that buyers do not normally think of buying, such as insurance or blood donations.
- Focus of the selling concept starts at the production level.
- Any company following selling concept undertakes a high-risk
- The Selling Concept assumes –“customers who are coaxed into buying the product will like it. Or, if they don’t like it, they will possibly forget their disappointment and buy it again later.”
- The Selling Concept makes poor assumptions

The Marketing Concept

- Undertakes activities such as; market research,
- The Marketing Concept is suitable for almost any type of product and market.
- Focus of the marketing concept starts at understanding the market.
- Companies that are following the marketing concept require baring less risk and uncertainty.
- Instead of making an assumption, the marketing concept finds out what really the consumer requires and acts accordingly to them.
- Marketing concept works on facts gathered by its “market and customer first” approach.

5. Societal Marketing Concept:

Societal marketing concept questions whether the pure marketing concept overlooks possible conflicts between consumer short-run wants and consumer long-run welfare. The societal marketing concept holds "marketing strategy should deliver value to customers in a way that maintains or improves both the consumer's and society's well-being".

It calls for sustainable marketing, socially and environmentally responsible marketing that meets the present needs of consumers and businesses while also preserving or enhancing the ability of future generations to meet their needs. The Societal Marketing Concept puts the Human welfare on top before profits and satisfying the wants. The global warming panic button is pushed and a revelation is required in the way we use our resources. So companies are slowly either fully or partially trying to implement the societal marketing concept.

The Process of Marketing

The prime aim of marketing is to see that the goods and services move from the producers to the ultimate consumers. Many marketing activities have to be performed to attain the said objective. These marketing activities or functions are performed by marketing middlemen such as merchant middlemen (wholesalers and retailers) or agent middlemen (brokers and commission agents) within the broad framework of marketing mechanism involving three distinct processes.

The three major marketing processes are:

1. Concentration

2. Equalization

3. Dispersion.

1. Concentration:

Concentration means bringing the goods at some important and convenient centre's to make possible effective and economical distribution. Goods are collected from small producers at central points to enable the retailers to have adequate stocks of products of various qualities to meet the numerous requirements of their customers.

Concentration is an essential process of marketing for the following reasons:

(a) To collect natural goods produced in small lots at different places;

(b) To procure various specialized parts required by assembling industries; and

(c) To ensure continuous and ready supply of different products.

2. Equalization

The process of equalization occurs between the process of concentration and the process of dispersion. The goods produced and concentrated in the markets have to be adjusted to meet the requirements of the people. Equalization is the process by means of which the supply of goods is adjusted to the demand for them. In the words of Professors Trousley Clark and Clark, equalization 'consists of adjustments of supply to demand on the basis of time and quality. The process of equalization is performed through storage and transportation.

The need of equalization arises on account of:

(a) There may be seasonal production but continuous consumption;

(b) There may be continuous production but seasonal consumption;

(c) There may be difference in terms of quality requirements; and

(d) There may be difference in terms of quantity requirements.

3. Dispersion

Dispersion means distribution of goods which are concentrated to the ultimate consumers. This process is performed through wholesalers, retailers, agents, etc. Dispersion completes the process of marketing and is a very important activity because the goods produced and concentrated have no value unless these are properly distributed to the centres of final consumption.

Factors Influencing Marketing Concept:

There are good many factors that influence the marketing concept. Any firm operating under the marketing concept receives signals from the market place. That is, detailed information regarding the consumer needs, wants, desires and the desire backing or supporting parameters.

These factors are:

1. Growth of Population:

It goes without saying that an increase in population leads to increase in demand for goods and services. Market we mean people their diverse needs desires and wants.

2. Changing concept of family:

Over the years, the concept of joint family has lost its importance though it has many plus points. In place of joint families, we come across the nucleus families which are divided which are a product of Western World. This is based on astute individual freedom, supported by education, occupational mobility, migration and self- relevance. More families mean more goods and services needed.

3. More Disposable Income:

The young generation has the advantage of increased and new job opportunities caused by changing values of culture, life-style and quality of life. That is, their income avenues are increasing, leading to enhanced purchasing power. Increased purchasing power backs up needs and desires and finally buying action.

4. More Discretionary Income:

The people are left with more surpluses even after meeting their needs that enables to cross the barrier of hand to mouth fashion of living. This discretionary income is now meant for not necessities but comforts and luxuries. In fact, all are not lucky enough to have such surplus. However, it affects the very cycle of thinking and course of action.

5. Technological Advancement:

The process of science and technology is never ending. One invention or discovery leads to another. The technological advancement is so fast that people are greatly and deeply influenced by the wave of planned obsolescence. They shorten the life of products though they can last longer. Thus, in earlier generations, the watch lasted for 20 years, 30 years and even 50 years. People used to take pride in its longer life. Now a wrist watch, if it comes to repairs, they exchange or dispose off as a scrap and go for new.

6. Mass-Communication Media:

The people learn about the arrival of new products and services because of the onslaught of mass- communication media print audio visuals that hasten the speed of change and exchange. Modern ad world has revolutionized the marketing process.

7. Credit Facilities:

Credit is the greatest weapon that makes the people to go in for those products which they cannot easily afford. Now credit cards, zero per cent interest schemes have further made the people to meet their pressing needs. A person speaks of car which he used to dream. Dreams are a reality caused by modern credit and the plastic money.

Major 8 Approaches to Marketing:

The study of marketing has been approached in more than one way. To some it has meant to sell something at a shop or market place; to some it has meant the study of individual product and its movement in the market; to some it has meant the study of persons-wholesalers, retailers, agents etc., who move the products and to some it has meant the study of behavior of commodity movement and the way the persons involved to move them. The approach to the study of marketing has passed through several stages before reaching the present stage. There is a process of evolution in the development of these approaches.

1. Product or Commodity Approach:

Under the commodity approach the focus is placed on the product or it is an approach on the marketing on commodity wise basis. In other words, the study relates to the flow of a certain commodity and its movement from the original producer right up to the ultimate customer. The subject-matter, under this study, is commodity. When one studies the marketing on this basis—commodity approach, one must begin to study and analyses the problems relating to a commodity i.e., sources and conditions of supply, nature and extent of demand, mode of transporting, storage, standardization, packing etc. Again, take an example of a commodity, say rice.

One has to study the sources of rice, location, people involved in buying and selling, means of transport, problems of selling the product, financing, storage, packing etc. Thus, we get a full picture of the marketing from the original producer to the ultimate consumer. The method of study is repeated for each item. The system claims that it is simple and gives good result over the marketing of each product; description study is possible. But at the same time this approach is time-consuming and repetitive process which is a drawback.

2. Institutional Approach:

In the institutional approach, the focus is on the study of institutions- middlemen, wholesalers, retailers, importers, exporters, agencies, warehousing etc., engaged in the marketing during the movement of goods. The approach is also known as middlemen approach. Here, emphasis is given to understand and analyses the functions of institutions, who are discharging their marketing functions.

The activities of each institution form a part of marketing and collectively complete the marketing functions. In the process of moving the goods from the producer to the final consumers, a large number of persons are engaged. This system pays attention to the problems and functions of marketing institutions-transporting, banks and other financial institutions, warehousing, advertising, insurance etc. This method does not give adequate knowledge of the entire marketing functions and also' fails to explain the interrelations of different institutions.

3. Functional Approach:

The functional approach gives importance on the various functions of marketing. In other words, one concentrates attention on the specialized services or functions performed by marketers. In this approach, marketing splits into many functions-buying, selling, pricing, standardization, storage, transportation, advertising, packing etc. This may be studied one after another. Here each function is studied in detail in order to understand it and analyses the nature, need and importance of each function. In this approach, marketing is regarded as "business of buying and selling and as including those business activities involved in the flow of goods and services between producers and customers." This system gives too much importance to various marketing functions and fails to explain how such functions are applied to the specific business operations.

4. Management Approach:

This approach is the latest and scientific. It concentrates upon the activities or marketing functions and focuses on the role of decision-making at the level of firm. This approach is mainly concerned with how managers handle specific problems and situations. It aims through evaluation of current market practices to achieve specific marketing objectives. Generally there are two factors-controllable and uncontrollable, which are more concerned with the decision-making. Controllable include price adjustment, advertisement etc.

Uncontrollable-economical, sociological, psychological, political etc. are the basic causes for market changes. And these changes cannot be controlled by any firm. But controllable can be controlled by the firm. The uncontrollable limit the marketing opportunities. As such, managerial approach is concerned with the study of uncontrollable and then taking decisions for controllable within the scope set by uncontrollable. Managerial or decision-making approach emphasizes on the practical aspects of marketing, but ignores the theoretical aspects of marketing. At the same time, this approach provides overall information of the entire business.

5. System Approach:

The system approach can be defined as "a set of objects together with the relationships among them and their attributes." Systems focus on interrelations and interconnections among the functions of marketing. The system examines marketing connections (linkage) inside as well as outside the firm. Inside the firm there is a co-ordination of business activities-engineering, production, marketing, price etc. On the basis of feedback information proper control is exercised to modify or alter in the producing process, so that the desired output can be produced. Here, the aim is to secure profit through customer-satisfaction. Markets can be understood only through the study of marketing information. For instance, business is composed of many functions, which are composed of sub functions. Each function or sub-function is independent, but interrelated and enables the other to achieve marketing objectives.

6. Societal Approach:

This approach has been originated recently. The marketing process is regarded as a means by which society meets its own consumption needs. This system gives no importance as to how the business meets the consumer's needs. Therefore, attention is paid to ecological factors (sociological, cultural, legal etc.) and marketing decisions and their impact on the society's well-being.

7. Legal Approach:

This approach emphasizes only one aspect i.e., transfer of ownership to buyer: It explains the regulatory aspect of marketing. In India, the marketing activities are largely controlled by Sales of Goods Act, Carrier Act etc. The study is concentrated only on legal aspects, leaving other important aspects. This does not give an idea of marketing.

8. Economic Approach:

This approach deals with only the problems of supply, demand and price. These are important from the economic point of view, but fail to give a clear idea of marketing.

Functions of Marketing

1. Selling
2. Buying and Assembling
3. Transportation
4. Storage
5. Standardization and Grading
6. Financing
7. Risk taking
8. Market Information.

1. Selling

It is core of marketing. It is concerned with the prospective buyers to actually complete the purchase of an article. It involves transfer of ownership of goods to the buyer. Selling plays an important part in realizing the ultimate aim of earring profit. Selling is enhanced by means of personal selling, advertising, publicity and sales promotion. Effectiveness and efficiency in selling determines the volume of company's profits and profitability.

2. Buying and Assembling

It involves what to buy, of what quality, how much from whom, when and at what price. People in business buy to increase sales or to decrease costs. Purchasing agents are much influenced by quality, service and price. The products that the retailers buy for resale are determined by the needs and preferences of their customers. A manufacturer buys raw materials, spare parts, machinery, equipment's, etc. for carrying out his production process and other related activities. A wholesaler buys products to resell them to the retailers.

Assembling means to purchase necessary component parts and to fit them together to make a product. ‘Assembly line’ indicates a production line made up of purely assembly operations. The assembly operation involves the arrival of individual component parts at the work place and issuing of these parts to be fastened together in the form of an assembly or sub-assembly. Assembly line is an arrangement of workers and machines in which each person has a particular job and the work is passed directly from one worker to the next until the product is complete. On the other hand, ‘fabrication lines’ implies a production line made up of operations that form or change the physical or sometimes chemical characteristics of the product involved.

3. Transportation:

Transportation is the physical means by which goods are moved from the places where they are produced to those places where they are needed for consumption. It creates place, utility. Transportation is essential from the procurement of raw material to the delivery of finished products to the customer’s places. Marketing relies mainly on railroads, trucks, waterways, pipelines and air transport. The type of transportation is chosen on several considerations, such as suitability, speed and cost. Transportation may be performed either by the buyer or by the seller. The nature and kind of the transportation facilities determine the extent of the marketing area, the regularity in supply, uniform price maintenance and easy access to the supplier or seller.

4. Storage:

It involves holding of goods in proper (i.e., usable or saleable) condition from the time they are produced until they are needed by customers (in case of finished products) or by the production department (in case of raw materials and stores); storing protects the goods from deterioration and helps in carrying over surplus for future consumption or use in production. Goods may be stored in various warehouses situated at different places, which is popularly known as warehousing. Warehouses should be situated at such places from where the distribution of goods may be easier and cheaper. Situation of warehouses is also important from the view of prompt feeding of emergency demands. Storing assumes importance when production is regional or consumption may be regional. Retail firms are called “stores”.

5. Standardization and Grading:

The other activities that facilitate marketing are standardization and grading. Standardization means establishment of certain standards or specifications for products based on intrinsic physical qualities of any commodity. This may involve quantity (weight or size) or it may involve quality (color, shape, appearance, material, taste, sweetness etc.) Government may also set some standards, for example, in case of agricultural products. A standard conveys a uniformity of the products. Grading means classification of standardized products into certain well defined classes or groups. It involves the division of products into classes made of units possessing similar characteristics of size and quality. Grading is very important for raw materials, marketing of agricultural products (such as fruits and cereals), mining products (such as coal, iron and manganese) and forest products (such as timber). Branded consumer products may bear grade labels A, B, C.

6. Financing:

It involves the use of capital to meet financial requirements of agencies dealing with various activities of marketing. The services to provide the credit and money needed, the costs of getting merchandise into the hands of the final user is commonly referred to as finance function in marketing. In marketing, finances are needed for working capital and fixed capital which may be secured from three sources—owned capital, bank loans and advance and trade credit. (Provided by manufacturers to wholesaler and by the wholesaler to the retailers.) In other words; various kinds of finances are short-term finance, medium-term finance, and long-term finance.

7. Risk Taking:

Risk means loss due to some unforeseen circumstances in future. Risk bearing in marketing refers to the financial risk interest in the ownership of goods held for an anticipated demand including the possible losses due to a fall in prices and the losses from spoilage, depreciation, obsolescence, fire and floods or any other loss that may occur with the passage of time.

From production of goods to its selling stage, many risks are involved due to changes in market conditions, natural causes and human factors. Changes in fashion or inventions also cause risks. Legislative measures of government may also cause risks. Risks may arise during the course of transportation. They may also be due to decay, deterioration and accidents, or due to fluctuation in the prices caused by changes in their supply and demand. The various risks are usually termed as place risk, time risk and physical risk, etc.

8. Market Information:

The importance of this facilitating function of marketing has been recognized only recently. The only sound foundation on which marketing decisions may be based is correct and timely market information. Right facts and information reduce the aforesaid risks and thereby result in cost reduction. Modern marketing requires a lot of information adequately, accurately and speedily. Marketing information makes a seller know when to sell, at what price to sell, who are the competitors, etc. Marketing information and its proper analysis has led to marketing research which has now become an independent branch of marketing.

Business firms collect analyze and interpret facts and information from internal sources, such as records, sales-people and findings of the market research department. They also seek facts and information from external sources, such as business publications, government reports and commercial research firms. Retailers need to know about sources of supply and also about customers "buying motives and buying habits". Manufacturers need to know about retailers and about advertising media. Firms in both these groups need information about 'competitor' activities and about their markets. Even ultimate consumers need market information about availability of products, their quality standards, their prices and also about the after sale service facility. Common sources for consumers are sales people, media advertisements, colleagues, etc.

Recent Trends in Marketing

The world of marketing is constantly changing, especially in the modern era of social media, automated ad tech and audience analytics. Brands need to stay on top of these changes to successfully reach their audiences, especially as consumers become savior and more skeptical of advertising. From technology like virtual reality and artificial intelligence to overall strategies like influencer and account-based marketing, here's how you can take advantage of the latest trends.

1. Virtual reality

Virtual reality is becoming increasingly commonplace as a marketing tool for brands big and small. The challenge is using VR in a way that makes sense for your overall brand messaging and target audience. VR marketing is still emerging, so it's a great time to explore your options and get ahead of the curve.

2. Interactive Content

Many brands, especially in the B2B space, have relied on blog content or PDF content (white papers and guides) to generate leads as part of their content marketing strategy. This year, you can expect interactive web experiences to take the lead in engaging visitors – experiences that display thought leadership content in more compelling, animated and visual ways.

3. Pinterest

Though Pinterest is often seen as a niche social media platform, I predict it to be the next big thing. Using Pinterest Lens and its functionality to engage with customers and put your products, services and style in front of consumers will be a surefire way to capture additional marketing attention in 2018.

4. Artificial Intelligence

Early adopters of AI have already found it to increase user engagement. However, integrating AI with a site's chat box or Facebook messenger will require perhaps even more creativity and understanding of the brand's target market. AI still has to address customer needs and problems just as aptly as a human agent, and it helps if the AI experience delights customers in a fun and lighthearted manner.

5. User-Generated Content

In the next year, consumers will crave authenticity from brands. Our recent survey shows that 86% of consumers say authenticity is important when deciding what brands they support, and 60% say user-generated content (UGC) is the most authentic form of content. By integrating trusted and engaging UGC throughout their multichannel marketing efforts, brands can win consumers' hearts and wallets.

6. Voice Search

Voice search is one of the most rapidly adopted technologies in recent history and it's changing the way consumers interact with the world around them. When you ask a question, you don't get 10 links back; you get one direct answer. Marketers should ensure the main voice providers (Google, Apple, Microsoft) have the correct facts about their businesses so they can provide the correct answers.

7. Honesty

Brutal honesty is a current trend that has been gaining steam, and we should all expect it to continue in 2018. Marketers can take advantage by clearly stating what their products and services are good at and where they need improvement. These statements can be backed up by objective customer reviews. This honesty translates to brand integrity, leading to trust and sales.

8. Chat bots

Chat bots are popping up everywhere, both in Facebook and other live chat solutions. As chat-based AI takes off, I expect to see more chat bots being utilized in everything – answering FAQs, placing orders and getting in touch with customer service. Marketers should be on the front lines embedding sales material and messaging as their company rolls them out to ensure they drive real value.

9. Account-Based Content Marketing

ABCM will help B2B companies target unique personas as individuals within a company. Marketers now have the opportunity to steer away from a one-size-fits-all advertising approach to a highly targeted, unique user experience, leveraging a customized content journey with micro-sites, landing pages, images and/or calls-to-action

10. Educating Consumers

As decision makers are being inundated with data – and we all know that data is different from knowledge – we must as marketers strive to be educators. Buyers are creating their own paths to purchase, and we have the opportunity to showcase and highlight key objectives and knowledge base points for the end consumer. By making content easy to understand and locate, we can capture mindshare.

11. Experiential/Event Marketing

Experiential and event marketing are seeing a big resurgence, and brands will lean in even more to those types of marketing activations. Music tour sponsorships will have new life because of this – brands can do even cooler venue activations that audiences interact with, and they'll get broadcast out to a much larger digital audience.

12. Influencer marketing

Influencer marketing has been trending up and was the marketing buzzword and hot topic in 2017. In 2018, I expect job openings to surface specifically for in-house influencer marketing, and for influencers to act as the new media buy at a more efficient cost. It will take some time to nail it, but you might as well start now.

E-business

Introduction to e-Business

E-business or Online business means business transactions that take place online with the help of the internet. The term e-business came into existence in the year 1996. E-business is an abbreviation for electronic business. So the buyer and the seller don't meet personally.

Features of Online Business

1. It is easy to set up
2. There are no geographical boundaries
3. Much cheaper than traditional business
4. There are flexible business hours
5. Marketing strategies cost less
6. Online business receive subsidies from the government
7. There are a few security and integrity issues
8. There is no personal touch
9. Buyer and seller don't meet
10. Delivery of products takes time
11. There is a transaction risk
12. Anyone can buy anything from anywhere at anytime
13. The transaction risk is higher than traditional business

Importance is e-business

Compared with other information technologies, the influence of the Internet over our everyday lives has been nothing short of phenomenal, so it's no wonder that it has also influenced how we do business. Just a decade or two ago, online transactions were merely an extra income stream for forward-thinking businesses. Today, they're an integral part of the economy. Online sales account for around 7% of traditional retail spending in Australia, though online activity also contributes to offline sales, so the influence of e-business is likely to be substantially greater than that. Sales figures also don't measure the impact that online collaboration has made on business. E-business is not constrained by geographic barriers, and has opened up new markets and networks, developing a new way of marketing. Everyday business practices have become more efficient, as processes are streamlined, data is collated, and communication has become instantaneous.

What does e-business include?

- Sales and marketing.
- Supply of goods and services.
- Selling direct to consumers, manufacturers and suppliers.
- Monitoring and exchanging information.
- Auctioning surplus inventory.
- Collaborative product design.
- Managing internal processes such as human resources, financial and administration systems, and
- Customer relationships.

E-business terms/ types

Business to business (B2B)

Transactions that take place between two organizations come under Business to business. Producers and traditional commerce wholesalers typically operate with this type of electronic commerce. Also. it greatly improves the efficiency of companies.

Business to consumer (B2C) (also known as e Commerce)

When a consumer buys products from a seller then it is business to consumer transaction. People shopping from Flipkart, Amazon, etc is an example of business to consumer transaction. In such a transaction the final consumer himself is directly buying from the seller.

Consumer-to-Administration (C2A)

- The Consumer-to-Administration model encompasses all electronic transactions conducted between individuals and public administration. Some examples of applications include
- Education – disseminating information, distance learning, etc.
- Social Security – through the distribution of information, making payments, etc.
- Taxes – filing tax returns, payments, etc.
- Health – appointments, information about illnesses, payment of health services, etc.

Business-to-Administration (B2A)

This part of e-commerce encompasses all transactions conducted online by companies and public administration or the government and it varies agencies. Also, these types of services have increased considerably in recent years with investments made in e-government.

An excellent example of a B2A model is Accela; it's a software company that provides government software solutions and public access to government services for permitting, planning, licensing, public health, and so on.

Consumer-to-Consumer (C2C)

A consumer selling product or service to another consumer is a consumer to consumer transaction. For example, people put up ads on OLX of the products that they want to sell. C2C type of transactions generally occurs for second-hand products. The website is only the facilitator not the provider of the goods or the service.

Role of E-Business in Business

Reduced Business Costs:

One of the primary benefits of e-business is its ability to cut costs. This technology eliminates the need to have a physical presence, such as a brick-and-mortar store or an office. Companies no longer have to rent a space and pay for utilities unless they want to. For example, if you provide PR and marketing services, it's not necessary to rent an office. You can run your business remotely and reach customers worldwide. Sure, you can expand your operations, rent a space and hire staff but that's optional. You could just as well hire a remote team and do everything online. The choice is up to you. Additionally, e-business strategies like social media and online advertising involve lower costs than traditional marketing which allows startups and small companies to reach their target audience and compete against big industry names without spending a fortune. Furthermore, technologies such as AI and machine learning can help reduce your operational costs and increase your productivity.

More Efficient Marketing

Over 93 percent of online experiences begin with a search engine. Today, most customers look for information about products and services on the internet. By implementing the best e-business practices, you can reach a wider audience and increase customer engagement. Modern technologies, such as programmatic marketing, use smart data for more precise targeting which allows you to define your ideal buyer persona and display relevant ads accurately. You'll no longer spend your marketing budget on banners and digital ads that customers will either block or ignore altogether

Centralized Data

The latest e-business functions enable companies to store massive amounts of data and keep it secure. Cloud hosting, for example, allows you to take customer data, videos, contracts, employee records and other information away from the office to a virtual storage location which means you'll no longer have to rely on USB drives or paper documents. Plus, you can access these files on the go, regardless of your location.

Improved Inventory Control

In today's digital era, organizations can automate the inventory of goods, process orders and accept payments without handwork. Modern e-business practices allow e-commerce stores, logistics centers and other product-based companies to gather information faster and have better control over their goods. Automated inventory management tools can free up your time and eliminate human error resulting in lower operational costs and improved efficiency. You can focus on the core aspects of your business without having to worry about the small things.

