INSTITUTE OF DISTANCE AND OPEN LEARNING
UNIVERSITY OF MUMBAI

S.Y.B.Com

SEMESTER - IV (CBCS)

MARKETING MANAGEMENT

SUBJECT CODE: UBCOMFSIV.2.2

Programme Co-ordinator : **Ms. Rajashri Pandit**
Assistant Professor (Economics)
IDOL, University of Mumbai,
Vidyanagari, Santacruz (E), Mumbai.

Course Co-ordinator : **Mr. Sambhaji Shivaji Shinde**
Assistant Professor
IDOL, University of Mumbai,
Vidyanagari, Santacruz (E), Mumbai.

Course Writers : **Mr. Naresh Dattaram Dhanawade**
Assistant Professor
Public Night Degree College, Shikshalay, Aaram Society
Road, Hind Nagar, Santacruz East, Mumbai 400055.

: **Mr. Abhishek Deepnarayan Shukla**
Assistant Professor
Public Night Degree College, Shikshalay, Aaram Society
Road, Hind Nagar, Santacruz East, Mumbai 400055.

: **Ms. Shreya Jha**
Assistant Professor
Reena Mehta College of Arts, Science, Commerce and
Management Studies Bhayandar West, Mumbai 401101.

: **Mr. Mohammed Gaus Ansari**
Assistant Professor
Rizvi college of Arts Science and Commerce, Rizvi
Educational Complex, Bandra West, Mumbai 400050.

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MARKETING MANAGEMENT
S.Y.B.Com, SEMESTER - IV

SYLLABUS

Revised Syllabus of Courses of B.Com. Programme at Semester IV with Effect from the Academic Year 2017-2018

Elective Courses (EC)
Discipline Specific Elective (DSE) Courses

1Ab. Business Management-Marketing Management

Modules at a Glance

Sr. No.	Modules	No. of Lectures
1	Distribution	10
2	Promotion	15
3	Understanding Buyer Behaviour	10
4	Marketing of services and Rural Marketing	10
	Total	**45**

Sr. No.	Modules / Units
1	**Distribution**
	• Types of middlemen • Factors affecting channel by middlemen • Functions performed by middlemen • Logistics : Meaning and components • E-marketing : Meaning, merits and demerits of e-marketing • Online retailing – successful online retailers in India and abroad
2	**Promotion**
	• Elements of promotion mix • Objectives of promotion and marketing communication • Factors affecting promotion mix decisions • Steps in designing a marketing communication program • Role of Social Media in marketing communication
3	**Understanding Buyer Behaviour**
	• Comparing consumer markets (individuals and households) with organizational buyers (Industrial / Business houses) • Factors affecting consumer behaviour • Steps in consumer purchase decision process (with respect to high involvement and low involvement products) • Factors affecting organizational buyer behaviour • Steps in the organizational purchase decision process (with respect to different buying situations)
4	**Marketing of services and Rural Marketing**
	• Services : definition and features • Marketing mix for services marketing • Managing service quality and productivity • Rural market scenario in India • Factors contributing to the growth of rural markets in India • Challenge of Rural Marketing • Strategies to cope with the challenges of rural marketing.

Reference Books:

1. Philip Kotler (2003). Marketing Management : Eleventh Edition. New Delhi : Pearson Education
2. V. S. Ramaswani and S Namakumari (2002). Marketing : Planning, Implementation and Control (3rd Edition) New Delhi, Macmillan India
3. Michael Porter – Competitive Advantage
4. Theodore Levitt – Marketing Management
5. Fundamentals of Marketing – William Stanton
6. Customer Driven Services Management (1999) Response Books

Question Paper Pattern
(Theoretical Courses)

Maximum Marks: 100

Questions to be set: 06

Duration: 03 Hrs.

All Questions are Compulsory Carrying 15 Marks each.

Question No	Particular	Marks
Q-1	Objective Questions M) Sub Questions to be asked 12 and to be answered any 10 N) Sub Questions to be asked 12 and to be answered any 10 (*Multiple choice / True or False / Match the columns/Fill in the blanks)	20 Marks
Q-2 Q-2	Full Length Question ***OR*** Full Length Question	15 Marks 15 Marks
Q-3 Q-3	Full Length Question ***OR*** Full Length Question	15 Marks 15 Marks
Q-4 Q-4	Full Length Question ***OR*** Full Length Question	15 Marks 15 Marks
Q-5 Q-5	Full Length Question ***OR*** Full Length Question	15 Marks 15 Marks
Q-6 Q-6	M) Theory questions N) Theory questions ***OR*** Short Notes To be asked 06 To be answered 04	10 Marks 10 Marks 20 Marks

Note:

Theory question of 15 marks may be divided into two sub questions of 7/8 and 10/5Marks.

Module -1

1

DISTRIBUTION

Unit Structure

1.1 Objectives

After completing this module students will be able to:

- Understand the various distribution channels and function performed by various intermediaries in distribution channel
- Understand the logistics and various components of logistics
- Understand the concept e marketing and how it will helpful for the company to increase its market share.
- Understand the current scenario of Online retailing in comparison with foreign countries.

1.2 Introduction

Customer is king in today's market. Satisfaction of customer is primary motive of every company or manufacture. In order to satisfy the customer in is not only to deliver the quality goods at right price but also it should ensure that customer should get the goods at right time. If customer required the goods of particular brand and it is not available in the market when he want than it will force the customer to move to other brand available in the market. Customer production is centralized at one place but the customer are scattered all over the world. In order to tap the large customers base it in necessary for the company to have strong distribution channel.

1.3 Distribution

1.3.1 Meaning of Distribution

Organization is engaged in producing the various kinds of goods and services, all these goods bring to the knowledge of customer by various promotional activities such as advertising, publicity etc. Just making the people aware about the introduction of new product is not enough it should actually reached the final customer for use. Success of every company is depends upon how fast it make the goods available to its customer for use. Distribution channel of the company plays very important role in this area. There are various intermediaries involve in distribution channel who bring the company closer to the customer. More the intermediaries involve in distribution channel more the cost to the company but should keep in mind that reaching product in the customer hands very fast is necessary. If the company reduces the intermediaries in distribution channel to save the cost of distribution and product does not reach to customer on time than all efforts made by the company by way of promotional activities will become useless as demand increase but lack of supply due to improper distribution channel.

1.3.2 Definition of Distribution Channel

According to Philip Kotler – "Every producer seeks to link together the set of marketing intermediaries is called the marketing Channel also Trade Channel or Channel of Distribution".

According to Mc Carthy – "Any sequence of institution from the producer to the consumer including one or any number of middlemen is called Channel of Distribution".

1.4 Different Types of Intemediaries

There are various intermediaries involved in distribution channel for delivering goods or services from its manufacturer or producer to ultimate customer. Some of the intermediaries explained as follows.

1. **Broker:**
   Broker is type of agent who acts on behalf the principal. He is not in physical possession of goods; he deals as representative either for buyer or seller of goods or services. Brokers are experts in their respective fields and companies find their services really useful in distribution of goods and services.

2. **Wholesaler:**
   Wholesaler is link between producer and retailer. Wholesaler generally buys goods in large quantity from producer or manufactures and sale it to retailer

for further distribution. Wholesaler may take the goods from producer on credit basis and once it sold to retailer they clear their dues.

3. **Retailer:**

   Retailer is act as a link between wholesaler and final consumer. Retailer buys the goods in large quantity from wholesaler and sale in small quantity to the customers. Retailer gives the feedback about customer preference to the wholesale who in turns inform the same to the producer or manufacturer for better product modification.

4. **Sole Selling Agent:**

   Generally well repute firm from the local area is appointed as selling agent for that particular area. Company appoint this sole selling agent who take responsibility of advertised, warehoused and deliver of goods or services in particular area.

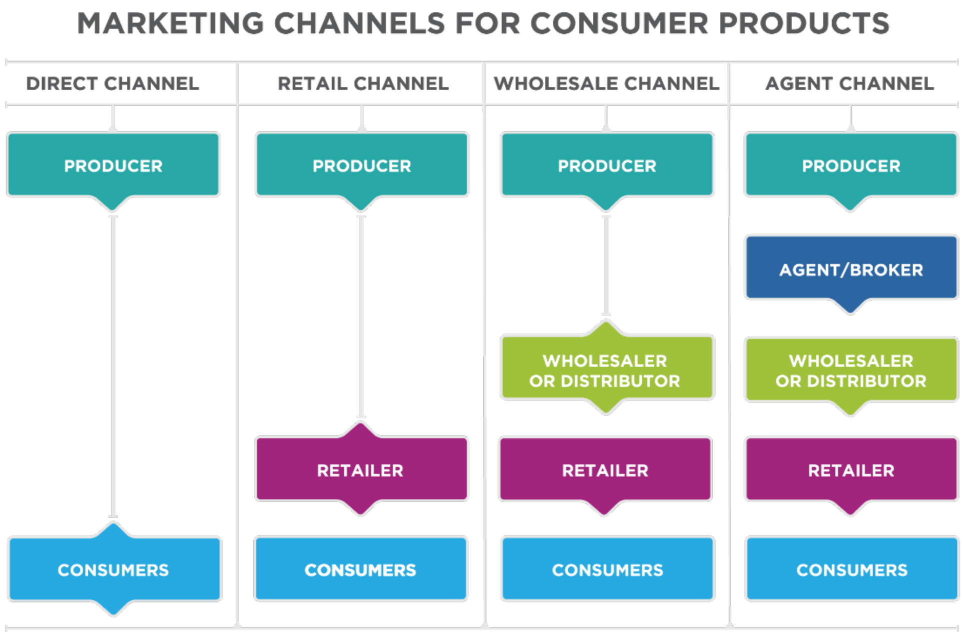
5. **Commission Agent:**

   Some Individuals, firm or companies are acting as buying and selling agent for big manufacturer or producer. They buy and sale the goods on their own account and at own risk of loss. These Individuals, firms and companies generally called Commission Agent.

1.5 Channels Of Distribution

Distribution channels are the path selected by the company to deliver the goods to customer in faster and convenient way. This route between company to customer involve various intermediaries such as wholesaler, retailer etc,

Channels of distribution are classified into four categories.



Channel of distribution 1.

Producer → Consumer

This channel of distribution is also called as Direct channel of distribution. This is simplest and shortest channel of distribution as producer or manufacturer are selling the goods or services directly to the final consumer without the involvement of any intermediaries. This is very cost effective for the companies as company save the cost of commission payable to the middlemen. Manufactures of the goods are in better position to control the distribution process. Producer sold the goods via giving door to door service to customer or via direct mail. Some producer having their own retail shops from where the goods are directly sold to customer. Example: Bata company sale their shoes from their Bata showroom.

Channel of distribution 2

Producer → Retailer → Consumer

This channel of distribution is also called Retail Channel of distribution as only one middleman i.e. Retailer is involve in this distribution channel. In this channel company sell their goods or services to big retailers who do the work of making the goods available to the final end consumer. This channel of distribution is generally used for the distribution of consumer durables. Example Vijay sales

Channel of distribution 3

Producer → Wholesaler → Retailer → Consumer

This is very common and mostly used channel of distribution. In this channel of distribution two intermediaries are involve one is wholesaler and another retailer. In this channel wholesaler purchase the goods in large quantity from the producer and sale to the different retailers. Retailers purchase the goods from this wholesaler and sale the same to the end consumer. This channel helps the company to distribute the goods vary fast across the market and increase its market share. As the number of intermediaries increase it increase the cost of the company but at the same time generate more revenue by increase in sales volume.

Channel of Distribution 4

Producer → Agent → Wholesaler → Retailer → Consumer

In this channel of distribution three intermediaries involved namely agent, wholesaler, and retailer. Here agent take responsibility to distribute the goods to selected wholesale dealer who further distribute the goods to the retailer who in turns make the goods available to ultimate customer. This channel is generally followed for wider distribution of goods and services across the nation.

1.6 Factors Affecting Channels Of Distribution

Selecting suitable channel of distribution for its goods and services is challenging task of every organization. Every company aim is to minimize the cost and maximize the profit. Keeping less number of intermediaries in distribution channel helps the company to achieve the same. There are various factors that company should take into consideration before selecting proper channel of distribution for its goods and services.

