

Marketing Management

**Ms. P Menaka
Mrs. M. Gayathri
Dr. G. Kalpana
Dr. G. V. Hariharan**

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MARKETING MANAGEMENT

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CHAPTER -1: INTRODUCTION

Nature, Scope and Importance of Marketing - Functions - Marketing Environment- Factors Influencing Marketing Environment - Market Segmentation - Need and basis of Market Segmentation Targeting and Positioning.

1.1 Introduction to Marketing:

Marketing is an integral component of business operations, encompassing activities that facilitate the exchange of goods and services between producers and consumers. Positioned centrally within the organizational framework, it plays a pivotal role in ensuring consumer satisfaction through various functions, including ownership transfer of goods and elements of physical distribution. Marketing deals with identifying and meeting human and social needs. It is the communication of the value of a product or service to customers in order to sell that product or service. In the broadest sense, marketing encompasses a diverse array of activities, ranging from market research and product development to advertising, sales, and customer relationship management. It is both an art and a science, requiring a delicate balance of creativity, data analysis, and strategic thinking. Through effective marketing, businesses can differentiate themselves from competitors, establish strong brand identities, and cultivate loyal customer bases.

One of the fundamental pillars of marketing is understanding the target market – the group of individuals or organizations with shared needs and characteristics that a business aims to serve. By conducting thorough market research and segmentation, companies can tailor their offerings to meet the specific needs of different customer segments, thereby maximizing their appeal and relevance. Product development is another key aspect of marketing, where businesses strive to create offerings that not only meet customer needs but also exceed their expectations in terms of quality, features, and benefits. From ideation to launch, marketers collaborate closely with product development teams to ensure that new offerings resonate with the target market and align with the overall brand strategy.

However, creating value for customers is only half the battle – marketing also involves effectively communicating that value to the target audience. This is where promotion and advertising come into play, utilizing various channels such as social media, traditional media, and experiential marketing to reach and engage customers in meaningful ways. A compelling brand narrative, supported by creative messaging and visuals, can help capture the attention and imagination of consumers, driving brand awareness and affinity.

Distribution, or the process of getting products or services into the hands of customers, is another critical component of marketing. Whether through traditional retail channels, e-commerce platforms, or direct sales, marketers must devise strategies to ensure that offerings are readily accessible to consumers when and where they need them. This often involves optimizing logistics, inventory management, and supply chain partnerships to streamline the distribution process and minimize friction for customers.

Finally, perhaps the most enduring concept in marketing is that of customer relationship management (CRM). Building and nurturing long-term relationships with customers is essential for sustaining business success over time. By providing exceptional customer service, soliciting feedback, and personalizing interactions, companies can foster loyalty and advocacy among their customer base, turning them into brand ambassadors and advocates.

In essence, introduction to marketing is an invitation to explore the multifaceted world of business and consumer interactions, where creativity meets strategy, and innovation drives growth. It is a journey of discovery, experimentation, and adaptation, where businesses seek to create value, capture attention, and forge lasting connections with customers in an ever-evolving landscape.

1.2 Origin of Marketing:

The origin of marketing can be traced back to ancient civilizations where bartering and trading were common practices. However, the modern concept of marketing began to take shape during the Industrial Revolution in the 18th and 19th centuries. As mass production became prevalent, businesses needed to find ways to differentiate their products from competitors and attract customers.

One significant milestone in the evolution of marketing was the emergence of the marketing concept in the early 20th century. This concept emphasized understanding and satisfying customer needs and preferences as the primary focus of business activities.

Throughout the 20th century, marketing continued to evolve with advancements in communication, technology, and consumer behaviour. The rise of advertising, market research, branding, and the development of marketing theories and frameworks further shaped the discipline.

Today, marketing encompasses a wide range of activities, including market segmentation, product development, pricing, promotion, and distribution, all aimed at creating value for both customers and businesses. With the advent of digital technologies and the internet, marketing has undergone significant transformations, leading to the emergence of new strategies and channels for reaching and engaging with consumers.

1.3 Definition of Marketing:

According to Philip Kotler's "Marketing is a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with other".

According to American Marketing Association "Marketing is the performance of business activities that direct the flow of goods and services from producer to consumer or user".

According to Cundiff and Still "Marketing is the term used to describe collectively those business functions most directly concerned with the demand stimulating and demand-fulfilling activities of the business enterprise"

According to Kotler and Armstrong, "Marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering and freely exchanging products and services of value with others,"

According to Chartered Institute of Marketing "Marketing is the management process responsible for identifying, anticipating and satisfying customer requirements profitably."

1.4 Marketing Management:

Introduction to marketing management involves understanding the fundamental principles and practices that govern the process of creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large. It encompasses the strategic planning, implementation, and control of marketing activities aimed at achieving organizational objectives, such as profitability, growth, and customer satisfaction. Marketing management involves analyzing market trends, identifying target markets, developing products or services, pricing, promotion, and distribution strategies, as well as monitoring and adjusting these strategies based on market feedback and performance metrics. Effective

marketing management requires a deep understanding of consumer behaviour, market dynamics, competitive landscape, and emerging trends, along with the ability to innovate and adapt to changing market conditions.

Marketing management involves delving into the intricate realm of orchestrating the multifaceted processes essential for a company to effectively connect with its audience and thrive in the competitive marketplace. At its core, marketing management revolves around the strategic planning, meticulous execution, and vigilant oversight of various activities geared towards creating, communicating, delivering, and exchanging offerings that resonate with customers, clients, partners, and broader societal needs.

In this dynamic landscape, marketing management serves as the compass guiding organizations towards their objectives, whether they be centered on profitability, sustainable growth, or unparalleled customer satisfaction. It entails a comprehensive analysis of market trends, consumer preferences, and competitive forces, enabling businesses to decipher the ever-evolving nuances of their operating environment. Armed with such insights, marketing managers embark on the journey of crafting tailored strategies that resonate with target audiences, leveraging the organization's strengths while addressing its weaknesses.

From the inception of a product or service concept to its eventual delivery to consumers, marketing management is intricately involved in every stage of the value chain. This entails identifying lucrative market segments, conceptualizing innovative offerings, determining optimal pricing strategies, devising compelling promotional campaigns, and orchestrating efficient distribution channels. Moreover, marketing management is not merely about executing predefined plans but also entails a continuous process of monitoring, evaluating, and adapting strategies based on real-time market feedback and performance metrics.

At its essence, effective marketing management hinges on a deep understanding of consumer behaviour, market dynamics, and emerging trends. It demands a blend of analytical prowess, creative flair, and strategic acumen to navigate the complexities of today's interconnected global marketplace. Furthermore, in an era characterized by rapid technological advancements and shifting consumer preferences, marketing management necessitates a culture of innovation and agility, where organizations are poised to seize opportunities and mitigate challenges swiftly.

In summation, the introduction to marketing management marks the initiation into a dynamic discipline that lies at the intersection of art and science, where creativity converges with data-driven insights to drive business success. As organizations strive to carve out their niche in the competitive landscape, the role of marketing management emerges as indispensable, serving as the guiding force propelling businesses towards their overarching objectives and enduring success.

1.5 Marketing Concepts:

- ❖ Production Concept
- ❖ Product Concept
- ❖ Selling Concept
- ❖ Marketing Concept
- ❖ Customer Concept
- ❖ Societal Concept
- ❖ Holistic Marketing Concept

1. **Production Concept:** This concept revolves around the idea that consumers will favour products that are widely available and affordable. It emphasizes maximizing production efficiency and lowering costs to make products accessible to a large number of customers. Businesses focus on mass production and distribution to meet demand.
2. **Product Concept:** The product concept holds that consumers will favour products that offer the most in terms of quality, performance, or innovative features. Companies concentrate on continuous product improvement and innovation to stay ahead of competitors and meet the evolving needs and desires of customers.
3. **Selling Concept:** Contrary to the customer-centric approach of the marketing concept, the selling concept focuses on aggressive sales and promotion efforts to persuade customers to buy a company's products or services. It assumes that consumers will not buy enough of the company's products without significant promotional efforts.
4. **Marketing Concept:** The marketing concept emphasizes understanding and fulfilling customer needs more effectively and efficiently than competitors. It is centered on a customer-centric approach, where businesses focus on creating value for customers through superior products, services, and experiences. The key is to identify and satisfy customer needs profitably.

5. **Customer Concept:** The customer concept places the utmost importance on building long-term relationships with customers by delivering superior value and satisfaction. It recognizes that success lies in understanding and anticipating customer needs, preferences, and behaviours and tailoring marketing strategies and offerings accordingly.
6. **Societal Concept:** The societal marketing concept extends beyond fulfilling immediate customer needs to consider the long-term well-being of society. It emphasizes delivering value to customers in a way that also benefits society as a whole, such as through environmental sustainability, ethical business practices, and corporate social responsibility.
7. **Holistic Marketing Concept:** The holistic marketing concept integrates various marketing activities, including internal marketing, integrated marketing, and relationship marketing, to create a seamless and comprehensive approach to marketing. It recognizes that marketing extends beyond traditional promotional activities to encompass every aspect of the organization's operations and interactions with stakeholders. The goal is to create a unified and consistent experience for customers across all touchpoints.

1.6 Nature, Scope and Importance of Marketing

1.6.1 Nature of Marketing:

1. Marketing is a part of the total Environment:

The business environment defines its threats and opportunities. A marketing system is directly related to the distribution and production of goods, ideas, services, place, and persons for the satisfaction of human needs. However, it is better to look at the remote and adequate environment of any marketing organization.

2. Marketing is Consumer-oriented:

A business is a work to satisfy human needs. The activities of marketing must be focussed and directed at the customer. It involves the combination of various business activities whose main objective is the gratification of customer needs and desires.

By satisfying the previous needs of the consumers and creating new needs or wants for improved and better products, marketing sets the pattern of consumption and improves the standard of living of the individuals.

3. Marketing is a Specialized Business Function:

In any business organization, the selling function did not require any special skill. But in the previous days marketing requires a specialized skill, the management of a business firm has

to develop a business organization with a motive of absorbing new approaches, new ideas, and new marketing demands.

4. Marketing as a Discipline:

The topic of marketing is an essential part of a business which has desired its existence from economics.

After appearing from business, Marketing has got its strength from related areas- psychology, law, sociology, anthropology, statistics, mathematics, because of the related problems affecting heavily on consumer behaviour, research canon consumer needs, advertising media, legal aspects of marketing, promotion, pricing method, etc.

5. Marketing is a System:

Marketing is a system including several inter-dependent and sub-systems. It is right that a system might vary according to changes in the concept. In simple words, the marketing system may be called as a socio-economic process. In another sense, the marketing system is a combination of the firm and society.

6. Marketing is a Social Function:

Marketing is a kind of social function because it requires interaction with the various segment of society. It involves the combination of various business activities whose main objective is the satisfaction of consumer desires and needs.

7. Marketing Starts and Ends with the Consumer:

Traditional marketing is concerned only with the flow of goods or services from the manufacturer to the consumer. Under consumer-oriented marketing, it is essential to understand what the consumers really want. It is possible when data of information are collected from the consumers.

So, that is the reason, marketing information system and marketing research have emerged as a full-fledged **function of marketing**.

8. Marketing creates mutual relationships:

A customer is the focus of all marketing activities. But during the last previous years, the focus has shifted to the way of doing business, i.e., the strategic approaches of marketing.

Here the means of marketers are their experience and knowledge, and the end result is in the form of a mutual better relationship. Marketing is everything that results in mutually better relationships with potential buyers or customers.

1.6.2 Scope of Marketing:

1. Research Functions
2. Exchange Functions
3. Physical Supply Functions
4. Facilitating Functions

1. Research Functions:

(i) Marketing Research:

This is a primary function of marketing. In developing world economy, we can not survive without market research and analysis. In marketing research, we predict the buyer's behavior, habits, taste, preferences, other substitute products, different income groups in society, etc.

It provides much essential information about products in the market to the marketing manager. So, In this way, marketing research helps in to take a decision for the pre-production stage of any product.

(ii) Product Planning and Development:

The growth of any marketing division depends upon the nature of the product demanded by the buyers. The product must be so developed and designed that it meets the requirements of the buyers.

In this way, marketing research mainly focused on knowing the needs of customers and according to these, we can ensure planning, growth, and development of the product.

2. Exchange Functions:

(i) Buying and Assembling:

Firstly, resources are purchased for production by the industrial businesses and finished goods are purchased for resale by the commercial businesses. The essential role of marketing development is to supply the necessary information regarding the preferences and needs of customers.

In the process of purchasing, it makes coordination between marketing officials and purchasing officials to purchase the right resources at the right time in the right quantities.

(ii) Selling:

Selling is a kind of routine activity. It consists only the physical movement of goods and services. It stresses upon maximization of profits through maximization of sales.

3. Physical Supply Functions:

(i) Standardization, Grading, and Branding:

In standardizing process, marketers establish a basic measure to which products must have to be designed. Grading is the process of separating the goods according to established specifications to determine the grades. When producers supply their goods by well-defined names is called branding.

(ii) Packaging and Labelling:

The packaging protects goods from unnecessary problems and also provides necessary information to our buyers. Labeling is a part of the packaging. Through labelling, a manufacturer communicates grade, brand, weight, and other things about the product.

(iii) Storage:

Storage helps to store the goods in an optimum quantity and also provide the full safety to our manufactured goods.

(iv) Transportation:

Transportation helps our manufacturer to transfer their goods or material from one place to another place.

4. Facilitating Functions:

(i) Financing:

Financing is a term by which the company can run our business because it provides the working structure to the company. With the proper fund of finance, the company can easily purchase the raw materials and can pay the expenses.

Various commercial banks, industrial banks, co-operative institutions, consumer-credit co-operative centers, etc., provide financing facilities for dispersion of working capital.

(ii) Salesmanship:

Without the art of salesmanship, we cannot sell any product sequentially. Through various techniques of salesmanship like demonstrating, personal selling, sample distribution for measuring qualities of a product and taking feedback of customers, a [salesperson](#) finds out what his buyers need and does his best to meet it.

(iii) Advertising:

Advertising is an important term of marketing. Through advertising, a seller communicates a message about the product and promote its sale. A seller uses various modes of advertising like magazines, newspapers, hoardings, radio, television, and so on.

(iv) Marketing Information:

Marketing managers require a lot of correct and accurate information. This information becomes the foundation of many decisions in marketing.

Marketing information makes a seller know when to sell, at what price to sell, who are the opponents, etc. In the modern business environment marketing information is the primary source for making business decisions in marketing.

1.7 Importance of Marketing:

Marketing plays a vital role in the success and sustainability of any business organization by acting as a bridge between the company and its customers. It helps in creating awareness about products and services among consumers, ensuring that they are informed about the features, benefits, and availability of what is being offered. Through various promotional strategies such as advertising, sales promotion, and personal selling, marketing generates demand and stimulates consumer interest, ultimately leading to increased sales and revenue. It also contributes significantly to building a strong brand image, which enhances customer trust and loyalty over time. One of the most important aspects of marketing is understanding customer needs and preferences through market research, enabling businesses to design products that satisfy those needs effectively. In a highly competitive market environment, marketing helps organizations differentiate their offerings from competitors and maintain a competitive advantage.

Moreover, it supports business growth by expanding into new markets and attracting a wider customer base. Marketing also fosters better relationships with customers by maintaining continuous communication and engagement, which is essential for long-term success. Additionally, it encourages innovation by incorporating customer feedback into product development and improvement. Beyond individual organizations, marketing contributes to overall economic development by promoting consumption, generating employment opportunities, and supporting industrial growth. Thus, marketing is not merely about selling products but about creating value, satisfying customers, and ensuring the long-term success of businesses.

1.8 Marketing Environment:

The marketing environment refers to the external factors and forces that influence a company's ability to operate effectively in the marketplace and achieve its marketing objectives. It encompasses a wide range of elements, including economic, social, cultural,

technological, political, legal, and competitive factors. Understanding the marketing environment is essential for businesses to identify opportunities, anticipate threats, and adapt their marketing strategies accordingly. Here's a breakdown of the key components of the marketing environment:

1. **Economic Environment:** The economic environment includes factors such as economic growth, inflation, interest rates, exchange rates, and income levels. These factors impact consumer purchasing power, spending patterns, and overall market demand. Businesses must monitor economic trends and adjust their pricing, product offerings, and marketing strategies accordingly.
2. **Social and Cultural Environment:** The social and cultural environment encompasses societal trends, values, beliefs, attitudes, lifestyles, and demographic factors such as age, gender, ethnicity, and family structure. Changes in social and cultural norms can influence consumer behavior, preferences, and demand for certain products or services. Businesses need to stay attuned to societal shifts and cultural nuances to effectively target and connect with their audience.
3. **Technological Environment:** The technological environment refers to advancements in technology that impact how businesses operate and how consumers engage with brands. This includes innovations in communication, automation, digitalization, data analytics, and emerging technologies such as artificial intelligence, block chain, and augmented reality. Businesses must embrace technological changes to enhance efficiency, improve customer experiences, and stay competitive in the digital age.
4. **Political and Legal Environment:** The political and legal environment encompasses government regulations, policies, laws, and political stability that affect business operations and marketing activities. This includes industry-specific regulations, consumer protection laws, intellectual property rights, taxation, trade policies, and environmental regulations. Businesses must navigate the legal and regulatory landscape to ensure compliance and minimize risks.
5. **Competitive Environment:** The competitive environment includes the actions and strategies of competitors vying for market share and customer attention. This includes direct competitors offering similar products or services, as well as indirect competitors addressing similar customer needs through alternative solutions. Businesses must analyse competitors' strengths, weaknesses, opportunities, and threats to develop effective differentiation strategies and maintain a competitive edge.

6. **Global Environment:** With increasing globalization, businesses must consider the global market environment, including international trade, global supply chains, cultural differences, and geopolitical risks. Global factors such as currency fluctuations, trade barriers, and geopolitical tensions can impact market dynamics and business operations. Businesses operating internationally must adapt their marketing strategies to local market conditions and cultural preferences.
7. **Environmental Factors:** Environmental concerns and sustainability issues have become increasingly important in the marketing environment. Consumers are increasingly demanding eco-friendly products, sustainable practices, and corporate social responsibility initiatives from businesses. Companies need to incorporate environmental sustainability into their business practices, product development, and marketing strategies to meet consumer expectations and contribute to a more sustainable future.

Market Segmentation, Targeting and Positioning:

1. **Segmentation** is the process of dividing a broad market into distinct consumer groups with everyday needs, preferences, or characteristics. Segments can be defined in many ways, such as demographic (age, gender, income), geographic (location, climate), psychographic (lifestyle, values), and behavioural (usage rate, loyalty) factors.
2. **Targeting:** After market segments are identified, marketers must decide which segments to focus on. This decision depends on factors such as the segment's profitability, the company's ability to serve the segment effectively, and how competitive the segment is.
3. **Positioning:** Once the target segments are selected, the company must decide how to position its products or services in the market. Positioning involves developing a marketing mix that will appeal to the target market. It's about creating a unique, clear, and desirable place for the product in the minds of target customers relative to competing products.



1. **Demographic Segmentation:** This is perhaps the most common form of market segmentation, where the market is divided into groups based on variables such as age, gender, income, occupation, education, religion, race, and nationality. For example, a clothing brand might target different age groups with different styles and designs.
2. **Segmentation:** This method divides customers into segments based on their physical location. It could be as broad as a country or region or as specific as a city or neighbourhood. A company might market winter clothing in colder climates and summer clothing in warmer ones, for example.
3. **Psychographic Segmentation:** This segmentation is based on lifestyle, personality traits, attitudes, values, and interests. For example, a travel company might market adventure packages to thrill-seekers and relaxation packages to those seeking tranquillity.
4. **Behavioural Segmentation:** This divides customers based on their knowledge of, use of, or response to a product. It could be based on customer loyalty, purchase frequency, readiness to buy, benefits sought, usage rate, etc. For instance, a software company may offer casual versus power users' different packages.
5. **Technographic Segmentation:** This relatively new form of segmentation, enabled by the rise of technology, categorizes customers based on their relationship with technology – their use, knowledge, and ownership of different technologies. For example, a tech company might target early adopters with its cutting-edge products.