Superior Customer Experience

Customer Relationship Management (CRM) software allows for more efficient communication with your prospects and clients. With these e-business solutions, companies can maximize up selling and cross-selling, get better insights into their audience and improve customer experience. If a customer contacts your team, they will be able to retrieve key data related to past purchases and buying preferences within minutes. Furthermore, CRM software automates everyday tasks, such as data entry, sales tracking and reporting.

Higher Revenue

The latest e-business strategies can translate into higher revenue for your business. They can not only reduce costs but also enhance communication within your organization. Data-driven marketing, CRM software, content management tools and other technologies contribute to your business growth. By integrating these solutions into your daily activities, you'll get more done in less time. All of your employees, suppliers, customers and processes will be interconnected. Your departments can share valuable information in real time so they can achieve the desired result, whether it's closing a sale or increasing marketing reach which can lead to higher productivity and performance, increased customer satisfaction and efficient transactions.

Telemarketing:

Definition:

Telemarketing is the act of selling, soliciting, or promoting a product or service over the telephone; the telephone is the most cost-efficient, flexible, and statistically accountable medium available. At the same time, the telephone is still very intimate and personal. It is individual to individual.

Meaning:

Telemarketing is the process of using the telephone to generate leads, make sales, or gather marketing information. Telemarketing can be a particularly valuable tool for small businesses, in that it saves time and money as compared with personal selling, but offers many of the same benefits in terms of direct contact with the customers.

Telemarketing is especially useful when the customers for a small business products or services are located in hard-to-reach places, or when many prospects must be contacted in order to find one interested in making a purchase.

Although some small businesses operate exclusively by telephone, telemarketing is most often used as part of an overall marketing programme to tie together advertising and personal selling efforts. For example, a company might send introductory information through the mail, then follow-up with a telemarketing call to assess the prospect’s interest, and finally send a salesperson to visit.

Types of Telemarketing

Telemarketing can be either inbound or outbound in scope.

Inbound Telemarketing:

It consists of handling incoming telephone calls—often generated by broadcast advertising, direct mail, or catalogues—and taking orders for a wide range of products. The representatives working in this type of telemarketing programme normally do not need as much training as the outbound representatives.

Outbound Telemarketing:

It can be aimed directly at the end consumer; for example, a home repair business may call people to search for prospects and customers. Representatives working on this side of the industry generally require more training and product knowledge, as more actual selling is involved in comparison to the inbound operations.

Advantages of Telemarketing:

1. Human interaction:

One of the advantages telemarketing has over other direct marketing methods is that it involves human interaction.

2. Small businesses:

Telemarketing can be a particularly valuable tool for small businesses, in that it saves time and money as compared to personal selling, but offers many of the same benefits in terms of direct contact with customers.

3. Customer service:

Building a loyal client base is a fundamental factor in establishing a long- term business success and increasing the value of the company. Telemarketing customer services can gain repeat orders and increase the penetration of the customer base. Telemarketing has the advantages of delivering excellent customer service.

4. Reduces cost:

As the costs of field sales continue to escalate, businesses are using telemarketing as a way to reduce the cost of selling. It is also easier to communicate with customers. Most of the marketing efforts are directed towards select markets, so the cost per person contacted is less.

5. Flexibility:

It is the most flexible form of direct marketing. It helps in knowing and understanding what customers want, and are prepared to buy. Survey can be conducted with the advantages of telemarketing, knowing what customers are looking for, the product or service, the brand, etc.; one can constantly update the client data base.

6. Response measurement:

Response measurement is possible by knowing the effectiveness of advertising. The results can be compared with the ones previously established, and the future plans can be based on such results.

Disadvantages of Telemarketing:

1. An increasing number of people have become averse to telemarketing.

2. No visual contact with the customer is possible.

3. More people are using technology to screen out unwanted callers, particularly telemarketers.

4. Government is implementing tougher measures to curb unscrupulous telemarketers.

5. If hiring an outside firm to do telemarketing, there is lesser control in the process, given that the people doing the calls are not your employees.

6. A telephone conversation has very short memory.

7. Pre-purchase inspection of goods not possible.

8. It can be extremely expensive, particularly if telemarketing is outsourced to an outside firm.

Mobile Commerce (M-Commerce):

Very simply put M-commerce entails the e-commerce transactions done with a mobile phone. So M-commerce is the use of mobile phones to conduct any type of business transaction. It takes the help of the e-commerce background and WAP technology. The use of wireless technology (WAP) to conduct sales of goods, provide services, and make payments and other financial transactions, the exchange of information etc. is the basis of mobile commerce. M-commerce is actually a rapidly growing sector of e-commerce. Nearly 70% of the online transactions that occur in India happen from mobile phones. Globally it is a 700 billion dollar industry. M-commerce is about exploiting new opportunities made available to us thanks to e-commerce. So it involves the advent of new technologies, services, business models and marketing strategies. It differentiates itself in many ways from e-commerce. This is because mobile phones have very different characteristics than desktop computers. And it opens so many windows of opportunities for businesses to exploit.

Applications of M-commerce

- **Mobile Banking:** Using a mobile website or application to perform all your banking functions. It is one step ahead of online banking and has become commonplace these days. For example, in Nigeria, the majority of banking transactions happen on mobile phones.
- **Mobile Ticketing and Booking:** Making bookings and receiving your tickets on the mobile. The digital ticket or boarding pass is sent directly to your phone after you make the payment from it. Even in India now IRTC and other services provide m-ticketing services.
- **E-bills:** This includes mobile vouchers, mobile coupons to be redeemed and even loyalty points or cards system.
- **Auctions:** Online auctions having now been developed to be made available via mobile phones as well. Stock Market Reports and even stock market trading over mobile applications.

Advantages:

1- Cover wild distance: Mobile is the only technology which is now become necessary for any person in social and business life than computers.

2- Consumer deals: As more users use M-Commerce, there are lots of companies uses M-Commerce site to reach them by giving different and better deals in comparison of their competitor.

3- Savings: Companies try t reach to the consumer directly through M-Commerce, so users have no need to go far to the store physically and at the end it saves user's time and money.

4- Easy to use: There is no need of skilled consumer. Buyers can have look thousands of items on their cell phones and there is no need of online checkout process.

Disadvantages:

1- Smart phone limitation: Mobile has no big screen like desktop or laptops, so sometimes users tired to navigate more and more to choose just one item from thousands. It affects shopping rates.

2- Habituate: Every new technology has some problem at the starting phase. Here M-Commerce is new application, so sometimes people avoid to change which are rapidly change.

3- Risk factor: Each business has its own risk. Same M-Commerce is the growing field and a lot of investment in this field is become risky.

4- Connectivity: M-Commerce needs high speed connectivity of 3G. Otherwise it is become hectic for user to go through entire product purchase process.

Green Marketing

Here, term ‘green’ is indicative of purity. Green means pure in quality and fair or just in dealing. For example, green advertising means advertising without adverse impact on society. Green message means matured and neutral facts, free from exaggeration or ambiguity. Green marketing is highly debated topic for lay people to highly professional groups. Concept of green marketing concerns with protection of ecological environment. Modern marketing has created a lot of problems. Growth in marketing activities resulted into rapid economic growth, mass production with the use of advanced technology, comfortable and luxurious life, style, severe competition, use of unhealthy marketing tactics and techniques to attract customers, exaggeration in advertising, liberalization and globalization, creation of multinational companies, retailing and distribution by giant MNCs, etc., created many problems.

Departmental stores, specialty stores, and shopping malls are flooded with useful as well as useless products. These all factors have threatened welfare of people and ecological balance as well. Particularly, giant factories have become the source of different pollutions. Production, consumption and disposal of many products affect environment adversely. Excessive pollution has provoked the Nature and the Nature starts behaving in unnatural ways (in form of global warming v/s global cooling, heavy rains v/s draught, and other natural calamities like frequent earthquakes and tsunami, cyclones, epidemics, and so forth). Economic growth via production and consumption threatens peaceful life of human being on the earth. Green marketing is an attempt to protect consumer welfare and environment (the nature) through production, consumption, and disposal of eco-friendly products.

Basically, green marketing concerns with three aspects:

1. Promotion of production and consummation of pure/quality products,
2. Fair and just dealing with customers and society, and
3. Protection of ecological environment.

Global ecological imbalance and global warming (also global cooling) have called upon environmentalists, scientists, social organisations, and alert common men to initiate the concrete efforts to stop further deterioration of ecological environment. The World Bank, the SAARC, the

UNO, the WHO, and other globally influential organisations have started their efforts to promote and practice green marketing. The world environment summit at Copenhagen (2009) is the mega event that shows the seriousness of ecological imbalance. To increase awareness, 5th June is declared as the World Environment Day. Green marketing emphases on protection of long-term welfare of consumers and society by production and use of pure, useful, and high quality products without any adverse effect on the environment. Mass media have started their campaign for protecting the earth from further deterioration. Worldwide efforts are made to conserve natural water resources.

Thus, green marketing is a marketing philosophy that promotes production and selling of pure (eco-friendly) products with protection of ecological balance. Green marketing involves multiple activities. Green Marketing encourages production of pure products by pure technology, conservation of energy, preservation of environment, minimum use of natural resources, and more use of natural foods instead of processed foods. Efforts of people, social organisations, firms, and governments in this regard can be said as green marketing efforts. Green marketing raises the voice against production, consumption, and/or disposal of such products that anyway harm consumers, the society, and the environment. It is necessary that businessmen and users should refrain from harmful products.

Impacts or Importance of Green Marketing:

Green marketing affects positively the health of people and the ecological environment. People are aware of pure products and pure methods of producing, using, and disposing the products. It encourages integrated efforts for purity in production and consumption as well.

1. Now, people are insisting pure products – edible items, fruits, and vegetables based on organic farming. The number of people seeking vegetarian food is on rise.

2. Reducing use of plastics and plastic-based products.

3. Increased consumption of herbal products instead of processed products.

4. Recommending use of leaves instead of plastic pieces; jute and cloth bags instead of plastic carrying bags.

5. Increasing use of bio-fertilizers (made of agro-wastes and wormy-composed) instead of chemical fertilizers (i.e. organic farming), and minimum use of pesticides.

6. Worldwide efforts to recycle wastes of consumer and industrial products.

7. Increased use of herbal medicines, natural therapy, and Yoga.

8. Strict provisions to protect forests, flora and fauna, protection of the rivers, lakes and seas from pollutions.

9. Global restrictions on production and use of harmful weapons, atomic tests, etc. Various organisations of several countries have formulated provisions for protecting ecological balance.

10. More emphasis on social and environmental accountability of producers.

11. Imposing strict norms for pollution control. Consideration of pollution control efforts and eco-technology in awarding IS), ISO 9000, or ISO 14000 certificates and other awards.

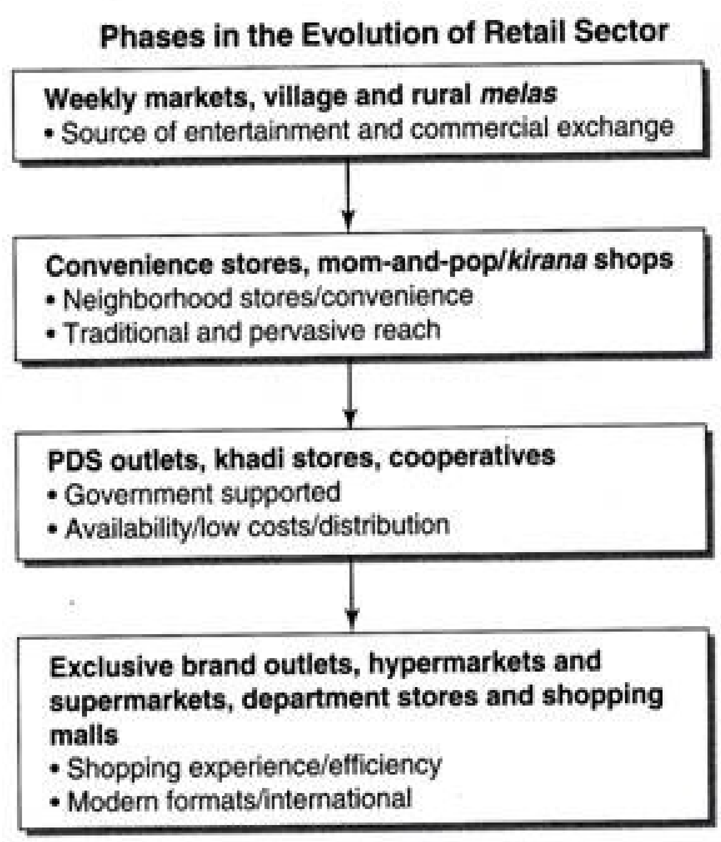
12. Declaration of 5th June as the World Environment Day.

13. Strict legal provisions for restricting duplication or adulteration.

14. Establishing several national and international agencies to monitor efforts and activities of business firms in relation pollution control and production of eco-friendly products.

Retailing or Retail marketing:

Retail marketing comprises the activities related to selling products to the consumers through channels such as stores, malls, kiosks, vending machines, or other fixed locations. In contrast, direct marketing to consumer's attempts to complete a sale through phone, mail, or web site sales. Retailing occupies a key role in the world of economy. Retailing involves all the activities incidental to selling to ultimate consumers for their personal, family, and household use. It does this by organizing their availability on a relatively large scale and supplying them to the customers on a relatively small scale. A retailer is any person/organization instrumental in reaching the goods, or merchandise, or services to the end users. A retailer is a must and cannot be eliminated. Retail marketing comprises the activities related to selling products to the consumers through channels such as stores, malls, kiosk, vending machines, or other fixed locations. In contrast, direct marketing to consumer's attempts to complete a sale through phone, mail, or web site sales.



Types of Major Retail Outlets:

Departmental Stores:

A departmental store offers several product lines such as clothing, home furnishing and household goods under one roof. Each line operates as a separate department. For example, Akbarallys.

Specialty Stores:

A specialty store concentrates on a narrow product line or a specialized product line; for example, footwear and jewelry.

Supermarket:

A supermarket provides relatively large low-cost, low-margin, high-volume, self-service operation; for example. Big Bazar.

Convenience Stores:

A convenience store is conveniently located in suburban areas and charges a slightly higher price and provides groceries and non-food items.

Discount Stores:

A discount store offers standard merchandise at low price with low margin and high volume.

Factory Outlets:

A factory outlet is opened and operated by manufacturers, and sells surplus or discounted goods.

Shopping Malls:

Shopping malls are the new format of retail outlets. They provide several products under one roof .They also provide means of entertainment such as mini theatre and food courts.

Relationship Marketing

Relationship marketing is about forming long-term relationships with customers. Rather than trying to encourage a one-time sale, relationship marketing tries to foster customer loyalty by providing exemplary products and services. This is different than most normal advertising practices that focus on a single transaction. Relationship marketing, by contrast, is usually not linked to a single product or offer. It involves a company refining the way they do business in order to maximize the value of that relationship for the customer.

Relationship marketing mainly involves the improvement of internal operations. Many customers leave a company not because they didn't like the product, but because they were frustrated with the customer service. If a business streamlines its internal operations to satisfy all service needs of their customers, customers will be happier even in the face of product problems. Technology also plays an important role in relationship marketing. The Internet has made it easier for companies to track, store, analyze and then utilize vast amounts of information about customers. Customers are offered personalized ads, special deals, and expedited service as a token of appreciation for their loyalty.

Examples of Relationship marketing

Ikea – The Swedish furniture maker has a worldwide base of intensely loyal customers. When the company changed the font in their ubiquitous catalog, Ikea lovers took to the Internet to air their complaints. Rather than alienate their customers for a trivial reason, Ikea changed the font back in the next catalog.

Direct Recruitment – The direct mail marketing firm sends out handwritten birthday cards to clients and associates every year. This simple, personal touch helps clients feel like Direct Recruitment cares about them as people rather than simply consumers.

American Airlines – The airline maintains a comprehensive frequent flyer program that rewards customer loyalty with the promise of free flights, upgrades, and discounts.

Dell – Dell computers created a special online store for high volume corporate customers. By tailoring the ordering process to the specific customer's needs, Dell was able to expedite many of the hassles corporate technology buyers face. Providing a higher level of service leads to increased loyalty.

Customer relationship management (CRM):

Customer satisfaction has always been a key element in the pursuit of corporate goals and objectives. However, the current competitive environment fostered by liberalization and globalization of the economy and the rising customer expectations for quality; service and value have promoted many companies to organize their business around the customers they serve, rather than around the product lines or geographic business units.

Customer relationship management (CRM) first gained prominence in the early 1990s. It refers to the holistic approach that organizations can take to manage their relationships with their customers, including policies related to contact with customers, collecting, storing, analyzing customer information, and the technology needed to perform these tasks.

According to Philip Kotler and Gary Armstrong, 'CRM is concerned with managing detailed information about individual customers and all customer "touch points" to maximize customer loyalty. It can also be defined as, 'an alignment of strategy, processes and technology to manage customers, and all customer-facing departments and partners'. In short, CRM is about effectively and profitably managing customer relationships through the entire life cycle. CRM helps in providing better service to the customers and developing effective customer relationships.

CRM integrates everything that a company's sales, services and marketing teams know about the individual customers to get a 360-degree view of the customer relationship. The aim of CRM is to build customer equity; customer equity is the sum of lifetime values of all the customers. CRM analysts develop data warehouses and use data-mining techniques to develop and maintain long-lasting relationships with the valuable customers.

A data warehouse is a company-wide electronic database of detailed customer information. The purpose of data warehouse is not just to gather information but also to place it into a central location for easy access. Once the data warehouse locates the data at a central place, the data analysts use the data-mining techniques to examine the mounds of data to find out interesting facts about the customers.

Need and Importance of CRM:

1. Better service to customers:

CRM provides more avenues for customers to communicate and explain their needs to the organization through numerous contact points. Customers get increased satisfaction and a feeling of being special and important because of the increased personalization of services and customization of goods offered to them. For example, ICICI Bank maintains a list of priority customers and provides them with additional facilities and special offers such as free tickets to concerts, movies, and so on. Some banks, such as Syrian Catholic Bank provide personalized services to their important customers.

2. Customization of market offerings:

Companies can customize a product or service depending on the data available with the firm. The firm can facilitate customer-company interaction through the company contact centre and web site. Such interactions help develop customized products.

3. Reduction in the customer defection rate:

CRM emphasizes on training and development of the employees to become more customer oriented. Due to CRM training and development, employees show care and concern towards the valuable customers; therefore, the customer defection rate may be reduced to a great extent.

4. Increase and improvement in long-term relationships:

Some firms treat their customers as partners. Firms solicit the help of the customers to design new products or to improve their services. If the customer gets involved with the firm, they are more likely to remain with the firm.

5. Increase in customer equity:

CRM increases customer equity. Firms focus the marketing efforts more on the most valuable customers (MVCs). The main aim of CRM is to produce high customer equity. Customer equity is the sum of lifetime values of all customers. More focus on MVCs will enable a firm to increase the customer equity.

6. Competitive advantage:

The firms that adopt CRM get competitive advantage in the market. They can face the competition with much ease. Competitive advantage helps in generating higher returns on investment.

7. Building and maintaining corporate image:

The image of the firm also gets enhanced. Loyal customers become evangelists. The evangelists spread a good word about the company and its products. This enables a firm to get additional customers to its fold.

8. Higher return on investment:

Due to CRM, a company gains a position to generate higher returns on investment. This is because of the repeat purchases on the part of the loyal customers. The company also makes money through cross selling. The higher return on investment increases the shareholders' value.

Techniques of Building CRM:

Firms use a number of techniques to build, maintain and enhance CRM. The techniques include the software programmes, promotional techniques, pricing strategies, MVC programmes, and so on. Some of the techniques have been discussed in detail.

Data Warehousing and Data Mining:

CRM analysts develop data warehouses and use data-mining techniques to develop and maintain long- lasting relationships with the valuable customers.

1. A data warehouse is a company-wide electronic database of detailed customer information. The purpose of data warehouse is not just to gather information, but to place it into a central location for easy access.
2. Once the data warehouse locates the data at a central place, the data analysts use data mining techniques to examine the mounds of data to find out interesting facts of the customers.

The mined data can be utilized for various marketing decisions such as the following:

1. Product design and modification
2. Product pricing
3. Promotion mix
4. Selection of channels of distribution
5. Maintaining dealer relationships.

One-to-one Marketing:

Some firms adopt one-to-one marketing strategy. Such firms treat their customers as partners, especially in the case of B2B markets firms solicit the help of customers to design new products or to improve their services. If the customer gets involved with the firm, then they are more likely to remain with the firm.

Loyalty Programmes:

Firms may use variety of loyalty programmes to retain customers. For example, airlines may offer special discount for frequent fliers. Firms may also provide gifts and other benefits to the loyal customers. But it is to be noted that all loyal customers need not be profitable, and all profitable customers need not be loyal. Therefore, the firm must be selective. In order to enhance marketing efficiency, a firm has to find out which of its customers are worth retaining and which are not, and which customers should be given extra care and attention. In other words, the firm has to determine the value of its customers, and focus on MVCs accordingly.

Priority Customer Programmes:

Some firms introduce priority customer programmes. The priority customers are the MVCs. They are given priority in after-sales service, delivery and resolving complaints. The priority customer programmes are followed by several organizations, especially in the banking industry.

For example, Citibank maintains a list of priority customers and provides them with additional facilities special offers such as free ticket to concerts, movies, and so on. Some banks, such as Syrian Catholic Hank provide personalized services to the important customers.

MARKETING ENVIRONMENT

Meaning

- Demographic marketing environment
- Economic marketing environment
- Natural marketing environment
- Technological marketing environment
- Political marketing environment
- Legal marketing environment
- Socio cultural marketing environment

Market Segmentation and Consumer Behavior

Meaning & Definition

Bases of Market Segmentation

Consumer Behavior

Factors influencing Consumer Behavior.

Introduction

Marketing activities are influenced by several factors inside and outside a business firm. These factors or forces influencing marketing decision-making are collectively called marketing environment. It comprises all those forces which have an impact on market and marketing efforts of the enterprise.

According to Philip Kotler, marketing environment refers to “external factors and forces that affect the company’s ability to develop and maintain successful transactions and relationships with its target customers”. The marketing programme of a firm is influenced and shaped by a firm’s inwardly need to begin its business planning by looking outwardly at what its customers require, rather than inwardly at what it would prefer to produce. The firm must be aware of what is going on in its marketing environment and appreciate how change in its environment can lead to changing patterns of demand for its products. It also needs to assess marketing opportunities and threats present in the surroundings. An environment can be defined as everything which surrounds and impinges on a system. Systems of many kinds have environments with which they interact. Marketing can be seen as a system which must respond to environmental change.

Just as the human body may have problems, it fails to adjust to environmental change. Similarly, businesses may fail if they do not adapt to external changes such as new sources of competition or changes in consumers' preferences.

Scanning the Environment:

Marketing activities do not take place in a vacuum, isolated from all external forces. In fact all marketing operations are conducted in a highly complex, dynamic and changing environment.

According to Philip Kotler, "A company's marketing environment consists of the factors and forces outside marketing that affect management's ability to build and maintain successful relationships with target customers". The marketing environment offers both opportunities and threats. Successful companies know the vital importance of constantly watching and adapting to the changing environment. A company's marketers take the major responsibility for identifying significant changes in the environment.

More than any other groups in the company, marketers must be the trend trackers and opportunity seekers. Although every manager in an organisation needs to observe the outside environment, marketers have two special aptitudes. They have disciplined methods – marketing intelligence and marketing research – for collection of information about the marketing environment. They also spend time in the customer and competitor environment. By conducting systematic environmental scanning, marketers are able to revise and adapt marketing strategies to meet new challenges and opportunities in the market place.