A. Product related factor: Various features of the product has to be taken in to consideration before selecting channel of distribution for the product.

   a. Cost of product: If product cost is very high than small channel of distribution is selected. Example: product like jewellery, watches small channel of distribution is selected by company.

   b. Perishable nature: Goods which are perishable in nature will generally deliver by selecting small channel of distribution where as for FMCG product such as soap, shampoo etc, which are produce in bulk quantity will be deliver by using longer distribution channel.

   c. Customized or standardize product: Customized product are made as per customer specification and require direct sales channel for its distribution. Standardize products carry similar characteristic and produce in bulk quantity and require longer channel for its distribution.

   d. Technical nature: Product which are technical in nature generally require channel of distribution which is closure to customer. For example Electronic equipment's and automobile

B. Company related factor: These factors are related to internal environment of the company.

   a. Goodwill: Goodwill of the company also affects the channel of distribution. If the company carries good reputation in the market than it doesn't have to depend upon the intermediaries to increase sale, they can sale their products from their own outlets.

   b. Ambition to control distribution channel :Company which want to control their distribution to reduce the cost and price will generally do not depend upon intermediaries

   c. Financial strength: Those companies which are financially strong enough develop their own channel of distribution, on the other hand financially weak companies has to relay on intermediaries.

C. Market related factor: These factors are related to features of particular target group.

   a. Number of buyers: If the demand for the company's product in the market high, as more number of buyers then company should use services of intermediaries to reach the customer.

   b. Types of buyers: Buyer is generally classified in two categories such as Industrial buyer and General buyer. If number of buyer is higher for general category goods than more intermediaries will be involved. But for Industrial product it requires direct sales approach hence no or less middlemen required.

c. Buying quantity: If the customers are buying goods in small quantity than it is necessary to involve intermediaries for its distribution.

d. Size of market: If the customer of the company is scattered geographically then company need to depend upon middlemen for distribution of its product, in that situation larger distribution channel is selected.

D. Competitive factor: The competition exists in market also affect the choice of distribution channel. Sometime company follows the same channel as followed by competitor. Some company use different distribution strategy than competitor for competitive advantage.

E. Environmental factor: These factors are related with external environment in which company operates.

a. Economic condition: Economic condition exists in market also determine the choice of distribution channel. In case of economic boom when inflation is lower and income is higher, longer channel of distribution is preferred. When country is facing recession situation length of distribution channel is reduce.

b. Legal barriers: Some legal restriction also determines the distribution channel for company. As per MRTP act which restrict company from creating monopoly situation in supply and distribution channel.

c. Competitors' channel: Most of the companies prefer to follow their competitor's approach of distribution channel to avoid risk of high cost of distribution.

d. Fiscal structure: Fiscal structure of the country shows the financial position of the country which reflects economic growth of country. This fiscal structure across the country may changes from time to time and it affects the cost of distribution.

1.7 Functions Performed By Middlemen

1 Feedback

Middlemen are the link between company and the ultimate consumer. They take the feedback about company's product from the customer and pass necessary information to the company for suitable modification into their goods or services. Most of the companies also use the services of the middlemen to get the survey done about company's goods or services. Company also gets the information about competitor's product quality and demand in market from middlemen.

2 Concentration on core area

Middlemen help the producer or manufacture to concentrate on their primary function of manufacturing or producing and take the responsibility of packing, warehousing, distribution, insurance etc. Some middlemen advertise the goods of the company on behalf the company. These services of the middlemen help the company to concentrate on their main area production and increase productivity of the organization.

3 Risk of loss

Neither buyer nor sellers are ready to take the market risk for possible loss of goods during transit or storage. It is the middlemen who take the risk of loss goods in supply chain process. They take the responsibility of loss of goods during transit, risk of theft, perishability and other hazards to the goods.

4 Financial assistance

Middlemen such as bank or other financial institution provide financial assistance to the manufacturer for various working capital and fixed capital requirement.

5 Accumulation

Accumulation is important function performed by the middlemen when they recognize change in demand for the goods across the market. They accumulate the goods during this situation and maintain the price stability in the market.

6 Sorting

Middlemen sort out large heterogeneous products manufactured by big companies into smaller homogeneous unit as per its quality and quantity. The main purpose behind this is to convert the goods of large quantity into the small size which is the need of market across the nation.

7 Promotion

Middlemen offer the promotional services to the company by displaying their products in their outlets or offering special discounted price for particular brands. These middlemen are in direct contact with the customer so they can promote the product of the company to the customer more conveniently.

Test your knowledge

1. Explain the various channel of distribution.
2. What are the functions of intermediaries?

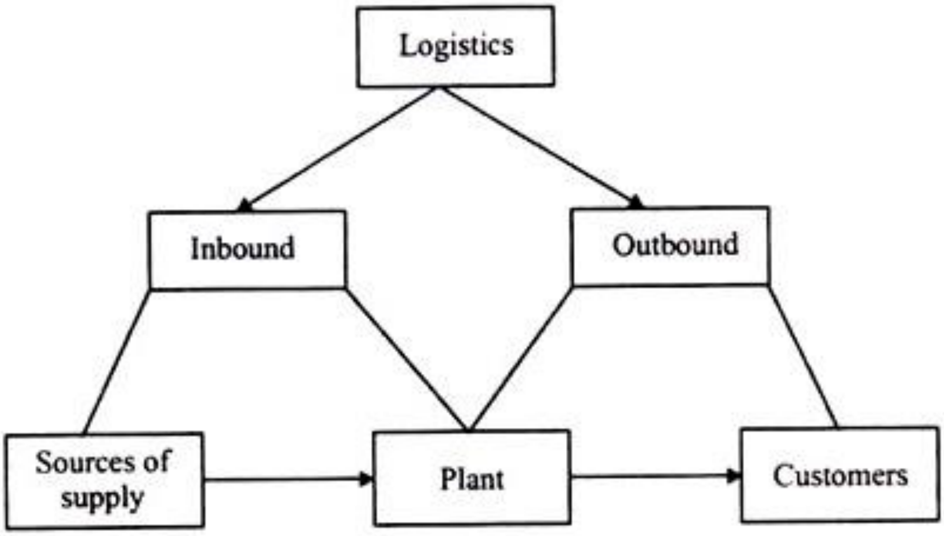
1.8 Logistic

1.8.1 Meaning

Logistic management play very important role in distribution process. It consists of all activities from the point of its origin to the point of consumption. The main purpose of logistic management is to provide timely delivery of goods to the customer for their utmost satisfaction.

According to Phillip Kotler, **"Market logistics involve planning, implementing and controlling physical flow of material and final (finished) goods from the point of origin to the point of use to meet customer requirements, at a profit."**

Logistic activities



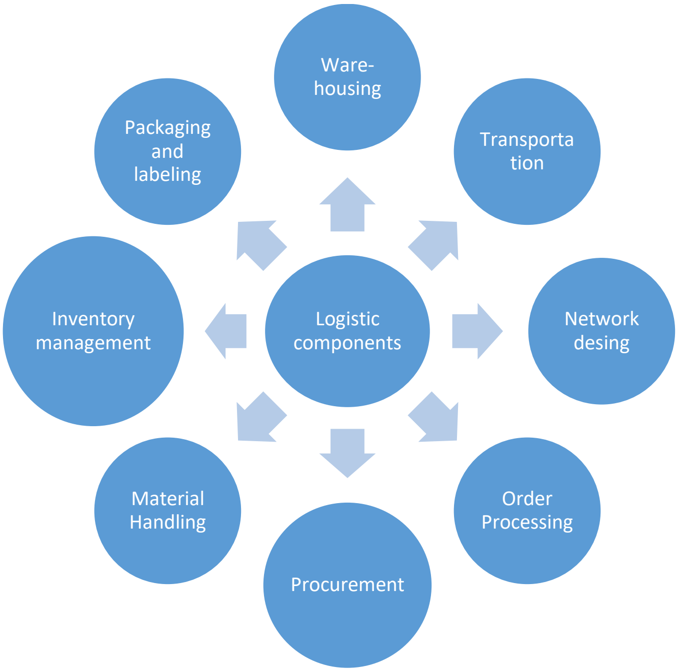
Scope of logistical activities

Logistic activities are broadly classified into two groups

I. Inbound activities: Inbound activities of logistic management deals with effectively procurement of materials and other input from its suppliers to the location where manufacturing activities take place. There is requirement of continuous interaction with the supplier for proper management of inbound activities.

II. Outbound activities: Outbound activities of logistic management also referred as physical distribution or supply chain management. These activities deal with timely delivery of goods or other services from manufacturer or trader to the customer for its final consumption. There is requirement of continuous interaction transporter and various channel of distribution.

1.9 Components Of Logistic Management



Following are the various components of logistic management

1. Network design

The success of logistic management is totally depends upon its network design. This network design is required to know the location and availability of various manufacturing unit, warehouses for storage of goods etc. The efficiency of logistic department is depends upon this strong networking.

2. Order processing

Order processing is very important in logistic management for its fast execution. Order processing includes various activities such as receiving orders, recording of orders, keeping track of orders, handling etc. Management should make sure that there should be minimum time gap between receipt of order and execution of order. If the order gets delay due to any reason it result in to customer dissatisfaction and affect the goodwill of the company.

3. Procurement

There are various activities are involved during procurement of raw materials from its suppliers. It includes finding right supplier, order placement, negotiation, quality inspection, transportation and storage of raw materials etc. Here main purpose of logistic is to provide support to the various manufacturing hub by procuring raw materials at right time when needed and as lowest cost as possible.

4. Material handling

It is very essential to handle the input materials, finished goods and other materials properly in order to minimize the loss arise due to spoilage, breakage etc. Logistic management helps to handle the various materials effectively in and out of the factory premises and reduce the material handling cost and time involved in handling the material.

5. Inventory management

The main objective of inventory management is to see that there should not be overstocking or understocking of raw materials. Every company want to minimize the amount of working capital blocked in inventories due to its overstocking and at the same time avoid the situation of worker lying idle as no work due to non-availability of raw material i.e. understocking. Every management should do the cost benefit analysis of holing the inventory and cost associated with it such as transportation cost, storage cost, insurance cost etc. Logistic management help the management for timely and speedy delivery of material whenever required which will help management to reduce the various cost associated with inventory management.

6. Packaging and labeling

Packaging and labeling are important components of logistic management. Packaging means putting the product into suitable packets or container for its safety. Attractive packing also acts as marketing strategy for the company. Proper packaging helps for easy handling of material during transportation. Labeling is identification mark on the product. Labeling are provides various information about product such as date of manufacture or expiry, various components used in product, weight, price etc.

7. Warehousing:

Warehousing or storage creates time utility. Goods are stored in the warehouse from the time of its production till the time it is required by final consumer. Management has to take the decision about the location of warehouse and number of warehouses required. The decision is based on distance between supply source and location of customer.

8. Transportation:

Transportation is very important components of logistic management. It creates place utility in logistic management. Transportation is essential for movement of finished goods from its manufacture to its ultimate consumer. Transportation is also essential for movement of goods from suppler location to manufacturing hub. Various mode of transportation is available such as roadways, railways, waterways etc. Selection of proper mode of transport is depend upon the various factors such as cost involved in transportation system, speed of transportation , schedule of transportation mode etc.

Test your knowledge

1. What is logistic? Explain logistic activities.
2. Explain the components of logistics management.

1.10 E-Marketing

1.10.1 Meaning

E marketing also called as online or internet marketing which make the use of internet to advertise their goods or services to large number of customer. E marketing means promoting and distributing goods over the internet. Internet penetration has increased a lot in past one decade. As a result of this most of the organization has selected e marketing as one of the better mode to advertise their goods and services.

1.10.2 Advantages of E- marketing

1. **Global reach**

   Internet has made it possible for the company to expand its business in oversea market. With the help of internet company not only able to get customer from local market but also can tap the customer from national as well as international market. It helps organization to increase market share.

2. **Less costly**

   Internet marketing does not more investment. It saves the various cost of company such as Rental expanse, operating expenses etc. Company only has to purchase some amount of data on World Wide Web to operate its website which is not more costly. In internet marketing all process is automated which help company to save inventory management cost, rental cost, and logistic cost.

3. **Available 24x7**

   World Wide Web never sleeps. This is one of the very important features of internet marketing, where the advertisement is in front of target audience at all times. Advertisement is visible to 24 hours and all 7 days in week and 365 days in a year.

4. **Easy to approach target audience**

   Now a days people spend most of their time on internet to search for the product they are interested. By using sophisticated technology such as artificial intelligence it become easy for the company to tap right audience which is not possible in traditional marketing methods.