1.9.1 Targeting:

Targeting is the second step in the STP (Segmentation, Targeting, and Positioning) process. After the market has been segmented into distinct groups, the next step is to select which segments to target with your product or service. The process involves evaluating the attractiveness of each segment and deciding which ones to focus your marketing efforts on

There are several targeting strategies that a business can adopt:

1. **Undifferentiated (Mass) Marketing:** In this strategy, the company ignores segment differences and targets the whole market with one offer. This approach focuses on what is common in the needs of consumers rather than on what is different.
2. **Differentiated (Segmented) Marketing:** The Company targets several market segments and designs separate offers for each. For example, a car company might produce different models for different income levels.
3. **Concentrated (Niche) Marketing:** Here, the company targets a large share of one or a few smaller segments or niches. Businesses with limited resources often choose this strategy as it allows them to focus their efforts and specialize.
4. **Micro-marketing (Local or Individual Marketing):** In this strategy, the company tailors products and marketing programs to suit the tastes of specific individuals and locations. This includes local marketing (tailoring to specific cities or neighbourhoods) and individual marketing (tailoring to individual people).

1.9.2 Positioning:

Positioning is the final step in the STP (Segmentation, Targeting, and Positioning) process. It involves creating a unique, consistent, and recognized customer perception of a brand or a product in the target market. It's about crafting the brand's image so the target customers can distinguish it from the competitors' offerings.

There are several ways a brand or product can be positioned:

1. **By Product Attributes:** A product can be positioned based on its attributes or qualities. For example, a car might be the most fuel-efficient car in the market.
2. **By Benefits:** The product can also be positioned based on the benefits it offers to customers. For instance, a shampoo might be positioned as the one that makes your hair the shiniest.
3. **By Use or Application:** A product can be positioned based on its use. For instance, a coffee brand might be the perfect start to your day.

4. **By User:** Positioning is done by associating a product with a user or class of users. For instance, a clothing brand might position itself as the brand for the adventurous and outdoorsy.
5. **By Competitor:** Positioning can also be done relative to the competition. A brand might position itself as superior to competitors on certain key aspects. For example, a smartphone might be positioned as having a better camera than its competitors.
6. **By Price or Quality:** Lastly, products can be positioned based on price or quality. A brand might position itself as an affordable or luxury, high-quality option.

CHAPTER - II CONSUMER BEHAVIOUR:

Factors Influencing Consumer Behaviour - General Consumers, Industrial Consumers, Online Consumers - Recent Concepts in Marketing - Green Marketing, Digital Marketing, Relationship Marketing.

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2.1 INTRODUCTION:

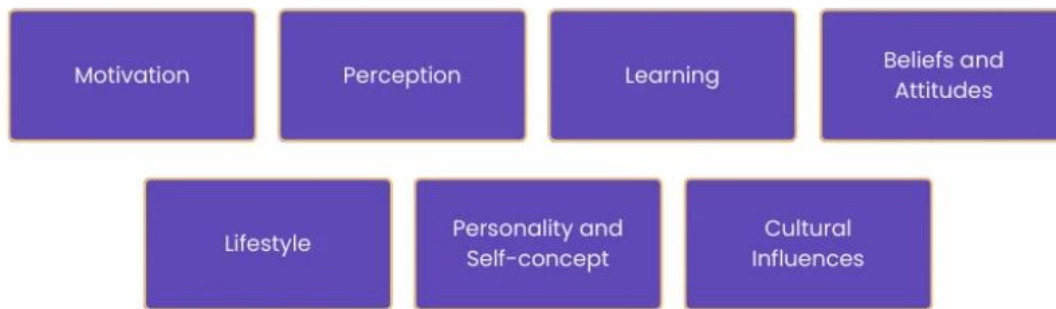
Consumer behaviour refers to the study of how individuals, groups, or organizations select, purchase, use, and dispose of goods and services to satisfy their needs and wants. It involves understanding the decision-making processes of consumers, including what they buy, why they buy, when they buy, and how often they buy. Consumer behaviour is influenced by a variety of factors such as cultural, social, personal, and psychological elements. Cultural factors include values, traditions, and social norms that shape preferences, while social factors like family, reference groups, and status influence buying decisions.

Personal factors such as age, income, occupation, and lifestyle also play a significant role, along with psychological aspects like motivation, perception, learning, beliefs, and attitudes. In today's digital era, consumer behaviour has further evolved due to the influence of online platforms, where convenience, reviews, price comparison, and trust in digital transactions impact purchasing patterns. Understanding consumer behaviour is essential for marketers as it helps in designing effective marketing strategies, developing suitable products, setting appropriate prices, and choosing the right promotional techniques. Ultimately, analyzing consumer behaviour enables businesses to satisfy customer needs efficiently, build strong relationships, and achieve long-term success in a competitive market.

2.2 KEY COMPONENTS OF CONSUMER BEHAVIOUR

Consumer Behaviour requires examining various components that influence how consumers make purchasing decisions. These components help marketers tailor their strategies to effectively meet consumer needs and preferences. Here are the key components of Consumer Behaviour:

Key Components of Consumer Behaviour



1) Motivation:

Motivation is the reason people buy things. It comes from the inside and pushes them to meet their needs or wants, such as hunger, safety, happiness, or the need to feel accepted or important in a group.

2) Perception:

Perception is how people see and understand things they notice, like ads or products. It happens in three steps:

- a) They see it (exposure)
- b) Focus on it (attention)
- c) Try to understand it (interpretation)

3) Learning:

Learning is when people change how they act based on past experiences. They might try something because it worked well before. Learning can occur through:

- a) Conditioning (associating brands with positive experiences)
- b) Observation (watching others)
- c) Cognitive processes (problem-solving and reasoning)

4) Beliefs and Attitudes:

Beliefs are what people think is true about a product. Attitudes are how they feel about it. If they like a brand, they're more likely to keep buying it. If they don't, they'll avoid it. These beliefs and attitudes strongly shape the long-term buying behaviour of consumers.

5) Lifestyle:

Lifestyle is how someone lives, including their interests, hobbies, and opinions. Marketers use lifestyle groups to find people with similar habits and offer them the right products. Products that ideally fit a person's lifestyle feel more relevant and appealing to a consumer.

6) Personality and Self-concept:

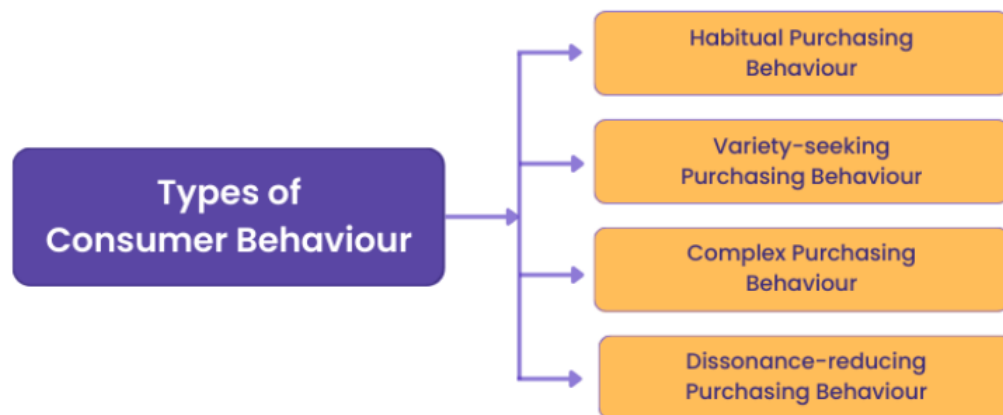
Personality is what makes someone behave in a unique way. Self-concept is how people see themselves. People tend to choose products that match who they are or want to be. This is why branding often focuses on identity and self-expression to influence consumer decisions.

7) Cultural Influences:

Culture is the shared beliefs and traditions in a group of people. Smaller groups, called subcultures, may have their own ways. A person's social class, based on factors like income and job, also affects what they buy.

2.3 TYPES OF CONSUMER BEHAVIOUR:

Consumer Behaviour can be categorised into several types based on various factors. Here are four key Types of Consumer Behaviour:



1. Complex buying behavior:

Consumers who like to opt for expensive, unique, exclusive, and infrequently purchases products or services come into the category of consumers who comprise complex buying behavior. Such consumers are fully engaged in their purchase decisions and actions, as they like to do proper research before opting for a product or service. Purchasing a flat or a car can be some of the common examples of complex buying behavior.

2. Dissonance-reducing buying behavior:

Such types of consumers are also highly engaged in their purchase decisions and associated actions but they find it quite difficult in finding out the key differences amongst top brands in that product niche.

The situation of dissonance occurs when the customer thinks that they might regret their purchase and might face buyer's remorse.

3. Habitual buying behavior:

Consumer behavior is associated with customers who have very little involvement in the buying process of products or services. Such customers habitually buy a product or service instead of giving too much time in doing research and making decisions.

4. Variety-seeking behavior:

Customers who possess such behavioural patterns make their purchase decisions while seeking variety. These consumers buy a different product not because of dissatisfaction; instead, they make purchases for trying a different brand.

2.4 MAJOR FACTORS INFLUENCING CONSUMER BEHAVIOUR:

Consumer behavior is shaped by a variety of factors that influence how individuals make purchasing decisions. These factors, which range from personal preferences to external societal influences, play a crucial role in determining how consumers select, buy, and use products or services. Understanding these factors is vital for businesses aiming to develop effective marketing strategies. Let's explore each factors influencing consumer behaviour in detail:

2.4.1 Psychological Factors Influencing Consumer Behaviour:

Psychological factors are deeply ingrained in the mental processes that drive consumer decisions. These factors include motivation, learning, attitudes and beliefs, and perception, all of which play a significant role in how consumers view and interact with products.

[1] Motivation:

Motivation is the inner drive that compels a consumer to fulfil a need or desire. For example, a person might purchase a high-end laptop not just for its functionality but to fulfill a deeper desire for convenience, status, or a sense of prestige.

[2] Learning:

Learning involves acquiring knowledge through personal experience or external sources. For instance, a consumer may repeatedly buy a particular brand of coffee because they have learned that it suits their taste and quality expectations over time.

[3] Attitudes & Beliefs:

These are the opinions or feelings formed through experience and external influence. For example, consumers may choose products from brands that align with their beliefs, such as organic or eco-friendly goods, due to their positive attitudes toward sustainability.

[4] Perception;

Perception is the way a consumer interprets and makes sense of information. For instance, two different consumers might interpret an ad for a new smartphone differently—one might view it as an exciting technological innovation, while another might feel it is a manipulative attempt to get them to spend money.

Example:

Brand: Tesla

How it influences consumer behavior: Tesla's marketing often appeals to consumers' desire for innovation and environmental consciousness. The brand taps into the motivation for sustainable living and cutting-edge technology, encouraging consumers to invest in electric vehicles for both practical and moral reasons.

2.4.2 Social Factors Influencing Consumer Behaviour:

Social factors emphasize the influence of society and the social environment on consumer behavior. These factors influencing consumer behavior include family, reference groups, and an individual's social roles and status, all of which can dictate purchase decisions.

[1] Family:

Family often plays a pivotal role in purchasing decisions. For example, a family may decide to purchase a minivan based on the needs of children, such as more space and safety features.

[2] Reference Groups:

Reference groups are groups that individuals look up to or identify with, such as friends, colleagues, or even celebrities. For example, a consumer might be influenced to buy a particular sports brand after seeing their favourite athlete endorse it.

[3] Roles & Status:

An individual's social role (e.g., parent, professional) and status within society can drive certain purchasing behaviours'. A parent might prioritize buying child-safe household products, while a corporate professional may invest in formal attire and luxury items to maintain a specific image.

Example:

Brand: Chanel

How it influences consumer behavior: Chanel, as a luxury brand, appeals to consumers seeking social status and exclusivity. Wearing a Chanel product, such as a handbag or perfume, is not just about the product itself but the status it conveys within high-society circles.

2.4.3 Cultural Factors Influencing Consumer Behaviour:

Cultural factors influencing consumer behavior shape consumer behavior through the values, beliefs, and practices that are common in a given society. These factors include overall culture, subculture, and social class, all of which guide consumer preferences and purchasing patterns.

[1] Culture:

The culture in which a consumer lives significantly affects their purchasing decisions. For example, in some cultures, gold jewelry is highly valued as a symbol of wealth and status, leading to higher sales of gold items in such societies.

[2] Subculture:

Subcultures within larger cultures may have specific preferences and values. For instance, the vegan subculture may prioritize plant-based food products and cruelty-free cosmetics.

[3] Social Class:

Social class affects consumer behavior by determining the purchasing power and preferences of different income groups. Luxury brands often target the upper class, while discount stores tend to cater to middle or lower-income individuals.

Example:

Brand: Starbucks

How it influences consumer behavior: Starbucks appeals to a wide range of social classes and cultures by offering premium coffee drinks in an upscale, yet welcoming environment. The brand's customization options and its focus on a "premium experience" resonate with consumers seeking a status symbol within their social group, while also adapting to local cultures with regional flavors and promotions.

2.4.4 Personal Factors Influencing Consumer Behaviour:

Personal factors include the individual characteristics that influence how consumers behave, such as their age, occupation, lifestyle, and personality. These factors vary greatly from person to person and play an important role in shaping consumer choices.

[1] Age:

As people age, their needs and preferences change. For instance, younger consumers may prioritize spending on tech gadgets, while older consumers may focus on health products or retirement savings.

[2] Occupation & Lifestyle:

A person's occupation and lifestyle also impact purchasing behavior. For example, an executive might invest in formal clothing and high-end accessories, while an artist may prefer unique, creative clothing and vintage items.

[3] Personality:

A person's personality can influence their preferences. Extroverted individuals may be drawn to bold, attention-grabbing products, while introverted consumers might prefer subtle, minimalist designs.

Example:

Brand: L'Oréal:

How it influences consumer behavior: L'Oréal's famous tagline, "Because You're Worth It," appeals directly to consumers' desire for self-esteem and personal worth. The brand connects with individuals by emphasizing self-care, helping consumers feel empowered and confident in their purchase.

2.4.5 Economic Factors Influencing Consumer Behaviour:

Economic factors primarily revolve around financial aspects that influence consumer buying decisions. These include personal income, the economic situation of the country, and the availability of liquid assets.

[1] Personal Income:

A consumer's income directly affects their purchasing power. A higher salary allows for greater spending on luxury goods and services, while someone with a lower income may prioritize affordable options and discounts.

[2] Country Economic Situation:

Broader economic conditions, such as a recession or economic boom, influence consumer confidence. During a recession, consumers may focus more on essentials and be less willing to splurge on non-necessities.

[3] Liquid Assets:

The availability of liquid assets such as cash or assets that can quickly be converted to cash affects consumer spending. Consumers with greater liquid assets are more likely to make larger purchases or impulse buys.

Example:

Brand: Amazon:

How it influences consumer behavior: Amazon's competitive pricing strategy and convenient online shopping platform appeal to consumers seeking value, especially during economic downturns. Consumers with lower disposable incomes can benefit from Amazon's wide range of affordable products and quick shipping options, making it an attractive choice for budget-conscious shoppers.

2.5 CONSUMERS IN MARKETING:

Consumers play a crucial role in marketing as they are the end users of goods and services. Understanding different types of consumers helps marketers design appropriate strategies to meet their needs effectively. Broadly, consumers can be classified into General Consumers, Industrial Consumers, and Online Consumers, each having distinct characteristics, behavior patterns, and decision-making processes.

2.5.1 General Consumers (Individual Consumers):

General consumers are individuals who purchase goods and services for their personal use or household consumption. They are also referred to as ultimate consumers because they are the final users in the distribution chain.

The buying behavior of general consumers is influenced by a wide range of factors such as cultural, social, personal, and psychological elements. Cultural factors include values, beliefs, customs, and traditions that shape consumer preferences. Social factors like family, friends, reference groups, and social status also play a significant role in influencing purchasing decisions. Personal factors such as age, occupation, income, lifestyle, and personality determine the type and quantity of products purchased. Psychological factors, including motivation, perception, learning, beliefs, and attitudes, further guide consumer choices.

General consumers usually purchase goods in small quantities and their buying decisions are often emotional or impulsive, especially for low-involvement products like food items, clothing, and daily necessities. However, for high-value products such as electronics, vehicles, or real estate, the decision-making process becomes more complex and involves careful evaluation of alternatives.

The buying process of general consumers typically includes stages such as need recognition, information search, evaluation of alternatives, purchase decision, and post-purchase behavior. Marketers focus on attracting these consumers through advertising, branding, promotions, and effective distribution strategies. Understanding general consumers is essential for businesses because satisfying their needs leads to customer loyalty, repeat purchases, and long-term success.

2.5.2 Industrial Consumers (Business Consumers):

Industrial consumers are organizations or businesses that purchase goods and services for production, resale, or operational purposes. These include manufacturers, wholesalers, retailers, government agencies, and institutions. Unlike general consumers, industrial consumers usually buy in large quantities and their purchases involve high financial value, making the buying process more complex and formal. The primary objective of industrial buying is not personal satisfaction but achieving organizational goals such as profit maximization, cost efficiency, and productivity improvement.

The buying behavior of industrial consumers is influenced by several factors. Organizational factors such as company policies, objectives, and purchasing procedures play a key role. Economic factors like price, cost-benefit analysis, and return on investment are critical considerations. Technical factors such as product quality, specifications, and performance standards are also important. Additionally, environmental factors like market demand, competition, and government regulations influence industrial buying decisions.

A unique feature of industrial buying is the involvement of the **Decision-Making Unit (DMU)**, which includes different participants such as users, influencers, buyers, deciders, and gatekeepers. Each member plays a specific role in the purchasing process, making it more structured and systematic.

Industrial buying situations are generally classified into three types:

- **New Task** – Buying a product for the first time.
- **Modified Rebuy** – Re-purchasing with some changes.
- **Straight Rebuy** – Routine purchase with no changes.

The decision-making process in industrial markets involves problem recognition, product specification, supplier search, proposal evaluation, supplier selection, and performance review.

Marketers targeting industrial consumers focus on building strong relationships, offering customized solutions, ensuring product quality, and providing after-sales services. Personal selling, negotiations, and long-term contracts are commonly used strategies.

3. Online Consumers (Digital Consumers):

Online consumers are individuals who purchase goods and services through internet-based platforms, including websites, mobile applications, and e-commerce portals. With the rapid growth of digital technology, online consumers have become a significant segment in modern marketing.

The behavior of online consumers is quite different from traditional consumers due to the influence of technology and digital environments. One of the key factors influencing online consumer behavior is convenience, as consumers can shop anytime and anywhere without visiting physical stores. Price comparison is another important factor, as consumers can easily compare prices across different platforms and choose the best deal.

Online consumers are highly influenced by reviews and ratings provided by other users, which act as a form of social proof and affect trust. Trust and security are critical concerns, especially regarding online payments and personal data protection. A secure and user-friendly website or app enhances customer confidence and encourages purchases.

Technological factors such as website design, ease of navigation, loading speed, and mobile compatibility also impact online buying behavior. Additionally, digital marketing tools like social media, email marketing, influencer marketing, and online advertisements play a significant role in influencing online consumers.

The online buying process includes stages such as recognizing a need, searching for information online, comparing alternatives, making a purchase, and providing feedback through reviews. Online consumers are generally more informed and empowered, as they have access to vast information before making decisions.

Marketers target online consumers by offering personalized experiences, discounts, fast delivery, easy return policies, and secure payment options. Digital marketing strategies are essential to attract and retain these consumers.

2.6 RECENT CONCEPTS IN MARKETING:

Green marketing is growing for a number of reasons, one of which is the increasing awareness and concern for environmental issues among consumers. As a result, they are more likely to seek out products and services that are environmentally friendly and sustainable. This trend has led companies to adopt more sustainable business practices and engage in green marketing in order to appeal to environmentally conscious consumers. Another reason for the growth of green marketing is that there is increasing pressure on companies to adopt sustainable practices and reduce their environmental impact. Governments, consumers, and other stakeholders are increasingly demanding that companies be more responsible in their

operations and supply chains. This has led companies to demonstrate their commitment to sustainability and differentiate themselves from their competitors.