Marketing as a function is basically all about matching the offerings of the organisation to the outside world, in particular, the market-place. Not surprisingly, many functions within marketing, such as selling, product development and market research, concern themselves with issues, problems and opportunities outside the organisation, and focus on responding to outside events and circumstances.

Kotler identifies in this external role the need for marketers to develop an 'outside- in' perspective, an ability to work on external cues and stimuli to the profit of the whole organisation. Environment scanning is a constant, important activity of successful companies. This process includes gathering, filtering and analyzing information related to the marketing environment. It also includes monitoring the changes taking place in the environment and forecasting future status of each factor. Such analysis helps to spot opportunities and threats in the environment, and pinpoints the ones that are specifically relevant to the company. The company's marketing people have the responsibility for scanning and identifying significant changes or trends in the marketing environment.

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

1. Micro-environment:

The micro-environment of the company consists of various forces in its immediate environment that affect its ability to operate effectively in its chosen markets.

This includes the following:

(a) The company

(b) Company's Suppliers

(c) Marketing Intermediaries

(d) Customers

(e) Competitors

(f) Public

The Company:

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

<u>Internal Environment (Within the Co.):</u>

The marketing management, in formulating plans, takes the other groups into account:

1. Top Management

2. Finance

3. R&D

4. Manufacturing

5. Purchasing

6. Sales Promotion

7. Advertisement etc.

Environmental forces are dynamic and any change in them brings uncertainties, threats and opportunities for the marketers. Changes in the environmental forces can be monitored through environmental scanning, that is, observation of secondary sources such as business, trade and Government, and environmental analysis, that is, interpretation of the information gathered through environmental scanning. Marketers try to predict what may happen in the future with the help of tools like marketing research and marketing information or marketing intelligence system, and continue to modify their marketing efforts and build future marketing strategies. The company should think about the consumer and work in harmony to provide customer value and satisfaction.

Company's Suppliers:

Suppliers provide the resources needed by the company to product its goods and services. They are important links in the company's overall customer "value delivery system". Supplier developments can seriously affect marketing. Marketing managers must watch supply availability – supply shortages or delays, labour strikes and other events can cost sales in the short run and damage customer satisfaction in the long run. Marketing Managers also monitor the price trends of their key inputs. Rising supply costs may force price increases that can harm the company's sales volume. In business-to-business marketing, one company's supplier is likely to be another company's customer and it is important to understand how suppliers, manufacturers and intermediaries work together to create value. Buyers and sellers are increasingly co-operating in their dealings with each other, rather than bargaining each transaction in a confrontational manner in order to make supply chain management most effective and value-added products are sold to the target markets.

Marketing Intermediaries:

Intermediaries or distribution channel members often provide a valuable link between an organisation and its customers. Large-scale manufacturing firms usually find it difficult to deal with each one of their final customers individually in the target markets. So they chose intermediaries to sell their products. Marketing intermediaries include resellers, physical distribution firms, marketing service agencies, and financial intermediaries. They help the company to promote, sell, and distribute its goods to final buyers. Resellers are distribution channel firms that help the company to find customers for goods. These include whole-sellers and retailers who buy and resell merchandise. Selecting and working with resellers is not easy. These organisations frequently have enough power to dictate terms or even shut the manufacturer out of large markets.

Physical distribution:

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

Customers:

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

Competitors:

No single competitive marketing strategy is best for all companies. The company's marketing system is surrounded and affected by a host of competitors. Each firm should consider its own size and industry position compared to those of its competitors. These competitors have to be identified, monitored and out maneuvered to gain and maintain customer loyalty. Industry and competition constitute a major component of the micro-environment. Development of marketing plans and strategy is based on knowledge about competitors' activities. Competitive advantage also depends on understanding the status, strength and weakness of competitors in the market. Large firms with dominant positions in an industry can use certain strategies that smaller firms cannot afford. But being large is not enough. There are winning strategies for large firms, but there are also losing ones. And small firms can develop strategies that give them better rate of return than large firms enjoy.

Public:

General public do take interest in the business undertaking. The company has a duty to satisfy the people at large along with competitors and the consumers. A public is defined as "any group that has an actual or potential interest in or impact on a company's ability to achieve its objectives. Public relations is certainly a broad marketing operation which must be fully taken care of Goodwill, favourable reactions, donations and hidden potential fixture buyers are a few of the responses which a company expects from the public.

Kotler in this regard has viewed that "companies must put their primary energy into effectively managing their relationships with their customers, distributors, and the suppliers, their overall success will be affected by how other publics in the society view their activity. Companies would be wise to spend time monitoring all their public's understanding their needs and opinions and dealing with them constructively".

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

1. Financial—banks, stock-brokers, financial institutions.

2. Media—Newspaper, magazines, TV.

3. Government—Government departments.

4. Citizen—Consumer Organisations; environment groups.

5. Local—neighborhood residents, community groups.

6. General—General Public, public opinions.

7. Internal—Workers, officers, Board of Directors.

Macro Environment:

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

The components of a macro-environment are:

(a) Demographic Environment

(b) Economic Environment

(c) Physical Environment

(d) Technological Environment

(e) Political Environment

(f) Legal Environment

(g) Social and Cultural Environment

A. Demographic Environment:

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

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

According to the World Health Organisation, young people in the age group of 10-24 years comprise 33% of the population and 42% of our population consists of age group, 0-24 years. Teen-agers in the age group below 19 years comprise 23%. The senior citizen age group above 65 years comprises only 8% of total population. About 58% of the working population is engaged in agricultural activities, with highest, that is 78% in Bihar and Chhattisgarh and lowest 22% in Kerala. Since human population consists of different kinds of people with different tastes and preferences, they cannot be satisfied with any one of the products. Moreover they need to be divided in homogeneous groups with similar wants and demands. For this we need to understand the demographic variables which are traditionally used by marketers, to segment the markets.

Income:

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

Life-style:

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

Sex:

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

Education:

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

Social Class:

It is defined as the hierarchical division of the society into relatively distinct and homogeneous groups whose members have similar attitudes, values and lifestyle.

Occupation:

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

Age:

Demographic variables help in distinguishing buyers, that is, people having homogenous needs according to their specific wants, preferences and usages. For instance, teenagers usually have similar needs. Therefore, marketers develop products to target specific age group. The youth are being targeted through advertisements and promotional campaigns, stores are being designed with 'youthful' features, youth events are being sponsored, and even new technology is developed with their tastes in mind.

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

(i) Infants:

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

(ii) School going teens:

In this segment, there is a great demand for school uniforms, bags, shoes, books, stationary, confectioneries, food, albums, bicycles and other similar products.

(iii) Young Adults:

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

(iv) Adults (35-45):

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

(v) Senior Citizens:

This consumer group boosts the demand for health care services, select skin care products, financial planning etc.

(vi) Women:

Women constitute nearly 50% of India's population. They are actively taking up professions. This shift in their role has generated a greater demand for childcare and convenience products that save time in cooking, cleaning and shopping. Marketers are trying to come up with products that are easier to handle, less heavy, convenient to use etc. The change in the role of women is paving the way for a change in the role of men. Advertisements portray men cleaning, cooking and caring for their children, which was unthinkable in the past.

B. Economic Environment:

Economic environment is the most significant component of the marketing environment. It affects the success of a business organisation as well as its survival. The economic policy of the Government, needless to say, has a very great impact on business. Some categories of business are favourably affected by the Government policy, some adversely affected while some others remain unaffected. The economic system is a very important determinant of the scope of private business and is therefore a very important external constraint on business.

The economical environmental forces can be studied under the following categories:

(i) General Economic Conditions:

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

1. Agricultural trends

2. Industrial output trends

3. Per capita income trends

4. Pattern of income distribution

5. Pattern of savings and expenditures

6. Price levels

7. Employment trends

8. Impact of Government policy

9. Economic systems.

(ii) Industrial Conditions:

Economic environment of a country is influenced by the prevalent industrial conditions as well as industrial policies of a country.

A marketer needs to pay attention to the following aspects:

1. Market growth

2. Demand patterns of the industry

3. Its stage in product life cycle.

(iii) Supply sources for production:

Supply sources required for production determines inputs which are available required for production.

They are:

1. Land

2. Labour

3. Capital

4. Machinery and equipment etc.

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

C. Physical Environment:

The physical environment or natural environment involves the natural resources that are needed as inputs by marketers or those that are affected by marketing activities. Environmental concerns have grown steadily in recent years. Marketers should be aware of trends like shortages of raw materials, increased pollution, and increased governmental intervention in natural resources management. Companies will have to understand their environmental responsibility and commit themselves to the ‘green movement’. Potential shortages of certain raw materials, for examples, oil, coal, minerals, unstable cost of energy, increased levels of pollution; changing role of Government in environment protection are a few of the dangers the world is facing on physical environment forces. Other aspects of the natural environment which may increasingly affect marketing include the availability and cost of raw materials, energy and other resources, particularly if those resources and energy come from non-renewable sources.

D. Technological Environment:

Instead of moving into the new technologies, many old industries fought or ignored them and their business declined. Yet it is the essence of market capitalism to be dynamic and tolerate the creative destructiveness of technology as the price of progress. Technology essentially refers to our level of knowledge about 'how things are done'. That understands this aspect of the marketing environment is much more than simply being familiar with the latest hi-tech innovations. Technology affects not only the type of products available but also the ways in which people organize their lives and the ways in which goods and services can be marketed.

Computer-aided design (CAD) and computer-aided manufacturer (CAM) have shortened the time required for new products to reach the market and increased the variety of products that can be produced cost effectively. The benefits of CAD/CAM are clearly evident in the car industry. Mass production is in standardized models. Computer systems have also contributed substantially to the growth of various forms of direct marketing such as direct mail, direct response marketing etc.

E. Political Environment

The political environment consists of factors related to the management of public affairs and their impact on the business of an organisation. Political environment has a close relationship with the economic system and the economic policy. Some Governments specify certain standards for the products including packaging. Some other Governments prohibit the marketing of certain products. In most nations, promotional activities are subject to various types of controls. India is a democratic country having a stable political system where the Government plays an active role as a planner, promoter and regulator of economic activity. Businessmen, therefore, are conscious of the political environment that their organizations face. Most Governmental decisions related to business are based on political considerations in line with the political philosophy following by the ruling party at the Centre and the State level. Substantial number of laws has been enacted to regulate business and marketing to protect companies from each other, to protect consumers from unfair trade practices, to protect the larger interests of society against unbridled business behaviour. Changing Government agency enforcement and growth of public interest groups also bring in threats and challenges.

F. Legal Environment:

Marketing decisions are strongly affected by laws pertaining to competition, price-setting, distribution arrangement, advertising etc. It is necessary for a marketer to understand the legal environment of the country and the jurisdiction of its courts.

The following laws affected business in India:

1. Indian Contract Act 1872
2. Factories Act 1948
3. Minimum Wages Act 1948
4. Essential Commodities Act 1955
5. Securities Contracts Regulation Act 1956 (SEBI Act)
6. The Companies Act 1956
7. Trade and Merchandise Act 1958
8. Monopolies and Restrictive Trade Practice Act 1969
9. The water (Prevention and Control of Pollution) Act 1974
10. The Air (Prevention and Control of Pollution) Act 1981
11. Sick Industrial Companies (Special Provisions) Act 1985
12. Environment Protection Act 1986
13. Consumer Protection Act 1986
14. Securities and Exchange Board of India Act 1992
15. Different Taxation Laws.

G. Social and Cultural Environment:

Socio-cultural forces refer to the attitudes, beliefs, norms, values, lifestyles of individuals in a society. These forces can change the market dynamics and marketers can face both opportunities and threats from them. Some of the important factors and influences operating in the social environment are the buying and consumption habits of people, their languages, beliefs and values, customs and traditions, tastes and preferences, education and all factors that affect the business. Understanding consumer needs is central to any marketing activity and those needs will often be heavily influenced by social and cultural factors. These cover a range of values, beliefs, attitudes and customs which characterize societies or social groups. Changes in lifestyle of people affect the marketing environment.

As health problems in people have increased because of significant changes in their lifestyle, they have become concerned about their food. They prefer to eat low fat, low or no cholesterol food. This is especially true for people above 40 years. To a great extent, social forces determine what customers buy, how they buy, where they buy, when they buy, and how they use the products. In India, social environment is continuously changing. One of the most profound social changes in recent years is the large number of women entering the job market.

They have also created or greatly expended the demand for a wide range of products and services necessitated by their absence from the home. There is a lot of change in quality-of-lifestyles and people are willing to have many durable consumer goods like TV. Fridge, washing machines etc. even when they cannot afford them because of their availability on hire-purchase or installment basis. Culture influences every aspect of marketing. Marketing decisions are based on recognition of needs and wants of the customer, a function of customer perceptions. These help in understanding of lifestyles and behaviour patterns as they have grown in the society's culture in which the individual has been groomed. Thus a person's perspective is generated, groomed and conditioned by culture.

Marketing environment can also be classified as:

(i) Controllable Forces and

(ii) Uncontrollable Forces.

(i) Controllable forces:

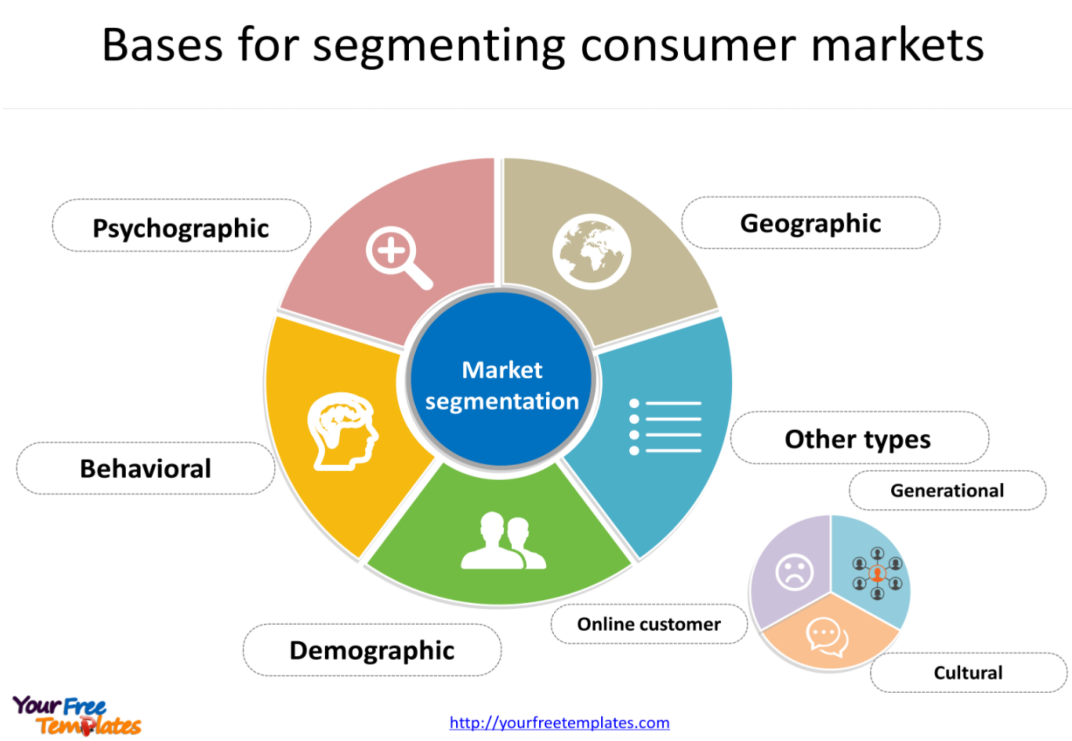
Controllable forces consist of marketing policies and marketing strategies. Marketing policies are framed by the firm depending on its marketing philosophy. The top management is responsible for framing broad policies. Marketing strategies are developed by middle level management. Internal forces are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

(ii) Uncontrollable forces:

Various elements called uncontrollable variables affect an organisation and its marketing efforts. It is now recognized by all that even a well conceived marketing plan may fail if adversely influenced by uncontrollable factors. The offering of the firm and the impact of the uncontrollable environment interact to determine the firm’s level of success or failure in reaching its objectives. The external forces are divided into micro-environment and macro-environment. The micro-environment consists of the suppliers, marketing intermediaries, customers etc. while the macro-environment consists of the demography, socio- cultural, political, economical, technical, legal environments etc.

Market Segmentation:

Market segmentation is a process of dividing the entire market population into multiple meaningful segments based on marketing variables like demographics (age, gender etc), geographic, psychographics (lifestyle, behavior) etc. Market segmentation in marketing is identifying a set of homogenous segments having similar needs, properties & demands which can be used by a company to sell their product/service more effectively. Once an entire population is divided into market segments, companies can target them more accurately and design their positioning accordingly. This entire process is also known as STP (Segmentation, **Targeting strategy** and **Positioning**) **marketing strategy**.



The most important variables in market segmentation are based on demographics, geographic, psychographics & behavioral. These are explained in detail below:

1. Demographic Segmentation:

Slicing the market on criteria based on demographics like age, gender, income, family members, educational qualification, socio-economic status etc, is called **demographic segmentation**. This type of market segmentation helps in profiling the customers based on demographic parameters & help to form homogeneous groups.

Geographic Segmentation:

When a population is divided on the basis on geographies i.e. country, state, city, village, region, postal code etc, it is referred to as **geographic segmentation**. This market segmentation type helps form clusters based on location, topography, location etc.

3. Psychographics Segmentation:

Market segmentation done based on personality of people, their characteristics, their lifestyle, social status etc is called as **psychographic segmentation**.

4. Behavioral Segmentation:

When companies divide the market based on the customer behavior or usage patterns, it is known as **behavioral segmentation.** past behavior of consumers.

Advantages of Market Segmentation:

Market segmentation can have many benefits for companies which can benefit their business. Some are discussed below:

1. Segmenting a market gives focus to company as it helps to understand the market better.

2. Unnecessary costs are avoided by efficient market segmentation as only the required population can be tapped.

3. Segmentation can help companies identify newer markets where existing products can be launched.

4. If certain overlapping markets are identified, companies can create new products to capture them.

5. Once proper market segmentation is done, after identifying target groups accurately, advertising & marketing can be more effective rather than having loosely created ad campaigns.

6. Homogeneous groups can themselves promote the products or services even more if they like it.

7. Systematic market segmentation helps in market expansion and also helps in customer retention.

Disadvantages of Market Segmentation:

Apart from the several advantages, there are also certain drawbacks of market segmentation. Some disadvantages are:

1. A company having multiple segments would have to cater to them separately i.e. more costs.

2. Giving products/ services to multiple segments can be a time-consuming process for companies.

3. If a company selects a wrong segment, their entire business can collapse.

4. Smaller clusters/ niche markets often get neglected in the bigger scheme of things.

Consumer Behavior:

Meaning:

Consumer behaviour is the study of how individual customers, groups or organizations select, buy, use, and dispose ideas, goods, and services to satisfy their needs and wants.

It refers to the actions of the consumers in the marketplace and the underlying motives for those actions.Marketers expect that by understanding what causes the consumers to buy particular goods and services, they will be able to determine—which products are needed in the marketplace, which are obsolete, and how best to present the goods to the consumers.

The study of consumer behaviour assumes that the consumers are actors in the marketplace. The perspective of role theory assumes that consumers play various roles in the marketplace. Starting from the information provider, from the user to the payer and to the disposer, consumers play these roles in the decision process. The roles also vary in different consumption situations; for example, a mother plays the role of an influence in a child's purchase process, whereas she plays the role of a disposer for the products consumed by the family.

Definition

According to Engel, Blackwell, and Mansard, 'consumer behaviour is the actions and decision processes of people who purchase goods and services for personal consumption'.

According to Louden and Bitta, 'consumer behaviour is the decision process and physical activity, which individuals engage in when evaluating, acquiring, using or disposing of goods and services'.

Factors Affecting Consumer Behaviour

There are many factors affecting consumer behaviour. These all factors jointly shape consumer behaviour. Due to impact of various factors, consumers react or respond to marketing programme differently. For the same product, price, promotion, and distribution, their responses differ significantly. The factors do not affect equally to all the buyers; they have varying effect on their behaviour. However, some factors are more effective, while others have negligible effect on consumer behaviour.

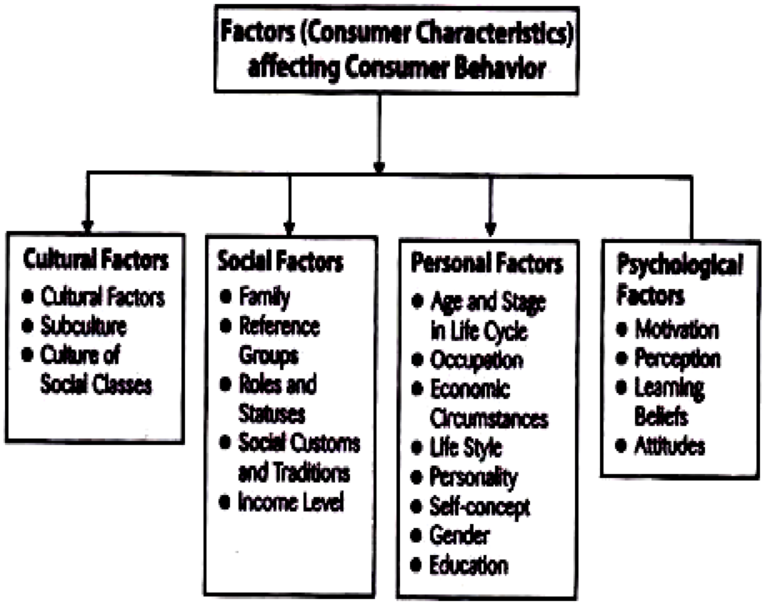


Figure 2: Factors (Consumer Characteristics) Affecting Consumer Behaviour

(A) Cultural Factors:

Cultural factors have the broadest and deepest impact on consumer behaviour. This set of factors mainly includes broad culture, sub-culture, and culture of social classes.

1. Broad Culture:

Culture is a powerful and dominant determinant of personal needs and wants. Culture can be broadly defined as: The way of living, way of doing, and way of worshiping. Culture determines the total patter of life. Culture has a tremendous effect on needs and preference. People react according to the culture to which they belong.Every culture has its values, customs, traditions, and beliefs, which determine needs, preference, and overall behaviour. The child acquires a set of values, perception, attitudes, interest, preference, and behaviour from family and other key social institutions that control his/her behaviour. Every member is bound to follow cultural values to which he belongs. These cultural factors determine the way of reacting toward product and marketing strategies.

Culture is reflected in terms of followings:

i. Family life/social system

ii. Role of women

iii. Woman education

iv. Approach to work and leisure

v. Approach to life

vi. Ethics in economic dealings

vii. Residence pattern

viii. Geographic factors

ix. Impact of other cultures, and so on.

These all factors affect what, when, where, how much, from whom, and how many times the product should be purchased and used. Marketer must be aware of the relevant cultural aspects, and marketing programme should be designed accordingly.

2. Subcultures:

Each culture consists of smaller subcultures. Each subculture provides more specific identification of members belong to it. Product and marketing programme should be prepared in light of subcultures to tailor their needs.