5. Convenient to customer

Online shopping became very popular in recent years. Various companies started marketing their products online. Customers are getting lot of choice for their products. Customer can compare the price of same product on different shopping website and finally take the decision which not only save the money but also save the time of customer.

6. Easy data collection and evaluation

Data collection related to day to day sale is very essential for the company if the company want to evaluate the performance of its business. In E marketing the data of all customers are easily available which help company to evaluate its performance over the period of time and the timely action whenever required. This personal data of the customer is also beneficial for the company to send reminder to customer about company's product or sending personalized message relating to company's offers and discounts.

7. Bulk message or emails

With the help of internet bulk message or email can be forwarded to various customers in very short period of time and company can reach to more number of customers. When company want to send any personalized information about the product and its features to its customer this will help company to greater extent.

1.10.3 Disadvantages of E-marketing

1. Lack of internet

E marketing is totally depends upon the internet access. It is popular only in the area where internet connection is strong. Till today there are certain remote areas where either internet connection is not available or if available it is very poor. Without internet E marketing has no role to play. It is difficult to tap this customer who stays in this remote area. This is biggest problem of e marketing and there is no solution for this except the availability of strong internet infrastructure all over the country.

2. Lack of touch and feel shopping

In case of E marketing people order the goods online. They can only see the image of the product. Buyer does not get touch and feel experience in online shopping. Quality of the product cannot be seen upfront in online shopping.

3. Not suitable for all product

E marketing is generally used for consumer durable goods. For perishable goods like milk, vegetables it is not suitable. A part from these costlier goods like jewellary, ornaments people have trust on personal shopping rather than online shopping.

4. Negative feedback

Today use of social media such as Facebook, whats app, tweeter etc. has increased a lot. Customers who don't like company's product are immediately post bad comment on social media, which spoil the reputation of the company. Building a good reputation take a lot of time but it with some bad or negative comment it destroyed immediately.

5. Lack of trust

During E marketing transaction customer need to provide personal details such as credit card number, Mobile phone etc. Customer has a fear that their card details may be get hacked and they will looses their money, therefore customer may not like to do online shopping.

6. Cash on delivery

Cash on delivery option in e marketing has somewhere create harudle for the companies to get 100% payment for all the products that are ordered by the customer. Some customers are not available to take delivery and order gets rejected or some customers are not willing take to take delivery and reject the order.

7. Lack of skilled labour

E marketing required skilled labour who can handle all computerized and technical work. Companies find it difficult to get this kind of supporting staff for their work.

8. Less interest on internet

Some customers who do not trust on internet advertisement, they are less interested in internet. E marketing is totally depends upon internet without which it doesn't work.

Test your knowledge

1. Explain the advantages of e marketing
2. Explain the disadvantages of e marketing

1.11 Online Retailing

E commerce has totally changed the way in which business was done in India. Indian E commerce industry showed remarkable growth during the past one decade. Increases in use of smartphone and internet penetration are triggered for the growth of e commerce business in India. Online grocery market in India was USD 1.9 billion in 2019 and it is expected to reach USD 18.2 billion in 2024. Indian E- commerce industry was USD 38.5 billion in 2017 and it is expected to reach up to USD 200 billion by 2026.

Successful online retailer in India and abroad

Amazon Development Centre India Pvt Ltd

This company is simply called as Amazon. It is an American company. It has it's headquarter in Seattle Washington. Amazon is market leader in online retailing worldwide with highest market capitalization. As of September 2021, Amazon market capitalization was 1.767 trillion USD which makes it most valuable internet based company. One of the features of Amazon website is that it allows its customers to write a review about the product which help the other customers to take the prompt decision.

Flipkart Internet Pvt Ltd

Flipkart Internet Pvt Ltd simply referred as Flipkart was established in 2007 by Mr.Sachin Bansal and Binny Bansal. Even if the company is registered in Singapore it has it's headquarter in Bangalore. After the Amazon, Flipkart is very popular among the Indian population for online shopping. It is very popular for grocery shopping as well as for consumer electronics, fashion etc.

Alibaba

Alibaba was founded in 1999 in China. It is leading and internationally recognized company in e commerce market. It is owned by Alibaba Group Holding, a biggest holding company which provided all the things online from e commerce to online retail, internet and technology. It offer various product range from its website such as electric and electronics, home and kitchen , consumer durables etc.

Grofers India Pvt Ltd

This company is leader in online delivery of groceries. It was founded in 2013 by Saurabh Kumar and Albinder Dhindsa. Headquarter of the company is located in Gurgaon, Haryana. The main aim of the company is to deliver grocery items, fruits and vegetables etc. on time to the customers.

Just Dial ltd

This company was founded in 1996 by V.S.S. Mani. The headquartered is located in Mumbai, Maharashtra. It is India's number one local search engine which provides local search related services to all customers across India. Company also offer various 'Search Plus' services to its customers such as online cab booking, order food online, order groceries online etc.

Zomato ltd.

Zomato was founded in 2008 by Deepinder Goyal and Pankaj Chaddah in Gurgaon. The company was incorporated with the name "Foodiebay" in 2008 and later on renamed as Zomato in 2010. It is one of the leading food delivery company whose services is available in more than 24 countries and more than 10,000 cities.

Paytm

Paytm is owned by One97 Communications ltd. It was launched in 2010. It's headquarter located in Noida. Paytm offer various services to its users such as mobile recharge, bill payment, money transfer etc. Paytm started with paytm mall which offer various services similar to Amazon, flipkart. It is among the top ten e commerce companies in India.

1.12 Summary

This module has describe about role of various intermediaries in distribution channel and how effectively marketing and distribution activities can be carried out with the help of middlemen engage in distribution channel.

The increase in internet penetration has emerged the new trend of E marketing. All companies find it is more convenient to deal with goods online as it result into saving of various overhead cost and at the same time offer various benefits to its customers. But as there are benefits of e marketing it suffer from some limitation such as lack of trust of people on online shopping, Fraud or hacking etc.

Logistic management has also got more importance due to e marketing. As people placing order from different parts of the country and delivery of goods to customer on time became a big challenge, logistic management help to come out of this situation.

1.13 Exercise

A. Fill in the blanks with appropriate option.

1. According to the ________"Every producer seeks to link together the set of marketing intermediaries is called the marketing Channel also Trade Channel or Channel of Distribution"

a. AMA

b. Philip Kotler

c. Mark Burgess

d. Armstrong

2. ____________ creates time utility in logistic management.

a. Warehouse

b. Transportation

c. Insurance

d. Banking

3. __________ is link between manufacturer and retailer.

a. Producer

b. Wholesaler

c. Public

d. Customer

4. __________provides various information about product.

a. Packaging
b. Labeling
c. Warehousing
d. Transportation

5. ________________consist of all activities from the point of its ordering to the point of consumption.

a. Competition
b. Marketing
c. Suppliers
d. Logistic

[Answer: 1- (b) Philip Kotlar2- (a) Warehouse 3-(b) Wholesaler 4- (b) Labeling 5-(d) Logistic

B. State whether the following statement is true or false.

1. Goodwill of the company does not affect the channel of distribution of the company.
2. Global reach is one to the disadvantage of E marketing.
3. Direct channel of distribution consist only manufacturer and customer.
4. Just dial is India's No 1 local search engine.
5. E marketing is suitable for all types of product.

(True: 3, 4 False: 1, 2, 5)

C. Match the following.

Table A	Table B
1. E marketing	a. Time utility
2. Inventory management	b. Environment factor of distribution.
3. Economic condition	c. Avoid overstocking or understocking
4. Warehouse	d. Place utility
5. Transportation	e. 24X 7

(Answer: 1- e, 2- c, 3- b, 4-a, 5-d)

D. Answer the following

1. What is logistic? Explain the components of logistic.

2. What are the various factors affecting channel of distribution?

3. Explain the various online retailers in India and abroad.

❖❖❖❖❖

Module -2

2

PROMOTION

Unit Structure

2.1 Objectives

After completing this module students will be able to:

- Understand the promotion mix as marketing mix and its various elements.
- Understand the objectives of promotion in marketing.
- Understand the various factor that affect the promotion mix decision of company.
- Understand the role of emerging social media in marketing communication.

2.2 Introduction

Promotion is a marketing tool, used as a strategy to communicate between the sellers and buyers. Through this, the seller tries to influence and convince the buyers to buy their products or services. It assists in spreading the word about the product or services or company to the people. The company uses this process to improve its public image. This technique of marketing creates an interest in the mind-set of the customers and can also retain them as a loyal customer.

Promotion is a fundamental component of the marketing mix, which has 4 P's: product, price, place, and promotion. It is also an essential element promotional plan or mix, which includes advertising, self and sales promotion, direct marketing publicity, trade shows, events, etc.

Some methods of this procedure contain an offer, coupon discounts, free sample distribution, trial offer, buy two items in the price of one, contest, festival discounts, etc. The promotion of a product is important to help companies improve their sales because customer's reaction towards discounts and offers are impulsive. In other words, promotion is a marketing tool that involves enlightening the customers about the goods and services offered by an organization.

Definitions of Promotion:

- Promotion means "media and non-media marketing pressures applied for a predetermined, limited period of time in order to stimulate trial, increase consumer demand, or improve product quality." – **The American Marketing Association.**
- "Promotion includes all the activities the company undertakes to communicate and promote its products to the target market."-**Philip Kotler.**
- Promotion is the element in an organisation's marketing mix that serves to inform, persuade and remind the market of a product and/or the organisation selling it, in hopes of influencing the recipients' feelings, beliefs or behaviour. - **William J. Stanton**

2.3 Promotion Mix

2.3.1 Meaning of Promotion Mix

- The term 'promotional mix' is used to refer to the combination of different kinds of promotional tools used by a firm to advertise and sell its products. The main promotional tools or activities which make up promotion mix are personal selling, advertising, publicity and sales promotion. These are also known as elements of promotion mix.
- In the modern business world, big business firms cannot depend upon a single promotional tool. They have to make use of all the promotional tools in different degrees depending upon the nature of produce, nature of competition and kinds of customers.
- The marketing manager is supposed to decide about the use of various promotional activities and allocate budget for them, while taking a decision about promotion mix, two factors need adequate consideration. Firstly, a combination of promotional activities is to be used because any promotional tool, used alone, may not prove fully effective.

  Secondly, all promotional tools are not of equal importance and their importance may change with the change in business environment.
- There is no tailor-promotional mix for a firm. Every firm has to design its own promotional mix, i.e., to determine, the various promotional tools to be

used for promoting the sale of its products. The most striking feature of the promotional tools is their cross-substitutability. They represent alternative ways to influence buyers. This substitutability calls for treating various promotional tools in a joint decision framework.

- Promotional strategy is determined by the product market strategy and over-all marketing strategy. Various combinations, types and degrees of personal selling, advertising and other promotional tools are brought together into a promotional mix to develop the promotional strategy. For each component of the promotional mix, management has to set objectives, determine policies and formulate strategies.

2.3.2 Definition of Promotion Mix

- Philip Kotler opines, "A company's total marketing communication mix also called promotion mix consists of specific blends of advertising, personal selling, sales promotion, public relations and direct marketing tools that the company use to pursue its advertising and marketing objectives."
- Gary Armstrong defines promotion mix as, "A company's promotional mix includes advertising, personal selling, sales promotion, public relations, direct marketing. It also includes product design, shape, package, colour, label etc., as all these communicate something to buyer."

2.4 Elements Of Promotion Mix

Elements of Promotion Mix

Following are various element of promotion mix

1. **Advertising**

   The advertising is any paid form of non-personal presentation and promotion of goods and services by the identified sponsor in the exchange of a fee. Through advertising, the marketer tries to build a pull strategy; wherein the customer is instigated to try the product at least once. The complete information along with the attractive graphics of the product or service can be shown to the customers that grab their attention and influences the purchase decision.

2. **Personal Selling**

   This is one of the traditional forms of promotional tool wherein the salesman interacts with the customer directly by visiting them. It is a face to face interaction between the company representative and the customer with the objective to influence the customer to purchase the product or services.

3. **Sales Promotion**

   The sales promotion is the short term incentives given to the customers to have an increased sale for a given period. Generally, the sales promotion schemes are floated in the market at the time of festivals or the end of the season. Discounts, Coupons, Payback offers, Freebies, etc. are some of the sales promotion schemes. With the sales promotion, the company focuses on the increased short-term profits, by attracting both the existing and the new customers.