Finally, the growth of green marketing can also be attributed to technological advances that have made it easier and more cost-effective for companies to adopt sustainable practices. As a result, it has become increasingly viable for companies to engage in green marketing and to promote their environmental efforts to consumers.

2.7 GREEN MARKETING:

Green marketing, also known as environmental marketing or eco-marketing, refers to promoting products, services, or brands that are environmentally friendly or positively impact the environment. It incorporates sustainable practices, eco-friendly materials, renewable energy sources, and socially responsible manufacturing processes into marketing strategies. Green marketing aims to appeal to environmentally conscious consumers and meet their demand for environmentally friendly products or services. It can involve highlighting the product's eco-friendly features, showcasing its commitment to sustainability, or educating consumers about the environmental benefits of choosing certain products.

Green marketing emphasizes businesses' environmental and social responsibility while leveraging consumer interest in sustainability and environmental initiatives such as renewable waste management or sustainable agriculture practices to drive sales and build a positive brand image.

2.7.1 BENEFITS OF GREEN MARKETING:

Green marketing offers several benefits for businesses. Some of the key benefits include:

1. Enhanced Brand Image and Reputation:

Adopting green marketing practices can improve a company's brand image and reputation. It demonstrates a commitment to environmental responsibility, which resonates positively with environmentally conscious consumers. This can lead to increased customer loyalty, trust, and positive word-of-mouth.

2. Competitive Advantage:

Green marketing can provide a competitive edge in the market. As sustainability becomes a growing concern among consumers, businesses promoting eco-friendly practices and products can differentiate themselves from competitors. This can attract environmentally conscious customers and potentially capture a larger market share.

3. Increased Customer Loyalty and Retention:

Green marketing can foster stronger customer loyalty and retention. Consumers who prioritize sustainability are likelier to stay loyal to brands that align with their values. By demonstrating a commitment to the environment, businesses can forge deeper connections with their customers, leading to long-term relationships and repeat purchases.

4. Expansion of Customer Base:

Green marketing can attract new customers seeking eco-friendly products or services. By positioning themselves as environmentally responsible, businesses can tap into a growing market segment and expand their customer base. This can lead to increased sales and business growth.

5. Cost Savings:

Adopting sustainable practices can often result in cost savings for businesses. For example, implementing energy-efficient processes or utilizing renewable energy sources or recycled materials can reduce operational expenses. Green marketing can highlight these cost-saving measures, appealing to consumers who are not only environmentally conscious but also seeking value for their money.

3 P's of Green Marketing:

Passion, Purpose, and Precision are three essential components, often referred to as the “Three Ps,” that contribute to the success of green marketing. Here’s how they relate to green marketing:

1. Passion:

Passion refers to a business’s genuine enthusiasm and commitment toward sustainability and environmental responsibility. It involves a deep-rooted belief in protecting the environment and a sincere desire to impact it positively. Passion drives businesses to actively seek and implement eco-friendly practices, develop sustainable products, and engage in green marketing efforts that align with their corporate social responsibility (CSR) strategies with authenticity and enthusiasm.

2. Purpose:

Purpose represents the underlying mission and values that guide a business’s green marketing initiatives. It involves clearly defining and articulating the purpose behind sustainable practices and how they align with the company’s overall mission. Businesses with a strong sense of purpose in green marketing understand the larger societal and environmental issues they are addressing and actively work towards making a meaningful contribution to a more sustainable future.

3. Precision:

Precision refers to the need for accuracy, transparency, and clarity in green marketing efforts. It involves precisely communicating environmental claims and messages, ensuring that accurate data and evidence support them. Precision also encompasses targeting specific audiences effectively and tailoring marketing messages to resonate with their environmental concerns and values. Precision helps businesses build trust, credibility, and long-term relationships with environmentally conscious consumers. By incorporating passion, purpose, and precision into their green marketing strategies, businesses can create a powerful and authentic connection with environmentally conscious consumers, differentiate themselves from competitors, and drive positive environmental change.

2.8 DIGITAL MARKETING:

Communication is bidirectional in Digital Marketing as businesses can communicate with customers and customers can ask queries or make suggestions to businesses as well. Medium of communication is more powerful and involves social media websites, chats, apps and Email. Digital marketing campaigns can be developed quite rapidly and with digital tools, channelizing Digital Marketing campaigns is easier. It is very effective for reaching global audiences.

2.8.1 DEFINITIONS OF DIGITAL MARKETING:

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

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

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

Kotler and Armstrong, well-known marketing gurus defined Digital Marketing in 2009 as – ‘A form of direct marketing which links consumers with sellers electronically using interactive technologies like emails, websites, online forums and newsgroups, interactive television, mobile communications etcetera’. Kotler and Armstrong stated and explained that

digital marketing directly connects the customers with the sellers, by using electronic devices for communication.

- In 2011 Bains et al. defined Digital Marketing as - 'It facilitates many-to-many communications due to its high level of connectivity and is usually executed to promote products or services in a timely, relevant, personal and cost-effective manner'. This definition highlights the ability of digital marketing to connect, communicate and promote to multiple people in a personalized manner at a reasonable cost.

- Chaffey, 2012 defines Digital Marketing as – 'The application of the Internet and related digital technologies in conjunction with traditional communications to achieve marketing objectives'. This definition emphasizes on the application of a combination of digital technologies and the existing traditional marketing methods to effectively succeed in business.

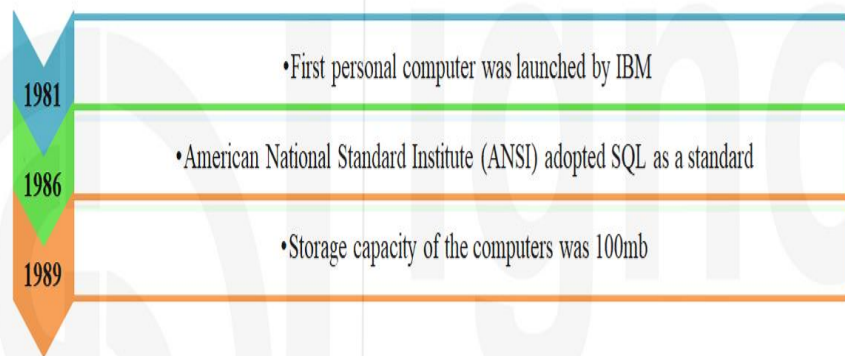
2.8.2 HISTORY AND EVOLUTION OF DIGITAL MARKETING:

[1] Digital Marketing in the 1980s:

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

As a result of the above mentioned database formation and the importance of its use, around the 1986, the father of marketing automation - Robert Kestenbaum and Robert Shaw, together created quite a lot of database-marketing models. These Database Marketing solutions contained several features that include - campaign management, contact strategy optimization, sales channel automation, marketing resource management and marketing analytics. This enabled the organizations to further track, gain information and store their customers like never before. For example, when you shop at Westside for the first time, the executive at the billing counter collects your phone number, date of birth, anniversary and place of residence to be added to their database. This information helps Westside to continuously track and connect with you by sending SMSs regarding birthday and anniversary greetings, sales, discounts, points earned information.

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



[2] Digital Marketing in the 1990s:

During the 1990s, the Customer Relationship Management (CRM) tools grew into being extremely popular. CRM is defined as - a software which tracked all the business interactions between the current and future customers. Sales Force Automation (SFA) was the first step towards CRM. SFA is a system which aims to improve the sales by automating various sales related processes. For example, automation of emails, newsletters, social media updates by brands, Chat bots, automatic email replies etc. The SFA also provided the organizations with the information regarding inventory levels and control, and interactions with the customers. Google by 1998 became the most popular web-based search engine and played a pivotal role in optimizing Digital Marketing Campaigns and Search Marketing. During 1999 the internet supported the emerging e-CRM vendors, thus, increasing their online data storage volume. This development enabled companies to continuously update their information, leading to their enhanced customer experience.

[3] Digital Marketing in Post Millennium:

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

2.8.3 TYPES OF DIGITAL MARKETING:

- **Website Marketing** A website is the centrepiece of all digital marketing activities. It is a very powerful channel on its own, but it's also the medium needed to execute a variety of online marketing campaigns. A website should represent a brand, product, and service in a clear and memorable way. It should be fast, mobile friendly, and easy to use.

- **Pay-Per-Click (PPC) Advertising:** Pay-per-click (PPC) advertising enables marketers to reach Internet users on a number of digital platforms through paid ads. Marketers can set up PPC campaigns on Google, Bing, LinkedIn, Twitter, Pinterest, or Facebook and show their ads to people searching for terms related to the products or services.

Content Marketing: The goal of content marketing is to reach potential customers through the use of content. Content is usually published on a website and then promoted through social media, email marketing, search engine optimization, or even PPC campaigns. The tools of content marketing include blogs, eBooks, online courses, info graphics, podcasts, and webinars.

- **Email Marketing:** Email marketing is still one of the most effective digital marketing channels. Many people confuse email marketing with spam email messages, but that's not what email marketing is all about. This type of marketing allows companies to get in touch with potential customers and anyone interested in their brands. Many digital marketers use all other digital marketing channels to add leads to their email lists and then, through email marketing, they create customer acquisition funnels to turn those leads into customers.

- **Social Media Marketing:** The primary goal of a social media marketing campaign is brand awareness and establishing social trust. As you go deeper into social media marketing, you can use it to get leads or even as a direct sales channel. Promoted posts and tweets are two examples of social media marketing.

- **Affiliate Marketing:** Affiliate marketing is one of the oldest forms of marketing, and the internet has brought new life to this old standby. With affiliate marketing, influencers promote other people's products and get a commission every time a sale is made or a lead is introduced. Many well-known companies like Amazon have affiliate programs that pay out millions of dollars per month to websites that sell their products.

2.8.4 CHARACTERISTICS OF DIGITAL MARKETING:

- **Get a Quality Company Website:** What was a novelty a mere decade ago is a critical requirement today. A business website is a pseudo B2B portal, allowing businesses and customers from around the world to connect with you. A business website is similar to your Company brochure, available 24×7, and projects you as a professional outfit.

- **Social Media Presence:** The biggest achievement of this digital era has been the ease with which people have learnt to communicate- Social Media websites like Facebook, Twitter, Google+, Pinterest, YouTube etc. are the latest methods to communicate across wide demographics of age, taste and culture. By actively promoting your company on these social media, you are getting the world to talk about you.

- **Blogging and Forums:** Here is a powerful axiom- 'Content is King'. Produce powerful, genuine and compelling content as part of your Company blog. Be a regular on relevant forums and discussion panels. Learn the art of connecting your business themes into the content that you produce. In time, your content will stand up to be the biggest promoter of your brand.

Basis	Traditional Marketing	Digital Marketing
Meaning	Promotion using offline methods	Promotion using online platforms
Medium	TV, Radio, Newspapers, Billboards	Internet, Social Media, Websites
Communication	One-way communication	Two-way communication (interactive)
Cost	Expensive (printing, ads, broadcasting)	Cost-effective and flexible
Reach	Local or regional	Global reach
Targeting	Limited audience targeting	Highly specific audience targeting
Measurability	Difficult to measure performance	Easy to track using analytics tools
Flexibility	Less flexible (hard to modify ads)	Highly flexible (can edit anytime)
Engagement	Low customer engagement	High customer engagement
Speed	Slow (takes time to launch)	Fast (instant campaigns)

2.9 RELATIONSHIP MARKETING:

Customer Relationship Marketing (CRM) refers to all marketing activities directed towards establishing, developing, and maintaining successful relationship with their customers. The theories and concepts of CRM draw upon a number of distinct areas including service quality, services marketing, customer retention economics, and issues related to interpersonal and social interaction. However, the practice of relationship marketing is as old as marketing and selling. The relationship marketing philosophy suggests that, at a macro level, retail organizations should consider their impact across a broad range of market relationships in the value chain. The objective of relationship marketing is to attract, maintain, and enhance customer relationships with the existing and potential customer. Many retailers and marketers have now acknowledged the relevance of relationship marketing in retail strategy. Relationship marketing is implemented through various components such as rewards, customer services, and involvement of customers in planning and execution of retail strategy.

Retail stores that enact a system of rewards but neglect to have a focus on customer service fail.

2.9.1 THE EVOLUTION OF RELATIONSHIP MARKETING:

Customer relationship management (CRM) had its origins in two unrelated places. One was in the US where it was driven by technology. Under the direction of marketers, information technology and statistical algorithms were developed to increase the efficiency and effectiveness of selling what a company makes. This popularly came to be referred to as database marketing. CRM systems such as call centres, websites, customer service and support teams, and loyalty programmes were used to manage the relationship with customers. The second place where the CRM concept developed was in business to business (B2B) marketing in Scandinavia and northern Europe. The IMP (Industrial Marketing and Purchasing) Group has been instrumental in developing our understanding about the nature and effects of building long-term, trust-based relationships with customers, which are managed by the marketing and sales departments.

Customer relationship marketing in retailing has emerged out of two major considerations:

- **At a macro level**, the recognition that marketing influences a wide range of areas including customer, employee, supply, internal, referral, and 'influencer' markets such as the governmental and financial markets; and
- **At the micro level**, the recognition that the nature of interrelations with customers is changing. The emphasis is on moving from a transaction focus to a relationship focus. An essential factor to be understood from this is the difference between customer relationship marketing and transactional marketing.

Thus, customer relationship marketing is different from the old concept of marketing, which used to be based more on increasing the customer base. Relationship marketing focuses on using relational strategies to acquire customers, retain them, and enhance relationship with them. In fact, as per Pareto's Law, 80% of the total sales comes from 20% of the customers, and, thus, relationship marketing attempts to optimize the resources for the retailer by retaining the most profitable of the customers. The retailing industry plays an important role in the success of relationship marketing as it serves as the major link between the supplier and customers. Therefore, it engages, maintains, and enhances the relationship with the ultimate entity of the value chain, which in turn determines the success of all the members of the value chain. The retailers have always acknowledged the importance of long-term relationship with customers in their business.

2.9.2 Types of Relationship Marketing:

1. **Customer service:** It is a crucial element of both marketing and sales. Relationship marketing pays attention on functioning of service departments of organizations. These service departments operate to solve customer problems and serving them in a better way. Attempts are made by relationship marketing to enhance the internal operations of business in order to provide better customer service. Customers are unlikely to return to a brand if they are not served properly.
2. **Email marketing:** Email marketing is an efficient tool of reaching out to target audience by business. A promotional message containing details about products or services to be promoted is forwarded to the mail ids of customers. Companies need to ensure that right information is shared at right time and with right individuals. Peoples will be interested towards a particular brand as long as they receive relevant promotions of their interest.
3. **Social media:** Social media is a marketing platform which is widely used in relationship marketing. It is one that uses social media platforms like Facebook, Instagram, Google and Twitter for sharing valuable content with customers. A direct communication with people is made for gaining insight into their lifestyles.
4. **Word-of-mouth:** Word-of-mouth marketing is type of promotion initiated from consumer end among his/her acquaintances regarding brand products. It is a free type of advertising triggered by experience of customers developed over their long-termed relationship with brand. This type of marketing is one of the most powerful tool as it leads to encourage more people to buy brand products as consumers easily trust their friends.
5. **Content marketing:** Content means all information regarding features of product, advertisement and offers that is intended to attract target customers. Content marketing refer to sharing of all this information for free before making sales that leads to develop desired customer relationship. This information is of great interest to customers which assist them in their journey with brand while making purchase decisions.
6. **Customer awareness and education:** It involves educating the customers by providing them information about products and services. Efforts are made to strengthen relation with customers by making them aware about market information. It is one of the effective ways of developing better understanding by giving them valuable information instead of just attempting to sell their products

CHAPTER – III PRODUCT

Product - Definition - Levels of Product - Classification of Products - Product Mix: Levels, Hierarchy, Classifications, Mix. Product Lifecycle: The Concept and its Strategic Implications, Significance of Branding, New Product Development Process.

4.1 Product:

A Product is something that is manufactured for sale in the market. Customer needs are met by the usage of products. Product is one of the main components of marketing all marketing activities revolve around the product. Products can be tangible or intangible. Tangible products are known as goods while intangible products are called services. The term product can be understood in narrow as well as broad sense. In a narrow sense, it is a set of tangible physical and chemical attributes assembled in an identifiable and readily recognizable form.

In a broader sense, it recognizes each separate brand as a separate product. A product can be defined as- “A good, idea, method, information, object, or service that is the end result of a process and serves as a need or want satisfier. It is usually a bundle of tangible and intangible attributes (benefits, features, functions, uses) that a seller offers to a buyer for purchase.”

Ordinarily speaking, product or goods is a word which means any commodity which can be recognised by its certain shape, quality or quantity e.g., car, book, watch, clothes etc. Actually this meaning of the product is narrow in sense. The word ‘Product’ is taken in wider perspective in marketing. Here, every brand is considered a separate product i.e., Lux and Lifebuoy both are soaps, but are treated as separate products. In narrow sense, these will be considered as merely soaps.

Every business firm undertakes the function of product selling, though it may or may not be visible. A laundry firm provides the clothes-washing service. This function is similar to product selling which a retailer performs. Firms while selling their products, sell services too which are related to their products. A consumer buys a product because he gets psychological and physical satisfaction from that product. Thus a seller not only sells his products rather he enters into marketing of such psychological and physical satisfaction. For example, a person while purchasing a product does not bother about the inputs by which that product is manufactured. He is rather interested in the fact as to what utility or satisfaction, he will gain by using that product. In this context, the ideas

of George Fisk are worth describing. According to him, “Product is a cluster of psychological satisfaction.”

4.2 Definition:

According to W. Alderson “A product is a bundle of utilities consisting of various product features and accompanying services”.

According to Philip Kotler “A product is anything tangible or intangible that can be offered to a market for attention, acquisition use or consumption that might satisfy a need or want”.

According to Cravens, Hills and Woodruff “Product is anything that is potentially valued by a target market for the benefits or satisfactions it provides, including objects, services, organizations, places people and ideas”.

4.3 CONCEPT OF PRODUCT:

Product refers to a good or service that satisfies the needs and wants of customers. It is offered in the market by an organization to earn revenue by meeting the requirements of customers. Product is an asset of an organization and referred as the backbone of marketing mix.

It is very important for an organization to understand the needs of customers. For example, some customers use mobile phones for talking; whereas, some use mobile phones for talking as well as business purposes, such as teleconferencing. Needs of the customers depend on their purchasing power.

For example, a customer whose basic need is surfing over the Internet may opt for a simple computer; whereas, a software engineer may need a high configuration computer. Therefore, when the level of need increases then the level of product also increases.

4.4 PRODUCT – FEATURES OF A PRODUCT:

i. Tangibility:

Products are tangible in nature, customers can touch, seen or feel a products. For example, car, book, computer etc.

ii. Intangible Attributes:

Service products are intangible in nature, services like, consultancy, banking, insurance etc. The product may be combination of both tangible and intangible attributes like restaurants, transportation, in case of a computer it is a tangible product, but when we will talk of its free service provided by dealer, then the product is not only a tangible item but also an intangible one.

iii. Associated Attributes:

The attributes associated with product may be, brand, packaging, warranty, guarantee, after sales services etc.

iv. Exchange Value:

Irrespective of the fact that whether the product is tangible or intangible, it should be capable of being exchanged between buyer and seller for a mutually agreed price.

v. Customer Satisfaction:

A product satisfies the customer needs and wants of customers, value of products is also determined by the level of satisfaction given by a product after purchase.

4.5 PRODUCT – CHARACTERISTICS OF PRODUCT:

1. It can be a single commodity or a service; a group of commodities or a group of services; a product service combination, or even a combination of several products and services.
2. Its meaning is determined by the needs and desires of the consumer. The purpose of a product is to satisfy some need of the consumers. The buyers purchase problem-solving and time for creativity when they purchase a computer system.
3. It may be durable such as those that are expected to deliver a stream of satisfaction over a period of time,
4. Products may be luxuries which might be needed as a symbol of prestige and status such as car, a well- furnished bungalow in a posh colony or necessities which are needed to keep the body and soul together, such as bread, milk, sugar, etc.
5. It may be an agricultural, mineral, forest or semi-manufactured or manufactured product.