Subculture includes:

i. Nationality:

Every nation has its own unique culture that shapes and controls behaviour its citizens. For example, Indian culture, American culture, Japanese culture, Chinese culture, African culture, etc. Consumers of different nations hold different behaviour toward the company's products and strategies. The company can concentrate on one or more nations to serve.

ii. Religion:

It is a powerful determinant of consumer needs and wants. Every religion has its culture in terms of rules, values, rituals, and procedures that have impact on its followers. Commonly, consumer behaviour is directly affected by religion in terms of products that are symbolically and ritualistically associated with the celebration of various religious events and festivals/holidays. Religious requirements or practices, sometimes, take on an expanded meaning beyond their original purpose. For example, Christians, Hindus, Muslims, Buddhists, etc., influence food preference, clothing choice, career aspiration, and overall pattern of life. Even, in each religion, there are several sub-religions. For example, Hindu Religion includes Vaishnav, Swaminarayan, Shivpanthi, Swadhiyai, and likewise; Christian Religion includes Protestants and Catholics; and similar is the case with Muslim and Jain.

iii. Racial Groups:

In each culture, we find various racial groups; each of them tends to be different in terms of needs, roles, professions, habits, preference, and use of products. Each group responds differently to marketing offers due to different cultural backgrounds.

For example, in our country, we find a number of racial groups like Kshatriya, Banya, Patel, Brahmin, Scheduled Caste, Scheduled Tribe, Shepherded, and so forth. These racial groups have their cultural values, norms, standards, habits, etc., that govern their overall response toward the company's products.

iv. Geographical Regions:

Each geographic region represents specific culture and differs in terms of needs, preference, habits, usage rates, and uses of products. Clothing, residence, food, vehicle, etc., are determined by regional climate and culture.

3. Culture of Social Classes:

Philip Kotler defines: "Social classes are relatively homogeneous and enduring divisions in a society, which are hierarchically ordered and whose members share similar values, interest, and behaviour." In many cases, social classes are based on caste system. Members of different castes have their cultures and, accordingly, they perform certain roles.

Social classes reflect differences in income, occupation, education, their roles in society, and so on. Every social class has its culture that affects behaviour of its members. Social classes differ in their dress, speech patterns, recreational preferences, social status, value orientation, etc. They show distinct product and brand preferences in many areas like clothing, home furniture, education, leisure activities, and automobiles. Kotler identifies following social classes, each of them differs significantly in term of income, skills, needs, habits, preference, career orientation, approach toward life, etc.

i. Upper-upper

ii. Lower upper

iii. Upper middle

iv. Middle class

v. Working class

vi. Upper lower

vii. Lower-lower

Normally, with reference to India, on the basis of income level, or status in society, we can identity three social classes like upper class, middle class, and lower class. In every society, percentage of each of these classes is subject to differ. Marketer should design his marketing programme to cater the needs of specific social classes.

(B) Social Factors:

Here, we examine the effect of social factors on consumer needs and preferences (behaviour). Social factors affect consumer behaviour. Consumer response to product, brand, and company is notably influenced by a number of social factors – family, reference groups, and roles and statuses. Marketer needs to analyze these social factors of his target market to cater its needs effectively.

(C) Personal Factors:

Along with cultural and social factors, personal factors also affect one's buying decision. Personal factors are related to the buyer himself. These factors mainly include age and stage in life cycle, occupation, economic circumstances, life style, personality, and self-concept. Let us briefly examine the effect of personal factors on consumer behaviour.

i. Age and Stage in Life Cycle:

A man passes through various stages of his life cycle, such as infant, child, teenager, young, adult, and old. Need and preference vary as one passes through different stages of life cycle. For example, child and adult differ to a great extent in terms of needs and preference. Marketer may concentrate on one or more stages of his target consumers' life cycle. Use of different product depends on age and stage of buyers' life cycle.

ii. Occupation:

Buying and using pattern of consumer, to a large extent, is affected by a person's occupation. For example, industrialist, teacher, artist, scientist, manager, doctor, supervisor, worker, trader, etc., differ significantly in term of need, preference, and overall buying pattern. Company can specialize its products according to needs and wants of special professional groups.

iii. Economic Circumstances:

Product preference, frequency of buying, quality, and quantity are largely affected by consumers' economic circumstances. Economic circumstances consist of spendable income, income stability, and level of savings, assets, debts, borrowing power, and attitudes toward saving versus spending. People buy products keeping in mind these economic circumstances.

iv. Life Style:

People with the same culture, social class, and occupation may differ in term of their life style. Knowledge of life style of the target market is essential for marketer to design more relevant marketing programme. Kotler defines: "Life style is the person's pattern of living in the world as expressed in the person's activities, interest, and opinions."

Life style portrayed the "whole person" interacting with his/her environment. It is generally reflected in terms of activities, interest, clothing patterns, status consciousness, spending and savings, helping others, achievements, working style, etc. Every product has potential to suit different life styles.

v. Personality:

Personality is a distinguished set of physical and psychotically characteristics that lead to relatively consistent and enduring response to one's environment. Personality characteristics, such as individualism, difference, self-confidence, courage, firmness, sociability, mental balance, patience, etc., have a strong influence on needs and preferences. Every person buys that product which suits his personality. In case of clothing, automobiles, shoes, perfumes, etc., products are influenced by users' personality characteristics.

vi. Self-concept:

It is also referred as self-image. It is what person believes of him. There can be actual self-concept, how he views himself; ideal self-concept, how he would like to view himself; and others-self-concept, how he thinks other see him. Person purchases such product that matches with his/her self-image. Marker must identify self-concept of his target buyers and must try to match the products with them.

vii. Gender:

Gender or sex affects buying behaviour. Some products are male-dominated while some are female-dominated. Male customers react to those products which are closely suit their needs and styles. Cosmetics products are more closely related to female customers than male. Marketer must be aware of gender-effect on buying behaviour of the market.

viii. Education:

Education makes the difference. Highly educated, moderately educated, less educated, and illiterates differ considerably in terms of their needs and preferences. In the same way, stage of education (like primary, secondary, college, etc.) affects buyers' behaviour.

Education factor seems more relevant to academic institutes, book publishers, magazines, and newspapers. Education affects one's mindset. Buyers' colour choice, quality-orientation, services, and other aspects have more or less educational significance.

(D) Psychological Factors:

Buying behaviour is influenced by several psychological factors. The dominants among them include motivation, perception, learning, and beliefs and attitudes. It is difficult to measure the impact of psychological factors as they are internal, but are much powerful to control persons' buying choice. Manager must try to understand probable role the factors play in making buying decisions.

i. Motivation:

It has a significant impact on consumer behaviour. Motivation is closely related to human needs. One has many needs at a given time. Some needs are biogenic or physiological in nature arising from physiological states of tension, such as hunger, thirst, or discomfort.

Other needs are psychogenic or psychological in nature arising from psychological state of tension, such as recognition, esteem, or belonging. Motivation comes from motive; motive is expression of needs; or intensified need become a motive. Thus, a motive is the need that is sufficiently pressing to drive the person to act. Satisfying the need reduces the felt tension.

People hold one or more of following motives to buy:

i. To satisfy basic needs like hunger, thirst, or love

ii. To protect from economic, physical or mental hazards

iii. To get social status

iv. To be recognized or appreciated

v. To be respected

vi. To be self-actualized

vii. To avoid physical or mental stress

Motivation is, thus, a driving force that makes the individual to act to release the tension aroused from unmet needs. A motivated person is ready to act/react. Marketer should identify why people buy the products. What are the motives to purchase the products? If product is connected with their motives, they definitely respond positively. In fact, the product is a source of satisfying unmet needs. So, product is presented as a solution of tension resulted from unsatisfied needs. Several theories are available to understand motivation aspect. Most popular theories include Maslow Need Hierarchy, Herzberg's Two-Factor Theory, Stacy Adam's Equity Theory, Vroom's Expectancy Theory, Porter-Lawler Theory, McClelland's Achievement Theory, etc. Knowledge of these theories assists the manager to understand deeper motives the people hold for buying different products.

ii. Perception:

Person's motivation to act depends on his perception of situation. It is one of the strongest factors affecting behaviour. The stimuli – product, advertising appeal, incentives, or anything – are perceived differently by different people due to difference in perception. Marketer should know how people perceive marketing offers.

Bernard and Gary define:

"Perception is a process by which an individual select, organize, and interpret information inputs to create a meaningful picture of the world." Perception depends on physical stimuli and stimuli's relation to surrounding field, too. People perceive the same stimulus differently due to selective attention, selective distortion, and selective retention. So, all consumers may not see the product or message in a way the marketer wants.

iii. Learning:

Most human behaviour is learned. Learning is basically concerned with experience of an individual. Learning can be defined as: Relatively permanent changes arising from experience. If an individual has satisfactory experience of buying and using the products, he is more likely to talk favourably or repeat the same.

Most of purchase decisions depend on self-experience or experience of others, whose opinion carry value in buying decisions. Learning is produced through the interplay of drives, stimuli, cues, responses, and reinforcement. Learning theories help marketer to build up demand for the product by associating it with strong drives, using motivating cues, and providing positive reinforcement.

iv. Beliefs:

People hold beliefs about company, company's goods or services, and they act accordingly. Beliefs of the buyers affect product and brand image. We can define the term as: Belief is a descriptive thought that a person holds about something. Beliefs may be based on knowledge, opinion, or faith.

Note that beliefs have nothing to do with facts or reality. People may have wrong beliefs for the superior product, or they hold positive beliefs for inferior product. Positive and negative beliefs have their impact on purchase decisions. Marketer can create positive belief by associating strong aspects related to product and brand, or can correct wrong beliefs by proper campaign.

v. Attitudes:

An attitude is a person's enduring favourable or unfavorable evaluations, emotional feelings, and action tendencies toward some object or idea. These emotional feelings are usually evaluative in nature. People hold attitudes toward almost everything, such as religion, politics, clothes, music, food, product, company, and so on.

Attitudes decide liking or disliking of object. People can judge good or bad, beautiful or ugly, rich or poor, or desirable or undesirable about an object, a product, or a person. Attitudes play a vital role in accepting or rejecting, appreciating or criticizing the product or brand. People do not react to every object in a fresh way. Object is evaluated by attitudes.

UNIT - 3:

MARKETING MIX

Meaning

PRODUCT – product mix, product line – product life cycle – product planning – new product development – branding - packing and packaging.

PRICING – factors influencing pricing, methods of pricing (only Meaning), and pricing policy –

PHYSICAL DISTRIBUTION, Meaning, factors affecting channels, types of marketing channels,

PROMOTION –Meaning and significance of promotion – personal selling and advertising.

MARKETING MIX:

Marketing mix is the policy adopted by the manufacturers to get success in the field of marketing. Importance of the consumer's preference. Various policies to get success in the market. Manufacturer first analyses the nature of the consumer's needs and then plans his product to give satisfaction to the consumers. Management plans to meet the consumer's needs and to face the competitors. Planning's need analysis of the market to take a decision-prediction and forecasting, to the future needs of the public.

Definition of Marketing Mix:

According to Philip Kotler, 'marketing mix is the mixture of controllable marketing variable that the firm uses to pursue the sought level of sales in the target market'

Therefore, the marketing mix indicates the appropriate combination of four P's—product, price, promotion, and place—for achieving marketing objectives. The components are also known as marketing mix variables or controllable variables as they can be used according to business requirements. In 1960, E. Jerome McCarthy in his book, Basic Marketing, popularized a four-factor classification, the so-called four P's—product, price, place, and promotion.

According to Borden, "The marketing mix refers to the appointment of efforts, the combination, the designing and the integration of the elements of marketing into a programme or mix which, on the basis of an appraisal of the market forces will best achieve an enterprise at a given time".

According to Stanton, "Marketing mix is the term used to describe the combination of the four inputs which constitute the core of a company's marketing system-the product, the price structure, the promotional activities and the distribution system."

MEANING:

The process of marketing or distribution of goods requires particular attention of management because production has no relevance unless products are sold.

Marketing mix is the process of designing and integrating various elements of marketing in such a way to ensure the achievement of enterprise objectives.

Characteristics/Features/Nature of Marketing Mix:

1. Marketing mix is the crux of marketing process:

Marketing mix involves many crucial decisions relating to each element of the mix. The impact of the mix will be the best when proper weight age is assigned to each element and they are integrated so that the combined effect leads to the best results.

2. Marketing mix has to be reviewed constantly in order to meet the changing requirements:

The marketing manager has to constantly review the mix and conditions of the market and make necessary changes in the marketing mix according to changes in the conditions and complexity of the market.

3. Changes in external environment necessitate alterations in the mix:

Changes keep on taking place in the external environment. For many industries, the customer is the most fluctuating variable of environment. Customers' tastes and preferences change very fast. Brand loyalty and purchasing power also change over a period. The marketing manager has to carry out market analysis constantly to make necessary changes in the marketing mix.

4. Changes taking place within the firm also necessitate changes in marketing mix:

Changes within the firm may take place due to technological changes, changes in the product line or changes in the size and scale of operation. Such changes call for similar changes in the marketing mix.

5. Applicable to business and non-business organization:

Marketing mix is applicable not only to business organizations but also to non-business organizations, such as clubs and educational institutions. For instance, an educational institution is expected to provide the right courses (product), charge the right fees (price), promote the institution and the courses, and provide the courses at the right place.

6. Helps to achieve organizational goals:

An application of an appropriate marketing mix helps to achieve organizational goals such as profits and market share.

7. Concentrates on customers:

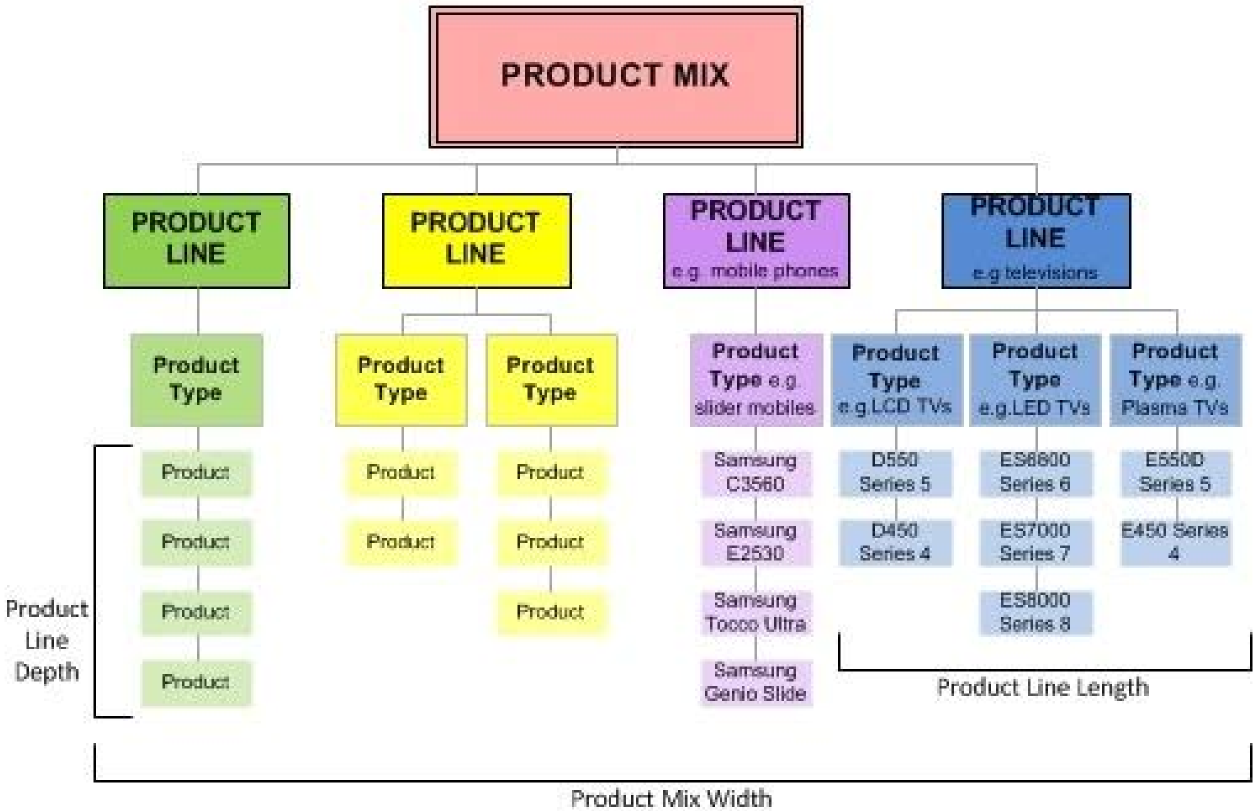
A thorough understanding of the customer is common to all the four elements. The focus point of marketing mix is the customer, and the marketing mix is expected to provide maximum customer satisfaction.

Product Mix:

Product mix of a company is made of all product lines and items. It includes the total number of varieties or models offered by the company.

Philip Kotler: "A product mix is the set of all product lines and items that a particular seller offers for the sale to buyers."

William Stanton: "The product mix is the full list of all products offered for the sale by the company." Thus, product mix means total number of products items offered by the company. For example, HMT Company produces watches, machines, tractors, plants, tools, and equipment's, and many other products. In each product group, a number of varieties are offered. The set of all these products (main range) and product varieties in each range can be said as product mix



Product Mix Dimensions:

Product mix of a particular company includes major product lines. Product mix has various dimensions, such as:

i. Product Mix Length:

It refers to the total number of items (in all the product lines) in product mix. For example product mix of Bajaj Company has more than 100 items in various product lines, such as fans, bulbs and tubes, heaters, motorbikes, shooters, rich-show, processing machines, and many other ranges.

ii. Product Mix Width or Breadth:

It indicates the total number of product lines a company carries. For example, two wheelers (including various models) constitute one of the product lines of Bajaj Company.

iii. Product Mix Depth:

It refers to a number of varieties in forms of sizes, colors, and models offered within each product line. It can be said as the average number of product items offered by the firm in each product line.

iv. Product Mix Consistency:

It refers to degree to which different product lines are related in one or other ways. It indicates how closely various product lines are related. The consistency can be judged on the basis of production requirements, uses of products, distribution channels, or some other ways.

For example, product lines of Philips India Ltd., include radios, bulbs and tubes, different television sets, VCR, CD-DVD player, tape recorders, etc., can have higher consistency. While Hindustan Machines and Tools produce wrist watches as well as tractors, it is called inconsistent product mix.

Product Line:

Product line is a group of product items that can satisfy the same needs and wants, they have more or less similar features. For example, Bajaj Auto Ltd., in its two wheeler product line, makes Discover, Boxer, Boss, Pulsar, Cub scooter, Bajaj Sunny, etc.

Philip Kotler:

"Product line is a group of products that are closely related because they function in a similar way, are sold to same customer groups, are marketed through the same type of outlets, or fall within given price range." Thus, product line is the group of similar products. The similarity may be seen in one or more ways. Product line consists of product items belonging to same class.

The definition suggests following five ways the items are closely related:

i. They function in similar manner.

ii. They offer similar benefits, or meet similar expectations.

iii. They are sold to similar customer groups.

iv. They are marketed by similar outlets.

v. They fall within same price range.

Characteristics of Product Line:

Main characteristics of product line can be listed as:

1. Product line consists of closely related product items. Difference is only found in terms of colour, size, shape, model, performance, weight, and capacity.

2. It is a compose of various similar items.

3. Product items are complementary to one another. For example, tube, tyre, and related materials.

4. There is difference in price. For example, Hero Honda charges different price for different models.

5. The purpose of offering similar items in each of the product line may be to attract customers by offering more varieties, and to create a good image or reputation.

6. Different items of a product line can be manufactured using same technology and/or inputs.

7. Product items in each of the product lines are distributed in same distribution channel. That is, similar outlets market them.

8. Product items in each product line function in same manner. They need same technical skills to use them.

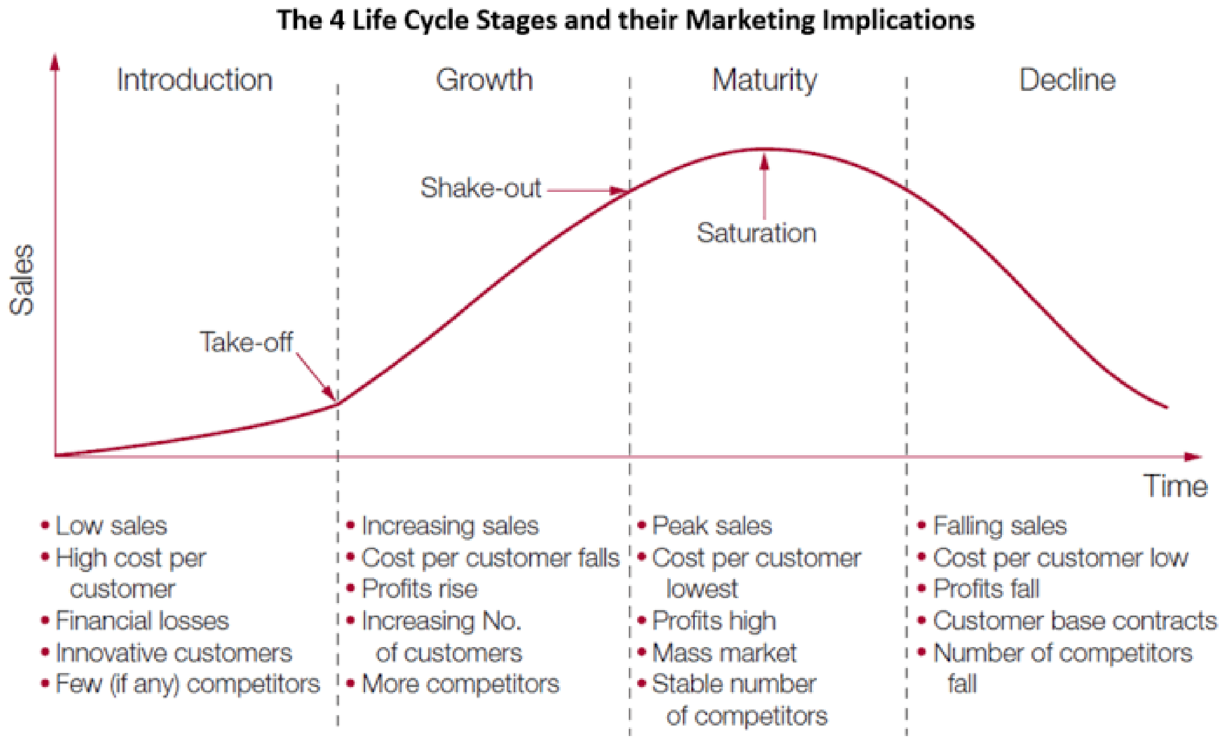
9. They are sold to similar customer groups. They satisfy needs of the same groups.

10. They have more or less same use or utility. They are used for the same purpose.

Concept of Product Item:

Product items are various varieties offered within product line, which are similar in one or other ways. Such varieties are based on quality, size, colour, capacity, price, model, performance, and so on.

Product Life-Cycle:



Like human beings, products also have a limited life-cycle and they pass through several stages in their life-cycle. A typical product moves through five stages, namely—introduction, growth, maturity, decline and abandonment. These stages in the life of a product are collectively known as product life-cycle.

Stages of PLC:

1. Introduction Stage:

In the first stage, the product is introduced in the market and its acceptance is obtained. As the product is not known to all consumers and they take time to shift from the existing products, sales volume and profit margins are low. Competition is very low, distribution is limited and price is relatively high.

Heavy expenditure is incurred on advertising and sales promotion to gain quick acceptance and create primary demand. Growth rate of sales is very slow and costs are high due to limited production and technological problems. Often a product incurs loss during this stage due to high start up costs and low sales turnover.

The following strategies may be adopted to introduce a product successfully:

(a) ‘Money back’ guarantee may be offered to encourage the people to try the product.

(b) Attractive gift as an ‘introductory offer’ may be offered to customers,

(c) Attractive discount to dealers.

(d) Some unique feature built into the product.

2. Growth Stage:

As the product gains acceptance, demand and sales grow rapidly. Competition increases and prices fall. Economies of scale occur as production and distribution are widened. Attempt is made to improve the market share by deeper penetration into the existing market or entry into new markets. The promotional expenditure remains high because of increasing competition and due to the need for effective distribution. Profits are high on account of large scale production and rapid sales turnover.