4. **Public Relations**

   The marketers try to build a favourable image in the market by creating relations with the general public. The companies carry out several public relations campaigns with the objective to have a support of all the people associated with it either directly or indirectly. The public comprises of the customers, employees, suppliers, distributors, shareholders, government and the society as a whole. The publicity is one of the form of public relations that the company may use with the intention to bring newsworthy information to the public. E.g. Large Corporates such as Dabur, L&T, Tata Consultancy, Bharti Enterprises, Services, Unitech and PSU's such as Indian Oil, GAIL, and NTPC have joined hands with Government to clean up their surroundings, build toilets and support the swachh Bharat Mission.

5. **Direct Marketing**

   With the intent of technology, companies reach customers directly without any intermediaries or any paid medium. The e-mails, text messages, Fax, are some of the tools of direct marketing. The companies can send emails and messages to the customers if they need to be informed about the new offerings or the sales promotion schemes.

E.g. The Shoppers stop sends SMS to its members informing about the season end sales and extra benefits to the golden card holders.

Thus, the companies can use any tool of the promotion mix depending on the nature of a product as well as the overall objective of the firm.

2.5 Objectives Of Promotion And Marketing Communication

Objectives of promotion or Marketing communication objectives are long-term goals where marketing campaigns are intended to drive up the value of your brand over time. In contrast to sales promotions, which are short-term inducements to buy, communication goals succeed when you persuade customers through consistent reinforcement that your brand has benefits they want or need.

1. To Increase Awareness

- Increased brand awareness is not only one of the most common marketing communication objectives; it is also typically the first for a new company. When you initially enter the market, you have to let people know your company and products or services exist.
- This might include broadcast commercials or print ads that depict the image of your company and constant repetition of your brand name, slogans and jingles. The whole objective is to become known and memorable.
- Established companies often use a closely related goal of building or maintaining top- of-mind awareness, which means customers think of you first when considering your product category.

2. To Change Attitudes

- Changing company or brand perceptions is another common communication objective. Sometimes, misconceptions develop in the market about your company, products or services.
- Advertising is a way to address them directly. In other cases, negative publicity results because your company is involved in a business scandal or unsettling activities.

3. To Influence Purchase Intent

- A key communication objective is to motivate customers to buy. This is normally done through persuasive advertising, which involves emphasis of your superior benefits to the user, usually relative to competitors. It is critical to strike a chord with the underlying need or want that triggers a customer to act.
- Sports drink commercials showing athletes competing, getting hot and sweaty and then taking a drink afterward are a common approach to drive purchase intent. The ads normally include benefits of the drink related to taste or nutrients.

4. **To stimulate Trial Purchase**

   - Two separate but closely related communication objectives are to stimulate trial use and drive repeat purchases. Free trials or product samples are common techniques to persuade customers to try your product for the first time. The goal is to take away the risk and get the customer to experience your brand.
   - Once you get them on the first purchase, you have to figure out how to convert that into a follow-up purchase. Discounts on the next purchase or frequency programs are ways to turn one-time users into repeat buyers and, ultimately, loyal customers.

5. **To Drive Brand Switching**

   - Another objective closely tied to stimulating trial use is driving brand switching. This is a specific objective of getting customers who buy competing products to switch to your brand. Tide detergent is normally pitted against "other leading brands" in comparative ads intended to motivate brand switching.
   - The advantage with this goal is that customers already buy within your product category. This means need is established. You just need to persuade them that your product or service is superior and induce them to try it out.

Test your knowledge
1. What is promotion? Explain elements of promotion mix.
2. What are the different objectives of promotion and marketing communication?

2.6 Factors Affecting Promotion Mix Decisions

There are many factors which influence promotion mix. These factors are called product-market factors. Main factors influencing promotion mix has been briefly discussed as under:

1. **Type of Product**

   Type of product plays an important role in deciding on promotion mix. Product can be categorized in terms of branded products, non-branded products, necessity products, luxury products, new products, etc. All these types of products need different promotional tools. For example, advertising is suitable for the branded and popular products. Personal selling may be fit for non-branded products. Advertising, personal selling, sales promotion and publicity – all four tools – are used for a newly launched product to get a rapid consumer acceptance.

2. **Use of Product**

Product may be industrial product, consumable and necessity product, or may be luxurious product that affects selection of promotion tools and media. For example, advertising and sales promotion techniques are widely used for consumer goods while personal selling is used for industrial goods.

3. **Complexity of Product**

Product complexity affects selection of promotional tools. Personal selling is more effective for complex, technical, risky, and newly developed products as they need personal explanation and observation. On the other end, advertising is more suitable for simple and easy-handled products.

4. **Purchase Quantity and Frequency**

Company should also consider purchase frequency and purchase quantity while deciding on promotion mix. Generally, for frequently purchase product, advertising is used, and for infrequently purchase product, personal selling and sales promotion are preferred. Personal selling and advertising are used for heavy users and light users respectively.

5. **Fund Available for Market Promotion**

Financial capacity of company is a vital factor affecting promotion mix. Advertising through television, radio, newspapers and magazines is too costly to bear by financially poor companies while personal selling and sales promotion are comparatively cheaper tools. Even, the company may opt for publicity by highlighting certain commercially significant events.

6. **Type of Market**

Types of market or consumer characteristics are determining the form of promotion mix. Education, location, income, personality characteristics, knowledge, bargaining capacity, profession, age, sex, etc., are the important factors that affect company's promotion strategy.

7. **Size of Market**

Naturally, in case of a limited market, personal selling is more effective. When market is wide with a large number of buyers, advertising is preferable. Place is also an important issue. Type of message, language of message, type of sales promotion tools, etc., depend on geographical areas.

8. **Stage of Product Life Cycle**

Product passes through four stages of its life cycle. Each stage poses different threats and opportunities. Each stage needs separate marketing strategies.

Each of the promotional tools has got different degree of suitability with stages of product life cycle. **It can be concluded that, in normal situations:**

a. Advertising, personal selling, and, even, sales promotion are used during the introduction stage. However, advertising is given more priority,

b. More intensive advertising and sales promotional techniques are used during the second stage,

c. More rigorous advertising along with personal selling are followed in the third stage, and

d. Company prefers to curb the expenses in fourth stage, and promotional efforts are reduced.

9. **Level of Competition**

Promotional efforts are designed according to type and intensity of competition. All promotional tools are aimed at protecting company's interest against competition. Level of promotional efforts and selection of promotional tools depend on level of competition.

10. **Promotional Objectives**

It is the prime factor affecting promotional mix. Different objectives can be achieved by using different tools of promotional mix. If company's objective is to inform a large number of buyers, advertising is advisable. If company wants to convince limited consumers, it may go for personal selling. Even, when company wants to influence buyers during specific season or occasion, the sales promotion can be used. Some companies use publicity to create or improve brand image and goodwill in the market.

11. **Other Factors**

Over and above these factors, there are certain minor factors that affect promotion mix.

These factors may include:

a. Price of Product

b. Type of Marketing Channel

c. Degree of Product Differentiation

d. Desire for Market Penetration, etc

The list of factors stated above is not complete. There may be more factors. Promotional strategy should be formulated only after considering the relevant factors. Marketing manager must be aware of these variables. Note that these factors affect different firms in varying degree depending upon its internal and external marketing environment.

2.7 Steps In Designing A Marketing Communication Program

We have observed radical changes in the way communication has evolved over the past decade. From merely passing on a message to catchy jingles, using humour, and subtle ironies to online communication over various social media and other channels, marketing has changed. Brands are looking out for ways to connect with their audiences across the globe.

The solution, **integrated marketing**, combines traditional and modern marketing strategies. It provides us with the best of both the worlds to reach the appropriate stakeholders in the process.

Integrated Marketing Communication (IMC) basically combines various marketing strategies that boost one another. The aim is to have all the channels work in aggregation rather than seclusion.

For instance, a company might be promoting a new product through various media such as print, social media, web along with others. Each media will promote the product in its own way, depending on its capabilities and limitations. But the message that is conveyed and to whom it is conveyed remains the same. After all, it directs the audience in the same direction. Integrated marketing communication ensures that all the correspondence received by a customer or a prospect is relevant. This communication remains consistent over all the communication media. It gives your customers or prospects a seamless experience over all the channels while interacting with your brand.

There are a few primary things to note about IMC

- It is a continuous improvement process. The process includes creating the strategy, implementing it, measuring the results, and improving the process based on the results.
- The aim is to speed up the results, more often than not. This means to improve revenue.
- The process has the customer at the centre and the processes aligned around the customer's needs.
- It can be seen as a modern replacement for the older marketing model.

  You might be surprised at just how many businesses and organizations I talk with that do not have an integrated marketing communications (IMC) strategy in place. From B2B to B2C, large to small, an IMC strategy is as essential as a business plan.

There are typically **six steps** in the IMC planning process. Each one is important in their own right and can be applied to practically any business or organization, no matter the size or industry. While your plan might utilize each marketing communications function differently, the overall idea remains the same.

Below are the major steps to keep in mind when developing your IMC strategy.

Step 1: Know your target audience

As a general rule, there is no "general audience". You always want to communicate with a specific audience to make the most effective use of your resources. Segmenting specific audiences into groups based on characteristics will help you identify who are most likely to purchase or utilize your products and services.

Step 2: Develop a situation analysis

Commonly referred to as a SWOT Analysis, this is basically a structured method of evaluating the internal strengths and weaknesses, and external opportunities and threats that can impact your brand. A situation analysis can provide much insight into both internal and external conditions that can lead to a more effective marketing communications strategy.

Step 3: Determining marketing communication objectives

In this step, you basically want to document what you want to accomplish with your IMC strategy. Objectives should be measurable if you truly want to map your campaign's effectiveness at the end of your plan's term.

Step 4: Determining your budget

Having a realistic idea on what you have to work with is important as it will shape the tactics you develop in the next step. Once you determine your overall budget, you will want to come back to this after completing step five to further refine your budget allocations.

Step 5: Strategies and tactics

Looking back at the objectives you created in step three, you will want to develop strategies which are ideas on how you will accomplish those objectives. Tactics are specific actions on how you plan to execute a strategy.

Step 6: Evaluation and measurement

Almost as important as the plan as a whole, you want to outline a method of how you will evaluate the effectiveness of your IMC strategy. Sometimes elements of your plan will not work. It's important to know what did or didn't, try to understand why, and make note for future planning.

The more focused on how you will utilize your resources for promoting your business, the more you will understand where your money is going and how it's performing. An IMC strategy is important for any business or organization.

Test your knowledge

1. What are various factors affecting promotion mix decision?

2. What are the various steps in development of Integrated Marketing Communication?

2.8 Role of Social Media In Marketing Communication

These days, everyone from small business owners to some of the biggest companies in the world is using social media to spread the word about their brands, products, and services.

Whether it's Twitter, Instagram, or Facebook, companies use these low-cost tools to combine technology and social interaction with the use of words, images, and video. Social media gives marketers a voice and a way to communicate with peers, customers, and potential consumers. It personalizes your brand and helps you to spread your message in a relaxed and conversational way. The downfall of social media, if you could call it that, is that it must be a part of your everyday life to keep the momentum and attention you need for it to be successful.

Social media has been a phenomenon, right from when it was born. With billions of people connected, social media is a potential place for brands and businesses to market their products and/or services. Social media gives business marketers a way to communicate with customers, and to find specific potential consumers. It personalizes the "brand" and helps a business to spread your message in a relaxed and conversational way.

Marketing is a tool you use to inform customers about your products and/or service, who you are and what you offer.

- You can use social media to provide an identity to who you are and the products or services that you offer.
- You can create relationships using social media with people who might not otherwise know about your products or service or what your companies represent.
- You can be more "human" to costumers. If you want people to follow you don't just talk about the latest product news, but share your personality with them.
- You can use social media to communicate and provide the interaction that consumers look for.
- You can use social media to associate yourselves with your customers that may be serving the same target market.

There are a lot of ways social media can affect your business:

- Social media is just one way out of the many ways to promote your business. You cannot just depend on social media; you must integrate it with other vehicles of marketing.
- Be yourself, reflect personality. There are no rules written when it comes to social media, only you can determine what will work for you.
- Be consistent, if you do not plan on being consistent don't do it at all.

The role of social media in your marketing is to use it as a communication tool that makes you accessible to those interested in your product and makes you visible to those that don't know your product. Use it as a tool that creates a personality behind your brand and creates relationships that you otherwise may never gain.