4.6 PRODUCT MIX:

The Product mix is a combination of products manufactured or sold by the same organization. Generally companies offer an assortment of related or unrelated products to the markets instead of focusing on a single product to strengthen their presence in the market and increase profitability.

Smaller or medium firms usually offer products that are related to each other while bigger ones go for large scale diversification.

For example- Ayur Herbals, a comparatively smaller enterprise basically deals with cosmetics and beauty products while giants like Reliance group and Tata industries have

their presence in varied fields like telecom, processed food, consumer goods, etc. Dealing with multiple products enables a firm to expand its customer base and spread risk among its various offerings. The product mix includes both product lines and product items.

(i) Product Line:

Product line is a group of products that are closely related either because they satisfy a class of need, or used together, are sold to the same customer group, are marketed through the same types of outlets, or fall within given price ranges or that are considered a unit because of marketing, technical, or end-use considerations. For example, The Sunsilk range of shampoos and conditioners constitute a product line.

(ii) Product Item:

It is a distinct unit within the product line that is separate from others on basis of colour, size, price or other attributes. For example, Sunsilk Thick and Long shampoo is a product unit distinguishable from other items in the product range.

4.7 STRUCTURE OF PRODUCT MIX:

1. Width:

Width of the product mix means the number of different product lines found within the company. Thus, breadth is measured by the number of product lines carried. For example, Bajaj group has a number of subsidiaries under it producing bulbs, fluorescent lights, mixers and grinders, toasters, motorcycles, pressure cookers and a host of other products.

2. Depth:

Depth of the product mix refers to the average number of items offered by the company within each product line. It is measured by assortment of sizes, colours, models, prices and quality offered within each product line. For instance, Hindustan Unilever offers a number of variants like Lux Fresh Splash, Strawberry and cream, Peach and cream, Sandal and cream, etc. within the product line Lux soaps.

3. Consistency:

The consistency of product mix points out how closely related the various product lines are in terms of consumer behaviour, production requirements, distribution channels or in some other way. For example, the products produced by the General Electric Company have an overall consistency in that most products involve electricity in one way or the other.

According to Kotler, all three dimensions of product mix have a market rationale. By increasing the width of the product mix the company hopes to capitalise on its good reputation and skills in present markets.

By increasing the depth of its product mix, the company hopes to entice the patronage of buyers of widely differing tastes and needs. By increasing the consistency of its product mix, the company hopes to acquire an unparalleled reputation in a particular area of endeavour.

4.8 TYPES OF PRODUCT:

(i) New-to-the-World Products:

New-to-the-world products are innovative products that create an entirely new market, like water purifiers.

(ii) New Product Lines:

New products that allow a company to enter an established market like LCD television.

(iii) Additions to Existing Product Lines:

New products that supplement a company's established product lines like Fair and Lovely for men.

(iv) Improvements and Revisions of Existing Products:

New products that provide improved performance or greater perceived value and replace existing products, examples are books and software.

(v) Repositioning:

Existing products that are targeted to new markets or market segments, this is beneficial in expansion of market.

(vi) Price Differentiation:

Sometimes due to increasing competition in the market, the manufacturers have to offer the product with same features and functions but at lower price.

4.9 PRODUCT HIERARCHY:

a. Need-Family:

It is a core need that underlies the existence of a product family. These products satisfy a core need of the group of people or of an individual. They are called products from the "Need Family". Eg. Hunger is core need which is satisfied by food.

b. Product-Family:

These consist of all the product classes that can satisfy a core need with reasonable effectiveness. It comprises of varieties of product within this group, which compete with

one another to satisfy the same need. These are ‘family of products satisfying the same need’. Eg. Fast foods, Snacks, Veg, Thali, etc.

c. Product Class:

It is a group of products within the product family recognized as having a certain functional coherence. A group of products, within this family of products, having similar characteristics are labelled as product class or product category. Eg. Fast Foods.

d. Product Line:

It is a group of products within a product class which are closely related to each other since they perform a similar function, are sold to the same customer groups, are marketed through the same outlets or channels, or fall within the given price ranges. A product line may consist of different brands, or a single family brand, or individual brand that has been line extended. Eg. Burgers, Pizzas, etc.

e. Product Type:

It is a group of items within a product line that encompasses one of several possible forms of the product. Eg. Chicken burger.

f. Item (Stock Keeping Unit or Product Variant):

It is a distinct unit within a brand or product line which is distinguishable by size, shape, price, appearance, or some other attribute. Eg. Burger King’s Jumbo Chicken burger.

4.10 LEVELS OF PRODUCT:

The needs of customers vary according to their economic conditions and social situations. As customers grow economically, they require enhanced products that can satisfy their current needs. The organizations address the varied needs of customers by producing a same product at different levels. Each level adds some valuable features in a product. For example, mobile phones come with different features and functions to satisfy the varied needs of customers.

If a customer wishes to use mobile phone only for communication purposes, he/she can buy a very simple mobile phone. However, if the customer wishes to use mobile phone for communication, business and entertainment purposes, he/she can buy the mobile phone with additional features.

i. Core Product:

It includes the key feature of a product. It forms the basis for other product offering levels. For example, the key feature of a car is to travel from one place to another. Therefore, a simple and small car with no additional features is a core product.

ii. Basic Product:

It includes some added benefits along with the basic feature of a product. For example, a clean and spacious car is the basic product.

iii. Expected Product:

It refers to a product that is desired by customers. It varies from individual to individual depending on other factors, such as social class. For example, a customer buying a car may expect an air conditioner and music system in it.

iv. Augmented Product:

It includes additional attributes of a product as compared to products offered by competitors. The additional benefits satisfy rational customers more in terms of value. For example, a car may have special in-built features, such as LCD TV or refrigerator.

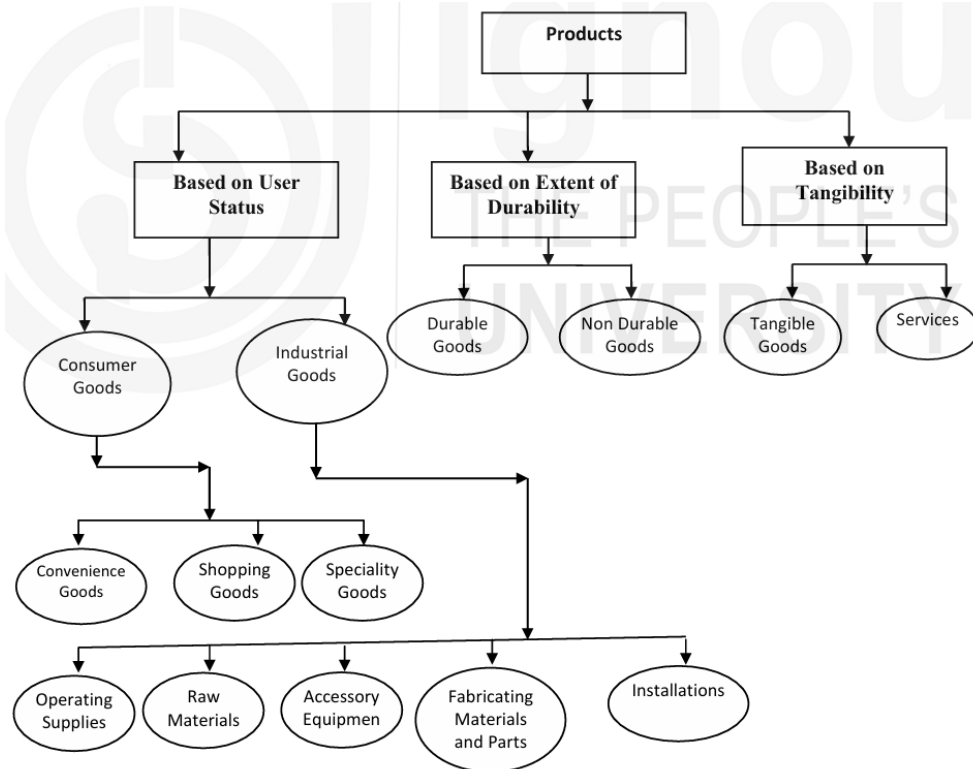
v. Potential Product:

It compares the benefit derived from the product in future with the current product. It creates a value for customers beyond their expectations. For example, a high technology gadget car with good ambience and comfort is a potential product.

4.11 CLASSIFICATION OF PRODUCT:

These classifications are necessary for a marketer, as different types of products require different marketing strategies. Let us now take the following four major types, and analyse their characteristics and marketing strategies:

- ❖ Consumer goods
- ❖ Industrial goods
- ❖ Durable and
- ❖ Non-durable goods Services.



4.11.1 Consumer Goods:

Consumer goods are those products which are bought by the households or ultimate consumers for personal non-business use. Consumers use the product in the form in which the product is being offered i.e., no further processing is done. For example, a tooth brush, a comb, a wrist watch or a moped are all meant for personal use of households and are, thus, classified as consumer goods.

Consumer goods may be classified into three types as:

- 1) Convenience goods,
- 2) Shopping goods, and
- 3) Speciality goods.

4.11.2 Convenience Goods:

A Class of consumer goods that people buy frequently with the least possible time and effort are called 'convenience goods'. These are the products the consumers want to purchase frequently, immediately and with a minimum effort. Milk, bread, butter, eggs, soap, newspaper, biscuits, tooth pastes, etc., are some examples of convenience goods. This category of goods has a low unit price, is not bulky and not greatly affected by fad and fashion.

They have two significant characteristics: 1) the consumer has complete knowledge of the products which he wants to buy and 2) the product purchased with a minimum of effort.

Convenience goods are usually sold by brand name and are low-priced. Many of them such as bread, milk and edible oil, are staple items, and the supply must be constantly replenished. In most cases, the buyer has already decided to buy a particular brand at a particular store and spends little time deliberating about the purchase decision. So convenience goods must be readily accessible when the consumer demand arises. To ensure this, the manufacturer must secure wide distribution. The consumers rarely visit competing stores to compare price and quality while purchasing convenience goods. The possible gains from such comparisons are outweighed by the costs of acquiring the additional information. This does not mean however, that the consumer remains permanently loyal to one brand of cigarettes, or soap or biscuit. A consumer is willing to accept any of several brands and thus will buy the brand that is most accessible. Since the price of most convenience goods is low, trial purchase of competing brands or products are made with little financial risk, and often new habits are developed.

4.11.3 Shopping Goods:

There are a class of consumer goods that are purchased only after the buyer has spent some time and effort comparing price, quality, style, colour, etc., of alternative products in competing stores. The purchaser of shopping goods lacks complete information prior to the shopping trip and gathers information during it. For instance, a woman intending to buy a new dress may visit many stores, try on a number of dresses, and spend making the final choice. She may go from store to store in surveying competing offerings and ultimately select the dress that most appeals to her. In addition to women's apparel, shopping goods include such items as jewellery, furniture, appliances, shoes, etc. It is important to place the convenience goods in stores located near other stores carrying competing items, as it facilitates the convenience goods customers to compare the product. Shopping goods are typically more expensive than convenience goods. Some shopping goods, such as children's shoes, are considered homogeneous i.e. the consumer views them as essentially the same. Others such as furniture and clothing are considered heterogeneous i.e., essentially different. Price is an important factor in the purchase of homogeneous shopping goods, while quality and style are relatively more important in the purchase of heterogeneous goods. Manufacturers of convenience goods require some retail outlets as consumers are willing to

look around a bit for what they want. Normally, manufacturers directly supply the goods to the retail stores that buy in large quantities.

Speciality Goods:

A class of consumer goods with perceived unique characteristics, such that consumers are willing to spend special effort to buy them, are known as Speciality Goods. The buyer of speciality goods is well aware of what he or she wants and is willing to make a special effort to obtain it. The nearest camera dealer may be twenty miles away, but the camera enthusiast will go there to inspect and buy that camera. To purchase a colour TV a person in a village may require a special trip to a nearby city which is several miles away. Still he will go there, spend his time in inspecting several brands and finally buy a set of his choice. Examples of some of the speciality goods are photographic equipment, TV sets, VCRs, stereo sound equipment, new automobiles, etc. 96 Speciality Goods possess unique characteristics that cause the buyer to prefer that particular brand. For these products the buyer possesses complete information prior to the shopping trip and is unwilling to accept substitutes. Speciality goods are typically high-priced and are always branded. Since consumers are willing to exert considerable effort to obtain them, fewer retail outlets are needed. Since brand is important, the manufacturers of speciality goods advertise extensively. This three-way classification of consumer goods allows the marketing manager to gain additional information for developing an effective marketing strategy for the product. For instance, once the new food product has been classified as a convenience product, you gain insight about marketing strategies in branding, promoting, pricing and distribution methods.

4.12 PRODUCT LIFECYCLE IN MARKETING:

STAGES OF THE PRODUCT LIFECYCLE

4.12.1 Development Stage:

This is the research and planning phase before the product is launched. Companies invest in prototyping, testing, and market research to ensure the product meets customer needs. No revenue is generated yet, and costs are high.

4.12.2 Introduction Stage:

The product is launched into the market. Sales are typically low, and profits may be minimal due to high marketing and production costs. Marketing focuses on creating awareness, educating potential customers, and stimulating trials. Strategies may include price skimming (high initial price) or penetration pricing (low initial price to gain market share),.

4.12.3 Growth Stage:

Sales increase rapidly as the product gains acceptance. Marketing efforts shift to expanding distribution, increasing market share, and differentiating from competitors. Economies of scale reduce costs, and competition intensifies, requiring promotional campaigns and brand positioning.

4.12.4 Maturity Stage:

Sales growth slows as the market becomes saturated. Marketing focuses on retaining customers, highlighting unique features, exploring new markets, and adjusting pricing strategies. Companies may innovate or reposition the product to extend its lifecycle.

4.12.5 Decline Stage:

Sales and profits decline due to market saturation, technological changes, or shifting consumer preferences. Marketing decisions involve managing the product's exit, communicating with remaining customers, and promoting alternative products. Companies may reduce costs, discontinue the product, or find niche markets to maintain residual revenue.

4.13 BRANDING MEANING:

Branding is the process of creating strong awareness of a product or service in the market through the use of a logo, design, symbol, or slogan and using them for advertisement. It helps in effective communication and creates a substantial and positive impact on the customer's mind.

The company uses logos or symbols to create a unique identity, which helps distinguish it from its competitors. Branding also gives a sneak peek into the product's vision and mission. For example, a catchy slogan or design makes the product appealing and memorable to customers. The process significantly evolved over the years, making branding an essential part of business strategy.

A branding design creates recognition of a particular product or service in the customer's mind through a logo, design, slogan, or symbol.

It makes the product easily recognizable and appealing to the market and helps the company create a niche and an edge over its competitors. Branding gives an idea about the mission and vision of the company regarding the product or service and powerfully communicates it to the

consumer. Branding has evolved over the years and has become an essential part of advertising and marketing strategy.

4.14 ELEMENTS OF BRANDING:

There are various elements involved in branding. They are as follows:

Brand identity – Identity refers to the slogan, logo, or design used to describe the product or service. It helps customers identify the products and remember them.

Advertisement – This helps the brand reach out to purchasers through communication and ultimately increases sales and profit.

Brand positioning – Positioning is critical because it identifies the target market and diverts the product towards it. If positioning is incorrect, companies fail to influence customers.

Brand definition - Branding conveys the company's mission and vision with the product. Thus, the definition means what the entity intends to achieve and give back to society with the product or service.

Packaging – Packaging has become a crucial part of any product today. The company packs a product after a lot of research on how a customer will use or store it, which should be easy to handle but hygienic.

Partnership or sponsorship – Branding is sometimes necessary for companies to enter into a partnership to get sponsorship from any agency or company that gives the product more market exposure reach.

Customer service – A customer who intends to buy a product must get a purchase experience and good after-sales service to stay with the brand for the future.

Store experience – Whenever a purchaser visits a store to buy a commodity, the environment should be healthy, hygienic, and friendly. In addition, the purchase experience should be a smooth process.

Pricing – Product price plays a huge role in brand management. For instance, if it is luxury branding, then prices will be high, which portrays the product's high value, comfort, style, class, etc.

Workplace culture – A healthy and encouraging workplace culture contributes to a good brand. If people trust and have faith in a company, they will only purchase its brands.

4.15 PRODUCT DEVELOPMENT:

The act of developing and introducing new goods or services to the market is referred to as product development. It involves a series of activities aimed at transforming ideas and concepts into tangible offerings that meet customer needs and generate value for the business. Product development encompasses various stages, from ideation and design to testing, manufacturing, and commercialization.

4.16 ROLE OF PRODUCT DEVELOPMENT IN BUSINESS SUCCESS

Product development plays a pivotal role in determining the success of a business. Here are some key ways it contributes to the overall growth and profitability:

1. Meeting Customer Needs: By engaging in product development, businesses can identify and address unmet customer needs and pain points. Companies may create products that meet particular requirements, improve user experience, and address current difficulties through research, consumer input, and market analysis.

2. Competitive Advantage: In today's crowded marketplace, differentiation is essential. Businesses may differentiate themselves from rivals by providing distinctive features, functions, and benefits thanks to effective product development. Companies may grow market share, draw in new clients, and foster brand loyalty thanks to this competitive edge.

3. Revenue Generation: Developing new products expands a company's revenue streams. By introducing innovative offerings, businesses can tap into new markets, target different customer segments, and create additional revenue opportunities. Successful goods may boost sales, boost profitability, and contribute to the organization's long-term financial success.

4. Brand Image and Reputation: Well-executed product development initiatives enhance a company's brand image and reputation. By consistently delivering high-quality, innovative products, businesses establish themselves as industry leaders, gain customer trust, and build a positive brand perception. A strong brand reputation can lead to increased customer loyalty, positive word-of-mouth recommendations, and improved market positioning.

7 ELEMENTS OF EFFECTIVE NEW PRODUCT DEVELOPMENT:

Planning, execution, and ongoing improvement are essential for successful product development. Here are some key elements that contribute to the success of product development initiatives:



1. Market Research: Conducting thorough market research helps identify market trends, customer preferences, and unmet needs. It provides valuable insights that shape the product development process and ensures alignment with market demands.

2. Customer-Centric Approach: Placing the customer at the center of product development is crucial. Understanding their pain points, desires, and behaviours enables businesses to create products that address their specific needs and deliver a superior user experience.

3. Cross-Functional Collaboration: Product development involves multiple departments, including marketing, design, engineering, and operations. Effective collaboration and communication among these teams are essential for seamless coordination and successful product outcomes.

4. Iterative and Agile Methodologies: Adopting iterative and agile methodologies allows for flexibility and quick adaptation to changing requirements and market dynamics. This approach

promotes rapid prototyping, testing, and feedback incorporation, leading to faster time-to-market and better product iterations.

5. Design Thinking: Applying design thinking principles helps in developing innovative and user-centered products. By emphasizing empathy, ideation, prototyping, and testing, businesses can create products that address real user problems and deliver delightful experiences.

6. Quality Assurance: Ensuring product quality is vital for customer satisfaction and brand reputation. Implementing robust quality assurance processes and conducting thorough testing at various stages of product development help identify and rectify issues before product launch.

7. Post-Launch Evaluation: Continuously evaluating the performance and success of the product after launch is critical. Collecting customer feedback, monitoring key performance indicators, and making iterative improvements based on insights gained enhance the product's long-term success.

Product development is a strategic process that drives business success by creating innovative, customer-centric products. By understanding market needs, leveraging cross-functional collaboration, and following key principles and methodologies, organizations can develop remarkable products that meet customer expectations, drive revenue growth, and gain a competitive edge in the market.

4.17 STEPS IN DEVELOPMENT OF A NEW PRODUCT:

New product development (NPD) strategies are a set of systematic approaches that organizations use to create and introduce innovative products to the market. In order to guarantee that the new goods fit client wants, line up with corporate objectives, and have a greater chance of success, these strategies comprise a number of clearly defined stages and processes.