During the growth stage, following strategies may be adopted:

(a) New versions of the product may be introduced to satisfy the requirements of different types of customers.

(b) Brand image of the product is created through advertising and publicity.

(c) The price of the product is made competitive.

(d) Customer service is enhanced.

(e) Distribution channels are strengthened to make the product easily available wherever required.

3. Maturity Stage:

During this stage prices and profits fall due to high competitive pressures. Growth rate becomes stable and weak firms are forced to leave the industry. Heavy expenditure is incurred on promotion to create brand loyalty. Firms try to modify and improve the product, to develop new uses to the product and to attract new customers in order to increase sales.

In order to prolong the maturity stage, a firm may adopt the following strategies:

(a) The product is differentiated from the rival products.

(b) Brand image of the product may be emphasized.

(c) Lifetime or longer period maturity is offered.

(d) New markets may be developed.

(e) New uses of the product are developed.

(f) Reusable packaging is introduced.

4. Decline Stage:

Market peaks and levels off during saturation. Few new customers buy the product and repeat orders disappear. Prices decline further due to stiff competition and firms fight for retaining market share or replacement sales. Sales and profits inevitably fall unless substantial improvements in the products or reduction in costs are made.

The product is gradually displaced by some new products due to changes in buying behaviour of customers. Promotion expenditure is drastically reduced. The decline may be rapid and the product may soon disappear from the market. However, decline may be slow when new uses of the product are created.

In order to avoid sharp decline in sales, a firm may adopt the following strategies:

(a) New features may be added in the product.

(b) The packaging may be made more attractive.

(c) Economy packs or models may be introduced to revive demand.

(d) Selective distribution may be adopted to reduce costs.

5. Abandonment Stage:

Ultimately, the firm abandons the product in order to make better use of its resources. As preferences of customers change, new and more innovative products replace the abandoned product. When the decline is rapid, the product is abandoned. New products with unique features may be introduced. Some firms cannot bear the loss and sell out.

Product planning

In order to maximize his sales revenue and profits, a business firm must continuously adjust and adapt its products and services to the changing requirements of customers. From time-to- time, it may have to design and develop new products. Product planning is the process of searching ideas for new products, screening them systematically, converting them into tangible products and introducing the new product in the market. It also involves the formation of product policies and strategies. Product planning includes improvements in existing products as well as deletion of unprofitable or marginal products. It also encompasses product design and engineering which is also called product development. Product planning comprises all activities starting with the conception of product idea and ending up with full scale introduction of the product in the market.

It is a complex process requiring effective coordination between different departments of the firm. It is intimately related with technical operations of the organisation, particularly with engineering, research and development departments. Any product has two broad objectives—immediate objectives and ultimate objectives. Immediate objectives include satisfaction of immediate needs of consumers, increasing sales, utilising idle plant capacity, etc. Permanent or ultimate objectives consist of reduction in production costs, creation of brand loyalty, monopolising the market, etc.

Significance and Objects:

Product planning and development is a vital function due to several reasons. First, every product has a limited life span and needs improvement or replacement after some time. Secondly, needs, fashions and preferences of consumers undergo changes requiring adjustments in products. Thirdly, new technology creates opportunities for the design and development of better products. Product planning and development facilitate the profitability and growth of business. Development of new products enables a business to face competitive pressures and to diversity risks. Product is the most important constituent of marketing mix. Finding and meeting the needs of customers is the key element in a successful marketing strategy. New product development has become all the more important in the modern world characterized by technological change and market dynamics. New product development brings opportunities but also involves heavy commitment of finance, technology and even emotional attachment. New product decisions are necessary as well as costly. Many new products fail causing ruin to business firms.

Product development is a continuous and dynamic function. Continuous adjustments and improvements in the product arc necessary to minimise costs of production and to maximise sales. High rate of product obsolescence requires product innovation frequently. At the same time, cost and time scales have increased. In some products, the gestation period is very long, sometimes longer than the life of the product. As a result the role of R&D expert has become very important. He needs to be in touch with sales persons and actual end users. Successful technological innovation involves great resources as well as great risks. Product innovators face spectacular successes as well as disastrous failures. Most of the new product ideas do not become actual products. Many new products achieve limited acceptance in the market. This is so because firms very often are reluctant to move away from tried and tested products.

Product planning is required for the following reasons:

(i) To replace obsolete products;

(ii) To maintain and increase the growth rate/sales revenue of the firm;

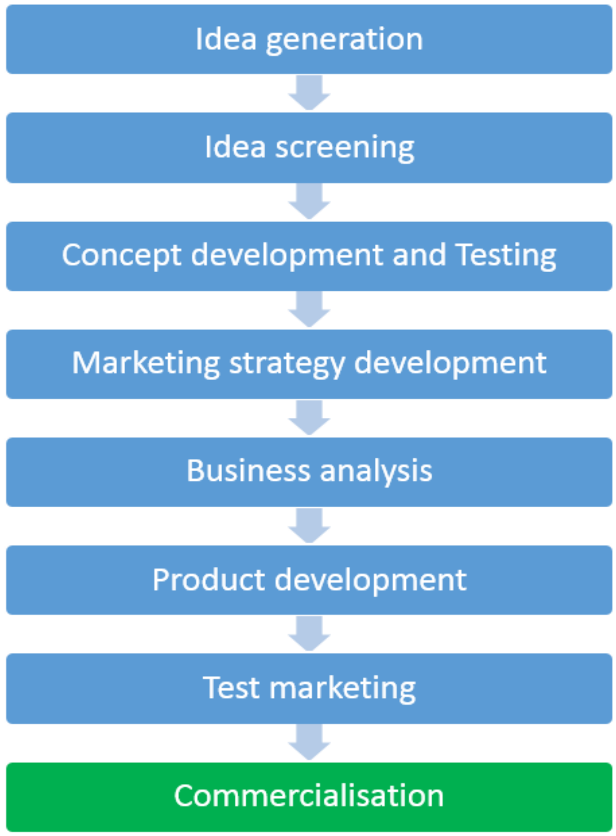
(iii) To utilise spare capacity;

(iv) To employ surplus funds or borrowing capacity; and

(v) To diversify risks and face competition.

New Product Development (NPD)

New Product Development (NPD) is the total process that takes a service or a product from conception to market. New or rebranded products and services are meant to fill a consumer demand or an opportunity in the marketplace. The steps in product development include drafting the concept, creating the design, developing the product or service, and defining the marketing.



1. Idea generation – The New Product Development Process:

The new product development process starts with idea generation. Idea generation refers to the systematic search for new-product ideas. Typically, a company generates hundreds of ideas, maybe even thousands, to find a handful of good ones in the end. Two sources of new ideas can be identified:

- **Internal idea sources:** the company finds new ideas internally. That means R&D, but also contributions from employees.
- **External idea sources:** the company finds new ideas externally. This refers to all kinds of external sources, e.g. distributors and suppliers, but also competitors. The most important external source is customers, because the new product development process should focus on creating customer value.

2. Idea screening – The New Product Development Process

The next step in the new product development process is idea screening. Idea screening means nothing else than filtering the ideas to pick out good ones. In other words, all ideas generated are screened to spot good ones and drop poor ones as soon as possible. While the purpose of idea generation was to create a large number of ideas, the purpose of the succeeding stages is to reduce that number. The reason is that product development costs rise greatly in later stages. Therefore, the company would like to go ahead only with those product ideas that will turn into profitable products. Dropping the poor ideas as soon as possible is, consequently, of crucial importance.

3. Concept development and Testing – The New Product Development Process:

To go on in the new product development process, attractive ideas must be developed into a product concept. A product concept is a detailed version of the new-product idea stated in meaningful consumer terms. You should distinguish A product idea or an idea for a possible product. A product concept or a detailed version of the idea stated in meaningful consumer terms. A product image or the way consumers perceive an actual or potential product.

Concept development

Imagine a car manufacturer that has developed an all-electric car. The idea has passed the idea screening and must now be developed into a concept. The marketer's task is to develop this new product into alternative product concepts. Then, the company can find out how attractive each concept is to customers and choose the best one. Possible product concepts for this electric car could be:

Concept 1: an affordably priced mid-size car designed as a second family car to be used around town for visiting friends and doing shopping.

Concept 2: a mid-priced sporty compact car appealing to young singles and couples.

Concept 3: a high-end midsize utility vehicle appealing to those who like the space SUVs provide but also want an economical car.

As you can see, these concepts need to be quite precise in order to be meaningful. In the next sub-stage, each concept is tested.

Concept testing

New product concepts, such as those given above, need to be tested with groups of target consumers. The concepts can be presented to consumers either symbolically or physically. The question is always: does the particular concept have strong consumer appeal? For some concept tests, a word or picture description might be sufficient. However, to increase the reliability of the test, a more concrete and physical presentation of the product concept may be needed. After exposing the concept to the group of target consumers, they will be asked to answer questions in order to find out the consumer appeal and customer value of each concept.

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4. Marketing strategy development – The New Product Development Process:

Concept has been developed and tested, it is time to design an initial marketing strategy for the new product based on the product concept for introducing this new product to the market.

The marketing strategy statement consists of three parts and should be formulated carefully:

- A description of the target market, the planned value proposition, and the sales, market share and profit goals for the first few years
- An outline of the product's planned price, distribution and marketing budget for the first year
- The planned long-term sales, profit goals and the marketing mix strategy.

5. Business analysis – The New Product Development Process:

Once decided upon a product concept and marketing strategy, management can evaluate the business attractiveness of the proposed new product. The fifth step in the new product development process involves a review of the sales, costs and profit projections for the new product to find out whether these factors satisfy the company's objectives. If they do, the product can be moved on to the product development stage. In order to estimate sales, the company could look at the sales history of similar products and conduct market surveys. Then, it should be able to estimate minimum and maximum sales to assess the range of risk. When the sales forecast is prepared, the firm can estimate the expected costs and profits for a product, including marketing, R&D, operations etc. All the sales and costs figures together can eventually be used to analyse the new product's financial attractiveness.

6. Product development – The New Product Development Process:

The new product development process goes on with the actual product development. Up to this point, for many new product concepts, there may exist only a word description, a drawing or perhaps a rough prototype. But if the product concept passes the business test, it must be developed into a physical product to ensure that the product idea can be turned into a workable market offering. The problem is, though, that at this stage, R&D and engineering costs cause a huge jump in investment. The R&D department will develop and test one or more physical versions of the product concept. Developing a successful prototype, however, can take days, weeks, months or even years, depending on the product and prototype methods.

Also, products often undergo tests to make sure they perform safely and effectively. This can be done by the firm itself or outsourced. In many cases, marketers involve actual customers in product testing. Consumers can evaluate prototypes and work with pre-release products. Their experiences may be very useful in the product development stage.

7. Test marketing – The New Product Development Process:

The last stage before commercialisation in the new product development process is test marketing. In this stage of the new product development process, the product and its proposed marketing programme are tested in realistic market settings. Therefore, test marketing gives the marketer experience with marketing the product before going to the great expense of full introduction. In fact, it allows the company to test the product and its entire marketing programme, including targeting and positioning strategy, advertising, distributions, packaging etc. before the full investment is made. The amount of test marketing necessary varies with each new product. Especially when introducing a new product requiring a large investment, when the risks are high, or when the firm is not sure of the product or its marketing programme, a lot of test marketing may be carried out.

8. Commercialization:

Test marketing has given management the information needed to make the final decision: launch or do not launch the new product. The final stage in the new product development process is commercialization. Commercialization means nothing else than introducing a new product into the market. At this point, the highest costs are incurred: the company may need to build or rent a manufacturing facility. Large amounts may be spent on advertising, sales promotion and other marketing efforts in the first year.

Some factors should be considered before the product is commercialized:

Introduction timing. For instance, if the economy is down, it might be wise to wait until the following year to launch the product. However, if competitors are ready to introduce their own products, the company should push to introduce the new product sooner.

Introduction place. Where to launch the new product? Should it be launched in a single location, a region, the national market, or the international market? Normally, companies don't have the confidence, capital and capacity to launch new products into full national or international distribution from the start. Instead, they usually develop a planned market rollout over time. In all of these steps of the new product development process, the most important focus is on creating superior customer value. Only then, the product can become a success in the market. Only very few products actually get the chance to become a success. The risks and costs are simply too high to allow every product to pass every stage of the new product development process.

Branding:

Branding has been around for centuries as a means to distinguish the goods of one producer from those of another. A brand is a specific term that may include a name, sign, symbol, design or a combination of these, with an intention to identify goods or services of a particular seller.In fact, the word ‘brand’ is derived from the Old Norse word brander, which means ‘to bum’. Branding helps to develop customer loyalty and it is advertised by sellers under their own name. A good brand develops a corporate image. Usually customers prefer brands as they can easily differentiate the quality.

Definition:

- According to Kotler and Amstrong, ‘a brand is a name, term, sign, symbol or design or a combination of these that identifies the maker or seller of a product, or services’.

Significance of Branding:

Branding provides benefits to buyers and sellers.

To Buyer:

1. A brand helps buyers in identifying the product that they like/dislike.

2. It identifies the marketer.

3. It helps reduce the time needed for purchase.

4. It helps buyers evaluate quality of products, especially if they are unable to judge a product's characteristics.

5. It helps reduce buyers' perceived risk of purchase.

6. The buyer may derive a psychological reward from owning the brand (e.g., Rolex watches or Mercedes).

To Seller:

1. A brand differentiates product offering from competitors.

2. It helps segment market by creating tailored images.

3. It identifies the companies' products making repeat purchases easier for customers.

4. It reduces price comparisons.

5. It helps the firm introduce a new product that carries the name of one or more of its existing products.

6. It promotes easier cooperation with intermediaries with well-known brands

7. It facilitates promotional efforts.

8. It helps in fostering brand loyalty, thus helping to stabilize market share.

9. Firms may be able to charge a premium for the brand.

Essentials of Good Branding:

1. A good brand should be easy to pronounce.

2. It should be easy to remember.

3. It should be able to attract attention.

4. It should suggest the company or product image.

5. It should be easy to recognize.

6. The brand identity should be very clear.

7. The brand name should be registered.

8. A good brand should be easy to translate into all languages in the markets where the brand will be used.

9. A good brand should suggest the product benefits or suggest its usage.

Elements of branding are studied under following four key concepts:

1. Brand identity.

2. Brand image.

3. Brand position.

4. Brand equity.

1. Brand Identity: In retailing world, different brands vary in the power and value they command. Some brands are very popular and have high level of awareness in terms of name recall and recognition while others are entirely unheard by the people. "Aaker" defines brand identity as "a unique set of brand associations that the brand strategist aspires to create or maintain. These associations represent what the brand stands for and imply a promise to customers from the organization members". Brand identity refers to an insider's concept reflecting brand manager's decisions of what he wants to communicate to its potential customers. However, overtime, a product's brand identity may acquire (evolve), gaining new attributes from consumer perspective but not necessarily from the marketing communications an owner percolates to targeted consumers. Brand identity needs to focus on authentic qualities – real characteristics of the value and brand promise being provided and sustained by organizational and/or production characteristics. Thus, brand identity refers to an insider's concept reflecting brand manager's decisions of what the brand is all about.

Brand Image: Its inherent features are how it is different from other competing brands while brand image reflects the perceptions of customers about the brand. Brand image is the sum total of impressions created by the brand in the consumer's mind. It is based on the concept that consumers buy not only a product but also the bundle of associations such as wealth, power, sophistication, etc. Brand image can be reinforced by brand communications such as packaging, customer service, promotion, advertising, word-of-mouth and so on. The image of a brand can lead brand value upwards or downwards. For instance, when the stock broking agent is 'Reliance' or coconut oil is 'parachute', its value moves upwards. This shift is the result of brand name. The name adds visual and verbal dimensions in consumer's mind and acts as intervening variable moving the value upwards. For instance, the name of a product from the house of Tata or Shaktiman adds radical value to the product image of provider, image of product and image of user.

3. Brand Position: A brand is the part of the brand identity and value preposition that is to be actively communicated to the target audience that sets it apart from the competition. A brand manager needs to establish communication objectives and plan the creative execution strategy. The beginning of an execution strategy is the brand positioning statement. The statement basically describes the "place" that a brand should occupy in the minds of target customers. In simple sense, it means how a brand is seen in the market place focuses on what is unique to the brand. Creating a unique position in the market place involves the careful selection of target market and establishing clear differential advantages in the minds of customers. This is achieved through brand image, brand name, service, design, guarantee, warrantee, packaging, delivery, etc.

Major factors that go into defining a brand position:

Brand Attributes:

It means what the brand delivers through features, applications and benefits to consumers:

i. Consumer Expectations:

Are customers 'expectations' fulfilled from a brand?

ii. Price:

It is comparison between your prices and competitors' prices.

iii. Competitive factors:

It means what the other brands offer to consumers in terms of features and benefits.

iv. Consumer Perceptions

4. Brand Equity:

Brand equity is one of the popular and widely used concepts in marketing that hardly emerged three decades before but is gaining popularity and vital place in marketing strategy. The reason behind the growing popularity of brand equity concept is because of the fact that several marketing researchers have concluded that brands are one of the most valuable assets that a company has.

According to Aaker, "Brands have equity because of their high awareness, many loyal customers, a high reputation for perceived quality, proprietary assets such as access to distribution channels or to patents or the kind of brand associations (such as personality associations). The brand equity is an intangible asset that depends on associations made by the consumer.

Three perspectives from which brand equity can be viewed.

These are:

(i) Financial:

One of the widely used ways to measure brand equity is to determine the price premium that a brand holds over a generic product. For example, if consumers are willing to pay Rs.20,000 more for a branded jewellery over the same unbranded brand, this premium provides important information about the value of the brand. However, marketing expenses must be taken into account when using this method to measure brand equity.

(ii) Brand Extensions:

A successful brand like Dabur's "Vatika" may be used as a platform to launch new related products. The main benefit of brand extension is to take the benefits of brand awareness and thus reducing the advertising expenditures and risk associated with new launch. Subsequently, appropriate brand extension can enhance the core brand. As compared to financial measures of brand equity, brand extensions are more difficult to quantify.

(iii) Consumer related:

A strong brand not only sells itself but increases the consumer's attitude strength toward the product associated with the brand. Attitude strength comes from experience with a product.

Reports have shown that actual experience by the customer implies that trial samples are most effective than advertising during introduction stage of building a strong brand. Higher the consumer associations and awareness, higher will be brand loyalty.

Packing and Packaging

Packaging is the science, art, and technology of enclosing or protecting products for distribution, storage, sale, and use. Packaging also refers to the process of design, evaluation, and production of packages. Packaging can be described as a coordinated system of preparing goods for transport, warehousing, logistics, sale, and end use. Packaging contains, protects, preserves, transports, informs, and sells. In many countries it is fully integrated into government, business, and institutional, industrial, and personal use.

Need for Packaging:

- Consists of all the activities of designing and producing the container or wrapper for a product.
- A package is the actual container or wrapper.
- A package is basically an extension of the product offered for sale.
- Packaging involves decisions about labels, inserts, instructions for product use, graphic design, as well as decisions about the sizes and types of physical containers for individual product items with the outer package.

The purposes of packaging and package:

Physical protection – The objects enclosed in the package may require protection from, among other things, mechanical shock, vibration, electrostatic discharge, compression, temperature, etc.

Barrier protection – A barrier from oxygen, water vapor, dust, etc., is often required. Permeation is a critical factor in design. Some packages contain desiccants or Oxygen absorbers to help extend shelf life.

Containment or agglomeration – Small objects are typically grouped together in one package for reasons of efficiency. For example, a single box of 1000 pencils requires less physical handling than 1000 single pencils. Liquids, powders, and granular materials need containment.

Information transmission – Packages and labels communicate how to use, transport, recycle, or dispose of the package or product. With pharmaceuticals, food, medical, and chemical products, some types of information are required by governments

Marketing – The packaging and labels can be used by marketers to encourage potential buyers to purchase the product. Package graphic design and physical design have been important and constantly evolving phenomenon for several decades. Marketing communications and graphic design are applied to the surface of the package and (in many cases) the point of sale display.

Security – Packaging can play an important role in reducing the security risks of shipment. Packages may include authentication seals and use security printing to help indicate that the package and contents are not counterfeit/ Fake. Packages also can include anti-theft devices, such as dye-packs or electronic article surveillance tags that can be activated or detected by devices at exit points and require specialized tools to deactivate.

Convenience – Packages can have features that add convenience in distribution, handling, stacking, display, sale, opening, re-closing, use, dispensing, reuse, recycling, and ease of disposal

Portion control – Single serving or single dosage packaging has a precise amount of contents to control usage. Bulk commodities (such as salt) can be divided into packages that are a more suitable size for individual households. It is also aids the control of inventory: selling sealed one-liter-bottles of milk, rather than having people bring their own bottles to fill themselves.

<u>Packaging types:</u>

It is sometimes convenient to categorize packages by layer or function: "primary", "secondary", etc.

Primary packaging is the material that first envelops the product and holds it. This usually is the smallest unit of distribution or use and is the package which is in direct contact with the contents.

Secondary packaging is outside the primary packaging, perhaps used to group primary packages together.

Tertiary packaging is used for bulk handling, warehouse storage and transport shipping. The most common form is a palletized unit load that packs tightly into containers.

Functions of Packaging:

1. *Physical protection* - The objects enclosed in the package may require protection from, among other things, shock, vibration, compression, temperature etc. Eg : Egg, Bottles

2. *Barrier Protection* - A barrier from oxygen, water vapor, dust, etc., is often required. Controlled atmospheres are also maintained in some food packages, keeping the contents clean & fresh. Eg: Fruits, Vegetables

3. *Containment or Agglomeration* - Small objects are typically grouped together in one package for reasons of efficiency. Eg: Chocolates, Biscuits

4. *Marketing* - The packaging and labels can be used by marketers to encourage potential buyers to purchase the product. Package graphic design and physical design have been a important phenomenon. Eg: Chips, Biscuits

5. *Security* - Packages can be made with improved tamper resistance to deter tampering and also can have tampered evident features to help indicate tampering. Eg: Coke drinks, water bottles

6. *Convenience* - Packages can have features that add convenience in distribution, handling, stacking, display, sale, opening, re-closing, use, dispensing, and reuse. Eg: Sauce, Jam

7. *Portion Control* - Single serving packaging has a precise amount of contents to control usage. Commodities can be divided into packages that are a more suitable size for individual households. Eg: Milk, Ice creams

PRICING:

Price goes by various names-freight, fare, license fee, tuition fee, professional charge, rent, interest, etc. But price in an enterprise/business system is seldom so simple. By definition, price is the money that customers must pay for a product or service. In other words, price is an offer to sell for a certain amount of currency.

The salient ingredients of pricing are:

(i) Pricing covers all marketing aspects like the item-goods or services-mode of payment, methods of distribution, currency used, etc.

(ii) Pricing may carry with it certain benefits to the customers like guarantee, free delivery, installation, free after-sale servicing and so on.

(iii) Pricing refers to different prices of a product for different customers and different prices for the same customer at different times.

Factors Affecting Prices:

(i) Product characteristics

(ii) Product cost

(iii) Objectives of the firm

(iv) Competitive situations

(v) Demand for the product

(vi) Customer' behaviour

(vii) Government regulations

Important approaches for marketing- based pricing policies:

(i) High Price:

Low volume vis-a-vis Low price – High volume, depending on which approach will make marketing more effective.

(ii) Going-rate Pricing:

In this method attempts are made to match the competitors' price without considering the demand and cost factors.

(iii) Sealed Bid Pricing:

This method is used in tendering to win contracts. As such, the quoted price depends on expectations of how the competitors are liking to bid for the tender.

(iv) Geographical Pricing:

Where the customers are located over the country, the transportation costs need to be adjusted to base price.