This creates not only repeat-buyers but customer loyalty. Fact is social media is so diversified that it can be used in whatever way best suits the interest and the needs of your business.

With its ability to go viral, traditional advertising techniques that are include print and television advertising, has been slowly overtaken by the internet as the largest advertising market. Websites often include banner or pop-up ads. Social networking sites don't always have ads. In exchange, products have entire pages and are able to interact with users. Television commercials often end with a spokesperson asking viewers to check out the product website for more information. Print ads are also starting to include QR Codes on them. These QR Codes can be scanned by mobile devices and computers, sending viewers to the product's website. Advertising is starting to move viewers from the traditional outlets to the electronic ones.

Social media has created a new way of word-of-mouth marketing. It has taken human nature to share. When someone likes something, he/she can share his/her experience with his/her friends, family, colleagues, and everyone connected in his/her 'shares', 'circle', 'friends', 'fans' and 'followers'. For brands and businesses, social media can be used to target specific customers and create a relationship as "humans".

The role of social media in marketing is to use it as a communication tool that makes you accessible to those interested in your product and/or service and makes you visible to those that don't know your product.

Use it as a tool that creates a personality behind your brand and creates relationships that you otherwise may never gain. This creates not only repeat-buyers but customer loyalty. Fact is social media is so diversified that it can be used in whatever way best suits the interest and the needs of your business.

2.9 Summary

Advertisement and promotion are vital components of the marketing mix. Some of the roles that they play include increasing of awareness among target customers about a company's products and attracting new customers. This chapter has addressed different issues that relate to this component of marketing. Under the scope of marketing communications, the chapter has explained how the communication works process in promotion. For companies that intend to maintain their competitiveness in the market and attract a wide range of customers, it's vital for them to ensure that their promotional strategies are relevant to their target audiences. This chapter has provided an in-depth understanding on the concepts of promotion.

2.10 Exercise

A. Fill in the blanks with the correct alternative given:

1. _________ is a marketing tool, used as a strategy to communicate between the sellers and buyers.
   a. Product
   b. Pace
   c. Promotion
   d. Price

2. Four P's of Marketing Mix Are Product, ________, Place and Promotion.
   a. Price
   b. Pace
   c. People
   d. Packaging

3. ___________is any paid form of non-personal presentation and promotion of goods and services.
   a. Advertising
   b. Personal Selling
   c. Publicity
   d. Direct Marketing

4. Discounts, Coupons, Payback offers, Freebies, etc. are some of ________schemes.
   a. Sales Promotion
   b. Publicity
   c. Personal Selling
   d. Public relations

5. The Company prefers to curb the expenses in ______stage of the product life cycle.
   a. Introduction
   b. Growth
   c. Maturity
   d. Decline

[Answer: 1- (c) Promotion 2- (a) Price 3-(a) Advertising 4- (a) Sales Promotion 5- (d) Decline

B. State whether the following statements are True or False:

1. Promotion is an important element of marketing mix.
2. Personal Selling is one of the traditional forms of promotional tool.
3. The e-mails, text messages, Fax, are some of the tools of Public Relations.
4. Twitter, Instagram, or Facebook are tools of Social Media.
5. The term ‘product mix’ is used to refer to the combination of different kinds of promotional tools.

(True: 1, 2, 4 False: 3, 5)

C. Match the Following:

Group A	**Group B**
1. Second Stage of PLC	a. Relations with the general Public
2. Element of Promotion Mix	b. Facebook
3. Social Media	c. Growth
4. IMC	d. Advertising
5.Public Relations	e. Integrated Marketing Communication

(Ans. 1-c, 2-d, 3-b, 4-e, 5-a)

D. Answer the following.

1. Write a note on promotion as marketing mix.
2. Write a note on Integrated Marketing Communication.
3. Elaborate Role of Social Media in marketing communication.

❖❖❖❖❖

Module -3

3

UNDERSTANDING BUYER BEHAVIOUR

Unit Structure

3.1 Objective

After studying this unit the student will be able to

- Understand concept of consumer markets and organizational buyers
- Describe factors affecting consumer behavior and organizational buyer behavior.
- Know steps in consumer purchase decision process
- Discuss steps in the organizational purchase decision process

3.2 Introduction

Understanding buyer behavior is the crucial to successful business. This chapter attempts to describe the complex buying behavior with respect to individual consumers and industrial buyers with simple examples. The aim of any business is to generate and retain customers, where understanding buyer behavior is an important aspect. Many organization assume that their job is only limited to sell goods and services. Consumer buying behavior is perhaps the area if focused properly, greatest gain can be made.

A consumer market is the set-up that allows customers to pick up products, goods, and services. In a consumer market, the consumer makes choice about what products to buy and in what quantities. Consumer market depends on various factors like level of customer involvement, importance of intensity in a product in a particular situation. Below is a comparison of consumer markets with organizational buyers.

3.3 Comparing Consumer Markets With Organizational Buyers

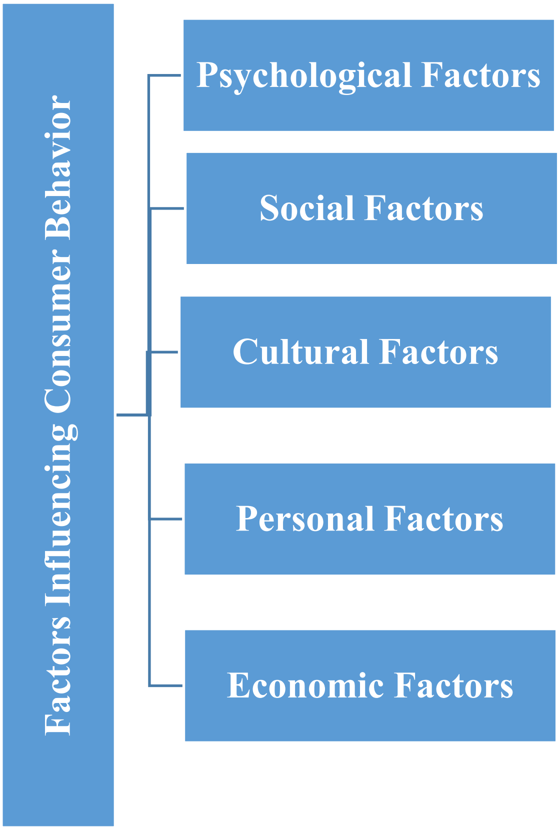
Consumer Buying **(individuals and households)**	**Organizational Buying** **(Industrial / Business houses)**
1. Consumers purchase the goods and services for their personal use.	1. Industrial buyers buy goods and services for operations to exchange, alter its properties or use as input for further processing.
2. Individual consumers don't have the means or knowledge to convert those raw materials to use for consumption purpose. Hence individual consumers are buyers of final goods and services.	2. Organizations purchase more raw materials – such as oil, steel and other items used in manufacturing
3. Consumers make buying decisions based on their awareness, prior experience of products, families, peers and personal preferences.	3. Organizational buying decision based on nature of product, availability of suppliers, management objectives demand forecasting etc.
4. Consumers buying decisions are driven both by need and by want. It is possible to lure a consumer to buy a product or service he does not need through effective marketing or peer pressure. Individuals are accountable for their own spending.	4. Organization buy product as per requirements. Purchasing department is accountable for what it organizational purchases. Organizations generally purchase goods in bulk quantities as compared to individual consumers.
5. Consumers have variety of options in choosing the products they want. For example A consumer may want to buy a chair so people can sit comfortably in his home. He will be able to choose any chair within his budget which he likes.	5. Organizations do not have many choices while making the purchase they have to stick to budget along with various other constraints For example the organization may want to buy office chair for its employees have to consider the budget along with guidelines set by the Occupational Health and Safety Administration availability of suppliers etc.
6. Companies can reach their target customers through demonstrating how their products add to a consumer's life	6. Approaching organizational buyers requires making them understand how your products and services will help

in some way. Whether it makes life easier or more congenial, or both.	their organization benefit them. It is a help them help others approach.
7. Companies marketing to individual consumers do not focus on building personal relationships with each of them. Rather they focus on wholesalers and retailers, providing product training and incentive programs to make sure their distribution partners have the product knowledge and loyalty to provide consumers with class customer service.	7. Organizational buyers, companies assign sales resources or account managers to manage key accounts of purchaser and also convert prospect into organizational buyers. They focus on each customer, understand their requirements and offer a customized solution

3.4 Factors Affecting Consumer Behaviour

Definition: The **Consumer Behavior** is the interpretation of how an individual makes decision with regards to purchase a particular product over the other and what the factors that influence such behavior are.

Factors Influencing Consumer Behavior



Companies aim to be cognizant of the acts of the consumers in the marketplace and the underlying reasons for such actions. These reasons are the factors that influence the consumer behavior. These are:

Psychological Factors:

The human intellect acts an important determinant in deciding the consumer’s preferences and likes or dislikes for a particular product and services. Some of the important psychological factors are: stimulus, perception, attitudes and Beliefs

Social Factors:

We reside in a complex social environment where each one has different buying behaviors however these buying behaviors are with the framework of acceptable norms of the society. Therefore, the social factors impact the buying pattern of an individual largely. Some of the social factors like family, Reference Groups, status etc. determine the buying preferences of the individuals.

Cultural Factors:

It is believed that an individual gain an understanding of the set of values, insight, conduct, and preferences at a very early stage of his life from immediate family, school and the other key institutions which were around during his developmental phase. Thus, the behavioral patterns are developed from the culture where he or she is brought up.

Demographic Factors

There are several demographic factors personal to the individuals that impact their buying decisions. Some of them are: Age, Income, Occupation, Lifestyle etc.

Economic Factors

The last but not the least is the economic factors which have a significant impact on the purchasing decision of an individual. These are: individual Income, Family Income, Consumer Credit, Cash and other liquid assets of the Consumer, Savings.

These are some of the factors that impact the consumer behavior, and the companies must keep these in mind, to formulate suitable strategic marketing decision.

Test your knowledge

1. What is difference between consumer buying and organization buying?
2. What are the various factors affecting consumer buying behavior?

3.5 Steps in Consumer Purchase Decision Process (With Respect to High Involvement and Low Involvement Products)

Consumer involvement is defined as a state of mind that motivates consumers to identify with product/service offerings, their consumption patterns and consumption behavior. Involvement creates within consumers an urge to look for and think about the product/service category and the varying options before making decisions on brand preferences and the final act of purchase. It is the amount of physical and mental effort that a consumer puts into a purchase decision. It creates within a person a level of relevance or personal importance to the product/service offering and this leads to an urge within the former to collect and interpret information for present/future decision making and use. Involvement affects the consumer decision process and the sub processes of information search, information processing, and information transmission.

Involvement of consumers while makes purchase decisions varies across persons, across product/service offerings in question as well as purchase situations and time at hand. Some consumers are more involved in purchase processes than others. For example, a person who has a high level of interest in a product category would expend a lot of time making a decision with regard to the product and the brand. He would compare brands across features, prices etc. Another example is a person who is risk aversive; he would also take a longer time making a decision. Involvement also varies across product/service offerings. Some products are high involvement products; these are products that are high in value and expensive, possess sufficient amount of risk, are purchased infrequently, and once purchased, the action is irrevocable, i.e. they cannot be returned and/or exchanged. On the other hand, there are low involvement products, which are moderately expensive or generally inexpensive, possess little risk and are purchased regularly on a routine basis. Further, such consumer involvement based on their personal traits or on the nature of product/service offering is also impacted by the buying situation and time in hand for making purchase decisions. Very often, due to time constraints or emergency situations, a consumer may expend very little time on the purchase decision and buying activity in spite of the fact that the consumer is highly involved or risk aversive or the product is a high involvement one.

Consumer involvement affects the ways in which consumers seek, process, and transmit information, make purchase decisions and make post purchase evaluation.

Various steps in consumer decision process are as follows:

a) <u>Information search</u>

Highly involved consumers or consumers involved with a product category would actively search for information about the product category and the various alternatives, in contrast to consumers who are low on involvement.