New product development strategies are vital for businesses across industries, whether they are launching a completely new product or introducing enhancements to existing offerings. By following a structured approach to NPD, companies can reduce risks, optimize resource allocation, and maximize the potential for market acceptance and profitability.

Let us explore the key stages involved in new product development strategies, providing insights into each step of the process. From market research and idea generation to concept development,

business analysis, product development, and test marketing, these strategies enable companies to create innovative and customer-centric products.

1. Market Research and Analysis: Conducting thorough market research and analysis is the first stage in developing a new product. This entails compiling information and insights into the target market, consumer wants, competitive environment, and market trends. Businesses may make wise judgements regarding product development by using market research to find market opportunities and gaps.

Data analysis, focus groups, surveys, and interviews are all examples of market research methodologies. Understanding client preferences, problems, and unmet wants is the aim. Businesses may create goods that are in line with market wants and have a greater chance of success by developing a thorough grasp of the market.

2. Idea Generation and Screening:

Once market research is complete, the next step is generating and screening product ideas. Idea generation involves brainstorming sessions, idea competitions, customer feedback, and internal suggestions. The goal is to generate a pool of potential product ideas that address identified market gaps.

After idea generation, a screening process is conducted to evaluate the feasibility and viability of each idea. Screening criteria may include market potential, technical feasibility, resource requirements, and alignment with business objectives. Ideas that pass the screening stage move forward in the product development process.

3. Concept Development and Testing:

In this stage, selected ideas are further developed into product concepts. Product concepts are detailed descriptions of the product, its features, benefits, and positioning in the market. Concepts may be presented through visual representations, prototypes, or simulations.

Concept testing involves gathering feedback from target customers to evaluate their reactions and preferences. This helps refine and validate the product concept, ensuring it resonates with the intended market. Feedback from concept testing is used to make necessary iterations and improvements before proceeding to the next stage.

4. Business Analysis and Feasibility Assessment:

Before committing resources to product development, a thorough business analysis and feasibility assessment are conducted. This involves evaluating the financial viability, technical feasibility, and market potential of the product concept.

Financial analysis assesses the projected costs, revenues, and profitability of the new product. Technical feasibility analysis evaluates whether the product can be developed within the required time and resources. Market potential analysis examines the target market size, growth potential, and competitive landscape.

5. Product Development and Prototyping:

Once the product concept is deemed feasible, the actual product development process begins. This stage involves designing, engineering, and manufacturing the product. Multiple iterations of prototypes are created to refine the product design and functionality.

Product development teams work closely with designers, engineers, and other stakeholders to ensure the product meets the desired specifications and quality standards. Prototyping allows for testing and validation of the product's performance, usability, and aesthetics. Iterative improvements are made based on feedback and testing results.

6. Test Marketing and Commercialization:

Before a full-scale launch, test marketing is conducted to gauge the market response and fine-tune marketing strategies. Test marketing involves a limited release of the product in select markets or target customer segments. It allows businesses to gather real-world feedback, assess demand, and make necessary adjustments.

Based on the test marketing results, marketing strategies and communication plans are refined. After successful test marketing, the product is ready for commercialization. This includes finalizing production, distribution channels, pricing, and promotional activities. The product is launched in the market and made available to customers.

CHAPTER -IV: PRICING AND PHYSICAL DISTRIBUTION

Price - Pricing Objectives - Pricing Policies - Methods of Pricing - Distribution Channel - Factors to be considered in Selecting a Channel - Channel Conflicts

4.1 INTRODUCTION

Pricing the products is one of the important areas in marketing decision making. Price is the main factor which affects the sales organizations. A good pricing policy is significant to have maximum sales revenue. The ultimate object of the firm i.e. profit maximization depends upon the pricing decision of the concern. The reason is, price not only affects the margin through its revenue impact but also affects the quantity of goods sold through its influence on demand. Pricing is one of the most critical decisions in marketing management, as it directly influences a firm's revenue, profitability, and market position. Price refers to the amount of money that customers pay in exchange for a product or service. It is the only element in the marketing mix that generates revenue, while all other elements such as product, place, and promotion incur costs. Therefore, pricing plays a central role in determining the success or failure of a business. From a broader perspective, pricing is not merely about assigning a monetary value to a product. It reflects the perceived value of the product in the minds of consumers. A well-priced product attracts customers, ensures competitiveness, and supports long-term sustainability. On the other hand, incorrect pricing can lead to loss of customers, reduced sales, or even business failure. The importance of pricing can be understood through its impact on both buyers and sellers. For buyers, price acts as an indicator of quality and affordability. Consumers often associate higher prices with better quality, especially in the case of luxury or specialty goods. For sellers, pricing determines profit margins and overall revenue. It also affects production decisions, distribution strategies, and promotional activities. Pricing also acts as an economic regulator. It influences wages, rent, interest, and profits within an economy. In a market system, prices are determined by the interaction of demand and supply. When demand increases, prices tend to rise, and when demand decreases, prices fall. Thus, pricing helps in the efficient allocation of resources.

4.2 MEANING OF PRICING

Price means the exchange value of a product or service in terms of money. In other words, if the exchange value of a product or service is expressed in terms of money, it is called as price. Pricing also acts as an economic regulator. It influences wages, rent, interest, and

profits within an economy. In a market system, prices are determined by the interaction of demand and supply. When demand increases, prices tend to rise, and when demand decreases, prices fall. Thus, pricing helps in the efficient allocation of resources. While fixing prices, firms must consider several factors.

Cost of production is an important factor, but it is not the only one. Market demand, level of competition, government regulations, and consumer behavior also play a significant role. For instance, in highly competitive markets, firms may adopt lower pricing strategies to attract customers. In contrast, in monopoly situations, firms may charge higher prices due to the absence of competition. Another important aspect of pricing is its role in achieving organizational objectives. Firms may adopt different pricing strategies depending on their goals. Some companies aim to maximize profits, while others focus on increasing market share or ensuring customer satisfaction. In some cases, firms may even adopt low pricing strategies to discourage competitors from entering the market. Pricing decisions are also dynamic in nature. They may change over time depending on market conditions, economic trends, and business strategies. For example, during inflation, firms may increase prices to cover rising costs, while during recession, they may reduce prices to maintain sales volume.

According to W.J. Stanton, “Price is the amount of money which is needed to acquire in exchange of some combined assortment of a product and its accompanying services.”

4.3 IMPORTANCE OF PRICING

- The market price of a product influences wages, rent, interest and profits.
- The price is a matter of vital importance to the buyer and the seller.
- Exchange of the goods or services takes place only when the prices are agreed upon by the seller and the buyer.
- Price can decide the success or failure of a firm.
- Prices are important economic regulators.
- By transferring to money economy, the importance of price has been increased. The marketing demand for a product or service to a large extent depends upon the price of the product.
- When a firm fixes a price for its goods, it has to consider many factors such as demand, existing competition, legal restrictions etc.

- Only the cost of production is not enough to fix the price, but the objectives of the firm may also be considered in consumer oriented marketing.
- When a new firm launches a promotion campaign, introduces a new product, or reduces its price to expand the market, the market goes to competitors. Under these circumstances, price reduction or changes in the price structure will help to overcome the situations.

4.4 OBJECTIVES OF PRICING DECISIONS

Pricing is one of the most critical elements of the marketing mix, as it directly influences a firm's revenue, profitability, and market position. The price of a product or service is not determined randomly; it is based on clearly defined objectives that guide the firm's pricing policies and strategies. These objectives vary depending on the nature of the business, market conditions, level of competition, and long-term goals of the organization. A well-defined pricing objective ensures that the firm achieves both its financial and marketing goals effectively.

1. Ensuring Target Return

One of the primary objectives of pricing is to ensure a specific return on investment (ROI). Businesses invest capital in production, marketing, and distribution activities with the expectation of earning a reasonable profit. Therefore, pricing is fixed in such a way that it covers the total cost of production, including both fixed and variable costs, and also provides a predetermined margin of profit. This objective is particularly important in capital-intensive industries such as manufacturing, infrastructure, and heavy engineering, where large investments are involved. Firms calculate the expected rate of return and then determine the selling price accordingly. This approach helps ensure financial stability, enables firms to meet their long-term commitments, and allows reinvestment for future growth.

2. Market Share Maximization

Another important objective of pricing is to increase or maintain market share. Firms often adopt low pricing strategies, such as penetration pricing, to attract a large number of customers and capture a significant portion of the market. A higher market share provides several advantages, including economies of scale, reduced production costs, increased brand recognition, and stronger competitive power. This objective is particularly useful for new

firms entering the market or companies operating in highly competitive industries. By offering products at lower prices initially, firms can discourage competitors and build a loyal customer base, leading to higher profitability in the long run.

3. Facing Competition

Pricing is a powerful tool for dealing with competition in the market. Firms must consider the pricing strategies of their competitors while setting their own prices. The objective here is to remain competitive and avoid losing customers to rival firms. Companies may adopt different approaches such as matching competitor prices, setting slightly lower prices, or offering better value at the same price. In highly competitive markets, price wars may occur, forcing firms to adjust their pricing strategies frequently. Therefore, pricing decisions must be flexible and responsive to changes in the competitive environment.

4. Profit Maximization

Profit maximization is one of the traditional objectives of pricing. Firms aim to set prices at a level where the difference between total revenue and total cost is maximized. However, modern businesses focus more on long-term profit maximization rather than short-term gains. Charging very high prices may generate immediate profits but can reduce demand and harm customer relationships. Therefore, firms adopt balanced pricing strategies that ensure sustainable profits while maintaining customer satisfaction and brand loyalty. Long-term profit maximization involves building a strong market presence and maintaining consistent demand over time.

5. Price Stabilization

Some firms aim to maintain stable prices over a long period. Frequent price changes can create confusion among customers and may reduce their confidence in the product. Therefore, companies prefer to maintain price stability to build trust and goodwill. Price stabilization helps in avoiding price wars, maintaining consistent demand, and ensuring smooth business operations. Even during periods of economic fluctuations such as inflation or recession, firms try to keep prices within a reasonable range. This objective is especially important in industries where customer trust and long-term relationships are crucial.

6. Customer-Oriented Pricing

Customer-oriented pricing focuses on the needs, preferences, and paying capacity of customers. Instead of basing prices solely on cost or competition, firms consider how much customers are willing to pay for a product or service. This approach is commonly used in service industries such as healthcare, legal services, and consulting, where prices may vary depending on the customer's financial capacity or the value perceived by the customer. It ensures customer satisfaction and helps build long-term relationships. Customer-oriented pricing also plays an important role in market segmentation, where different prices may be charged to different groups of customers based on their preferences and purchasing power.

7. Resource Mobilization

Pricing can also be used as a tool for mobilizing financial resources for business expansion and development. Firms may set prices at a level that generates surplus funds, which can be used for activities such as modernization, research and development, expansion of production capacity, and entry into new markets. This objective is particularly relevant for growing firms that require continuous investment to remain competitive. By generating additional funds through pricing, companies can strengthen their financial position and achieve long-term growth.

8. Survival

In certain situations, especially during economic crises, intense competition, or declining demand, the primary objective of pricing may be survival. Firms may set prices at a very low level, sometimes even below cost, to maintain sales volume and keep the business running. The main focus in such cases is not profit but sustaining operations and retaining customers until market conditions improve. Once stability is achieved, firms can gradually adjust their pricing strategies to achieve profitability.

9. Prestige Pricing

Some firms aim to establish a premium or prestigious image in the market. In such cases, high prices are deliberately set to create a perception of superior quality and exclusivity. This objective is common in luxury goods such as designer clothing, high-end electronics, and

premium automobiles. Customers often associate high prices with better quality, status, and prestige. Therefore, pricing becomes a tool for brand positioning and differentiation.

10. Social and Ethical Objectives

In some cases, firms consider social welfare and ethical responsibilities while setting prices. They may keep prices reasonable to make essential goods and services accessible to a larger section of society. Government regulations and price controls also influence pricing decisions to prevent exploitation of consumers. This objective is particularly important in sectors such as healthcare, education, and public utilities.

4.5 FACTORS INFLUENCING PRICING DECISIONS

The pricing decisions are influenced by many factors. The price policies should be consistent with pricing objectives. The influencing factors for a price decision can be divided into two groups i.e. Internal factors and External factors.

4.5.1 INTERNAL FACTORS

1. Organisational factors: Pricing decisions occur on two levels in the organisation. Over all price strategy is dealt with by top executives. They determine the basic ranges that the product falls into in terms of market segments. The actual mechanics of pricing are dealt with at lower levels in the firm and focus on individual product strategies.

2. Marketing Mix: Marketing experts view price as only one of the many important elements of the marketing mix. A shift in any one of the elements has an immediate effect on the other three i.e. production, promotion and distribution. In some industries, a firm may use prices as a deliberate strategy to build a high prestige product line. In either cases, the effort will not succeed unless the price change is combined with a total marketing strategy that supports its.

3. Product Differentiation: The price of the product also depends upon the characteristics of the product. In order to attract the customers, different characteristics are added to the product such as quality, size, colour, attractive package, etc. Generally, customers pay more price for the product which is of the new style, fashion, better package etc.

4. Cost of the Product: Cost and Price of a product are closely related. The most important factor is the cost of production. In deciding to market a product, a firm may try to decide what prices are realistic, considering current demand and competition in the market. The product ultimately goes to the public and their capacity to pay will fix the cost, otherwise the product would be flapped in the market.

5. Objectives of the Firm: A firm may have various objectives and pricing contributes its share in achieving such goals. Firms may pursue a variety of value oriented objectives such as maximizing sales revenue, maximizing market share, maximizing customer volume etc. Pricing policy should be established only after proper considerations of the objectives of the firm.

4.5.2 EXTERNAL FACTORS

1. Demand: The market demand for a product or service obviously has a big impact on pricing. Since, demand is affected by factors like, number and size of competitors, the prospective buyers, their capacity and willingness to pay etc. A firm can determine the expected price in a few test markets by trying different prices in different market and comparing the results with the controlled market in which price is not altered.

2. Competition: Competitive conditions affect the pricing decisions. Competition is a crucial factor in price determination. A firm can fix the price equal to or lower than that of the competitors, provided that the quality of the product in no case be lower than that of the competitor.

3. Suppliers: Suppliers of raw materials and other goods can have a significant effect on the price of the product. If the price of cotton goes up, the increase is passed on by suppliers to manufacturers. Manufacturers in turn, pass it on to consumers. Sometimes, however, when a manufacturer appears to be making large profits on a particular product, suppliers will attempt to cash in on the profits by charging more for their supplies. Scarcity or abundance of the raw materials also determines pricing.

4. Economic Conditions: The inflationary or deflationary tendency affects pricing. In recession period, the prices are reduced to a sizeable extent to maintain the level of turnover. On the other hand, the prices are increased in boom period to cover the increasing cost of production and distribution.

5. Buyers: The various consumers and businesses that buy a company's products or services may have an influence in the pricing decisions. Their nature and behaviour for the purchase of a particular product, brand or service etc affect pricing when their number is large.

6. Government: Price discretion is also affected by the price control by the government through enactment of legislation, when it is thought proper to arrest the inflationary trend in price of certain products. The prices cannot be fixed higher, as government keeps a close watch on pricing in the private sector.

4.6 KINDS OF PRICING

1. Psychological Pricing: Many consumers use the price as an indicator of quality. Costs and other factors are important in pricing. Certain people prefer high priced products, considered to be of high quality. Costly items like diamond, jewellery reveals the status of the persons who wear them. They demand highly priced items.

2. Customary Pricing: Customers expect a particular price to be charged for certain products. The prices are fixed to suit local conditions. The customers are familiar with the rates and market condition. Manufacturers cannot control the price. Such products are typically a standardized one. Certain business people reduce the size of the product, if the cost of manufacturing increases.

3. Skimming Pricing: It involves a high introductory price in the initial stage to skim the cream of demand. The products, when introduced in the market have a limited period free from other manufacturers. During this period, it aims at profit maximization, according to the favourable market condition. Generally, the price moves downward when competitors enter into the market field.

4. Penetration Pricing: A low price is designed in the initial stage with a view to capture greater market share. That is if the pricing policy is to capture the greater market share, then this is done only by adoption of low prices in the initial stage. Because of the low price, sales volume increases, competition falls down.

5. Geographical Pricing: The distance between the seller and the buyer is considered in geographic pricing. In India, cost of transportation is an important pricing factor, because of the wide geographical distance between the production center and consuming center. The

majority of the producing centers are located in Mumbai, Delhi, Calcutta and Chennai. There are three ways of charging transit.

They are:

a. F.O.B. Pricing: In F.O.B. Pricing, the buyer will have to incur the cost of transit and in F.O.B (destination) the price influences the cost of transit charges.

b. Zone Pricing: Under this, the company divides the market into zones and quotes uniform prices to all buyers who buy within a zone. The prices are not uniform all over India. The price in one zone varies from that of another one. The prices are uniform within a zone. The price quoted is by adding the average of the transport cost.

c. Base Point Pricing: Base point policy is characterized by partial absorption of the transport cost by the company. One or more cities are selected as points from which all shipping charges are calculated.

6. Administered Price: Administered price is defined as the price resulting from managerial decision, and not on the basis of cost, competition, demand etc. But this price is set by the management after considering all relevant factors. There are many similar products manufactured by different firms and more or less the price tends to be uniform. Usually, the administered price remains unaltered for a considerable period of time.

7. Dual Pricing: Under this dual pricing, a producer is required compulsorily to sell a part of his production to the government or to its authorized dealers at a substantially low price. The rest of the product may be sold in the open market at a price fixed by the producer.

8. Mark up Pricing: This method is also known as cost plus pricing. This method is generally adopted by wholesalers and retailers. When they set up the price initially, a certain percentage is added to the cost before marking the price.

9. Price lining: This method of pricing is generally followed by the retailers more than wholesalers. This system consists of selecting a limited number of prices at which the store will sell its merchandise. Pricing decisions are made initially and remain constant for a long period.

10. Negotiated Pricing: It is also known as variable pricing. The price is not fixed. The price to be paid on sale depends upon bargaining. In certain cases, the product may be prepared on

the basis of specification or design by the buyer. In such cases, the price has to be negotiated and then fixed.

11. Competitive Bidding: Big firms or the government calls for competitive bids when they want to purchase certain products or specialized items. The probable expenditure is worked out. Then the offer is made quoting the price, which is also known as contract price. The lowest bidder gets the work.

12. Monopoly Pricing: Monopolistic conditions exist where a product is sold exclusively by one producer or a seller. When a new product moves to the market, its price is monopoly price. There is no competition or no substitute. Monopoly price will maximize the profits, as there is not pricing problems.

13. Odd Pricing: Odd pricing refers to a price ending in an odd number or a price just under a round number. For example, Bata Shoe company, priced one of its product at Rs.99.99. This type of pricing of the products is generally adopted in the case of speciality or convenience goods.

14. Oligopolistic pricing: Oligopoly is a competitive market situation and the presence of a few large sellers, who compete for larger market share. None has control over the price it charges. Any firm may take initiative in fixing the price of a product and others will follow.

4.7 METHODS OF PRICE DETERMINATION (PROCEDURE FOR PRICE DETERMINATION)

There is no specific procedure applicable to all firms for price determination. However, the following steps may be followed to determine the price:

1. Determining the demand for the product: The first step in determining the price of new product is estimating the anticipated demand of the product. However, anticipation of demand for a new product is a difficult task. It can be estimated by considering the following two factors:

a. Estimated Price: Estimated price can be anticipated on the basis of the relative importance of the product to the consumers in their budget estimates.

b. Estimated Demand of the product at different price level: The estimate of demand at different price levels can be fixed on the basis of elasticity of demand of the product. In case

of inelastic demand, the prices may be fixed higher and in case of elastic demand, the prices may be lower.

2. Anticipating Competition: Once the demand is estimated, the next step is anticipating competition. The study of competition can be done in two angles:

- a. Competition from the producers of similar product and
- b. Competition from the substitutes of the product. Reactions and activities of both types of competitors should be made extensively. Estimating the future competitive situation is more important in fields where production of the product can be started with low initial capital and efforts, and the profit margin is quite attractive.