This is done in the following ways:

a) Uniform Delivery Price:

i.e., customers pay the same price irrespective of their locations.

(b) FOB Pricing':

The buyer pays all charges of transportation, loading/unloading etc., in addition to the ex-base price.

(c) Zone Pricing:

Zone wise segmentation of customers are made and then principles of FOB Pricing or uniform delivery price is followed.

(d) Discount Pricing:

Discounts allowed as a percentage of basic price for cash payment or bulk purchase or for both.

(e) Discriminatory Pricing:

Product is sold at different locations at different prices or at different prices after different types of packaging.

(J) Penetration Price:

The practice of deliberately keeping the price low in order to achieve a sizeable market.

(g) Skimming Price:

Starting with a relatively high price and coming down later, if necessary.

(h) Pre-emptive Pricing:

A strategy to pre-empt competitors from adopting their own pricing decisions.

(i) PLC Pricing:

Pricing strategy tends to be different for different stages of PLC.

(j) Price Reduction:

Usually takes the following sequential order.

(k) Price Cutting:

With the object of driving competitors out of the market.

(l) Price Warfare:

As part of strategy to reduce the numbers of competitors.

(m) Formation of Price-Cartel:

This is fairly common in duopoly or oligopoly situations. Prices will be determined and renewed from time to time by informal cartels.

Methods of Pricing:

Cost-Oriented Method and Market-Oriented Method

A. Cost-oriented Method:

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

Cost-oriented methods or pricing are as follows:

1. Cost plus pricing:

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

2. Mark-up pricing:

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

Formula: Average unit cost/Selling price

3. Break-even pricing:

In this case, the firm determines the level of sales needed to cover all the relevant fixed and variable costs. The break-even price is the price at which the sales revenue is equal to the cost of goods sold. In other words, there is neither profit nor loss.

For instance, if the fixed cost is Rs. 2, 00,000, the variable cost per unit is Rs. 10, and the selling price is Rs. 15, then the firm needs to sell 40,000 units to break even. Therefore, the firm will plan to sell more than 40,000 units to make a profit. If the firm is not in a position to sell 40,000 limits, then it has to increase the selling price.

The following formula is used to calculate the break-even point:

Contribution = Selling price – Variable cost per unit

4. Target return pricing:

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

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

Target return price = Total costs + (Desired % ROI investment)/ Total sales in units

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

5000 + (20% X 10,000)/ 7000

Target return price = 7

5. Early cash recovery pricing:

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

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

B. Market-oriented Methods:

1. Perceived value pricing:

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

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

2. Going-rate pricing:

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

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

a. Competitors 'parity method:

A firm may set the same price as that of the major competitor.

b. Premium pricing:

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

c. Discount pricing:

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

3. Sealed-bid pricing:

This pricing is adopted in the case of large orders or contracts, especially those of industrial buyers or government departments. The firms submit sealed bids for jobs in response to an advertisement. In this case, the buyer expects the lowest possible price and the seller is expected to provide the best possible quotation or tender. If a firm wants to win a contract, then it has to submit a lower price bid. For this purpose, the firm has to anticipate the pricing policy of the competitors and decide the price offer.

4. Differentiated pricing:

Firms may charge different prices for the same product or service.

The following are some the types of differentiated pricing:

a. Customer segment pricing:

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

b. Time pricing:

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

c. Area pricing:

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

d. Product form pricing:

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

Physical Distribution of Goods:

It is a comprehensive term. Physical distribution, also known as distribution network, refers to a range of activities and services required for moving products from producers to ultimate users. Out of available 5 means of transport systems, i.e., airline, lorry, railway, water-ways and pipeline, the marketer depending on type of product and transit period, should choose a proper transport which will provide the optimum cost and customer satisfaction. Pipe lines are excellent for transport of petroleum products and airline is the fastest and suitable for costly and perishable goods where speed is important. Bulky goods line coal is usually sent by railway wagons. Use of containerization facilitates material handling and containers can fit on both trucks and open rail wagons.

Objectives/Importance of Physical Distribution:

- To Ensure Consumer Convenience
- To Facilitate Continuous Production
- To Achieve Economy
- To Reduced Degree of Damage/Wastage
- To Increase Competitiveness
- To Lower Idle Stocks
- To Ensure Continuous Availability
- To Achieve Rapid Turnover of Stock

Customer service:

Customer service is a predefined standard of customer satisfaction, which a retailer plans to provide to its customers. Without defining and setting 'standards of customer service', retailers cannot achieve competitive advantage over their competitors. A customer service standard may be that 95% of the orders are delivered within 5 hours of receipt and 100% are delivered within 24 hours. Retailers maintaining higher service standards bear costs of maintaining higher inventory level or expenditure incurred on fast mode of transportation.

2. Order Processing:

Order processing, alternatively known as order fulfillment is the handling of customer orders within the distribution center (may be warehouse, retail store itself) involving the keying of customer and order details into the computer system in order to produce the invoices for picking. The basic idea is to deliver the orders as per customers' wants of place and timing. Therefore, action should be taken quickly as an order has been placed and the customer must have fast confirmation of the order's receipt and the exact delivery time.

3. Inventory Control:

Inventory control is a major component of a retail organization's physical distribution system. It includes money invested in inventory, wear and tear and possible obsolescence of the goods with the passage of time. In a retail organization, where finance executives seek inventory minimization, marketing executives advocate large inventories to prevent stock outs. Therefore, retailers should to try minimize optimum level of inventory to meet the customers' demand close to customer service standards of 100%.

4. Warehousing:

It involves all the activities required in storage of goods between the time these are procured and the time these are transported to the customer upon receipt of order. This function basically involves receiving the merchandise, breaking bulk, storing and loading for delivery to customers as per their details. Storage warehouses usually keep goods for long periods while distribution centers operate as central/middle locations for quick movements of goods to retail stores.

5. Transportation Mode:

Transportation is indispensable for physical distribution of goods and services. Transportation mode enables channel members like producers, wholesalers and retailers to make goods and services available at the customers' place of purchase or at his doorstep. From cost point of view, transportation accounts nearly 25-40% of total distribution costs. Quick and timely delivery, security of goods during transit and proper handling results in customer satisfaction.

6. Materials Handling:

Materials handling implies the movement of goods inside the retail organization, warehouses and retail stores/outlets. In case of chain stores, the raw materials, finished goods etc move from a common warehouse to various store locations. Similarly, in case of multistory or even single-story storage houses, movements of goods take place.

Marketing Channels for Distribution of Products:

1. Direct Channel:

No middlemen are involved. Company sells its products directly to consumers. It is, as its name suggests, a direct mode of distribution.

There are four types of direct channel:

i. Distribution from factory gate

ii. Distribution via showroom and retail outlets

iii. Distribution by salesmen

iv. Online marketing/cyber marketing

2. Indirect Channel:

Here, middlemen, such as wholesalers, retailers, agents, etc., are involved in distribution of products.

There are four types of indirect channel:

i. One-Level Channel:

Company – retailers – consumers

ii. Two-Level Channel:

Company – wholesalers and retailers – consumers

iii. Three-Level Channel:

Company – agents, wholesalers, and retailers – consumers

iv. Multilevel Channel:

Company – number of middlemen – consumers

3. Network Marketing:

Here, products are distributed via members. Members are both sellers and users. They buy directly from the company. They can earn commission on their own consumption as well as consumption of other members working under them. A network is prepared to distribute products in the market. Every member tries to create more members under him. Members act as distributor as well as users. It has been claimed that members or users can access quality products at low price as middlemen are not included. For example, Modi Care, Amway, etc., are distributing products via network. It is an emerging option. However, it can be applicable only for the giant organization like multinational companies.

PROMOTION:

Promotion is a form of communication with an additional element of persuasion to accept ideas, products, and services and hence persuasive communication becomes the heart of promotion, the third element of marketing-mix. Promotion helps people know that the right product at right price is available at the right place. Promotion is defined as the co-ordinate self-initiated efforts to establish channels of information and persuasion to facilitate or foster the sale of goods or services, or the acceptance of ideas. Thus promotion is persuasive communication to inform potential customers of the existence of products, to persuade and convince them that those products have want satisfying capabilities.

(a) Promotion has following three specific purposes:

(i) It communicates marketing information to consumers, users and resellers.

(ii) It persuades and convinces the buyer and influences his/her behavior to take the desired action.

(iii) Promotional efforts act as powerful tools of competition, providing the cutting edge of its entire marketing programme.

The main elements of promotion-mix are:

(i) Advertising

(ii) Salesmanship (or personal selling)

(iii) Sales promotion techniques

Factor Influencing Promotion-Mix:

(i) Type of Product:

In case of industrial goods and consumer durables, where demonstration of the product is required to explain their manner of handling, instructions for safety etc.; personal selling must be emphasized more than advertising and sales promotion. Standardized popular goods require more of advertising than personal selling to maintain and extend their demand.

(ii) Age of the Product:

For new and innovative products, personal selling is better; as salespersons can easily educate and convince prospects about the nature and utility of such products. Alongside, aggressive advertising is also necessary to prepare a base for demand creation. For older products, whose popularity may be declining due to intense competition; sales promotion techniques might be better able to push demand by creating an interest in products, on the part of general public's.

(iii) Number of Consumers and Their Spread:

If the number of consumers is small and they are concentrated in particular geographical regions; personal selling might be more effective and cheaper. If, however, consumers are large in number and are widely spread; advertising might produce better results in terms of creating awareness about the product. An added aspect here may be the type of consumers – ladies, gents, children, elderly persons etc. For developing popularity of the product e.g. among ladies or children, sales promotion techniques might better meet the expectations of the manufacturer in producing quick sales.

(iv) Promotion Budget:

Different elements of promotion-mix have different financial implications. The size of the promotion budget i.e. funds available for promotional purposes might have a decisive say, in the formulation of the promotion-mix.

(v) Stage of the Product Life Cycle:

Stage of the life cycle which a product is passing through, has an important influence on promotion-mix. During introduction stage e.g. there might be a need for emphasis on all aspects of promotion-mix to create maximum awareness about the product. At the saturation stage, aggressive advertising might better meet promotional requirements. In the declining stage, there may be a need cut down expenditure and efforts on all elements of promotion-mix and so on. However, there is no standard formula for formulation of promotion-mix, in view of the product life cycle stage; as different products have different implications of promotional efforts at different stages of their life cycles.

(vi) Strategies Used by Competitors:

An ideal promotion-mix of a company must be formulated against the background of the promotional strategies of competitors. In fact, it is desirable that the promotion-mix of a manufacturer must be in tune with the promotion-mix of leading competitors, in order to better face the challenges posed by them.

(vii) Appeal to Prospects:

Different promotional techniques have different influences on prospects, depending on whether they are:

- 1. Urban or rural
- 2. Educated or uneducated (or less educated)
- 3. Service-class people or business class people
- 4. Rich, poor or average, in financial terms, and so on.

Just to give one example in this context, we may say that busy people of business class never like the sight of salespersons and would always like to avoid meetings with them; as their attention, all the time, may lie in business matters. To influence such persons, advertising is a better promotional technique, which does not involve their busy time.

Tools or elements of promotion:

1. Advertising

2. Sales promotion

3. Personal selling

Advertising:

Advertisement can be defined as the "paid form of non-personal presentation and promotion of idea, goods or services by an identified sponsor". It is an impersonal presentation where a standard or common message regarding the merits, price and availability of product or service is given by the producer or marketer. The advertisement builds pull effect as advertising tries to pull the product by directly appealing to customer to buy it.

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

1. Paid Form:

The sponsor has to pay for advertising he has to bear a cost to communicate with customers.

2. Impersonality:

There is no face to face contact between customers and advertiser. It creates a monologue and not a dialogue.

3. Identified Sponsor:

Advertisement is given by an identified company or firm or individual.

Features of Advertising and Advantages/Merits of Advertisement:

(i) Reach

(ii) Choice

(iii) Legitimacy

(iv) Expressiveness

(v) Economy

(vi) Enhancing Customer Satisfaction and Confidence

Disadvantages of Advertising

(i) It is an Impersonal Communication/Less Forceful

(ii) Advertising is less effective

(iii) Difficulty in Media Choice

(iv) Inflexibility

(v) Lack of Feedback

Personal Selling:

Personal selling means selling personally. This involves face to face interaction between seller and buyer for the purpose of sale. The personal selling does not mean getting the prospects to desire what seller wants but the concept of personal selling is also based on customer satisfaction.

Features of Personal Selling:

(i) Personal Interaction:

In personal selling the buyers and sellers have face to face interaction. This closeness allows both the parties to observe each other's action closely.

(ii) Two Way Communication:

In personal selling the sellers give information about the product, at the same time the buyer get a chance to clarify his doubts. It is suitable for sale of complex products where buyer wants to interact with the manufacturer.

(iii) Better Response:

When seller is personally explaining the utilities of product to the customers then customer do pay some attention and listen to the information.

(iv) Relationship:

When the seller and buyer come together this may improve relation between the customer and seller. Salespersons normally make friendly relations with the customers.

(v) Better Convincing:

Personal selling is most effective form of promotion because with this the sales person can convince the buyer by demonstrating the use of product and making changes in the product according to the need of customer.

Role of Personal Selling:

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

1. Importance to Businessmen:

Personal selling is an important tool to increase the sale. It is important for businessman due to following reasons:

(i) Effective Promotion Tool

(ii) Flexible Tool

(iii) Minimum Wastage of Efforts

(iv) Consumer Attention

(v) Relationship

(vi) Personal Support

(vii) Very Effective to Introduce New Product

2. Importance to Customers:

a) Helps in Identifying Needs

b) Latest Market Information

c) Expert Advice

d) Induces Customers

3. Importance to Society:

a) Converts Latest Demand into Effective Demand

b) Employment Opportunities

c) Mobility of Sales Persons

d) Product Standardization

e) Public Relations

UNIT - 4:

INTRODUCTION TO SERVICES MANAGEMENT

Meaning of services – characteristics of services – classification of services – marketing mix in service industry – growth of service sector in India. Service processes – Designing the service process service blueprint – back office & front office process.

Service marketing is **marketing** based on relationship and value. It may be used to **market** a **service** or a product. With the increasing prominence of **services** in the global economy, **service marketing** has become a subject that needs to be studied separately. Service is an intangible product that brings utility or value to the customer. **Service Management** is thus a managerial discipline focused on a customer and a service. **Service management** is multidisciplinary field which is related to many other management fields.

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- Service management is multidisciplinary field which is related to many other management fields.
- Service marketing is marketing based on relationship and value. It may be used to market a service or a product.
- With the increasing prominence of services in the global economy, service marketing has become a subject that needs to be studied separately. Marketing services is different from marketing goods because of the unique characteristics of services namely, intangibility, heterogeneity, perish ability and inseparability.
- The American Marketing Association, defines services as activities, benefits, or satisfactions that are offered for sale or provided with sale of goods to the customer, that is, pre-sale and after-sales services. Berry states, ‘while a product is an object, devise or physical thing, a service is a deed, performance, or an effort’.
- *“Business services depend on the ability of the top people to give personal example and at he same time to know what goes on.”*

<u>*Peter F. Drucker*</u>

The content of this section includes management methods and analytical techniques used in **service management**. The term service or **service management** is in practice used in different ways and management levels:

- Service in the economics - as the market sector (service sector in developed countries produce 60% of GDP)
- Service in management as a mechanism (way) of organizational management.
- Service in informatics as a way information system management and development or a way of interacting applications (web service).

Examples of services are:

Transportation & public utilities, Hotels and other lodging places, Rail-road transportation, Personal services, Local and inter-urban passenger transit, Business services, Trucking and warehousing, Auto repair, services and garages, Water transportation, Miscellaneous repair services, Air transportation, Motion pictures, Pipelines except natural gas, Amusement and recreation services, Health service, Communication, Legal services, Telephone and telegraph, Educational services, Radio and television broadcasting, Social services and membership organizations, Electricity, Gas, Sanitary services, Miscellaneous professional services, Wholesale trade, Private household services, Retail trade, Finance, insurance, and real estate, Banking, Military, Credit agencies other than banks, Government enterprises Security & commodity brokers, Local government, Real estate, Education, Holding and other investment companies and Other services.

Service marketing is **marketing** based on relationship and value. It may be used to **market** a **service** or a product. With the increasing prominence of **services** in the global economy, **service marketing** has become a subject that needs to be studied separately.

Service is an intangible product that brings utility or value to the customer. **Service Management** is thus a managerial discipline focused on a customer and a service. **Service management** is multidisciplinary field which is related to many other management fields.

Features of Services / Characteristics of Services:

1. Perish ability
2. Fluctuating Demand
3. Intangibility
4. Inseparability
5. Heterogeneity
6. Pricing of Services
7. Service quality is not statistically measurable.
8.

1. Perishability:

Service is highly perishable and time element has great significance in service marketing. Service if not used in time is lost forever. Service cannot stored.

2. Fluctuating Demand:

Service demand has high degree of fluctuations. The changes in demand can be seasonal or by weeks, days or even hours. Most of the services have peak demand in peak hours, normal demand and low demand on off-period time.

3. Intangibility:

Unlike product, service cannot be touched or sensed, tested or felt before they are availed. A service is an abstract phenomenon.

4. Inseparability:

Personal service cannot be separated from the individual and some personalised services are created and consumed simultaneously.

For example hair cut is not possible without the presence of an individual. A doctor can only treat when his patient is present.

5. Heterogeneity:

The features of service by a provider cannot be uniform or standardised. A Doctor can charge much higher fee to a rich client and take much low from a poor patient.

6. Pricing of Services:

Pricing decision about services is influenced by perish ability, fluctuation in demand and inseparability. Quality of a service cannot be carefully standardised. Pricing of services is dependent on demand and competition where variable pricing may be used.

7. Service quality is not statistically measurable:

It is defined in form of reliability, responsiveness, empathy and assurance all of which are in control of employee’s direction interacting with customers. For service, customers satisfaction and delight are very important. Employees directly interacting with customers are to be very special and important. People include internal marketing, external marketing and interactive marketing.

Problems in Marketing Services:

1. A service cannot be demonstrated.

2. Sale, production and consumption of services takes place simultaneously.

3. A service cannot be stored. It cannot be produced in anticipation of demand.

4. Services cannot be protected through patents.

5. Services cannot be separated from the service provider.

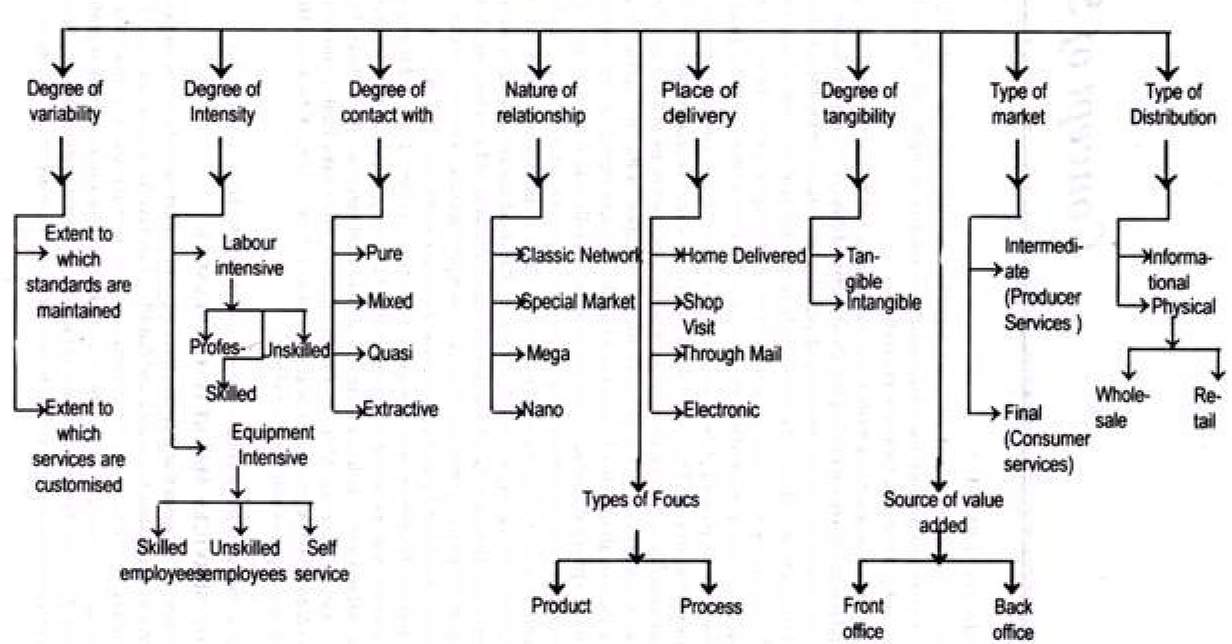
6. Services are not standardized and are inconsistent.

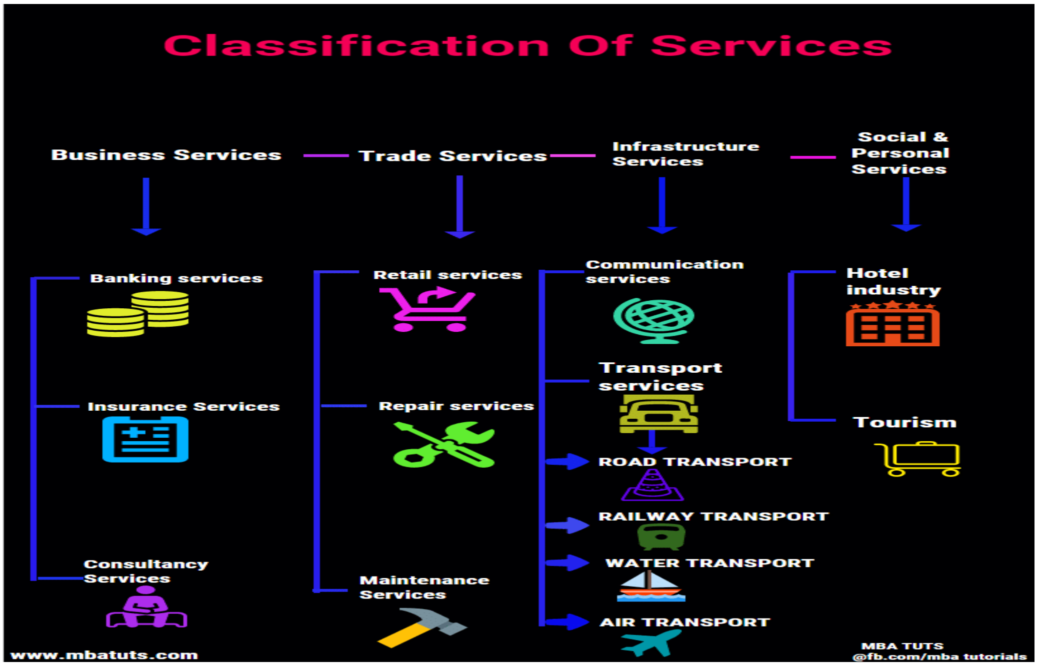
7. Service providers appointing franchisees may face problems of quality of services.

8. The customer perception of service quality is more directly linked to the morale, motivation and skill of the frontline staff of any service organization.