While the former, would be active seekers of information, the latter would be passive recipients. Active seekers would look out to various sources of information and would put in deliberate efforts towards information gathering.

b) <u>Information processing</u>

The information processing activity would vary across high involvement consumers viz low involvement customers. Highly involved consumers would process product information with greater depth; they would make conclusions about brand preferences based on arguments and counterarguments; they would tend to get emotional charged either favorably because of likeability of the brand or unfavorably because of dislike ability of the brand. They would also evaluate more alternatives.

c) <u>Information transmission</u>

Highly involved consumers talk about the product/service category and the various brands available with great ease and level of interest, as compared to consumers who are low on involvement in the product category. Information transmission takes place via word-of-mouth, positive when the brand seems favorable, and negative, when it seems unfavorable.

d) <u>The purchase decision</u>

The purchase decision, i.e. to buy or not to buy, or to buy brand X over Y, is complex for a high involvement consumer than for one on low involvement.

e) <u>Post purchase behavior</u>

Consumers who are high on involvement make post purchase evaluations about product usage more critically than those on low involvement. It is noteworthy that high involvement consumers are more difficult to please and satisfy; and the marketers need to put in a lot of effort to satisfy them. This is because they not only have a bearing on their future purchase, but also on purchase of others who are opinion seekers.

3.6 Factors Affecting Organizational Buyer Behaviour

Organizational buying is a complex process consisting of various factors like organizational structure, the nature of product to be purchased, human interventions etc.

Organizational buyers buy goods and services for operations to resell, modify its properties use as input for further processing.

Below are factors affecting organizational buying behaviour:

A. Nature of goods or services purchased

Organizations usually purchase more inputs – example power, steel, paper wires etc. used in manufacturing operations. Organizations generally purchase goods in bulk as per demand forecasts of organizations.

For example a paper bag making company may buy 1000 tons of paper roll which can be converted into paper bag by a chain of manufacturing activities. The organizational market is concise hence they can procure their inputs from a limited number of organizational suppliers.

B. Customer Relationships

To deal with organizational buyers, companies appoint sales persons or account managers who manage key accounts of customers and convert prospect into organizational buyers. Sales persons work on key account profiles of organizational buyers' individual needs and suggest them with a personal service.

C. Decision Making

Companies have to work with various decision makers and others who influence the purchasing decision in context of organizational buyers. Example purchasing managers may be the main points of contact for sales and marketing teams, the decision-making team may also include key personnel like the technical manager, finance director, production manager or even the CEO if the buying business is making a major capital decision. To serve all organizational decision influencers, companies should contact through the sales team or communicate through advertising, email or public relations activities.

D. Buying Timeline

The time between buying decision of a product or service and the actual purchase may vary depending on the operational requirement. For routine purchases, the time period may be relatively less. The steps involved in organizational buying decision include making an initial decision to purchase, developing production specification, sourcing potential suppliers, examining all prospective suppliers' proposals and rates, checking samples, discussing terms and releasing final purchase order. To keep up relationship with the potential suppliers during the buying process, companies develop communication strategies, arranging meetings ask them for product demonstrations, samples, or emailing any relevant information.

Test your knowledge

1. What are the various steps in consumer purchase decision process?
2. What are the various factors affecting organization buying behavior?

3.7 Steps In The Organizational Purchase Decision Process (With Respect To Different Buying Situations)

The organizational buying process contains eight steps, which are listed in the figure below. Even though these stages similar to those of the consumer buying process, however there are significant differences between these two. These differences have direct impact on the marketing strategy of each. An organizational buying complete step occurs only in the case of a new purchase. For all practical purpose, the organizational buying process is more complex than the consumer buying process.

It is also important to understand that organizational buying decisions are information-concentrated as compared to consumer buying decisions.

1. Problem Identification

The first step is in organizational process recognition of a problem or need which can be satisfied by purchase of good or service. Need or problem urge an individual to purchase the product. Problem identification can be due to internal or external stimuli. Examples of Internal include basic or normal needs like hunger, thirst, sex, or comfort. Examples of external stimuli can be a presentation by a salesperson, an advertisement, information picked up at a trade show, or a new competitive development.

2. General Need Description

Once need is identified, the customers should express it in detail to make sure that marketer understands what kind of goods and services the organization should produce. Organizations can do so by all the product-related concerns of a typical customer.

Marketers can do so by sales presentation, trade advertising, and web sites, content marketing, sales support customers become acquainted with what organizations offer will help to construct consciousness and let potential customers acknowledge what business offer.

3. Product Specification

The next step is product specification. These specifications position with the most important consideration items established earlier. The buyer will try to find the best supplier. Organizational buyers may explore all possible sources of information for example consulting trade directories, publications, trade magazines, contacting sales man, seeking guidance from opinion leaders, peers or colleagues from other companies for recommendations.

Organizations can engage the prospective customers by maintaining well-designed Web sites with useful particulars, Answering all product related queries, sharing samples whenever required, constantly communicating with clients using content marketing strategies Personal selling plays an important role as sales personnel represent about the organization's goals, priorities, and product specifications and provide relevant data to the buyer about the offerings under consideration. Product specification plays a crucial role in case of buying a core product example a paper bag making company plans to buy machinery it will explore all minute details and terms regarding purchase. However in case of small items purchase say gum in depth specification is not required.

4. Supplier Search

Organization will search the supplier on the basis of location suitability. Supplier who is in nearby location will be given priority as it will result into just in time delivery of material for production purpose.

5. Proposal Solicitation

The next step is **Proposal Solicitation**. Suppliers are asked to submit proposals. Depending on the complexity of the product, some suppliers send only single catalog or a sales representative or even detailed proposal outlining what the supplier can offer say product specifications, timing, and pricing credit terms.

6. Supplier Selection

At this step, the organization buyer evaluates the proposals and makes a final choice. An important part of this selection involves evaluate the suppliers under consideration. The supplier selection process constitutes rigorous review of the proposals submitted, as well as consideration of suppliers capabilities, reputation, customer preferences, warranties, and so on.

Depending on complexity and volume of purchases negotiation area may include product quantity, specifications, pricing, timing, delivery, and other terms of sale. Ultimately the organizational buyers finalize their selection and communicate it to the suppliers who submitted proposals.

7. Order-Routine Specification

The organizational buyer writes the closing order with the chosen supplier, listing the technical specifications, the quantity required, the warranty etc. At this stage, the supplier typically works closely with the buyer to manage inventories and deliver on agreement terms.

8. Performance Review

In this final stage, the buyer assesses the supplier's accomplishment and shares feedback. This may be a very simple or a very complex process depending on item purchased

As stated above, the eight-stage buying stage here applies to new tasks, which typically require more complex, involved purchasing decisions. For repurchase and frequent purchases, organizations use only few steps of the process. Some stages may be surpassed completely example procuring from an already identified supplier. Organizations may also take route of e-buying processes, in which an on boarded supplier has been identified to supply a range of standard goods at pre-negotiated rates. For example, a paper bag making organization buying paper rolls of a particular quality at fixed intervals subject to market fluctuations the rates and frequency of purchased follows a fixed pattern.

3.8 Summary

A consumer market is the set-up that allows customers to pick up products, goods, and services. Consumers purchase the goods and services for their personal use. Industrial buyers buy goods and services for operations to exchange, alter its properties or use as input for further processing. There are significant difference between the organizational buying and individual buying.

Consumer purchase is generally short term where they the relationship with seller ends once the transaction is done. However organizational buying process focuses on long term where they build long lasting relationships with suppliers. The factors related to individual purchase include Psychological Factors, Social Factors: like family, Reference Groups, status etc. Cultural Factors, Demographic Factors like Age, Income, Occupation, and Lifestyle etc.

Consumers purchase goods from retailers where business buyers usually purchase goods directly from the manufacturer. Organizational buyers include eight steps for buying 1st time however when making routine purchase organizations may exclude a few steps.

3.9 Exercise

A. Fill in the blanks with appropriate option.

1. ____________ Characterized by high consumer involvement and significant differences between brands.
   a. Complex buying behavior
   b. Dissonance-reducing buying behavior
   c. Habitual buying behavior
   d. Variety-seeking buying behavior

2. Consumers purchase the goods and services for their _________.
   a. Personal use
   b. Industrial use
   c. Selling
   d. Transportation

3. Groceries fall into category of ___________ buying behavior.
   a. Habitual buying behavior
   b. Dissonance-reducing buying behavior.
   c. Complex buying behavior
   d. Variety-seeking buying behavior

4. Reference Groups are part of ___________factors influencing consumer behavior
   a. Psychological Factors
   b. Social Factors
   c. Cultural Factors
   d. Economic Factors

5. The first step in the organizational buying process is ____________.
   a. Problem Recognition
   b. Marketing intermediaries
   c. Suppliers
   d. Service representatives

[Answer: 1- (a) Complex buying behavior2- (a) Personal use 3-(d) Variety-seeking buying behavior4- (b) Social Factors. 5- (a) Problem Recognition

B. State whether the following statement is true or false.

1. A consumer market is the set-up that allows customers to pick up products, goods, and services.
2. Organizations also purchase more raw materials – such as oil, steel and other items used in manufacturing.
3. Organizational buying decisions are driven both by need and by want.
4. For repurchase and frequent purchases, organizations use eight steps of the buying process.
5. Most regularly demonstrated kind of buying behavior is Variety-seeking buying behavior

(True: 1, 2 False: 3, 4, and 5)

C. Match the following.

Table A	Table B
1. Complex buying behavior	a. Consumers perceive significant deviation between brands but are not particularly involved in the purchase.
2.Dissonance-reducingbuying behavior	b. Occurs when item is bought regularly, does not fetch much money, perceived to have few significant differences between brands.
3. Habitual buying behavior	c. Consumers are extremely involved in the purchase, but have trouble determining the differences between brands.
4. Variety-seeking buying behavior	d. Characterized by high consumer involvement and significant differences between brands.
5. Psychological Factors	e. The human intellect acts an important determinant in deciding the consumer's preferences and likes or dislikes for a particular product and services.

(Answer: 1- d, 2- c, 3- b, 4-a, 5-e)

Answer the following

1. Explain Steps in the organizational purchase decision process
2. Write a note on consumer buying behavior.
3. Write a note on organization buying behavior.

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Module - 4

4

MARKETING OF SERVICES AND RURAL MARKETING

Unit Structure

4.1 Objectives

After completing this module students will be able to:

- Understand the meaning of services its definition and characteristics.
- Understand the Marketing mix for services marketing
- Understand the concept Managing service quality and productivity
- Understand the current scenario of rural marketing, various factors contributing to growth of rural marketing, challenges associated with rural marketing and strategies to cope with the challenges of rural marketing.

4.2 Introduction

Service marketing is marketing based on relationship and value. It may be used to market a service or a product. With the increasing prominence of services in the global economy, service marketing has become a subject that needs to be studied separately. Services are intangible, yet provide satisfaction. It is performed not manufactured. The services may or may not be tied to tangible goods. Maintenance and repairs are related to tangible goods, consultancy is not. No ownership passes from seller to buyer in a service. One may have the right to use a hotel room or a railway berth for a period of time, but the ownership of the room or berth remains with the hotel or the railways.

4.3 Services : Definition And Features

Definition of Services

Philip Kotler defines services as “Any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied a physical product.”

Valarie A Zeithaml: defines “Services are deeds, processes and performances provided or co-produced by one entity or person for another entity or person.”

The term ‘services’ cannot be only personal services like auto servicing, hair cutting, beauty parlour, dentist’s services, legal services, consultancy services etc. According to marketing experts and management thinkers, the contents of services are wider.

Features of services

1. **Intangibility**
   In marketing services, intangibility means **the inability of a consumer to preassess the value of using a service**. Unlike a physical product, a service cannot be seen, tasted, felt, heard, or smelled prior to its purchase.

2. **Perishability**
   Services are perishable **because they cannot be stored**. Because of this, it is difficult for service providers to manage anything other than steady demand. When demand increases dramatically, service organizations face the problem of producing enough output to meet customer needs

3. **Inseparability**
   Inseparability (also known as simultaneity) is used in marketing to **describe a key quality of services that distinguishes them from goods**. In other words, services are generated and consumed within the same time frame. Moreover, it is very difficult to separate a service from the service provider. They are inseparable.

4. **Heterogeneity**
   The term heterogeneity describes **the uniqueness of service offerings** (also known as variability). In other words, services are generated, rendered, and consumed at one time. Given that services are heterogeneous, it is essential that each and every customer receive excellent service.

5. **Ownership**
   Ownership **is never transferred in the case of services**. In products, the product is produced first and then it is sold. However in services, the product is bought first and then produced and consumed

6. Quality measurement

The SERVQUAL Instrument measures the five dimensions of Service Quality. These five dimensions are: **tangibility, reliability, responsiveness, assurance and empathy.**

7. Valuation

Services have different valuation depending upon its demand and its quality. For example: Transport buses charges are higher during the holiday season due to high demand.