3. Determining Expected Share of Market: The next step is to determine the market share which a company will try to capture. It depends on various factors such as present production capacity, cost of extension programmes, cost of production and competition etc. The market

4. Selecting a Suitable Price Strategy: share should not be fixed beyond the production capacity of the plant. There are various price strategies that can be adopted such as Skimming the cream pricing strategy, low penetration pricing strategy, discouraging potential competitors and follow the competition. Each strategy has its own merits and demerits. Keeping the new business objectives and the relative merits and demerits of various price strategies in mind, a suitable price strategy should be selected.

5. Marketing Policies of the Company: The marketing policies regarding production, channels of distribution, promotion etc should be considered as a next step. The nature of the product, product mix should also be considered. Channels of distribution also influence the price of the product because the distribution expenses and commission payable to various middlemen form part of the total cost. Prices should also be fixed for wholesalers and retailers separately in order to allow a fair return to them.

6. Fixing the Price: Having completed the above steps, the next and final step is fixing the price. While fixing the price for any product, interest of various parties namely producer, middlemen and consumer should be considered. The price should be fixed in such a fashion to give a fair return to the producer, a good profit to the middlemen and a nominal price to the consumers. Consultation with the various departments such as production, finance, marketing etc is also essential while taking any pricing decision.

4.8 PRICING METHODS

Cost, demand and competition are the three primary considerations that influence the method of pricing to be adapted by a manufacturing organization. The broad categories of pricing methods are:

1. Cost Based Pricing

Under cost based pricing methods, pricing may be termed as Cost plus pricing, full cost pricing, target pricing and marginal cost pricing. Under cost plus pricing, the selling price of the product is fixed by adding a fixed margin or mark-up to its cost. Hence, it is also known as mark-up pricing. This method is over simplified. It does not take into consideration the demand condition and the intensity of competition. Under full cost pricing, variable and fixed cost per unit and a profit margin is added to the cost. It is called full cost for adding all costs from each unit sold. It estimates a given volume of production and sales to fix the cost per unit. There is a process of absorption in the form of overhead to include all costs and hence, it is also known as absorption cost pricing. Under target price, price is fixed to fetch a given volume of return. A target amount of return is added to the cost on per unit basis. The target amount is fixed keeping in mind a reasonable return on investment. As the name implies, price is fixed taking into account all the direct variable costs under marginal cost pricing. A portion of fixed cost may be added to the cost while fixing price depending upon the market trend. Thus, marginal cost pricing is flexible and address the demand factor as well. The element of flexibility enables the firm to recover the fixed cost against chosen products on selected customers and can vary the price to suit the demand condition at a given point of time.

2. Demand-based Pricing

Demand based pricing methods include skimming price, penetration price and what the traffic can bear price. Here, price is fixed by adjusting it to the demand condition. A high price is charged when the intensity of demand is high and the low price is charged when the intensity of demand is low. Skimming price refers to a strategy of skimming the market through high price as long as the opportunity exists and subsequently settles down for a lower price. High price is charged in the introductory stage of a product. This strategy works where the price quality perception is high and the customers feel proud in having such a product usually considered as 'High Technology Product'. The firm following or adopting this

strategy reaches break-even point easily and earn maximum profit so long skimming continues. Penetration price is opposed to skimming price and low prices are charged to overcome competition (through price route) in order to attain market share or market penetration. Penetration strategy works in a large competitive market where customer's loyalty towards existing product is more a matter of habit or convenience rather than any specific preference to the product. Penetration strategy is mostly pursued as an entry strategy in an intensive competitive market and where price-quality perception is low. What the traffic car bear is a pricing strategy where the seller fixes the maximum price that the customers are willing to pay for a given product at a given market under the given circumstances. It is a method known for its frequency of adjustments with a possibility of error in judgment and often been opposed by the buyers until the price is lowered to the level what the traffic car really bear.

3. Competition Oriented Pricing

Market is always fierce and competitive and shows no money on price and quality. As such competitor's price is the reference, price around which the price is fixed and the firm avails the option of premium pricing, discount pricing or going rate pricing. Premium price is the price fixed above the competitor's price to avail the benefit of product distinctiveness, if any, and temporary market advantages. Discount price is the price fixed below the competitor's price to snatch customers from competitor's basket to increase market share. Going rate price is the parity that prevails in the market or the price stabilized in the competitive market. It is also known as 'Follow the Crowd'. In oligopoly market, there is no price bar within the industry. Leader's price prevails in the market. It is based on the presumption that all the firms are operating at the same level of efficiency. There is another form of competition oriented pricing is the 'Sealed Bid pricing' which is discussed under tender pricing.

4. Product Line Pricing

When a firm produces group of products related to suitable product lines, product line pricing is followed. In reference to a single line product, price of each related product is not optimally fixed instead optimal price for the product line is fixed. There are number of product line pricing strategies that are mentioned here under with appropriate illustrations. In a restaurant individual items are differently charged but if ordered together in a pack a lower rate is charged for a buffet meal (Thali). Similarly, season ticket for a music or theatre festival is charged less compared to price charged for each day programmes added together.

This price is known as pricebundling. We can experience the same while buying a packet of assorted biscuits or chocolates. This method evens out (equalize) the demand for individual product of a related product line and maximizes the profit. When a firm produces variety of products substitutable one for the other with different features, a premium price is charged for the product positioned at the top being the premium model meant for higher income group of customers. Firms producing ceiling fans or color television charge premium prices for their premium brands. Private educational institutions have also started charging higher fees for their respective flagship programmes.

Where the consumers perceive quality from the price variation of the competing product/brand or model, the firm charges different prices for the different brands of the same product line and it is known as image pricing usually followed in clothes, personal-care products. In the era of relationship marketing, a special price is offered to regular customers buying one of the products of a firm to retain them and to build their loyalty to the products and the firm and this price is known as ‘Captive Price’. Demand generation is the critical task of marketing and for that matter a firm may change a price much lower than the normal price to induce potential customers and once induced customers would buy other products as well to recover the loss and to earn surplus. It is called ‘Loss Leader Price’. Charging a lesser price for a cup of coffee or ice-cream in a retail outlet illustrates the impact of loss tender price. Waiving processing fee while offering bank loan or offering complementary break-fast while booking hotel-room, sharing insurance fee while buying a car are the common examples of complementary pricing strategy followed to generate demand that is why product line pricing is also called product line promotion pricing.

5. Tender Pricing

As already referred tender price is a competition oriented pricing and also known as ‘Sealed-Bid Pricing’. It is followed in a specific job contract or purchase of products or services purchased by government agencies or business houses narrating the details as specifically sought in the quotation. The price is offered in a sealed envelope. The party that offers the least price is usually accepted and the contract is awarded with the conditions laid-down. It is an age old practice in government organizations and the reliability of the party in question is a major consideration besides minimum price.

6. Affordability Pricing

Selection of target customers or target beneficiaries in respect to certain products or services to meet their basic needs is also a consideration while fixing price. It is a price dependent on the affordability of the target beneficiary and independent of costs. It is possible because of government support in the form of subsidy or otherwise under declared policy. This method of pricing is also known as social welfare pricing. Goods falling under public distribution system are priced under this method.

7. Differential Pricing

Depending upon class of customers, market territory, scale of purchase, retail outlet and different prices are charged for the same product and hence called differential pricing.

8. Undefined Pricing Method

Under the prevailing circumstances we are experiencing pricing methods which can't be defined under the methods already discussed. We see cost to cost pricing or substantially discounted pricing or special offer pricing or unique opportunity pricing for selected products for a brief or given period at specific outlet besides off season or pre-festive pricing. Liquidity needs of the firm, stock clearance, withdrawal of the products from the market, change in customer's preferences, pre-empting the arrival of new brands or new technology products are the common arguments forwarded to justify such pricing. Though prohibited under the Competition Act 2002, treating it as an abuse of dominant position, under the recent surge of online marketing predatory pricing in disguise nomenclature is going on in full swing. Predatory pricing under the Act means the sale of goods or provision of services at a price which is below the cost, as may be determined by regulations of production of the goods or provision of services with a view to reduce competition or eliminate the competitors. We also come across the inflection price point or magic price to reach new customer segment and new pricing techniques such as sachets, EMI and pay as you use to capture value.

4.9 PRICE ADAPTATION STRATEGIES OR POLICIES

1. **Promotional Price:** Promotional price is the price charged at the time of introducing a product or launching a service. It is the price-affecting while commencing a new business

or while entering into a virgin market. It is also the concessional price offered to a maiden customer or first-time customer.

2. **Geographical Price:** Geographical pricing a deliberate pricing strategy to floor price differential in geographically isolated market or country. It may be premium price in one market, discounted price in another market and penetration price in a third territory. Company any prefer geographical pricing to utilize production capacity and to derive the benefit of economics of sale and at the same time it may open up at the gate to explore business opportunities in a new horizon.
3. **Discounted Price:** As the name implies, discounted price is the price discounted at variable price to secure cash payment, early payment, given or hire volume of trade and which may also vary from customer to customer, product to product, market to market and season to season as well.
4. **Discriminatory Price:** It is the different price charged for the same product or service at a given point of time. It is done to accommodate different customer segments (students, children, well to do, etc.). In addition to that; customization process, marketing location, preferred time, better ambience and business revelation enable or empower the management to enable the management to discriminate prices.
5. **Product-mix price:** It is the price of a product, where the product is part of a product-mix. Being adapted strategically to accommodate a variety of considerations that are differently termed in the name of price bundling, premium pricing, image pricing, loss-leader pricing, captive pricing ,etc.

4.10 CHANNEL LEVEL AND CHANNEL SELECTION

Given the intermediaries and the distribution channel shortlisted above, the decisions are to be taken on channel levels and the selection of distribution channel. Channel levels refer to channel members and their specific role to discharge. Channel level varies from zero to one, two, three or more levels engaged in distribution. Channel level is zero when the manufacturer reaches the customers directly. It is mostly found in industrial product, capital equipment and project marketing. Channel level is one where the manufacturer or service provider avails the service of single intermediary to reach customers as in the case of entertainment or service industry. Likewise, channel level becomes two or three where the manufacturer engages the service of two or three intermediaries respectively. In case of durable products, the channel level may be two where manufacturers reach customers through dealers and retailers. In case of fast moving consumer goods, manufacturers reach

customers through distributor, wholesaler and retailers and thereby channel level becomes three and the process may continue depending upon the channel network designed by the concerned manufacturer.

The factors determining the length of the channel are as follows .

- 1. Market Size:** Larger the size of the market, longer would be the length of the channel. The manufacturer can economise the cost serving the market indirectly through large number of channels and conversely if the market size is small, smaller would be the length of the channel.
- 2. Quantum of order lot:** The channel length is longer where the average quantum of order lot size is small. If the quantum of order lot is large, the manufacturer prefers direct delivery. . Service
- 3. Intensity and frequency:** Products demand high intensity of service and also require the same at regular frequency, it is better to have a single channel.
- 4. Product Range:** Manufacturers producing large number of products and the customers are also buying in combination of number of products, all products are to be made available in all outlets through longer channels. Selection of distribution channel is also a very crucial consideration and the manufacturers are to take appropriate decision. Success and failure of a company is dependent on channel selection to a large extent in the context of present day demanding and ever changing buying behavior.

While selecting the appropriate channel, the following factors are considered.

- 1. Nature of Market:** Nature of market or market characteristics include number of buyers and their location, size and the frequency of buying, buying habits, shopping behavior, level of service demanded by the customers, customers attitude, expectation level and the comfortable marketing environment. All these factors together primarily influence distribution channel decision
- 2. Product Feature:** Product feature or distinctiveness influences distribution decision. It includes size of the products, durability or perishability of the product, style and shape of the product, standardization or customization of the product, technical nature and the age of the product, perceived value and the unit value of the product, perceived risk and the need of protection of the product and the desire for brand value and image of the product.

- 3. Ability of the Company:** Financial resources, manufacturing capacity, managerial ability, control over the market, market standing are the key considerations that influence distribution channel decision. Company's philosophy, desired missions and objectives, consideration of both short term and long term goals also play a role in determining distribution channel decision.
- 4. Level of Competition:** If the level of competition is too high, no company will assume the risk to deviate from the existing channel. An intensive distribution strategy is usually preferred to reach all the customers in a highly competitive environment. In case of a new product or high technology product, the company may adopt exclusive distribution strategy to buy the complete attention of the intermediary.
- 5. Middlemen's Ability:** The availability and the service rendering capacity of the middleman influence distribution decision. Service aptitude, financial capacity, credit standing, promotional ability, negotiation skill, storage capacity and the ability to influence people in the market are the basic considerations that influence distribution channel decision

4.11 MARKETING CHANNEL FUNCTIONS

Marketing channel serves many functions, including creating utility and facilitating exchange efficiencies. Functions performed are:

1. Providing information about the market to the manufacturer.
2. Maintaining price stability in the market.
3. Promoting the products in market territories.
4. Financing manufacturers operation by providing advances for goods and services.
5. Assuming title to the goods diffuses risk.
6. Help in production function leaving the manufacturer from marketing problem.
7. Matching demand and supply.
8. Contributing in pricing the product through suggestions being close to the ultimate users.
9. Standardizing transaction in terms of price, quantity, method of payment etc.
10. Matching buyers and sellers needs.

11. Assisting in merchandising, promotion and pre and after sale service.

12. Assisting in innovation and diffusion of new products.

13. Providing feedback and developing sales plan.

4.12 MARKETING CHANNELS CHALLENGES

Functions of marketing channels are becoming more and more challenging. Exploring internet and mobile communication technologies, customers are increasingly aware, informed and demand full range of services at a competitive price. As such channels are to function very efficiently and must include complementary services to drive home cost-advantage and profit maxim. Distribution is becoming a bigger challenge today. The reasons for such an increasing challenge can be outlined as under:

- Ever increasing demand in volume intensity and frequency of distribution
- Growing demand for customization and product distinctiveness which require the manufacturer to avail the services of as many experts and intermediaries
- Performing the necessity of last mile delivery and the need to build a winning approach to create a win-win situation for all
- Nonexistence of marketing myth and the overwhelming need for the best quality product and services.

4.13 CHANNEL DESIGN

Channel design is the strategic process that commercial organizations use to balance resources across direct and indirect channels or routes to market. Direct channel typically include field sellers and ecommerce platforms, while indirect channels can include a mix of partners, distributors and market places Channel design decisions are critical because they determine a product's market presence and buyer's accessibility to the product. Channel decisions have additional strategic significance because they entail long term commitments. It is usually easier to change prices or promotions than to change marketing channels. Channel design decisions involving either the development of new marketing channels where none had previously existed or the modification of existing channels.

➤ Important considerations in channel design

- A decision made by the marketer

- The creation or modification of channels
- The active allocation of distribution tasks in an attempt to develop an efficient structure

➤ **Selection of channel members**

· A strategic tool for gaining a differential advantage Anne T. Coughlan and Louis W. Stern suggest that firms would do well to keep in view the following three realities deciding the channel pattern:

1. Firms today face an increasingly demanding consumer.
2. There is the need to go for and manage multiple channels (including electronic ones) to reach the multiple market segments.
3. A strong measure of globalization has taken place in retailing, wholesaling and manufacturing and the firms may have to flow along this reality.

➤ **Eight steps in designing market**

Louis W Stern and Frederick D Sturdivant suggested eight steps in designing market (customer) driven distribution strategy.

- Step 1 Know what customers want
- Step 2 Decide on the outlet
- Step 3 Determine the costs
- Step 4 Bind the ideal
- Step 5 Compare the alternatives
- Step 6 Review assumptions in the light of research
- Step 7 Confront the gap between the ideal and the actual distribution system
- Step 8 Implement changes in the system if required.

➤ **Channel design can be formulated as under:**

- Identification of customers and their need.
- Identification of customer locations
- Roadmap to reach customers
- Selection of channel intermediaries
- Defining the role of all intermediaries selected
- Providing necessary training to all the intermediaries selected

- Laying down the path of channel coordination

Company in terms of cost and resources, intermediaries in terms of ability and reach and the customers in terms of expectations and value received are coordinated and matched together through an ideal channel design

4.14 CHANNEL IMPLEMENTATION

Channel implementation process can be referred as under:

- Recognize the need for channel design decision
- Set and coordinate distribution objectives
- Specify distribution tasks
- Develop alternative channel structure
- Evaluate relevant variables
- Choose the best channel structure
- Select channel members

Channel implementation is the process of completing distribution of goods and services through channel intermediaries. It involves:

- Finalizing channel design
- Appointing channel intermediaries
- Resolving and fixing terms and conditions of intermediaries' appointment
- Preparing working model
- Plugging the nitty-gritty of coordinated operation
- Beginning the process of distribution

4.15 DISTRIBUTION CHANNEL

For manufacturers, it is very important to create a mix of distribution channels that allow for ease of availability for the consumer, i.e., a good marketing mix. Based on the diversity and scope of a manufacturing business or any other business that can be found in the distribution process, the respective business needs to settle on a channel or channels that allow for good sales generation and ease of access for consumers. A distribution channel, in simple terms, is the flow that a good or service follows from production or manufacturing to the final consumer/buyer. The link between producers and the end consumer is normally

intermediaries, such as wholesalers, retailers, or brokers. The intermediaries can be natural persons or businesses.

4.16 PHYSICAL DISTRIBUTION

Creating a customer is a major task of marketing, but delivering the goods to the customer so created is the most critical task. Physical distribution is a marketing activity that concerns the handling and movement of goods. It is a major component of the marketing mix and a major cost area of business. It involves coordination of activities to place the right quantity of the right goods at the desired place and at the right time. Like any other marketing mix component, physical distribution has two broad objectives are Consumer satisfaction and Profit maximization. Physical distribution is not only a cost but also a powerful tool of competitive marketing.

According to Philip Kotler, *“Physical distribution involves planning, implementing and controlling the physical flow of materials and final goods from the point of origin to the point of consumption to meet customer needs at a profit.”*

The difference between physical distribution and channel of distribution

These are two components of the distribution system.

Basis	Physical Distribution	Channel of Distribution
Meaning	Physical distribution refers to the activities involved in the physical movement and storage of goods from producer to consumer.	Channel of distribution refers to the route or path through which goods pass from manufacturer to final consumer.
Nature	It is a broader concept.	It is a narrow concept.
Scope	It includes transportation, warehousing, inventory control, order processing and material handling.	It mainly includes intermediaries like agents, wholesalers and retailers.
Relationship	It includes channel of distribution as one of its components.	It is a part of physical distribution.
Focus	It focuses on movement and storage of goods.	It focuses on transfer of ownership of goods.

Objective	Its objective is to deliver goods at the right time, right place and at minimum cost.	Its objective is to make goods available to customers through intermediaries.
Activities	Concerned with logistics activities.	Concerned with marketing intermediaries.
Importance	Helps in cost control and customer service improvement.	Helps in market coverage and sales expansion.
Example	Transporting goods from factory to warehouse.	Selling goods through wholesaler and retailer network.

4.17 ROLE OR IMPORTANCE OF PHYSICAL DISTRIBUTION SYSTEM

The physical distribution system provides a new orientation for marketing by ensuring that products are not only produced but also delivered to customers efficiently. It plays a vital role in connecting production and consumption by managing the movement, storage, and delivery of goods. An efficient physical distribution system improves customer satisfaction, reduces operational costs, stabilizes prices, and helps organizations gain competitive advantage. The following points explain the importance of physical distribution.

1. Creation of Utilities

Creation of utility means adding value to a product so that it becomes more useful to consumers. Physical distribution plays a major role in creating both place utility and time utility. Transportation creates place utility by moving goods from places where they are produced to places where they are needed. For example, agricultural products produced in rural areas are transported to urban markets where demand exists. Warehousing creates time utility by storing goods until they are required by customers. This ensures that products are available whenever there is demand, even if production is seasonal. Thus, through transportation and storage, physical distribution increases the usefulness and value of products.