CLASSIFICATION OF SERVICE:

FIGURE 1.1 : CLASSIFICATION OF SERVICES





I. Business Services

They are mainly focused on earning a profit. where there is more involvement of the common public in large number. Service involves a lot of economic transaction which is as follows

a) Banking services

The bank is one of the important service providers in the economy it acts as a main regulatory authority. The banking services mainly involve in accepting the deposits & granting a loan to both common people & industrialist at a stipulated rate of interest. The bank plays a very important role in the circulation of money in the economy.RBI is the authority responsible for credit generation. RBI governor is a major advisor to finance minister of India. In India there are many nationalized private, cooperative, MNCs banks among these are SBI, ICICI, HDFC.

b) Insurance Services

Insurance means covering the uncertain risk. The insurance services target the customer for providing life & general insurance with the minimal & reasonable rate of risk. IRDA i.e. Insurance Regulatory Development Authority in India plays a very important role & control. All insurance player in India has a broad objective is to safeguard the interest of the common public.LIC is the pioneer in life insurance to provide security to common people

Because of tuff competition companies like ICICI Prudential, Tata, AIGC, HDFC Bajaj Alliance are coming with various insurance plans suitable for different age risk covering, general insurance include fire theft loss etc.

c) Consultancy Services

In consultancy services, the expert provides certain suggestion or advice to a businessman. Industrialist. Nowadays consultancy services are growing at a faster rate. Consultancy service is highly customized & involves both the parties

II Trade Services

Trade services are related to tangible products & commodities. These services associate the intangible factors of service with a tangible factor of production. These services are supportive in nature & enhance tangibility of the product

a) Retail services

b) Repair services

c) Maintenance services

a) Retail services

In retail services, retail outlet acts as a mandatory to sell all tangible product. It adds shopping area, proper billing, display, home delivery, telephonic order execution so that buyer gets motivated to buy the product. In India, only 3% of retail services are organized. There are big players like Big Bazaar, Reliance Godrej etc

b) Repair services

Repair service provides a customer with an after sale service for e.g Washing machine refrigerator, TV these services are well known for after sale service

c) Maintenance Services

These are provided to the customer for avoiding malfunctioning or problem in production so to take care these products like A.C, computer labs. The annual contract is created between both the parties such a service makes the tangible product more unique & competitive.

III Infrastructure Services

These services very important in the development of nation it also stimulates economic & social services.

a) Communication services

In last 10 years, communication services are in demand these services are provided through land phone mobile, with innovative services. As communication plays a very important role in day to day life of business it has become an essential for common man also

b) Transport services

We use various services in our daily life. These are carried by rail, road, water or air & made available to the public at their locality. Transport service helps to carry finished products or raw material from one place to another. Similarly, you must have seen people traveling from one place to another by airplanes, trains, buses, cars, scooters, rickshaws, cycles, etc. This movement of goods and persons is very important in business. This helps the industries to avail raw material to the place of manufacturing.

7 Elements used in Marketing Mix for Services:

(1) Product

(2) Price

(3) Place

(4) Promotion

(5) People

(6) Physical evidence

(7) Process.

Table 2.1 : EXPANDED MARKETING MIX FOR SERVICES

Product	Place	Promotion	Price	People	Physical evidence	Process
• Physical good	• Channel type	• Promotion blend	• Flexibility	• Employees	• Facility design	• Flow of activities
features	• Exposure	• Salespeople	• Price level	Recruiting	Aesthetics	Standardardized
• Quality level	• Intermediaries	Number	• Terms	Training	Functionality	Customized
• Accessories	• Outlet locations	Selection	• Differentiation	Motivation	Ambient conditions	• Number of steps
• Packaging	• Transportation	Training	• Discounts	Rewards	• Equipment	Simple
• Warranties	• Storage	Incentives	• Allowances	Teamwork	• Signage	Complex
• Product lines	• Managing channels	• Advertising	• Commissions	• Customers	• Employee dress	• Level of customer
• Branding	• Accessibility	Targets	• Perceived value	Education	• Reports	involvement
• Service lines	• Coverage	Media types		Training	• Business Cards	• Policies
• After sales service		Type of ads		• Communicating	• Statements	• Procedures
		Copy thrust		culture	• Guarantees	• Employee discretion
		• Sales promotion		and Values	• Furnishing	• Customer
		• Public Relations		• Employees research	• Colour	Involvement
		• Publicity		• Attitudes	• Layout	
					• Noise level	

Expanded mix for services:

5. People:

All human actors who play a part in service delivery and thus influence the buyer's perceptions: namely, the firm's personnel, the customer, and other customers in the service environment.

6. Physical Evidence:

The environment in which the service is delivered and where the firm and customer interact, and any tangible components that facilitate performance or communication of the service.

7. Process:

The actual procedures, mechanism and flow of activities by which, the service is delivered the service delivery and operating systems. The actual delivery steps the customer experiences, or the operational flow of the service, will also provide customers with evidence on which to judge the service.

Importance or Growth of Service Sector in India:

In India, the importance of services sector has been increasing continuously decade after decade. With the continuous expansion of services sector, both in terms of volume and diversity, the importance of services sector has been increasing at a high speed.

The following are some of the importance's of services sector in Indian economy:

(i) Contribution of GDP:

The share of total services sector in India's GDP (at constant prices), which is constituted by trade, hotels, transport, storage and communications, banking, insurance, real estate, community and personal services, but excluding construction increased from 28.5 per cent in 1950-51 to 31.8 per cent in 1970-71 and then finally to 51.3 per cent in 2013-14. But the share of total services sector, excluding construction, to India's GDP at factor cost (at current prices) increased rapidly from 30.5 per cent in 1950- 51 to 50.8 per cent in 2010-11 and then to 55.7 per cent in 2011-12.

If construction is also included, then the same share of services sector increased from 56.8 per cent in 2000-01 to 59.6 per cent in 2013-14. Among the major components of services sector, the share of transport, Communication and trade in India's GDP (at constant prices) increased from 11.0 per cent in 1950-51 to 18.6 per cent in 2013-14. The share of community and personal services to GDP (at constant prices) marginally increased from 8.5 per cent in 1950-51 to 12.9 per cent in 2013-14. The share of finance insurance, real estate and business services increased from 9.0 per cent in 1950-51 to 19.8 per cent in 2013-14. Thus it has been observed that the contribution of services sector into GDP of India has been increasing at considerable proportion and thereby it has proved to be a major sector among all the three sectors of the economy.

(ii) Higher CAGR and Rapid Growth of Services Sector:

The importance of services sector to Indian economy can also be traced from its attainment of higher compound annual growth rate (CAGR). The CAGR of the services sector attained at 10.0 per cent for the period 2004-05 to 2011-12 has been found to be higher than the 8.6 per cent of CAGR of Gross Domestic Product (GDP) of India during the same period, which clearly indicates that the services sector has outgrown both the industry and agriculture sectors, showing its supremacy among all three sectors of the economy in recent years. Such rapid growth of the service sector has resulted considerable changes in the GDP of the country.

Moreover, the growth has been specifically marked in the public services, information technology and financial services. Of late, India has just become a service oriented economy. The country did not follow the traditional growth models and thereby skipped the manufacturing growth stage to directly jump from agricultural growth stage to services growth stage. However, the growth in services sector will definitely support growth process in agriculture and industrial sector in reasonable proportion and thereby assist the economy in generating employment and raising overall productivity.

The ratcheting up of the overall growth rate (CAGR) of the Indian economy from 5.7 per cent in the 1990s to 8.6 per cent during the period 2004-05 to 2009-10 was to a large measure due to the acceleration of the growth rate (CAGR) in the services sector from 7.5 per cent in the 1990s to 10.3 per cent during the period 2004-05 to 2009-10. The services sector growth was significantly faster than the 6.6 per cent for the combined agriculture and industry sectors annual output growth during the same period. Although, the agricultural sector has been a dominant player initially, but of late the share of services sector has also been increasing over the years, which has been challenging the dominance of primary sector or agriculture in the later stage of development.

(iii) Horizontally Higher Share of Services in GSDP:

The service sector has been contributing towards the gross state domestic product (GSDP) of different states and union territories (UTs) satisfactorily in recent years. A comparison of the shares of services in the GSDP of different states and union territories in 2011- 12 shows that the services sector is the dominant sector in most states of India. States and UTs such as Tripura, Nagaland, West Bengal, Mizoram, Maharashtra, Bihar, Tamil Nadu, Kerala, Delhi and Chandigarh have recorded a higher share of services sector to its GSDP which are again higher than all India shares (55.7 per cent) of its services sector. Chandigarh with an 85 per cent share and Delhi with 81.8 per cent share top the list. This has resulted a horizontal spread of higher share of services sector in GSDP of a number of states

iv) Employment Generation of Services Sector:

The important of services sector can also be realised from its contribution towards generation of employment in India. Although the primary sector (mainly agriculture) is the dominant employer followed by the services sector, the share of services sector has been increasing over the years and that of the primary sector has been decreasing. Between 1993-94 to 2009-10, there has been a sharp fall in the share of primary sector in employment from 64.75 per cent in 1993-94 to 53.2 per cent in 2009-10.

But the consequent rise in share of employment of the other two sectors was almost equally divided between secondary and tertiary sectors. However, while agriculture continues to be the primary employment providing sector, the services sector (including construction) is in the second place. During the same period, the share of services and construction sectors in employment increased from 19.70 per cent to 25.30 per cent and 3.12 per cent to 9.60 per cent respectively. As per National Sample Survey Organisation (NSSO) report on Employment and Unemployment Situation in India in 2009-10, on the basic usually working persons in the principal and subsidiary statuses, for every 1000 people employed in rural India, 679 people are employed in the agriculture sector, 241 in the services sector (including construction) and 80 persons in the industrial sector. Again in urban part of India, 75 persons are employed in the agriculture, 683 persons in the services sector (including construction) and 242 persons in the industrial sector. Moreover, construction, trade, hotels and restaurants and public administration, education and community services are the three important employment providing service sectors. Studies further reveals that the tertiary employment share have strong upward slopes in all the

Income quintiles covered both in urban and rural areas with higher income quintiles having higher share in each successive NSSO round. Thus tertiary employment growth is steadying moving from being an absorber of low income of labour to providers of high income jobs. State-wise, there are wide differences in the share in employment of different sectors in rural India. It is found that some work-eastern states like Sikkim, Tripura and Manipur have a high share of employment in the services sector and again some city states like Chandigarh and Delhi also have very high shares of employment in services like 826 and 879 respectively out of 1000 employed people. Moreover, among the major states, Kerala has a high share of employment in the rural services sector at 511 persons out of 1000 persons. Construction; trade, hotels and restaurant; and public administration, education and community services are the three major employment providing services sectors in all these different states.In urban India the shares of employment in services in most of the states varied like 833 in Assam, 877 in Meghalaya, 732 in Bihar, 787 in Jharkhand, 711 in Kerala, 716 in Maharashtra, 743 in Rajasthan, 653 in Uttar Pradesh, 641 in Gujarat, 586 in Tamil Nadu and 683 in West Bengal out of 1000 employed people.

(v) Contribution to India's Services Trade:

The services sector is also playing an important role sector in raising the volume of exports in the country. Thus India is moving towards a services-led export growth in recent years. During 2004-05 to 2008-09 as per the Balance of Payment (BoP) data, merchandise and services exports grew by 22.2 and 25.3 per cent respectively. Again India's share of services exports in the world export of services, which increased from 0.6 per cent in 1990 to 1.0 per cent in 2000 and further to 3.3 per cent in 2011, has been increasing faster than the share of merchandise exports in world exports. Services growth slowed in 2009-10 as a result of the global recession, but the decline was less pronounced than the slowdown in merchandise export growth and has recovered rapidly in 2010-11.

As per BoP data of the RBI, India's services exports grew at a CAGR of 20.6 per cent during the period 2004-05 to 2010-11, compared to the 19.7 per cent CAGR of merchandise exports during the same period. If we enter into the details of services sector, CAGRs of financial services (29.2 per cent) were at higher level while that of software at 21 per cent was at lower level. In terms of size, software is a major services export category, accounting for 41.7 per cent of total services exports in 2010-11. The CAGR for import of services was 20.2 per cent compared to the CAGR of merchandise imports, at 21.4 per cent. Among the various items of services imports, non-software services (22.6 per cent) and transportation (20.5 per cent had high CAGRs. Moreover, the overall openness of the economy reflected by total trade including services as a percentage of GDP showed a higher degree of openness at 55.0 per cent in 2011-12 compared to 25.4 per cent in 1997-98 and 38.1 per cent in 2004-05.

(vi) Contribution towards Human Development:

Services sector has a lot of contribution towards human development in our country. Accordingly, services sector has been rendering some valuable services, viz., health services, educational facilities, IT and IT enabled services (ITes), skill development, health tourism, sports, cultural services etc. which are largely responsible for human empowerment and improvement of quality of life of the people in general.

(vii) Services Sector Growth and FDI Inflows:

Modest growth of services sector has made ample scope for the smooth inflow of FDI into the country. FDI also plays a major role in the dynamic growth of the services sector. On the positive side, at global level, medium term prospects for services are generally better than those manufacturing sector with international investment in the services sector expected to grow relatively faster.

Moreover, many transnational companies, which some years ago were mainly focused on their home markets, are now pursuing their internationalization strategies involving ambitious investments abroad. Developing and transition economies particularly in Asia are considered as most attractive destinations. Accordingly, India has been largely considered as favoured destination for increasing flow of FDI.

Although flow of foreign direct investment (FDI) into services sector of the country is maintaining a positive trend but the ambiguity in classifying various activities under the services sector poses differently in the measurement of flow of FDI into this sector. However, the combined FDI share of financial and non- financial services, computer hardware and software, telecommunications and housing and real estate can be broadly taken as rough estimates of FDI share of services.

Such FDI share of services was 40.5 per cent of cumulative FDI equity in flows during the period April 2000 to December 2012. Including the construction sector (6.5 per cent), the share of services in FDI inflows increases to 47.0 per cent. If the shares of some other services like hotels and tourism, trading, information and broadcasting, consultancy services, ports, agriculture services, hospital and diagnostic centres, education, air transport including air freights and retail trading are included then the total share of cumulative FDI inflows to the services sector would be around 58.4 per cent.

However, in terms of cumulative FDI equity inflows during April 2000 to December 2011, the financial and non-financial services are found to be the largest recipients with 20.1 per cent, ($

31.7 billion), which is again followed by telecommunications with 7.9 per cent ($ 12.5 billion), computer hardware and software with 6.9 per cent ($ 10.9 billion), housing and real estates with 6.9 per cent ($ 10.9 billion), and construction activities 6.5 per cent ($ 10.2 billion) share. The shares of financial and non-financial services sector in total FDI inflows from these sourcing countries are Mauritius 20.1 per cent Singapore 30.6 per cent, U.K 29.5 per cent, USA 21.9 per cent and Japan 11.9 per cent.

(viii) Contribution towards Development of Infrastructure and Communication Services:

Services sector has also been playing an important role in developing expanding and management of infrastructure with a special emphasis on development of transportation and communication services. In a developing country like India the importance of development of infrastructural facilities is quite high. The contribution of transport, storage and communication to the GDP at factor cost (at current prices) in India ranges from 8.2 per cent in 2006-07 to 7.1 per cent in 2011-12.

(ix) Contribution towards Growth of IT and ITeS:

The services sector has also paved the way for a continuous growth of its IT and IT enabled services (ITeS) sector and thereby helping the economy of the country to attain higher growth both in terms of GDP share, employment, exports etc. which has put India on the global map. The IT and ITeS sector of the country has developed an image of a young and resilient global knowledge power and has earned a brand identity in this sector. The IT and ITeS industry has four major sub-components: IT services, business process outsourcing (BPO), engineering services and research and development (R&D), and software products. This IT and ITeS sector has been generating considerable amount of revenues and employment in the economy.

As per NASSCOM estimates, India's IT and BPM sector (excluding hardware) revenues were to the tune of US $ 95.2 billion in 2012-13 and has been able to generate direct employment for nearly 2.8 million persons and indirect employment of around 8.9 million persons in the country. Moreover, as a proportion of national GDP, IT and ITeS sector revenues have grown considerably from 1.2 per cent in 1997-98 to an estimated 7.5 per cent in 2011-12. Software exports from India in 2011-12 stands as US $ 69 billion as compared to US $ 59 billion in 2010-11. It is also observed that exports continue to dominate the IT and ITeS industry and constitute about 78.4 per cent of total industry revenue. Moreover, the CAGR of the domestic sector has also been remained at high level of 12.8 per cent as compared to the 14.2 per cent for exports during the Eleventh Plan period.

(x) Contribution towards Development of Some Social Services:

Services sector is also playing an important role in the development and expansion of some social services like sports, cultural services etc. Sports promote physical fitness and develop human personality which also played an important role in national identity, community bonding and international bonding. Moreover, cultural activities, or services include recreation and entertainment and radio and TV broadcasting besides other related cultural services. To meet the objective of preserving and promoting all forms of art and culture, a variety of activities are being undertaken by the Government of India.

The Service Process

Customers of service organization obtain benefits and satisfactions from the services themselves and from how those services are delivered. The way in which service systems operate is crucial. The Service process refers to how a service is provided/delivered to a customer. Designing a service delivery system "is a creative process, which begins with a service concept and strategy to provide a service with features to differentiate it from the competition".

Designing Service Process:

Designing a service process system involves a careful consideration of factors related to services. Various issues such as location, facility design, and layout for effective work flow procedures and job definitions for service providers, customer involvement, equipment selection, etc., should be decided while designing service process. Apart from these, the following factors should be considered in the process design and implementation.

1. The service itself,
2. Customer participation in the process,
3. Location of service delivery,
4. Level of customer contact,
5. Degree of Standardization,
6. Complexity of the service.

1. The Service itself:

The importance of the actual process in service delivery is being recognized of late. By employing some principles, the service and delivery process can be designed, implemented and monitored. The service itself is dependent upon its process. Even intangible services such as legal representation, equipment-based services (services through vending machines, ATM) etc., are dependent upon their process. While designing a service, it is necessary for the service provider to carefully understand the process on which the service is dependent.

2. Customer Participation in the Process:

The presence of the customer is a must when some services are being performed. The consumer is a part of the production process and there is a close interaction between the service provider and the consumer.

For example, services in a self service restaurant, hair dressing saloon, beauty parlours, etc., necessitate the participation of customers in the production process.

Sometimes, the customer instead of being a passive bystander acts as productive labour if needed. Customer participation enhances the degree of customization. For example, the education service rendered by a college would depend upon the quality of student participation in the programmes offered by the college. Through customer participation, the service provider identifies the impact the receiver of the benefit has on the service.

3. Location of Service Delivery:

The issues related to accessibility and availability of services are crucial. Priority must be given in decisions about location of premises and services distribution. Provision of service may take place at the service provider's premises or at the customer's home.

For example, air conditioning and plumbing services should be provided at the customer's home, while dry cleaning of clothes is carried out at service provider's outlet.

Public services such as telephone, banking, insurance etc., should be easily accessible to the customers. Generally, the service provider should choose to provide a location convenient to the customers.

4. Level of Customer Contact:

The physical presence of the customer in the system is called customer contact. The level of customer contact can be calculated from the amount of time a customer spends in the system compared to the total system. The level of contact with customers largely depends upon the type of service received. From this point of view, a service may be high-contact service or low-contact service. Where performance of a service is fully based on equipment (automatic weighing machines, ATM, public telephone), the level of contact between the customer and service provider is nil. In case of professional and medical services, the level of contact is very high. The service system should be planned according to high contact and low contact operations in order to achieve overall service quality.

5. Degree of Standardization:

The services may be standardized services or customized services. In case of standardized services, services are delivered in a very standard format. A standardized service is generally, designed for high volumes with a focused service.

For example, pre recorded messages provided by telephone companies.

The interaction between the service provider and customer may be in terms of resources facility such as expertise, skill, attention, attitudes, personnel, space, cleanliness etc.

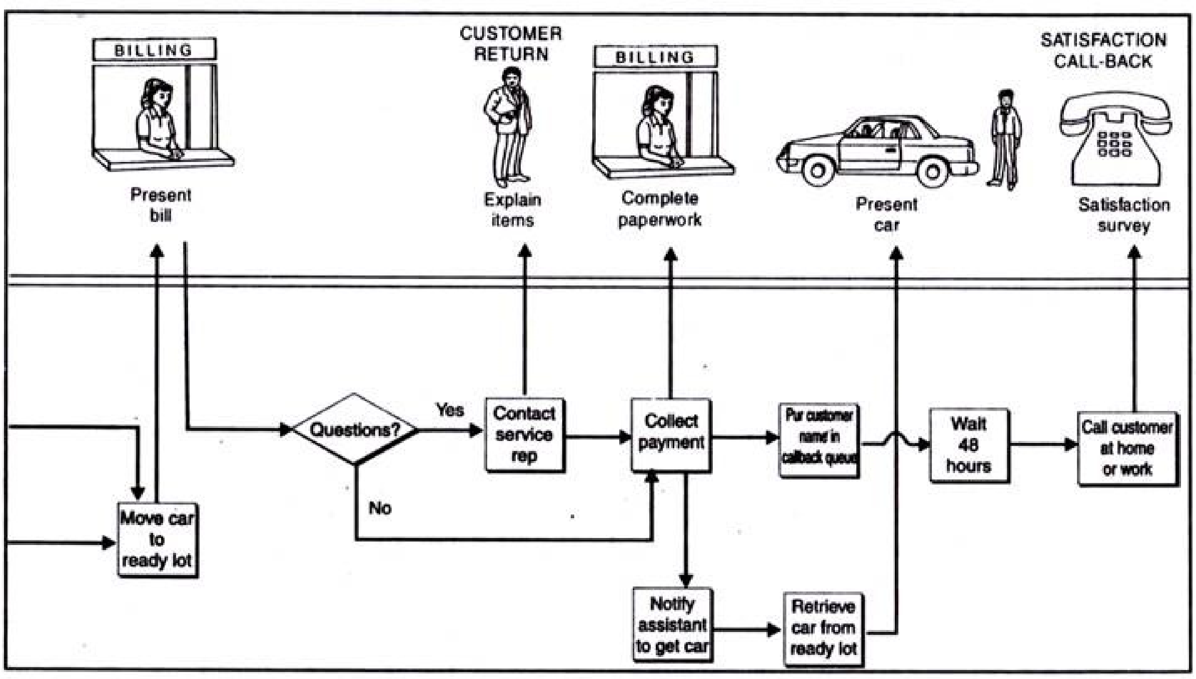
For example, counseling of students, house decoration, tailoring etc.

6. Complexity of the service:

Complexity refers to the amount of steps involved in delivering services to customers. So, the degree of complexity can be measured on the basis of the number of activities which contribute towards the service delivery. Some services are high in complexity as well as high in divergence.

For example, a doctor's service is highly complex and highly divergent. Every case history of the patient is so different, yet they always diagnose correctly. But catering services are high in complexity and low in divergence.

<u>Service Blue Print:</u>



A blueprint helps understand the totality of a service as a process. It provides a graphical depiction of the services. The service system blueprint simplifies service complexities by displaying the operation of an existing system.

BENEFITS OR USES OF SERVICE BLUEPRINT:

1. A blueprint is useful in several ways in managing a service. A blueprint can be used to **improve the design for an existing service** or to **design a new service**. When the current operation is explicit, managers know how they will operate in the future. The service system blueprint is **task oriented**. It describes about the object of the organization and enables the company to face its competition. It performs the task in such a way that the **customers are attracted** towards the organization.

2. A blueprint serves as a **guide for implementing the service plan** by showing the sequence of steps needed to deliver a service. It **coordinates the work** done by the service personnel in the organization by pointing out their role in the overall system.

3. Service unit managers employ blueprints in their **decision-making activities**. Decisions on setting the right strategy, resources allocation, integration of service functions, and performance evaluation, are taken with the help of Service blueprints.

4. Detailed service blueprints **help marketing and communication** people. Marketing managers employ blueprint in consumer research in order to identify the key elements contributing to consumer satisfaction. Communication managers use them for the development of consumer materials for conveying the invisible actions.

5. Human resource managers use service blueprints in the preparation of job description, job specification, job evaluation, performance standards, training and appraisal schemes and compensation schemes.

6. Blueprinting **reinforces a customer-oriented focus** among employees.

7. It **helps in identifying weak links** in the chain of service activities and facilitates continuous quality improvement.