4.4 Marketing Mix For Services Marketing

The marketing concept dictates that marketing decisions should be based upon customer needs and wants. Buyers purchase goods and services to satisfy their needs and wants. Thus when a buyer engages in a market transaction he perceives a bundle of benefits and satisfactions to be derived from that transaction. However he does not usually divide the market offering into its component parts.

The formulation process of marketing mixes in services markets is much the same as in other types of markets typically this involves:

(a) Separating the offering into its components or sub mixes;

(b) Coordinating the sub mixes into the marketing mix.

Seven elements used in marketing mix for service are as follows:

1. Product

The service product requires consideration of the range of services provided, the quality of services provided and the level of services provided. Attention will also need to be given to matters like the use of branding, warranties and after-sale service.

2. Price

Price considerations include levels of prices, discounts allowances and commissions, terms of payment and credit. Price may also pay a part in differentiating one service from another and therefore the customers perceptions of value obtained from a service and the interaction of price and quality are important considerations in many service price sub mixes.

3. Place

The location of the service providers and their accessibility are important factors in services marketing. Accessibility relates not just to physical accessibility but to other means of communication and contact. Thus the types of distribution channels used (e.g. travel agents) and their coverage is linked to the crucial issue of service accessibility.

4. Promotion

Promotion includes the various methods of communicating with markets whether through advertising, personal selling activities, sales promotion activities and other direct forms of publicity, and indirect forms of communication like public relations.

5. **People**

   All human actors who play a part in service delivery and thus influence the buyer's perceptions: namely, the firm's personnel, the customer, and other customers in the service environment. All of the human actors participating in the delivery of a service provide clues to the customer regarding the nature of the service itself.

6. **Physical evidence**

   An environment in which the services are delivered, and where the firm and customers are interacts and any tangible component that facilitate performance or communication of the service.

7. **Process.**

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

Test your knowledge

1. What are the features of services?
2. Explain the various marketing mix for services.

4.5 Managing Service Quality And Productivity

The term Service Quality is an association of two different words; "service" and quality. Service means "any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything". Quality has come to be recognized as a strategic tool for attaining operational efficiency and better performance of business.

Service quality means the ability of a service provider to satisfy customer in an efficient manner through which he can better the performance of business. In the service sector too quality is an important element for the success of business. It is because of the realization of its positive link with profits, increased market share, customer satisfaction. Several earlier studies and authors pointed out that quality concept in service is different from the concept prevalent in the goods sector. The reasons for such a treatment are inherent features of services like intangibility, inseparability from the provider, heterogeneous etc. Hence there is a distinct frame work for quality explication and measurement.

MEASUREMENT OF SERVICE QUALITY

In the case of tangible goods, quality can be assessed by examining the goods. Quality control can be used to check specifications and reject defective goods. But service quality cannot be assessed in the same way as a tangible product due to particular feature of service such as, intangibility, in separability etc.

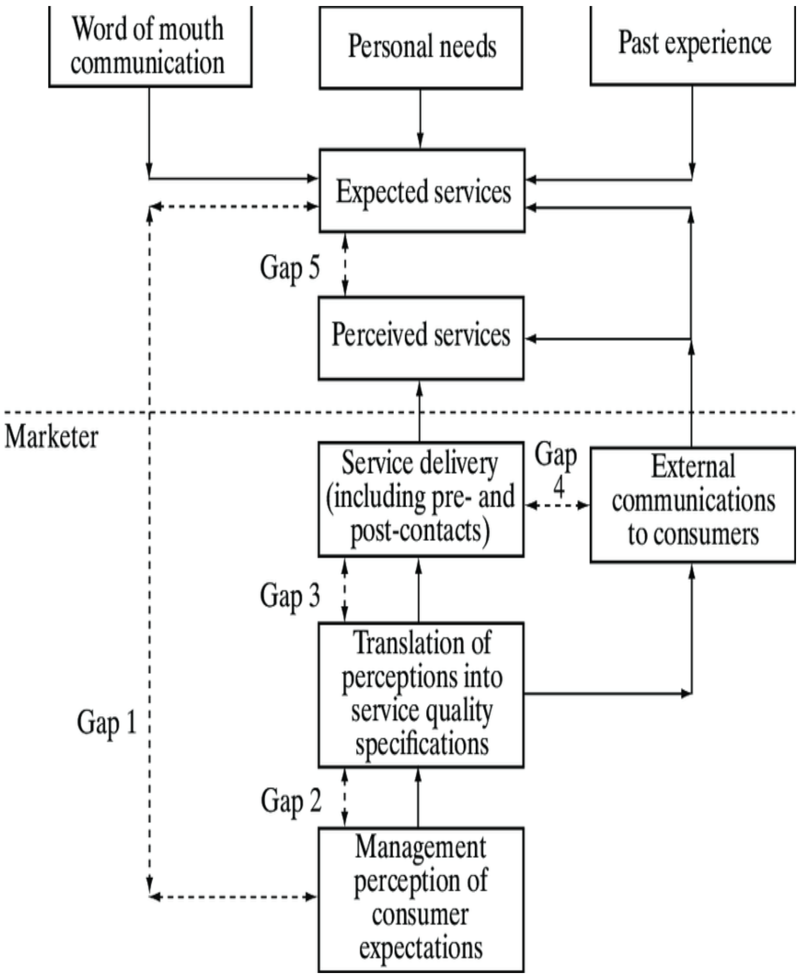
As in the case of goods, the service provider cannot undertake quality check before the service is finally delivered to the customer. In order to assess the service quality the customer judges the expected service quality against the perceived quality when they receive it. There are mainly two methods for measuring service quality viz.

- Gap analysis Service
- Performance measures

<u>Gap analysis</u>

Gap analysis model of service quality was developed by Parasuraman, A. et al. in the year 1985. The model indicated that customer perception of quality was influenced by a series of five distinct gaps. They are mentioned below.

Gap Analysis Model of Service Quality



Gap - 1 - Gap between customer expectation and Management perception. The reasons for this gap are lack of adequate market research and lack of upward communication. This gap can be narrowed by adopting adequate research programs to know customer needs and to improve the communication system. It can be measured by using the SERVQUAL scale and comparing the scores obtained from the management and customers.

Gap - 2 - Gap between Management perception and service quality specification. This gap exists in service firms because of the lack of whole hearted commitment of management to service quality, inadequate service leadership etc. It can be closed by standardizing service delivery process and setting proper organizational goals.

Gap - 3 - Gap between Service quality specification and service delivery. The third gap originates from the discrepancies in the actual service delivery, that is, the service providers or employees do not perform at the level expected by the management. It is because of the ineffective recruitment, lack of proper incentives and motivations etc. This gap can be eliminated by providing the employees with adequate support system, better human resource management system etc.

Gap - 4 - Gap between Service delivery and external communication. The gap between service delivery and external communication occurs due to exaggerated promise or ineffective communication to the customer, which raise customer expectations. This can be narrowed by efficient and effective communication system.

Gap - 5 - Gap between expected quality and perceived quality. This gap exists because of the inequality in the service expectation of customer and his service perception. This can be overcome by identifying, quantifying and monitoring customer expectations and perceptions through the effective use of marketing and marketing research tools.

Service performance measures An alternative to using gap theory methodology for measuring service quality is the service performance measures. The two types of performance measures can be used under this method.

Soft measures of service quality

Soft measures are those that cannot easily be observed and must be collected by talking to customers, employees or others.

1. **Customer satisfaction surveys:** Under this method individual customers or corporate customer may be asked to rate their specific and overall impression of service delivery. For this a questionnaire or interview schedule can be used. Besides this, focus group interviews and other market research techniques can be utilized for this purpose.

2. **Internal performance analysis**: In this method employee surveys are conducted to determine perception of the quality of service delivered to customers on specific dimensions. Also, feedback from quality circles, performance evaluation reports, customer retention levels etc., provides information to monitor quality of services. Hard measures of service quality this method includes those characteristics and activities that can be counted timed or measured through audits.

For Example - Such measures may include waiting time for the pass book to be updated by a bank, time taken to issue a demand draft, delay in clearing and crediting a cheque deposited by the customer etc.

Dimensions of Service Quality

Measuring of service quality relies on the customer's perception and this could be different from the expected service. To determine the gap between services expected and perceived service, several models are used like the SERVQUAL model, RATER model, e-SERVICE QUALITY etc. The main dimensions of service quality determination are as follows:

Dimensions of Service Quality

1. **Reliability**

Reliability is defined as the ability to perform the promised service dependably and accurately. In broad sense reliability means, service firms' promises about delivery, service provisions, problem resolutions and pricing. Customers like to do business with those firms, who keep their promises. So it is an important element in the service quality perception by the customer and his loyalty. Hence the service firms need to be aware of customer expectation of reliability. In the case of banking services, the reliability dimension includes - regularity, attitude towards complaints, keep customers informed, consistency, procedures etc.

2. Responsiveness

Responsiveness is the willingness to help customers and to provide prompt service. This dimension focuses in the attitude and promptness in dealing with customer requests, questions, complaints and problems. It also focuses on punctuality, presence, and professional commitment etc., of the employees or staff. It can be calculated on the length of time customers wait for assistance, answers to questions etc. The conditions of responsiveness can be improved by continuously view the process of service delivery and employee's attitude towards requests of customers.

3. Assurance

The third dimension of service quality is the Assurance dimension. It can be defined as employee's knowledge, courtesy and the ability of the firm and its employees to inspire trust and confidence in their customers. This dimension is important in banking, insurance services because customers feel uncertain about their ability to evaluate outcome. In some situations like insurance, stock broking services firms try to build trust and loyalty between key contact persons like insurance agents, brokers etc and individual customers. In banking services "personal banker" plays the role of key contact person. This dimension focuses on job knowledge and skill, accuracy, courtesy etc of employees and security ensured by the firm.

4. Empathy

Another dimension of service quality is the Empathy dimension. It is defined as the caring, individualized attention provides to the customers by their banks or service firms. This dimension try to convey the meaning through personalized or individualized services that customers are unique and special to the firm. The focus of this dimension is on variety of services that satisfies different needs of customers, individualized or personalized services etc. In this case the service providers need to know customers personal needs or wants and preferences.

5. Tangibility

The fifth dimension of service quality is the Tangibility which is defined as the appearance of physical facilities, equipment's, communication materials and technology. All these provide enough hints to customers about the quality of service of the firm. Also, this dimension enhances the image of the firm. Hence tangibility dimension is very important to firms and they need to invest heavily in arranging physical facilities.

Productivity

First thing to be understand that productivity and production is not the same concept. Production is denoted in number or quantity, whereas productivity is relative concept, generally expressed in terms of ratio or output. Productivity means maximum or greatest output with smallest or minimum efforts. Productivity is ratio of Output to Input. Productivity can be increased if use manage the resource very efficiently or minimum waste of available resources, but production can be increase only if increase in number of input units.

Measures To Increase The Productivity

Following are the various measures to increase the productivity.

1. **Incentive plan to employees:**
   Every organization should design incentives plan for their employees to motivate them to work in better way. The plans should consider monetary as well as non- monetary benefit to the employees. Monetary benefit includes wages and salaries, bonus etc. Non- monetary benefits incudes various faculties at work place, good working condition, participation of worker in decision making policies of management etc.

2. **Training:**
   Training is essential for new employees to familiar with work and giving them skill and knowledge about the job. Training helps them to understand the work in better way. Training improves the attitude of employees towards work.

3. **Network analysis techniques:**
   Network analysis techniques help the company to plan about the time duration required for completion of project. The generally make a use of CPM or PERT technique. Critical Path Method (CPM) and Project Evaluation Review Technique (PERT) helps the company to focus on important activities which require maximum time for its completion and thereby plan the activities in such a way to reduce the time for completion of project and improve overall productivity.

4. **Value Engineering:**
   Value Engineering helps to improve the quality product and reduce the cost ,by designing appropriate process at various department and various stages of product life cycle. Various states includes in value engineering such as selecting product for improvement, collect relevant data required for improvement, analysis the existing process of work, develop new design or process, implement the new process, review of process etc.