2. Improved Consumer Services

Physical distribution helps in improving consumer services by ensuring that the right products reach customers at the right time and at the right place. Customer satisfaction

largely depends on the efficiency of the distribution system. A good distribution system ensures timely delivery of goods, which builds customer trust and reliability. Dependability in supply helps maintain long-term relationships with customers. Effective communication between distributors, retailers, and customers helps in updating order status and handling complaints efficiently. Product availability is also an important factor because customers expect goods to be available whenever they need them. Therefore, an efficient distribution system strengthens customer satisfaction and loyalty.

3. Reduction in Distribution Cost

An effective physical distribution system helps in reducing distribution costs, which form a significant part of the total cost of a product. The final price paid by customers includes both production and distribution costs. These costs can be minimized through proper inventory planning, which avoids excess stock and reduces storage costs. Efficient warehouse location helps reduce transportation expenses and delivery time. Proper transport scheduling ensures optimum utilization of vehicles and reduces fuel and operational costs. Scientific material handling reduces damages and wastage during movement and storage. Efficient order processing also reduces administrative delays and improves operational efficiency. Thus, proper coordination of distribution activities helps organizations reduce costs and improve profitability.

4. Increase in Market Share

Physical distribution also helps firms increase their market share by making products widely available and easily accessible to customers. Companies can adopt decentralized warehousing strategies to serve different markets more efficiently and reduce delivery time. Efficient transport combinations help firms choose the most economical and fastest modes of transportation. Proper inventory planning ensures that adequate stock is available to meet market demand without interruption. Avoiding stock-outs is particularly important because customers may shift to competitors if products are not available when needed. Therefore, an efficient distribution system helps companies attract more customers, improve sales, and strengthen their market position.

5. Price Stabilization

Physical distribution plays an important role in price stabilization by balancing demand and supply. Price fluctuations often occur due to shortages or excess supply of goods. Efficient warehousing helps store surplus goods during periods of low demand and release them during high demand periods, thereby preventing sudden price increases. Efficient transportation helps move goods quickly from surplus regions to deficit regions, reducing regional price differences. Proper inventory management also helps maintain buffer stock to manage unexpected demand changes. Thus, an effective physical distribution system helps maintain price stability, protects consumers from sudden price rises, and ensures steady income for producers.

4.18 LEVELS OF CHANNEL

Channel level refers to the number of intermediaries involved in transferring goods from the manufacturer to the final consumer. The length of the channel depends on factors such as the nature of the product, market size, company policy, and availability of intermediaries. A channel may be direct or indirect depending on whether middlemen are involved. The various levels of channels are explained below.

1. Zero Level Channel (Direct Channel)

A zero level channel is also known as a direct marketing channel because there are no intermediaries involved between the producer and the consumer. In this type of channel, the manufacturer sells goods directly to the final customers through methods such as direct selling, online marketing, company showrooms, or mail order sales. This channel helps the producer maintain better control over pricing, customer relationships, and product quality. It is commonly used in the case of industrial goods and expensive consumer durable goods where personal selling and after-sales service are important. This channel also helps in reducing distribution costs by eliminating middlemen margins.

2. One Level Channel

A one level channel involves one intermediary, usually a retailer, between the producer and the consumer. In this system, the manufacturer sells goods to the retailer, and the retailer sells them to the final consumer. This channel is commonly used for products such as textiles,

footwear, and ready-made garments. Retailers play an important role by providing product assortment, customer service, and convenient access to consumers. This channel is suitable when the number of customers is large but geographically concentrated, making it practical for manufacturers to supply directly to retailers.

3. Two Level Channel

A two level channel includes two intermediaries, typically a wholesaler and a retailer. In this structure, the manufacturer sells goods to the wholesaler, the wholesaler supplies them to retailers, and retailers finally sell to consumers. This channel is widely used for fast-moving consumer goods and other non-durable products where manufacturers cannot directly reach a large number of small retailers. Wholesalers help by purchasing in bulk, breaking bulk into smaller quantities, providing storage facilities, and supplying goods to retailers as needed. This channel helps manufacturers expand their market coverage efficiently.

4. Three Level Channel

A three level channel is the longest indirect channel and involves three intermediaries such as agents, wholesalers, and retailers. In this channel, the manufacturer sells goods through agents who act as representatives. These agents then supply goods to wholesalers, who in turn distribute them to retailers, and finally retailers sell them to consumers. This type of channel is generally used when manufacturers want to enter distant markets or when they lack the financial and managerial resources to manage distribution directly. Although this channel increases market reach, it may also increase distribution costs due to multiple intermediaries.

4.19 FACTORS DETERMINING THE LENGTH OF CHANNEL

The length of a distribution channel depends on various factors related to the market, product, company, and competitive environment. Companies must carefully select the appropriate channel structure because it directly affects cost, market coverage, and customer satisfaction. The important factors determining the length of the channel are explained below.

1. Size of the Market

The size of the market is an important factor in determining the length of the distribution channel. When the market size is large and customers are widely scattered geographically,

companies usually prefer longer distribution channels involving wholesalers and retailers to reach customers effectively. This helps manufacturers cover large areas without directly managing distribution. On the other hand, when the market is small or customers are concentrated in a particular area, companies prefer shorter channels or direct selling because it is easier to manage distribution with fewer intermediaries.

2. Nature of Product

The nature of the product also influences the length of the channel. Perishable goods such as fruits, vegetables, milk, and bakery products require shorter channels because they must reach consumers quickly to avoid spoilage. Durable goods such as furniture, machinery, and appliances can use longer channels because they have a longer life and do not require immediate consumption. Similarly, technical or high-value products often use shorter channels because they require personal selling and after-sales service.

3. Financial Position of Firm

The financial strength of a firm also affects channel decisions. Financially strong companies can afford to establish their own distribution network, warehouses, and retail outlets, allowing them to adopt shorter or direct channels. This helps them maintain better control over pricing and customer relationships. However, firms with limited financial resources often depend on intermediaries such as wholesalers and agents because they cannot invest heavily in distribution infrastructure. This results in longer distribution channels.

4. Availability of Middlemen

The availability and efficiency of intermediaries such as agents, wholesalers, and retailers also determine the length of the channel. If efficient and reliable middlemen are available, companies may prefer longer channels to take advantage of their market knowledge and distribution expertise. However, if suitable intermediaries are not available, companies may adopt shorter channels or direct marketing methods to ensure effective distribution.

5. Competition

The level of competition in the market also influences channel decisions. Companies often study the distribution strategies of their competitors before selecting their own channels. If

competitors use intensive distribution with multiple intermediaries, firms may also adopt similar channels to remain competitive. In highly competitive markets, companies may prefer shorter channels to provide better service and faster delivery to customers. Therefore, competitive pressure plays a significant role in determining channel structure.

6. Company Policy

Company policies regarding control, customer service, and market coverage also affect the choice of distribution channels. Some companies prefer shorter channels to maintain strict control over distribution and brand image. Others may prefer longer channels to achieve wider market coverage and higher sales volume. Policies related to customer service, pricing strategy, and long-term marketing objectives also influence whether a company selects a direct or indirect channel.

4.20 COMPONENTS OF PHYSICAL DISTRIBUTION

Physical distribution consists of various activities that ensure the smooth movement of goods from the place of production to the place of consumption. These components help organizations deliver the right product, at the right place, at the right time, and at the minimum cost. The major components of physical distribution include transportation, warehousing, inventory management, order processing, and material handling.

1. Transportation

Transportation is one of the most important components of physical distribution because it involves the physical movement of goods from the manufacturer to the consumer. It helps in creating place utility by making goods available where they are demanded. Efficient transportation helps in expanding markets, reducing regional price differences, and ensuring continuous supply of goods. The selection of the mode of transport depends on factors such as cost, speed, nature of goods, and distance. Various modes of transportation include roadways, railways, waterways, airways, and pipelines. An efficient transportation system helps reduce delivery time and improves customer satisfaction.

2. Warehousing

Warehousing refers to the storage of goods from the time they are produced until they are sold. It plays an important role in balancing demand and supply by storing goods during periods of low demand and releasing them during periods of high demand. Warehousing creates time utility by ensuring the availability of goods whenever customers need them. It also helps in price stabilization, risk bearing, and continuous production. Different types of warehouses include private warehouses owned by companies, public warehouses available for rent, bonded warehouses used for imported goods, and cooperative warehouses owned by associations.

3. Inventory Management

Inventory management refers to maintaining optimum levels of stock to meet customer demand without overstocking or understocking. Proper inventory management helps avoid stock-outs, reduce carrying costs, and ensure smooth production and distribution. It involves decisions regarding how much to order, when to order, and how much stock to maintain. Scientific inventory techniques help organizations balance customer service and cost efficiency. Effective inventory control ensures that products are available when customers demand them while minimizing storage and capital costs.

4. Order Processing

Order processing is an important distribution activity that begins with receiving a customer order and ends with the delivery of goods. A fast and accurate order processing system improves customer satisfaction and reduces delivery time. It involves activities such as order receipt, order recording, credit verification, inventory checking, packing, invoicing, and dispatching goods. The use of technology in order processing helps improve speed, accuracy, and coordination between departments. Efficient order processing ensures timely execution of customer orders and improves the overall efficiency of the distribution system.

5. Material Handling

Material handling involves the movement of goods within the warehouse, factory, or distribution center. It includes activities such as loading, unloading, packing, and movement of goods from one place to another. Efficient material handling helps reduce product damage, minimize handling costs, and improve operational efficiency. It also helps in the better

utilization of space and labour. Various types of material handling equipment such as conveyors, forklifts, cranes, and pallet trucks are used to improve speed and safety. Proper material handling ensures smooth flow of goods within the distribution system.

4.21 OBJECTIVES OF PHYSICAL DISTRIBUTION

The main objective of physical distribution is to ensure the efficient movement of goods from the point of production to the point of consumption. It aims to provide better customer service at minimum cost while achieving the overall marketing goals of the organization. An effective physical distribution system helps organizations improve operational efficiency, increase sales, and gain a competitive position in the market. The major objectives of physical distribution are explained below.

1. Customer Satisfaction

Customer satisfaction is the primary objective of physical distribution. The success of any distribution system depends on how effectively it meets customer requirements. Customers expect the right product, in the right quantity, at the right place, and at the right time. An efficient distribution system ensures product availability, prompt delivery, and safe handling of goods. When customers receive products without delay or damage, it increases their trust and loyalty towards the company. Thus, physical distribution plays a vital role in improving customer satisfaction and maintaining long-term customer relationships.

2. Cost Reduction

Another important objective of physical distribution is to minimize distribution costs without affecting customer service quality. Distribution costs include transportation, storage, inventory carrying, and order processing costs. Efficient planning of transportation routes, proper warehouse location, scientific inventory management, and effective material handling systems help reduce these costs. Cost reduction helps companies offer products at competitive prices and improves profitability. Therefore, achieving cost efficiency while maintaining service quality is an important objective of physical distribution management.

3. Profit Maximization

Physical distribution contributes to profit maximization by reducing operational costs and increasing sales through better market coverage. Efficient distribution ensures that products are available to customers when needed, which increases sales opportunities. At the same time, cost control in logistics activities improves the profit margin of the firm. By balancing customer service and distribution costs, companies can achieve higher profitability. Thus, physical distribution is not only a support function but also a strategic function that contributes directly to the financial performance of the organization.

4. Timely Delivery

Timely delivery of goods is another key objective of physical distribution. Customers expect prompt delivery of products, and delays can lead to dissatisfaction and loss of goodwill. An efficient distribution system ensures quick order processing, proper inventory management, and effective transportation scheduling to achieve timely delivery. Timely delivery also helps businesses maintain their reputation and reliability in the market. Therefore, ensuring fast and dependable delivery of products is an essential objective of physical distribution.

5. Market Expansion

Physical distribution helps companies expand their markets by making products available in new geographical areas. Efficient transportation and warehousing facilities allow firms to reach distant markets and increase their customer base. By developing an effective distribution network, companies can increase their sales volume and strengthen their market presence. Market expansion also helps companies achieve economies of scale and improve their competitive strength. Thus, distribution plays a key role in business growth and expansion strategies.

6. Competitive Advantage

Achieving competitive advantage is another important objective of physical distribution. Companies can differentiate themselves from competitors through better delivery speed, product availability, and efficient customer service. A strong distribution network can become a major strength of an organization because it is difficult for competitors to replicate. Efficient logistics systems, technology adoption, and effective coordination of distribution

activities help companies gain a competitive edge. Therefore, physical distribution is an important strategic tool for gaining and sustaining competitive advantage.

4.22 CHANNEL POWER

Channel power refers to the ability of one channel member to influence or control the behavior of other members due to its strong market position. Usually, manufacturers exercise more power because they control the product, brand, and supply. Channel power helps in maintaining coordination and ensuring that channel members work towards common objectives. The major types of channel power are explained below.

1. Reward Power

Reward power refers to the ability of a channel member to motivate others by offering incentives or benefits. Manufacturers often provide rewards such as additional discounts, bonuses, special commissions, or foreign trips to dealers who achieve sales targets. Such rewards encourage better performance and strengthen relationships between channel members.

2. Legitimate Power

Legitimate power arises when one channel member believes that another member has a formal right to influence their actions. This power is based on contractual agreements and accepted business practices. For example, dealers may accept the instructions of manufacturers because of formal agreements or established distribution policies. This type of power is based on mutual understanding and acceptance of authority.

3. Expert Power

Expert power arises from the knowledge, skill, and experience of a channel member. A member who has superior market knowledge, technical expertise, or managerial ability can influence others through their competence. For example, a manufacturer with strong product knowledge or market research capability may guide dealers regarding selling strategies. This power is based on trust in expertise rather than authority.

4. Referent Power

Referent power exists when channel members respect, trust, or admire another member and therefore willingly follow their guidance. This usually develops when channel members share common goals and maintain good relationships. Strong brand reputation and goodwill often create referent power. This type of power is based on mutual respect and relationship strength rather than force.

5. Coercive Power

Coercive power refers to the ability of a channel member to influence others through threats or penalties. For example, a manufacturer may threaten to terminate a dealership, reduce supply, or withdraw support if performance expectations are not met. This type of power is generally used as a last resort because excessive use may damage long-term relationships. However, it helps maintain discipline within the channel.

4.23 CHANNEL CONFLICT

According to Philip Kotler “No matter how well channels are designed and managed there will be some conflict, if for no other reason than the interests of independent business entities doesn’t always coincide.” Channel conflict is a situation in which channel partners have to compete against one another or the vendor’s internal sales department. Channel conflict can cost a company and its partner’s money as partners try to undercut one another.

Channel conflict arises when the channel partners such as manufacturer, wholesaler, distributor, retailer etc. compete against each other for the common sale with the same brand. Channel conflict is classified as Vertical Channel Conflict, Horizontal Channel Conflict, and Multi-Channel-level Conflict. Vertical Channel Conflict arises between the different levels in the same channel. The conflict between the manufacturer and the wholesaler regarding price, quantity, marketing activities are the examples of vertical channel conflict. Horizontal Channel Conflict arises between the same levels in the same channel. The conflict between two retailers of the same manufacturer faces disparity in terms of sales target, area coverage; promotional schemes are the examples of horizontal channel conflict. Multichannel Conflict arises between the different market channels participating in the common sale for the same brand. When a firm opts for multiple channels to sell its products in the same market, conflict may arise because of intervention or variation of treatment in terms of price or otherwise.

4.24 CAUSES OF CHANNEL CONFLICT

Channel conflict refers to disagreements or disputes among members of the distribution channel such as manufacturers, wholesalers, retailers, and agents. These conflicts may arise due to financial as well as non-financial reasons. When the objectives, roles, or expectations of channel members differ, conflicts naturally arise. The major causes of channel conflict are explained below.

1. Goal Incompatibility

Goal incompatibility is one of the major causes of channel conflict. Different channel members often have different business objectives. For example, manufacturers usually focus on increasing market share, brand image, and long-term profit maximization. On the other hand, wholesalers and retailers may focus more on increasing sales volume and short-term profits. When these goals do not match, misunderstandings and conflicts may arise between the manufacturer and intermediaries. Therefore, alignment of goals is necessary to avoid such conflicts.

2. Role Ambiguity

Role ambiguity occurs when the roles and responsibilities of channel members are not clearly defined. This often happens in multichannel distribution systems where both the manufacturer's sales force and dealers try to sell to the same customers such as institutional buyers. When there is no clarity about who should sell to whom, conflicts arise. Proper role definition and communication can help reduce such misunderstandings and improve channel coordination.

3. Differences in Perception of the Market

Differences in the perception of market conditions may also lead to channel conflict. For instance, a manufacturer may see strong growth opportunities in the market and introduce new products or appoint new dealers. However, existing dealers may not share the same optimism due to their local market experience. This difference in outlook may create resistance and disagreements. Therefore, proper communication and market information sharing are important to avoid such conflicts.

4. Other Causes

There are also several other operational reasons that lead to channel conflict. These include disputes regarding dealer territory coverage, conflicts between dealer interests and company objectives, price differences based on sales volume, unequal treatment among dealers, and competition among multiple dealers operating in the same market. Performance gaps, where one channel member feels that another is not performing as expected, may also result in conflict. Proper coordination and transparent policies can help minimize such conflicts.

CHAPTER 5- PROMOTION

Eight Elements of the Promotion Mix: Basics of Advertising (5M's), Sales Promotion, Events & Experiences, Public Relations & Publicity, Direct Marketing, Interactive Marketing, Word of Mouth Marketing and Personal Selling, Factors Affecting the Promotion Mix.

5.1 MEANING OF PROMOTION

Promotion refers to all the activities undertaken by a business organization to communicate information about its products or services to customers and persuade them to make a purchase. It is one of the important elements of the marketing mix, along with product, price, and place. Promotion plays a vital role in creating product awareness, attracting customer attention, and influencing buying behaviour. Through promotion, companies inform customers about product features, quality, price, and availability. It also helps in reminding existing customers and attracting new customers. Promotion acts as a communication bridge between the company and its target market by reducing the information gap between producers and consumers. In today's competitive market, effective promotion helps organizations differentiate their products from competitors and build a strong brand image.

5.1.1 Definition of Promotion

Promotion is defined as *the process of informing, persuading and influencing customers to purchase the products of a company.*

Promotion can be defined as the process of informing, persuading, and influencing customers to purchase the products or services of a company. According to marketing experts, promotion includes various communication tools such as advertising, sales promotion, personal selling, and public relations that help organizations achieve their marketing objectives. The main purpose of promotion is not only to increase sales but also to build customer relationships, create brand loyalty, and improve the company's reputation in the market. Thus, promotion is an essential communication strategy that supports business growth and market expansion.

5.1.2 Promotion Mix – Meaning

Promotion mix refers to the combination of different promotional tools used by a company to communicate with customers and promote its products or services. It is an important part of the marketing mix and helps organizations inform, persuade, and remind customers about their offerings. Companies use a suitable mix of promotional methods to achieve marketing objectives such as increasing sales, building brand awareness, and developing customer relationships. In simple terms, promotion mix is the blend of various communication methods like advertising, sales promotion, personal selling, public relations, and direct marketing used by a company to effectively reach its target market. The selection of promotion mix depends on factors such as nature of product, target customers, competition, and budget availability. Promotion mix can be defined as the combination of promotional tools that a company uses to communicate product information and persuade customers to purchase its products.

5.2 EIGHT ELEMENTS OF THE PROMOTION MIX

1. Advertising (Basics – 5 M's of Advertising)

Advertising is a paid form of non-personal communication used by companies to promote their products, services, or ideas through various media such as television, newspapers, radio, and digital platforms. The effectiveness of advertising depends on proper planning which is explained through the 5 M's of advertising: Mission, Money, Message, Media, and Measurement. Mission refers to the objective of advertising such as informing or persuading customers. Money refers to the advertising budget. Message refers to what the company wants to communicate. Media refers to the channels used to deliver the message. Measurement refers to evaluating the effectiveness of the advertisement. Proper advertising helps in brand building and increasing sales.