8. In blueprint, key action areas are separated by horizontal lines — The line of interaction represents the direct interaction between the customer and the organization. It illuminates the customer's role and demonstrates where the customer experiences quality.

9. The line of visibility separates activities of the front office where customers obtain tangible evidence of the service from the back office processing. Thus, line of visibility determines what customers should see and which employee will be in contact with customers.

10. The service blueprint through line of internal interaction **clarifies interfaces across departmental lines** thereby strengthening continuous quality improvement.

11. Blueprint **illuminates the elements and connections** that constitute the service leading to effective strategic discussions between the service personnel and customers.

12. Blueprint **provides a concrete basis** for identifying and assessing cost, revenue and capital invested in each element of the service.

13. Blueprint **supports both external and internal marketing**. The advertising agency can select essential message for communication through an overview of a service.

What is Front Office Department?

It is the one of the many departments of the hotel business which directly interacts with the customers when they first arrive at the hotel. The staff of this department is very visible to the guests. Front office staff handles the transactions between the hotel and its guests. The staff receives the guests, handles their requests, and strikes the first impression about the hotel into their minds.

Front office department includes −

- Front Desk
- Uniformed services
- Concierges
- Front Office Accounting System

Basic Responsibilities of Front Office Department

Following are the most basic responsibilities a front office can handle.

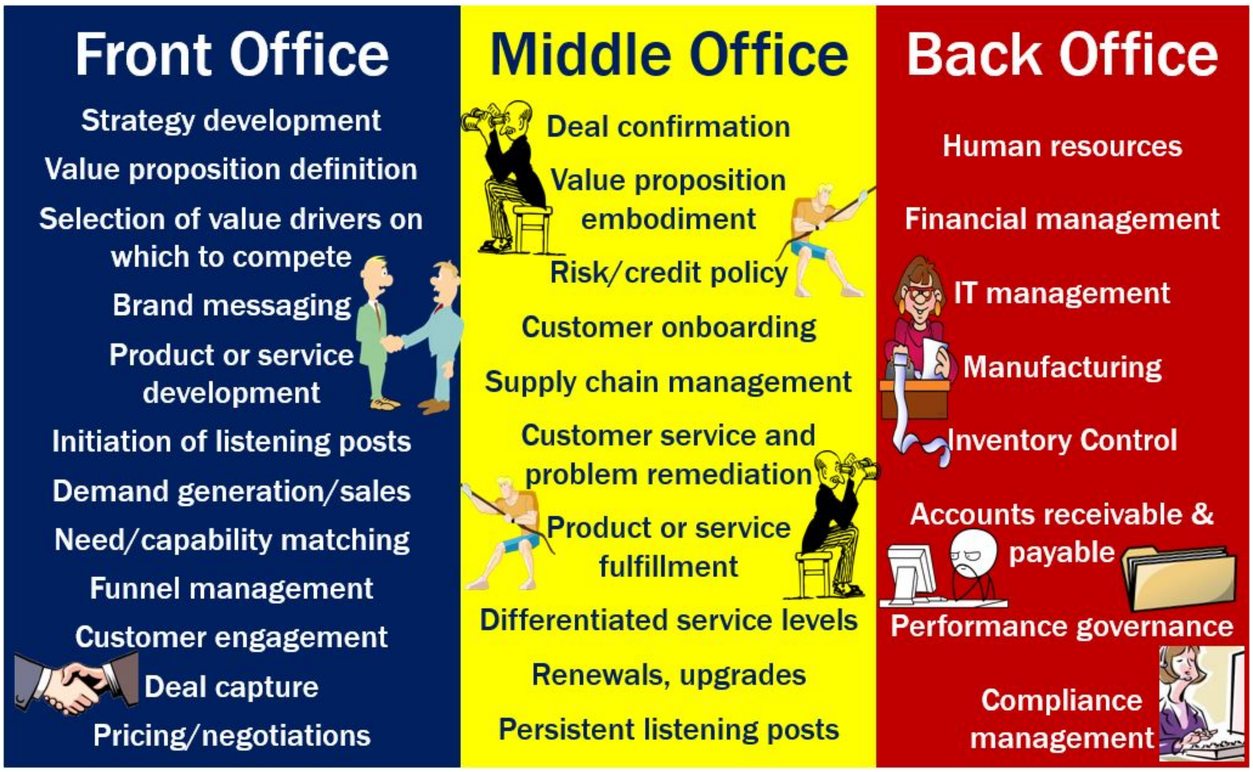
- Creating guest database
- Handling guest accounts
- Coordinating guest service
- Trying to sell a service
- Ensuring guest satisfaction

Back office department:

Back office refers to the departments in a company that work behind-the-scenes. People who work in the back office seldom meet outsiders. The term may refer to a department or the employees who work in it. Individuals who work in the back office carry out administration, IT, and support work. IT stands for **i**nformation **t**echnology. People working in investment banks and other finance houses commonly use the term.

'Back office' contrasts with *'front office.'* Front office consists of departments and people that outsiders meet. For example, the marketing department is part of the front office.

Back office and front office have the same meaning as the *back end* or *front end* of a company. The difference between the back and front office is not as clear as it used to be. There is much more overlap now regarding what constitutes a back or front office role.



UNIT - 5:

SERVICE SECTOR MANAGEMENT

Tourism and Travel Services – concept, nature, significance and marketing. Health Care services –concept, nature, significance and marketing. Educational services - concept, nature, significance and marketing.

Tourism and Travel Services:

Tourism has turned out to be an economic booster contributing to the economic development of many countries over the last few decades. People see holidays as a necessity, and not as luxury in the present scenario. Tourism calls for coordination and cooperation between travel agents, tour operators, and tourists. Tourism has a few major elements − destinations, attractions, sites, accommodation, and all ancillary services.

What is Tourism?

Tourism involves the activities of people travelling and staying in a place away from their home environment for leisure, business or other purposes.

Mathieson and Wall (1982) define tourism as follows − *"The temporary movement of people to destinations outside their usual places of work and residence, the activities undertaken during their stay in those destinations, and the facilities created to cater to their needs."*

Tourism was mainly been traditional in its early form. With the evolution of cultures, economies, and knowledge, tourism took a different form called sustainable tourism with the aspect of well-planned tour, well-studied destination, and conservation of destination.

Factors that Motivate People to Travel

- The most common reasons for the people to travel away from home are −
- To spend holidays leisurely
- To visit friends and relatives
- To attend business and professional engagements
- To get health treatment
- To undertake religious pilgrimages
- Any other personal motives

What is Tourism Management?

It involves the management of multitude of activities such as studying tour destination, planning the tour, making travel arrangements and providing accommodation. It also involves marketing efforts to attract tourists to travel to particular destinations. There is a subtle difference between just travelling and tourism.

- **Travelling** is going from the place of residence or work to another distant or a neighboring place by any means of transport. Routine commutation can be termed as travelling.
- **Tourism** is travelling with an objective. All tourism necessarily includes travel but all travel does not necessarily include tourism. We can say, travelling is a subset of tourism.
- One similarity between travel and tourism is, they both are temporary movements.

Product

The tourism being a service sold to the customers, tourist experience is the product, which is intangible, and non-storable. The quality of the tourist experience as a product is directly proportional to the quality of the service a tourism business provides. The product must be designed to highlight its features and to satisfy the tourist's needs. If the product is branded, the customers find it more reliable.

Price

Determining the price of the product requires consideration of three key factors −

- **Operating costs** − Operating costs include both fixed and variable costs. Fixed costs remain same regardless of the sales which involve building, insurance, and equipment costs. **Variable costs** include costs for wages, gas, electricity, cleaning, maintenance, repairing, materials used in production, office stationery, linen, food, petrol, machinery, uniforms, bank fees, marketing research expenses, and expenses for advertisements, promotions, brochures, and conducting consumer or trade events.
- **Profit Margins** − This is determined by comparing the competitors' offers and the own product offers. Profit margins are set without compromising the competitive advantage.
- **Commissions of Intermediaries** − Working with intermediaries incurs commissions. Commissions are the fees paid to the intermediaries to distribute and sell your product.

Tourism Product Pricing Policies

Commonly followed pricing policies include −

- **Discount Pricing** − This strategy calls for reductions to a basic Price of product or services. It is a form of sales promotion which at times proves to be rewarding for the customers.
- **Variable Pricing** − pricing varies with respect to the variation in features of a product.
- **Loss Leader Pricing** − It is selling few products at prices lower than the actual prices. It helps to settle the loss by attracting customers to buy more number of products.
- **Promotional Pricing** − It is selling a product for free with another product with the objective of promoting the free product. Customer interest is generated to use the free product thereby increasing the sale.

Place

The place is where the tourists visit and stay. The potential of a tourist destination lies in its attractiveness or aesthetic value, accessibility, and the facilities it provides to the tourists. The tourists also seek a place highly for the activities it offers, the amenities and skilled workforce it provides, and its location.

Promotion

Promotion is intended to inform the customers about the products, create an image about the product, and position the products in the market. There are various effective ways of promoting the tourism products −

- Advertising the products on television commercials, newspapers, radio stations, and websites.
- Distributing promotional material such as diaries, brochures, keychains, wallets, purses, water bottles, pens, or any small gift item designed for promoting the product.
- Setting Point of Sale (POS) displays at various places such as retail stores, shops, malls, or petrol pumps.
- Promoting tourism products in local fairs.

- Promoting the products with their attractive features on the website of the tourism enterprise.
- Conducting programs of sponsorships, or promoting products by offering them as incentives.

INTRODUCTION TO HEALTH CARE SERVICE

Health care service management is one of the booming industries of 21st with delivery of health century. It is the branch of management that is concerned with delivery of health care services to the public by the health practitioners and care providers. Health Care involves hospital, medical practice, dentistry, eye care centers, health club etc. Health care services are the services provided to individuals or communities by health service providers for the purpose of promoting, maintaining, monitoring or restoring health. It involves the management activities such as planning, organizing, staffing, directing, controlling and coordinating the delivery of health care services within a health facility.

Hospitals and healthcare centers are involved in managing the key healthcare processes such as:

- Financial management of hospitals
- Human resource management of health centers
- Patient relationship management :

  -In-patient care

  -Out-patient care

  -Emergency care.

OBJECTIVES OF HEALTH CARE SYSTEM:

- Safety: The objective of health care system is to avoid injuries and cure the patients from health issues.
- Simplicity: The objective of health system is to bring simple administration techniques to facilitate the patients for easy access of the service care.
- Efficiency: The another main objective of health system is to be efficient in providing health care to the customers and reduce the wastage and avoid overuse of ineffective care.
- Improvement of healthcare quality of products and services to its customers.
- Cost management: This is also one of the important objectives of health system to age the cost of production and delivery of care services for the benefit of the Customers to avail it at a cheaper rate.
- Other objectives involves:

  -removing ethnic gaps in health status.

  -Time management.

  - Fair treatment of the customer.

  -Provide periodical and timely information.

ROLE OF HOSPITAL ADMINISTRATORS/ ACTIVITIES OF HOSPITAL ADMINISTRATORS:

Hospital administrators manage hospitals and the, main role of the hospital administrator is to make sure the hospital is running smoothly and all patients are receiving proper medical care. The following gives the better' understanding about the role played by the hospital administrators.

1. Long-Term Planning: The Hospital administrators are responsible for planning the activities and future developments of hospital. This includes outlining the hospital's future goals, identifying the issues and challenges, financial arrangements and logistical resources are in place to accomplish the facility's mission.

2. Budgeting: Hospital administrators are also responsible for helping the top management to prepare the hospital's budget, assessing priorities and allocating resources to various departments and programs. After the budget has been prepared and approved, administrators must supervise its implementation.

3. Program Development: Hospital administrators are also responsible for various kinds of program development. Programs can include different activities and approaches of treatment, managerial structure and organization hierarchy of hospital. It is his responsibility to identify the requirements and develop the programs and activities accordingly.

4. Hiring Staff: Hospital administrators are responsible for hiring of staff that includes physicians, nurses and support staff. In appointing surgeons or other kinds of specialists the administrator should take care and recruit top candidates.

5. Employee Evaluation: Hospital administrators must perform regular evaluation of staff, rating them for competency and demotions, performance. This can lead to promotions; transfers or dismiss from the service by this the encouragement among the staff will enrich the quality in the work.

6. Logistics: Hospital administrators are also responsible for overseeing a hospital's logistical concerns. This includes organizing supply chain to ensure that physicians and nurses consistently have resources, such as medical supplies, to provide appropriate patient care.

7. An all rounder: Depending on the type of hospital a hospital administrator works for, their duties can vary. Administrators for research hospitals develop all facets of scientific research and expand on them. If the hospital is a teaching hospital, the hospital administrator will plan and enforce educating new doctors and nurses. A hospital administrator must have good problem solving skills.

8. Participative: Hospital administrators must always be on call in the event a dispute needs to be resolved or an important decision must be made. The hours can De grueling and often there is quite a bit of travel involved for professional conventions. Hospital administrators must always attend seminars and classes keep them up to par about changing medicines and advances, computerized equipment, changes in health insurance and regulations and financing.

OBJECTIVES OF HOSPITAL DEVELOPMENT:

1 .Total Quality Management: TQM is the main objective of every hospital and is an integrative management concept of continuously improving the quality of delivering the medical products and services through the participation to all level and functions of the organization to meet the needs and expectations of the customer

2. Customer Retention: Customer retention is also an important objective of hospital development. Attracting the new customers is a promotional activity but maintaining the existing customers speaks about the satisfaction level of the Customer. Thus developing the strategies to retain the existing customer is as important as attracting the new patients. Customer retention marketing efforts are often executed through direct mail programs, coupons, and loyalty programs.

3. Educating the Patients: Physicians are incorporating patient education as a part of their prescribed treatments, such as providing exercise recommendations to maximize weight loss efforts and are one of the important objectives of hospital management. Hospitals are increasing efforts to better educate consumers about medications, including how to take them and what to avoid when using them.

4. Generating preference for brands and services: This is another important objective of hospital development and management to gain preference for a brand or service and these are mostly achieved through advertising campaigns. Hospitals compete in the market and gain preference for their expertise in treating patients in areas such as pediatrics, optometry, pediatry and cancer.

TYPES OF HOSPITALS:

Hospitals can be classified on different basis such as, objective, ownership, path and size. The following provides the detailed of classification of hospitals on different basis.

1. On the basis of objective:

(i) General Hospital: These are the hospitals meant for the general treatment or medicine such as fever, cold, cough, accidents etc. It normally has an emergency department to deal with immediate and urgent threats to health. Larger cities may have several hospitals of varying sizes and facilities.

(ii) Special Hospital: These hospitals maintain specialization and run only for the Specialized Treatment. Hospitals meant only for Heart treatment, kidney and stone hospitals, trauma centers, rehabilitation hospitals, children's hospitals, seniors (geriatric) hospitals, and hospitals for dealing with specific medical needs

(iii) Teaching cum Research Hospital: A teaching hospital combines assistance to patients with teaching to medical students and nurses and often is linked to a medical school, nursing school or university. This type of hospital engages in providing medical education and also involve in research based activities in the field of medicine to improve the quality of medical aid.

2. On the basis of Ownership:

a. Government hospital.

b. Semi- government hospital.

c. Voluntary / Private Agencies.

d. Charitable Agencies.

3. On the basis of Path:

a. Allopath

b. Auyurvedic

c. Homeo

d. Unani

4. On the basis of size:

a. Primary healthcare:

b. Taluk hospitals:

c. Teaching hospitals

d. Clinics:

FUNCTIONS OF HOSPITAL:

The functions of hospital varies from one hospital to another depending on the treatment and type of hospital, commonly they perform the following functions:

1. Patient care: This includes facilities for inpatient, outpatient and day patient, Emergency and elective, Rehabilitation etc. Care is taken in treating the patients.

2. Education and Teaching: Hospitals apart from the treatment it also involves in providing the education in the field of medicine in the form of Vocational, Undergraduate, Postgraduate, Continuing education and so on.

3. Research Activities: It also performs and involves in development of the medicine according to the changing development and innovation. It takes basic research, Clinical research, Health services research, Educational research etc.

4. Health system support: It provides the health system source for referrals, professional leadership, outreach activities, management of primary care etc and help in developing a strong health system.

5. Employment: It performs the activities of employing the inner staff of hospital as well as the external staffing activities. It can be classified as

- Inside hospital: Health professionals, other health care workers and supportive staff.
- Outside Hospital: Suppliers, transport services, health specialist, external surgeons, doctors and medical agencies.

6. Societal: It also serves the society in general by providing the social care, treatment, free health camps, awareness to the people about the life time diseases etc.

EDUCATION SERVICE:

MEANING:

Education is the process by which society deliberately transmits its accumulated knowledge, skills and values from one generation to another through institutions. It is any act or experience that has a formative effect on the mind, character or physical ability of an individual.

Education in its general sense is a form of learning in which knowledge, skills, and habits of a group of people are transferred from one generation to the next through teaching, training, research. It occurs through any experience that has a formative effect on the way one thinks, feels, or acts.

NATURE AND CONCEPT OF EDUCATION SERVICES:

Education is a concept referring to the process in which students can learn something. Educational services are usually delivered by teachers who explain, tell, demonstrate, supervise and direct self-learning. Instruction is imparted in diverse Settings, such as educational institutions, the workplace or the home through correspondence, television or other means.

Education is the accumulation and development of the knowledge resource. Education services are commonly categorized as:

- Pre Primary Education Services
- Primary Education Services
- Secondary Education Services
- Higher Education Services
- Adult Education.
- Vocational Education.

Pre- primary Education: It is an education system which is very essential and It act t for the development of the child and for the ease of primary education. It acts as a base and is fundamental for the primary education. It is also named as kinder garden, baby sitting or play home as children those who are not eligible age wise to admit for primary education. Children learn the basics such as alphabets shapes, colors, designs, and numbers and equip themselves for the further education.

Primary Education Services: It is also termed as elementary education which involves the education provided at school level. It consists of six or eight years of Schooling. It differs from country to country and Indian education system usually includes a school education of twelve years and that is inclusive of eight years of primary or elementary education. Elementary schooling consists of five years of primary schooling and 3 years of upper primary schooling.

Secondary Education Services: It is the education which is also called as post elementary education. It involves seven to ten years of schooling but varies from education system of one country to other. This type of education is given at the stage of adolescence and to teenagers. The purpose of secondary education can be to give common knowledge and to prepare for higher education. This system also includes training for profession in some countries.

Higher Education Services: It is also termed as post secondary education system that includes undergraduate and postgraduate education. The main institutions involved are colleges and universities. This system trains for the higher level jobs and professions and also called as tertiary education system. It also involves vocational education, technical education and adult education.

Adult education: Under this type the required skills and professionalism are imparted in adults. It is also known as andragogy i.e., the art and science of helping adults learning. It includes courses such as, veterinary assisting, medical billing and coding, real estate license, bookkeeping that shall be imparted and thought in the form of regular class based learning, self directed, e-learning or distance learning system.

Vocational Education: It is a part of education system that prepares and imparts technical skills among the people such as engineering, accountancy, nursing, medicine, and other healing arts, architecture, pharmacy, law etc. It helps in developing specialization at workplace and creates efficiency in the operations. It can be learnt at secondary or higher education but considerably at higher education.

CHARACTERISTICS OF EDUCATION SERVICES

Education as a Service: Education as a service is geared primarily to the consumer market. Services are those that are separately identifiable, essentially intangible activities that provide quality of education and source for livelihood.

Intangibility: Education is featured by intangibility that includes knowledge aptitude, professional expertise, skill, faculty expertise and learning. A consume may have tangible physical evidence to show for the service exchange transaction in the form of materials, books, papers etc but the actual benefit accrued is purely intangible in nature and is impossible to touch, see or feel.

Standardization: It is very difficult to maintain the same level of standard quality and capacity for different levels and type of education.

Perish ability Services: are perishable and cannot be stored. To an extent, education displays this characteristic which results in certain features:

- Production and consumption are simultaneous activities.
- No inventories can be build up

Inseparability: Services are also characterized by the factor of inseparability in the sense that it is usually impossible to separate a service from the person of the provider. In the context of education, this translates into the need for the presence of the performer (the instructor) when the service is to be performed and consumed.

Heterogeneity: Heterogeneity in the context of services means that unlike product manufacturing situations where design specifications can be minutely standardized and followed, the standards of services, educational services included, would depend upon who provides the service and how. This heterogeneity of performance renders service offers for the same basic "service product" from different institutes vastly different from each other. Even though standardization of courses according to some prescribed norms may be attained, it is difficult to 'standardize' individual performance i.e. that of the faculty resource person.

MARKETING OF EDUCATION SERVICES OR MARKETING MIX:

Marketing of education services in itself is a wide field that consists of segments and sub-segments. Education is a service that is geared primarily to cater and serve the consumer market; therefore it can be classified as a consumer service rather than an intermediate or industrial service, though packages of industrial training are also designed for the organizational customers. It is spread over at different levels starting Om pre primary to higher education, professional or vocational courses.

1. The Service Product-The Education Package

While deciding on the education packages to be offered to a consumer population, the starting point obviously has to be the consumer. It is imperative at the very outset of deciding the service product, to outline the distinction between what an educational institution offers in terms of its service and what benefit does its larger population derive from it. Central to the idea of a service product, are the consumer benefit concept, the service concept, the service offer and the service delivery system. While the consumer benefit concept defines what benefits do consumer derive from a particular educational package offered, the service concept is concerned with the definition of the general benefit the service organisation offers on the basis of the consumer benefits sought. Thus at the very basic stage of the design of the education offer, marketing orientation suggests that the offer should be fashioned as a response to the identification of the consumer benefits sought.

2. Pricing of the Education Service

Pricing decisions for the service offer are of a major importance and should ideally be related to achievement of marketing and organizational goals. Pricing of the educational offer however, typically represented as ‘tuition fees’, is subject to certain constraints and characteristics. Most educational institutions, in fact all public institutions like the Universities, institutes of technology, medical and engineering colleges, come under the category of services where price are subject to public regulation. In all such cases the price element is not controllable by the marketer, instead it becomes a subject matter of public policy, where political, environmental and social considerations take priority over purely economic considerations. Prices may be based on the ability to pay (fee structure relating to parents’ income in case of Universities) or some socially desirable goals (total fee exemption for women candidates in states like Rajasthan and Gujarat). Autonomous institutions also subject themselves to formal self regulation of price for example, the institutions like AICWA, and AICA are subject to institutional regulations relating to fee structures which they decide for themselves. On the other hand private institutions, typically in specialized fields like medicine, engineering, computers and management tend to price their services on what the market would bear. As most of these institutions operate in subject fields where demand far exceeds supply, prices charged depend upon economic condition, consumer feelings about prices, buyer need urgency, competition in the market place, level of demand etc.

Promotion and the Education Services:

Offer The objective of promotion in education services is akin to its role in other marketing endeavors. Accordingly, the basic objective that promotion as a marketing tool is expected to play for marketing of education would include:

- Building awareness of the education offer package and organization providing it.
- Creating and sustaining differentiation of the organization and its offer from its competitors.
- Communicating and portraying the benefits to be provided.

- Building and maintaining overall image and reputation of the service organization.
- Persuading customers to use or buy the service.
- Generating detailed information about core, facilitating, supporting and augmented service offer.
- Advising existing and potential customers of any special offers or modifications or new service offer packages.
- Eliminating perceived misconception

Place Decision and the Education Service:

In most cases the educational services represent the single location and direct distribution processes with no intermediary between the producer and the consumers of the service. The learning process is usually accomplished by the user of the service going to the service provider. However, because of buyer need urgency and the nature of the utility derived, accessibility and convenience for educational service location are not as critical a factor as in case of, say, a banking service.

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