5. **Job modification:**

   This is done to make the job more meaningful and interesting to the employees. In this more challenging jobs and responsibilities are offered to the employees to improve their efficiency. For example, an employee who is doing reporting work will be given the work to frame the policies for the organization.a

6. **Quality circle**

   Concept of Quality circle was first popularized by Dr. Kaoru in 1960. Quality circle is group of people from different department of organization, who meet together and identity, analyses the various problem of organization. This quality circle group comes up with solution to solve the problem and recommend the same to management. Management will review the solution and implement the same, this will lead to increase in productivity.

7. **Resources Management:**

   Optimum utilization of available resources is necessary to increase productivity. Various resources of organization such as physical, capital, manpower resources should be utilize efficiently to increase the productivity.

8. **Material Management:**

   Material management deals with management of material used in production or manufacturing process. There should be proper inventory management, systematic storing of this materials. Some objectives of material management includes purchase quality material at right price, maintain good relation with supplier, maintain proper level of inventory etc.

9. **Performance evaluation:**

   Every company should do performance evaluation of their employees every year. Company should inform the worker about their strengths and weaknesses. This performance evaluation help the worker to identify their weaknesses improve the same, which in turn will help to improve productivity.

10. **Quality control:**

    Quality control is essential to increase the productivity. The main objective of quality control is to produce quality goods at reasonable price, find out the various deviations in quality and take necessary measures to improve the same. This quality control helps to improve productivity.

4.6 Rural Market Scenario In India

Rural marketing in Indian economy can be classified mostly under the following two categories −

The markets for consumer durables consist of both durable and non-durable goods.

The markets for agricultural products which are include fertilizers, pesticides, seeds, and so on.

Rural marketing in India is sometimes mistaken by people who think rural marketing is all only about agricultural marketing. Rural marketing determines the carrier of business activities from urban sectors to the rural regions as well as the marketing of various products manufactured by the non-agricultural workers from rural to urban areas.

The following are the characteristics of rural markets −

- Here agriculture is first and also the main source of income.
- This income is seasonal in nature and fluctuates as it depends on crop production.
- Though it is large, the rural market is geographically scattered.
- It shows religious, cultural and economic disparities.
- The market is not much developed, because the people here exercise adequate purchasing power.
- These markets have their orientation in agriculture, with poor standard of living, low per capital income and backwardness.
- It shows sharper and different regional preferences with distinct predictions, habit patterns and behavioral aspects.
- Rural marketing process is an outcome of the general rural development process initiation and management of social and economic change in the rural sector is the core of the rural marketing process.

4.7 Factors Contributing to the Growth of Rural Markets in India

1. **Increase in literacy level**

   Level of education in rural area is increasing over a period of time. More than 50% of rural population is literate. Due to increase in literacy level the demand for various consumer product started increasing in rural area.

2. **Development of infrastructure facilities**

   Government has taken initiative to connect each and every village with proper transportation facilities, as a result of this various infrastructure project started in rural area. Due to proper connectivity of urban area with rural area, demand for goods and services started increasing in rural area.

3. **Increasing mass media penetration**

   Mass media penetration in rural area increase result into more awareness among the people about availability of various consumer product, opportunities for business in rural areas etc.

4. Employment generation

Government has taken initiative and started various projects in rural areas, result into development of rural areas. With the development of rural area new employment opportunities started in rural area.

5. Research and development in agriculture

Agriculture is primary business in rural areas. With the new research in agriculture, various scientific methods are used by farmers to improve the crop yield. With this there is increase in opportunity for rural marketing.

6. Influence from urban people

Rural people started influenced from urban people. Lifestyle of rural people is also to some extent influence by urban people. People in rural area started following the buying behavior of urban people. This leads to increase in demand for rural marketing.

7. Co-operative marketing

New MNC has entered into rural marketing. This MNC started making efforts, awareness and new innovative technique for development of rural marketing. MNC such as HUL, Godrej etc. have made various efforts for development of rural marketing in India.

4.8 Challenge Of Rural Marketing

Twelve problems faced in rural marketing are as follows:

1. Deprived people and deprived markets

The number of people below the poverty line has not decreased in any appreciable manner. Thus, poor people and consequently underdeveloped markets characterize rural markets. A vast majority of rural people is tradition bound, and they also face problems such as inconsistent electrical power, scarce infrastructure and unreliable telephone system, and politico-business associations that hinder development efforts.

2. Lack of communication facilities

Even today, most villages in the country are inaccessible during the monsoons. A large number of villages in the country have no access to telephones. Other communication infrastructure is also highly underdeveloped.

3. Transport

Many rural areas are not connected by rail transport. Many roads have been poorly surfaced and got severely damaged during monsoons. The use of bullock carts is inevitable even today. Camel carts are used in Rajasthan and Gujarat in both rural and urban sectors.

4. Many languages and dialects

The languages and dialects vary from state to state, region to region and probably from district to district. Since messages have to be delivered in the local language, it is difficult for the marketers to design promotional strategies for each of these areas. Facilities such as phone, telegram and fax are less developed in villages adding to the communication problems faced by the marketers.

5. Dispersed markets

Rural population is scattered over a large land area. And it is almost impossible to ensure the availability of a brand all over the country. District fairs are periodic and occasional in nature. Manufacturers and retailers prefer such occasions, as they allow greater visibility and capture the attention of the target audience for larger spans of time. Advertising in such a highly heterogeneous market is also very expensive.

6. Low per capita Income

The per capita income of rural people is low as compared to the urban people. Moreover, demand in rural markets depends on the agricultural situation, which in turn depends on the monsoons. Therefore, the demand is not stable or regular. Hence, the per-capita income is low in villages compared with urban areas.

7. Low levels of literacy

The level of literacy is lower compared with urban areas. This again leads to a problem of communication in these rural areas. Print medium becomes ineffective and to an extent irrelevant, since its reach is poor.

8. Prevalence of spurious brands and seasonal demand

For any branded product, there are a multitude of local variants, which are cheaper and hence more desirable. Also, due to illiteracy, the consumer can hardly make out a spurious brand from an original one. Rural consumers are cautious in buying and their decisions are slow, they generally give a product a trial and only after complete satisfaction they buy it again.

9. Different way of thinking

There is a vast difference in the lifestyles of the people. The choice of brands that an urban customer enjoys is not available to the rural customer, who usually has two to three choices. As such, the rural customer has a fairly simple thinking and their decisions are still governed by customs and traditions. It is difficult to make them adopt new practices.

10. Warehousing problem

Warehousing facilities in the form of storehouse are not available in rural India. The available storehouse is not properly maintained to keep goods in proper conditions. This is a major problem because of which the warehousing cost increases in rural India.

11. Problems in sales force management

Sales force is generally reluctant to work in rural areas. The languages and dialects vary from state to state, region to region, and probably from district to district. Since messages have to be delivered in the local language, it is difficult for sales force to communicate with the rural consumers. Sales force finds it difficult to adjust to the rural environment and inadequate facilities available in rural areas.

12. Distribution problem

Effective distribution requires village-level shopkeeper, taluka-level wholesaler/dealer, district-level stockist/distributor, and company-owned depot at state level. These many tiers increase the cost of distribution. Rural markets typically signify complex logistical challenges that directly translate into high distribution costs. Bad roads, inadequate warehousing and lack of good distributors pose as major problems to the marketers.

Test your knowledge

1. What are the various factors for growth of rural marketing in India?
2. Explain the dimension of service quality.

4.9 Strategies To Cope With The Challenges Of Rural Marketing

The following are some of the strategies adopted by Companies for Rural Markets for their Products and Services:

1. Easy-Way communication

The companies have realized the importance of proper communication in local language for promoting their products especially in rural market. They have started selling the concept of quality with proper communication and easily understandable way of communications.

2. Changing Pattern of Rural Customers

Now a days villagers are constantly looking forward for new branded products and good services. Indian customer in rural market was never price sensitive, but they want value for money. They are ready to pay premium for the product if the product is offering some extra utility for the premium.

3. Best Promotion and Quality Perception

Companies with new technology are properly capable to communicating its products and services to their customer. There is a trade-off between quality a customer perceives and a company wants to communicate. Thus, this positioning of technology is very crucial. The perception of the Indian about the desired product is changing. Now they know the difference between the products and the utilities derived out of it.

4. Promoting Indian Sports Team

Companies are promoting Indian sports team so that they can associate themselves with India. With this, they can influence Indian mindset like during cricket world cup. For example Hero Honda has launched a campaign "Dhak Dhak Go" similarly; other companies have also launched campaigns during world cup.

Product/Services Campaign like "Be Indian"

Companies are now talking about Be Indian. It is a normal tendency of an Indian to try to associate him/her with the product. If he/she can visualize himself/herself with the product, he/she becomes loyal to it.

5. Developing Specific Products

Many companies are developing rural-specific products. Keeping into consideration the requirements, a firm develops these products. Electrolux is working on a made- for India fridge designed to serve basic purposes: chill drinking water, keep cooked food fresh, and to withstand long power cuts. In Service sector like Insurance they are focusing on micro insurance products for rural segments.

6. Effective Media modes of communication

Traditional media or the modern, media used for rural marketing is being used by companies. The traditional media include melas, puppetry, folk theatre etc. while the modern media includes T.V, Radio and E-Chaupal. LIC uses puppets to educate rural masses about its insurance policies. Govt. of India uses puppetry in its campaigns to press ahead social issues.

7. Patriotism with Products and Services

Companies are associating themselves with India by talking about India, by saying that they are Indian and they are more patriotic. Using Indian Tricolor while doing advertisement during Independence Day and Republic day like

Nokia has designed a new cellular phone 5110, with the India tricolor and a ringing tone of "Sare Jahan se achcha".

8. Focus on Customer Requirement

All customers want value for their money. They do not see any value associated with the products. They aim for the basic functionality. However, if the sellers provide frills free of cost they are happy with that. They are happy with such a high technology that can fulfil their needs. For example Nokia and Reliance have launched a simple product, which has captured the market.

9. Adopting Best localized way of distributing channels

Proper distribution channels are recognized by companies. The distribution channel could be big scale like super markets. They thought that a similar system can be grown in India. However, they were wrong; soon they realized that to succeed in India they have to reach the nook and the corner of the country. They have to reach the "local

Paanwala, Local Baniya or Kirana Shop Owners" only they can succeed. Big multinational companies in India capture the rural market share in India if they have to go the local market shoe sellers and with the low priced products.

4.10 Summary

Service sector is supporting to today's primary sector. In the absence of services its difficult to do carry on any business. Over a period of time growth of service sector has increase and its contribution to country's GDP is also increased. Initiative of government to implementation of GST further given boost to this sector.

In India rural marketing is suffering from various challenges for its growth. Most of the population of India stays in rural area so development of proper market of this area is need of the day. Rural market is one of the biggest opportunities which should be tap with the help of various strategies to cope up with its challenges.

4.11 Exercise

A. Fill In the blanks with appropriate option.

1. According to the ________"Any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied a physical product"

   a. AMA

   b. Philip Kotler

   c. Mark Burgess

   d. Armstrong

2. Services are__________ because of this, it is difficult for service providers to manage anything other than steady demand.
   a. Perishable
   b. Intangible
   c. Inseparable
   d. Heterogeneous
3. The SERVQUAL Instrument measures the _______ dimensions of Service Quality.
   a. Three
   b. Four
   c. Five
   d. Six
4. Services sector provides revenue to the government in the form of _______.
   a) Excise duty
   b) Custom duty
   c) Income tax
   d) GST
5. Financial services include _______ and ________ services.
   a) Banking and insurance
   b) Retailing and health care
   c) Education and recreation
   d) Physical and mental

[Answer: 1- (b) Philip Kotlar 2- (a) Perishable 3-(c) Five 4- (d) GST 5- (a) Banking and insurance]

B. State whether the following statement is true or false.

1. Demand determines price of services.
2. A service can be separated from the person or firm providing it.
3. Demand of services is difficult to predict.
4. Service is an act or performance offered by one party to another.
5. Hospitality industry is a part of manufacturing sector.

(True: 1, 3, 4 False:2, 5)

C. Match the following.

Table A	Table B
1. Lack of communication facilities	a. Feature of Services
2. Intangibility	1. Service industry
3. Insurance Sector	2. Mining industry
4. Physical evidence	3. Challenge to rural marketing
5. Extracting of coal	4. Marketing mix for service marketing

(Answer: 1- d, 2- a, 3- b, 4-e, 5-c)

D. Answer the following

1. Write a note on Service Quality and Productivity.

2. What are the challenges in rural marketing?

3. What are the strategies to cope with the challenges of rural marketing?

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