2. Sales Promotion

Sales promotion refers to short-term incentives offered to encourage customers to purchase products. It includes tools such as discounts, coupons, free samples, contests, cash-back offers, and special price packs. Sales promotion helps in attracting new customers, increasing sales in the short run, and clearing excess inventory. It is often used to support advertising

and personal selling efforts. While advertising builds brand image, sales promotion stimulates immediate purchase decisions.

3. Events and Experiences

Events and experiences involve organizing special programs or activities to promote products and create brand awareness. Companies sponsor events such as trade fairs, exhibitions, sports events, and cultural programs to connect with customers. These activities help customers experience the brand directly and build emotional connections. Experiential marketing creates memorable interactions between the brand and customers, which strengthens brand loyalty.

4. Public Relations and Publicity

Public relations involve building and maintaining a positive image of the company among the public. It includes activities such as press releases, press conferences, community service programs, and corporate social responsibility activities. Publicity refers to unpaid communication about a company or its products through media coverage. Effective public relations help build goodwill, manage corporate reputation, and create trust among customers and stakeholders.

5. Direct Marketing

Direct marketing involves communicating directly with individual customers to obtain an immediate response. It includes methods such as email marketing, telemarketing, catalog marketing, and SMS marketing. Direct marketing helps companies target specific customer groups and measure response rates easily. It also helps build long-term relationships with customers through personalized communication.

6. Interactive Marketing

Interactive marketing refers to online marketing activities where customers can interact with the company through digital platforms such as websites, social media, and mobile applications. It allows two-way communication between the company and customers. Customers can ask questions, give feedback, and share experiences. Interactive marketing improves customer engagement and helps companies understand customer preferences.

7. Word of Mouth Marketing

Word of mouth marketing occurs when customers share their experiences about a product or service with others. It is considered one of the most powerful forms of promotion because people trust recommendations from friends and relatives more than advertisements. Positive customer experiences lead to positive word of mouth, which helps increase sales. Companies often encourage this through referral programs and excellent customer service.

8. Personal Selling

Personal selling involves direct interaction between the salesperson and the customer for the purpose of making a sale. It is a personal form of communication that allows the salesperson to explain product features, answer customer queries, and persuade them to buy. Personal selling is especially important for industrial products and high-value goods. It helps build strong customer relationships and provides immediate feedback to the company.

5.3 ADVERTISING

Advertising is a paid and non-personal form of communication used by companies to promote their products and services through various mass media such as television, newspapers, radio, magazines, websites, and social media. It helps organizations communicate product information to a large number of customers at the same time. The main purpose of advertising is to create awareness, generate interest, develop preference, and motivate customers to purchase products. Advertising also helps in building brand image, introducing new products, supporting sales efforts, and facing competition. Since it is a paid communication, the sponsor of the advertisement is clearly identified. In modern marketing, digital advertising has become very important due to the growth of internet usage.

5.3.1 5 M's of Advertising

The effectiveness of advertising depends on proper planning. The 5 M's of advertising provide a framework for developing an effective advertising program.

- 1. Mission-** Mission refers to the objective or purpose of advertising. The objective may be to inform customers about a new product, persuade customers to switch brands, or remind customers about an existing product. Informative advertising is generally used during the introduction stage, persuasive advertising during the growth and competition stage, and reminder advertising during the maturity stage of the product life cycle.
- 2. Money-**Money refers to the amount of budget allocated for advertising activities. The advertising budget depends on factors such as company size, competition level, stage of product life cycle, and marketing objectives. Firms must carefully decide how much to spend on advertising to ensure cost effectiveness and maximum return on investment.
- 3. Message-**Message refers to what the company wants to communicate to customers. The advertising message should be clear, attractive, meaningful, and persuasive. It should highlight product benefits, quality, price advantage, or unique features. A good message attracts attention, creates interest, develops desire, and leads to action.
- 4. Media-** Media refers to the communication channel used to deliver the advertising message. It may include traditional media such as television, newspapers, and radio, as well as modern digital media such as social media platforms, websites, and mobile applications. Media selection depends on target audience, cost, reach, and nature of the product.
- 5. Measurement-** Measurement refers to evaluating the effectiveness of advertising. Companies assess whether advertising has achieved its objectives by measuring sales growth, customer awareness, brand recall, and customer response. This helps companies improve future advertising strategies.

➤ **Example**

A television advertisement for a new mobile phone showing its advanced features, camera quality, battery life, and price offers is an example of advertising used to attract customers and increase sales.

5.4 SALES PROMOTION

Sales promotion refers to short-term marketing incentives offered by companies to encourage customers to purchase products immediately. It is an important element of the promotion mix used to increase sales in a short period. Unlike advertising which focuses on long-term brand building, sales promotion focuses on immediate sales growth and customer attraction. It helps in introducing new products, clearing excess stock, attracting competitor customers, and encouraging repeat purchases. Sales promotion also supports advertising and personal selling efforts by making the offer more attractive. Companies commonly use sales promotion during festive seasons, special occasions, or during periods of intense competition. Although sales promotion is effective in increasing sales quickly, it should be used carefully because excessive use may reduce the perceived value of the product.

5.4.1 Tools of Sales Promotion

Companies use various sales promotion tools to attract customers and increase product demand.

- 1. Discounts-** Discounts refer to reduction in the normal selling price of a product to attract customers. Price reductions encourage customers to purchase more products and try new brands.
- 2. Coupons-** Coupons are certificates that provide price reductions to customers when purchasing specified products. These are distributed through newspapers, magazines, or digital platforms to increase sales.
- 3. Free Samples-** Free samples are small quantities of products given to customers to try before purchasing. This method is commonly used for food products, cosmetics, and household goods to create product awareness and trial purchase.
- 4. Buy One Get One Free Offers-** This is a popular promotional technique where customers receive an additional product free when they purchase one product. This method increases product movement and attracts price-sensitive customers.
- 5. Contests-** Contests and competitions encourage customer participation by offering prizes. This helps increase customer engagement and brand visibility.

Example -Festival season discount offers provided by retail stores to attract customers and increase sales volume is a good example of sales promotion.

5.5 EVENTS AND EXPERIENCES

Events and experiences are important tools of the promotion mix where companies promote their products and services by organizing or sponsoring programs that allow customers to interact directly with the brand. This type of promotion focuses on creating memorable experiences rather than just communicating product information. Companies organize events such as exhibitions, trade fairs, product launches, road shows, seminars, cultural programs, and sports sponsorships to increase brand awareness and customer engagement. This approach is also known as experiential marketing because it allows customers to see, feel, and sometimes use the product directly. Compared to traditional advertising, events and experiences create stronger emotional connections with customers because they involve direct participation.

- Events and experiences help companies build a strong brand image by associating their products with positive experiences. When customers participate in an event sponsored by a company, they tend to remember the brand for a longer period. This increases brand recall and improves customer loyalty. For example, when companies sponsor educational programs or social awareness campaigns, they create goodwill and improve their corporate reputation. This also helps organizations demonstrate their social responsibility and commitment to community development.
- Another important advantage of events and experiences is that they provide an opportunity for companies to demonstrate product features directly. Customers can physically examine the product, ask questions, and receive live demonstrations. This is particularly useful for technical or high-value products where customers require detailed explanations before purchasing. Product demonstrations during exhibitions and trade fairs help customers better understand product quality, performance, and benefits. Such interactions also help companies collect customer feedback which can be useful for product improvement.
- Events and experiences also help companies target specific customer groups effectively. For example, companies may participate in trade fairs related to their industry to reach business customers, or sponsor college festivals to attract young consumers. This targeted promotion increases the effectiveness of marketing communication and reduces wastage of promotional expenditure. In addition, events provide networking opportunities where companies can build relationships with customers, suppliers, and business partners.

- In modern marketing, companies also use digital events such as webinars, virtual product launches, and online exhibitions to promote their products. With the growth of technology, virtual events have become cost-effective alternatives to physical events. Social media platforms are also used to promote events and share customer experiences through photos, videos, and live streaming. This further increases the reach of promotional activities beyond the physical location of the event.
- Events and experiences also play a significant role in differentiating a company from its competitors. While many companies may advertise similar products, creating unique customer experiences helps a brand stand out in the market. Companies that successfully create positive customer experiences often benefit from word-of-mouth promotion, as satisfied participants share their experiences with others. This indirect promotion further increases the effectiveness of the company's marketing efforts.
- However, organizing events requires proper planning and coordination. Companies must consider factors such as budget, target audience, event objectives, location, and promotional strategy. Measuring the success of events is also important, which can be done through customer participation levels, feedback, sales inquiries, and brand recognition.

Example

Companies sponsoring college cultural festivals, technical symposiums, and sports events to promote their brands is a common example of events and experiences promotion. For instance, a company may set up a product display stall during a college event, distribute free samples, or conduct promotional games to attract students and create brand awareness.

5.6 PUBLIC RELATIONS AND PUBLICITY

Public Relations (PR) is an important element of the promotion mix that focuses on creating and maintaining a favourable image of an organization among customers, investors, employees, and the general public. It involves planned communication efforts to build goodwill, trust, and mutual understanding between the organization and society. Public relations activities include press releases, press conferences, corporate social responsibility programs, sponsorship activities, and community development programs. The main objective of public relations is not immediate sales but long-term reputation building and relationship management.

➤ **Meaning of Public Relations**

Public relations refers to the deliberate and planned effort made by an organization to establish good relationships with the public. It helps organizations maintain a positive corporate image and handle public issues effectively. PR helps organizations communicate their values, policies, and contributions to society. It also plays an important role in managing misunderstandings and maintaining transparency with stakeholders.

➤ **Meaning of Publicity**

Publicity is a component of public relations that involves gaining media coverage without paying for it. It includes news reports, media interviews, press coverage, and online mentions. Since publicity is not paid communication, it is generally considered more reliable and trustworthy by customers. Positive publicity improves brand reputation, while negative publicity may damage the company image. Therefore, companies must carefully manage their communication with media.

➤ **Advantages of Public Relations and Publicity**

One major advantage of public relations is that it helps build credibility and trust among customers. Since publicity appears as news rather than advertisement, it is more believable. Public relations also helps improve corporate image and maintain long-term relationships with stakeholders. It is also cost effective because publicity does not require direct payment like advertising. Additionally, PR helps companies manage crisis situations by providing correct information to the public and protecting the company's reputation.

➤ **Role of Public Relations in Corporate Social Responsibility**

Public relations plays an important role in promoting corporate social responsibility activities. Many companies organize social welfare programs such as environmental awareness campaigns, education support, health camps, and disaster relief programs. These activities improve the company's goodwill and show its concern for society. Such initiatives strengthen customer loyalty and enhance brand image.

➤ **Internal Public Relations**

Public relations is not limited to external communication. It also includes maintaining good relationships with employees. Internal PR activities include staff meetings, training programs, employee welfare schemes, newsletters, and internal communication systems. Good employee relations improve productivity and create a positive organizational culture. Satisfied employees also help promote a positive image of the organization.

➤ **Digital Public Relations**

With the development of technology, public relations has expanded into digital platforms. Companies now manage their reputation through social media, company websites, blogs, and online customer reviews. Organizations actively respond to customer feedback and complaints online to maintain trust. Digital PR also includes influencer marketing and online press releases.

➤ **Example**

Activities such as organizing free medical camps, supporting environmental programs, issuing press releases about company achievements, or receiving positive newspaper coverage are examples of public relations and publicity. For instance, when a company donates relief materials during floods and the media reports it, it creates positive publicity and strengthens the company's image.

5.7 DIRECT MARKETING

Direct marketing is a form of promotion in which companies communicate directly with customers without using intermediaries such as wholesalers or retailers. It is a targeted form of marketing where companies contact individual customers to generate an immediate response and build long-term relationships. Direct marketing uses customer databases and modern communication technologies to send personalized messages. This method helps companies understand customer needs better and provide customized offers. With the growth of digital technology, direct marketing has become an important promotional tool for both small and large organizations.

➤ **Meaning of Direct Marketing**

Direct marketing refers to direct communication between the seller and the buyer to promote products and services and obtain a direct response. It involves contacting customers through emails, phone calls, messages, catalogues, and online platforms. The main objective of direct marketing is to create customer engagement, generate sales, and develop customer loyalty. It is more personalized compared to mass advertising because the message is designed for a specific group of customers.

➤ **Features of Direct Marketing**

Direct marketing has several important features.

- It involves direct communication with customers without middlemen.
- It is highly targeted because companies select customers based on their preferences and buying behaviour.
- It allows immediate feedback because customers can respond quickly.
- It is measurable because companies can track responses and sales generated through campaigns.
- It is also flexible because companies can modify their messages based on customer response.

➤ **Tools of Direct Marketing**

Companies use various tools to implement direct marketing strategies.

1. Email Marketing

Email marketing involves sending promotional messages and product information directly to customers through email. It is cost-effective and allows companies to reach many customers quickly.

2. Telemarketing

Telemarketing involves contacting customers through telephone calls to promote products or services. It allows direct interaction and immediate clarification of customer doubts.

3. SMS Marketing

SMS marketing involves sending promotional text messages to customers' mobile phones. Companies use this method to inform customers about offers, discounts, and new product launches.

4. Direct Mail

Direct mail involves sending printed promotional materials such as brochures, catalogues, and letters directly to customers' addresses. It is commonly used by banks, insurance companies, and educational institutions.

5. Online Marketing

Online marketing includes promotion through company websites, mobile apps, and e-commerce platforms. Companies also use customer databases and analytics to send personalized offers.

➤ Advantages of Direct Marketing

Direct marketing helps companies build direct relationships with customers. It allows personalized communication which increases customer satisfaction. It is cost effective compared to mass advertising. It also provides measurable results because companies can track customer responses. Direct marketing also helps companies maintain customer databases which are useful for future marketing strategies.

➤ Limitations of Direct Marketing

Despite its advantages, direct marketing also has some limitations. Some customers may consider direct marketing messages as unwanted communication. Telemarketing calls may sometimes create customer irritation. Maintaining customer databases requires proper data management and privacy protection. Therefore, companies must use direct marketing carefully and ethically.

➤ Example

Sending promotional emails about special discounts by online shopping companies or SMS alerts from banks about new services are examples of direct marketing. For instance, an e-commerce company sending personalized discount offers to registered customers is a common example of direct marketing.

5.8 INTERACTIVE MARKETING

Interactive marketing is a modern form of promotion where companies communicate with customers through digital platforms that allow two-way communication. Unlike traditional marketing where communication is one-sided, interactive marketing allows customers to respond, give feedback, ask questions, and share their opinions. This type of marketing mainly uses the internet, social media, mobile applications, and websites to create customer engagement. Interactive marketing helps companies build stronger relationships with customers by actively involving them in communication. With the rapid growth of digital technology and smartphone usage, interactive marketing has become an essential promotional tool.

➤ Meaning of Interactive Marketing

Interactive marketing refers to marketing activities that allow direct interaction between companies and customers through digital communication channels. It focuses on customer engagement rather than just information sharing. Companies use interactive marketing to understand customer preferences, solve customer problems, and improve customer satisfaction. This method helps businesses create a customer-centric approach where customer feedback becomes part of marketing strategy.

➤ Features of Interactive Marketing

Interactive marketing has several important characteristics. It allows two-way communication between the company and customers. It provides real-time interaction through comments, chats, and messages. It is highly engaging because customers actively participate in discussions. It is also measurable because companies can track likes, shares, comments, and engagement levels. Interactive marketing is also flexible because companies can quickly modify their promotional strategies based on customer reactions.

➤ Tools of Interactive Marketing

Companies use different digital tools to implement interactive marketing strategies.

1. Social Media Marketing

Social media platforms such as Facebook, Instagram, LinkedIn, and YouTube are widely used for interactive marketing. Companies share product updates, promotional campaigns,

and videos while customers respond through comments and shares. This increases brand visibility and customer engagement.

2. Company Websites

Company websites act as important interactive platforms where customers can get product information, chat with support teams, and provide feedback. Many companies include chatbots to answer customer queries instantly.

3. Mobile Applications

Many companies develop mobile apps to interact with customers. These apps provide notifications about offers, allow easy purchasing, and collect customer preferences.

4. Online Customer Reviews

Customer review platforms allow customers to share their experiences about products and services. Companies monitor these reviews to improve their offerings and maintain customer satisfaction.

5. Influencer Marketing

Companies collaborate with social media influencers who promote products through their digital platforms. Influencers interact with followers and influence their purchase decisions.

➤ Advantages of Interactive Marketing

Interactive marketing helps companies build strong customer relationships. It improves customer satisfaction through quick responses and problem solving. It increases customer engagement and brand loyalty. It is also cost effective compared to traditional advertising. Companies can measure campaign effectiveness through digital analytics. Interactive marketing also helps companies understand changing customer preferences quickly.

➤ Limitations of Interactive Marketing

Interactive marketing also has some challenges. Negative comments on social media may affect brand image. Companies must continuously monitor digital platforms to manage their reputation. Technology dependency and data privacy issues are also important concerns. Therefore, companies must develop proper digital communication strategies.

➤ **Example**

A company promoting its products through Instagram and responding to customer comments, or conducting live product demonstrations on social media platforms is an example of interactive marketing. For instance, companies conducting live question-and-answer sessions about their products on social media platforms demonstrate interactive marketing.

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5.10 FACTORS AFFECTING PROMOTION MIX

Promotion mix refers to the combination of promotional tools such as advertising, sales promotion, personal selling, public relations, and direct marketing used by a company to achieve its marketing objectives. The selection of an appropriate promotion mix depends on several factors such as nature of the product, market conditions, competition, and company resources. Companies must carefully analyze these factors to design an effective promotional strategy. The important factors affecting the promotion mix are explained below.

Nature of the Product

The type of product greatly influences the choice of promotion mix. Consumer goods generally require advertising and sales promotion because they are sold to a large number of customers. Industrial goods, on the other hand, require personal selling because they are technical and expensive. Perishable goods require intensive promotion to ensure quick sales. Thus, product characteristics determine the type of promotional tools used.

1. Nature of the Market

Market characteristics such as size of the market, type of customers, and geographical area influence promotion decisions. If the market is large and widely scattered, advertising becomes more effective. If the market is small and concentrated, personal selling may be

more suitable. Customer characteristics such as income level, education, and buying behaviour also affect promotional strategy.

2. Stage of Product Life Cycle

The stage of the product life cycle also affects the promotion mix. During the introduction stage, companies focus on informative advertising to create awareness. During the growth stage, persuasive advertising is used to face competition. In the maturity stage, sales promotion techniques are used to maintain market share. During the decline stage, promotional efforts may be reduced or modified.

3. Competition

The level of competition in the market influences promotional activities. When competition is intense, companies increase promotional efforts to differentiate their products. Firms may use aggressive advertising, discounts, and special offers to attract customers. Promotion strategies are often designed based on competitor activities.

4. Financial Resources

The financial strength of the company determines how much it can spend on promotion. Large companies with strong financial resources can use extensive advertising campaigns. Small firms with limited budgets may depend more on personal selling and direct marketing. Budget availability therefore plays a major role in deciding the promotion mix.

5. Type of Marketing Strategy

The promotion mix also depends on whether a company follows a push strategy or a pull strategy. In a push strategy, companies promote products through intermediaries using personal selling and trade promotions. In a pull strategy, companies focus on advertising and consumer promotions to create demand among customers who then request the product from retailers.

6. Company Objectives

The promotional objectives of the company also influence the promotion mix. If the objective is to create awareness, advertising is preferred. If the objective is to increase immediate sales,

sales promotion is used. If relationship building is the objective, personal selling and public relations are emphasized.

7. Availability of Media

The availability and cost of media also affect promotion decisions. Companies select media based on reach, cost, and suitability to the target audience. With the growth of digital media, companies increasingly use online platforms for promotion.

Promotion mix is influenced by several important factors such as the nature of the product, characteristics of the market, stage of the product life cycle, level of competition, financial strength of the company, marketing strategy, and company objectives. Every organization must carefully analyze these factors before selecting the appropriate combination of promotional tools. A well-planned promotion mix helps companies communicate effectively with customers, improve brand image, increase sales, and achieve competitive advantage. Therefore, selecting the right promotion mix is essential for the success of marketing strategies and long-term business growth.