MARKETING MANAGEMENT

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Marketing Management

1.1 What is marketing management? Market:-

Market is a place where buyers and sellers meets and goods and services sales and buys producers.

Marketing:-

It is a total system of business activities design to plan promote and distribute want satisfying goods and services to target market.

Marketing management:-

It can be define as a art and science of choosing target volume and getting keeping and growing customer to creating delivering and communicating superior customer value.

Explanation:-

1) Science and art2) Choosing target market3) Getting, keeping, growing customer (4ps)

1) Marketing Management is both a Science as well as an Art:-

Marketing Management is both a science as well as an art. The science of marketing management provides certain general principles which can guide the managers in their professional effort. The Art of Marketing management consists in tackling every situation in an effective manner. As a Matter of fact, science should not be over-emphasized nor should art be discounted the science and the art of marketing management go together and are both mutually interdependent and complimentary. Marketing Management is thus a science as well as an art. Itcan be said that-"the art of Marketing management.

2) Choosing target Market:-

A marketer can rarely satisfy everyone in a market. Not everyone likes the same soft Drink, automobile, college, and movie. Therefore, marketers start with market segmentation. They identify and profile distinct groups of buyers who might prefer or require Varying products and marketing mixes. Market segments can be identified by examining Demographic, psychographic, and behavioral differences among buyers. The firm then decides which segments present the greatest opportunity—those needs the firm can meet in a superior fashion.

3) Marketing Mix

Marketers use numerous tools to elicit the desired responses from their target markets. These tools constitute a marketing mix Marketing mix is the set of marketing tools that the firm uses to pursue its marketing objectives in the target market. As shown in Figure 1-3, McCarthy classified these tools into four broad groups that he called the four Ps of marketing: product, price, place, and promotion. Figure 1-3 The Four P Components of the Marketing Mix

1.2 Nature & Importance of Marketing Management

IMPORTANCE OF MARKETING MANAGEMAGEMENT

It would be difficult to imagine the world without marketing. But it may be equally difficult to appreciate the importance effective marketing plays most aspect of our lives. We take for granted the media that are largely supported by advertising. The vast assortment of goods distributed through stores close to your homes, and the ease with which we can make purchases. Lets consider for a moment how marketing plays a major role in the global economy , in the American socioeconomic system in any individual organization and in your life.

1) Globally:-

Profit and growth objectives are most likely to be achieved through a combination of domestic and international marketing rather then solely from domestic marketing. Until the late 1970s American firms had a large and secure domestic market. The only significant foreign competition was in selected industries, Such as agriculture, or for relatively narrow markets, such as luxury automobiles. But this change domestically through the 1980s as more foreign firms developed attractive products, honed their marketing expertise, and then successfully entered the US market. Imported products in some industries, such as office equipment, autos, apparel, watches and consumer electronics, have been very successful. As a result in recent years the U.S. has been importing more then its exports, creating large annual trade deficits.

2) Domestically:-

Aggressive, effective marketing practices have been largely responsible for the high standard of living in the United States. The efficiency of mass marketing – extensive and rapid communication with customers through wide verity of media and a distribution system that makes products rapidly available- Combined with mass production brought the cost of many products within reach of most customers.

a) Employment and costs:-

When we get an idea of significant marketing in the U.S. economy by looking at how many of us are unemployed in same way in marketing and how much of what we spend covers the cost of marketing. Between one third and one fourth of the U.S. civilian labor force is engaged in marketing activities.

b) Creating Utility:-

A customer purchases a product because it provides satisfaction. The Want satisfying power of a product is called its utility and it becomes in many forms. It is through marketing that much of a products utility is created.

3) Organizationally:-

Marketing consideration should be integral part of all short and long range planning in any company. Here's why:

The success of any business comes from satisfying the wants of its customers which is the social and economic basis for the existence of all organizations.

Although many activities are essential to a company's growth , marketing is the only one that produce revenue directly.

a) Services marketing:-

The U.S has gone through from primarily manufacturing economy to the world's first service economy. As opposed to goods, services are activities that are the object of a transaction. For example transportation, communication entertainment, medical care, financial services, education and repair services account of over two third of the nation's gross domestic product.

b) Not for profit marketers:-

During 1980s and early 1990s many not for profit organizations realized thy needed effective marketing programs to make up for shrinking government subsidies a decrease in charitable contribution and other unfavorable economic.

Not for profit organizations need to improve their image and gain greater acceptance among donors, government agencies, news, media, and consumers all of which collectively determine an organization's success.

4) Personally:-

Consider how many marketers view you as a part of their market. With people like you in mind, firms such as Nike, VSA, and Microsoft have designed products, set prices, created advertisement and chosen the best methods of marketing their product available to customers. In response customers watches TV. With its commercials buy various articles over internet and instores etc .Marketing occupies a large part in our daily life. Studying marketing will make you better informed. You will have a better idea for why some firms are successful and other seemingly run business fail. More especially you will discover how firms go about deciding what products to offer, and what price is to charge. Marketing will help you understand the many forms of promotion and how they are used to inform and persuade customers. And it will help you the modern miracle of efficient distribution that make product available when and where buyers want them.

NATURE OF MARKETING MANAGEMENT

Marketing as a process:-

Marketing is a process that marketing managers execute. In a number of instances, a marketing manager does not manage people, but manages the marketing process. A product manager is an example of such a marketing manager; s/he manages the marketing process for a product within a larger marketing organization. We, as consumers, see the results of that process in the form of products, stores, shopping malls, advertisements, sales pitches, promotions, prices, etc. This process usually involves four phases.

Analysis:-
Markets must be understood, and this understanding flows from analysis. Marketing managers spend weeks analyzing their markets before they undertake the development of marketing plans for influencing those markets.

Planning:-
Once a market is understood, marketing programs and events must be designed for influencing the market's customers and consumers, and even the firm's competitors.

Execution:-
The marketing events are executed in the markets: advertisements are run, prices are set, sales calls are made, etc.

Monitoring:-
Markets are not static entities and thus must be monitored at all times. After events execute, they need to be evaluated. The planning assumptions upon which the upcoming events are based must be continually tested; they are not longer true then the events may need modification.

The D Roles of a marketing manager:-
Marketing managers play many roles, and we can describe them with words that begin with the letter D:

Detective:-
The marketer is charged with understanding markets, and thus must spend considerable time learning about consumers, competitors, customers, and conditions in the markets. This learning takes many forms: formal marketing research studies, analysis of market data, market visits, and discussions with people in the markets. The result of these studies include insights about market conditions, and the identification of problems and opportunities in the various markets.

Designer :-

Once a problem or opportunity has been identified, the marketer turns her/his attention to designing marketing programs that solve the problems and/or capture the opportunities.

Decision maker:-

Marketing is a group process that involves many different people, each of whom may be designing marketing programs and events. Thus the marketer must make decisions about which programs to execute.

Place:-

Marketing managers are involved in decisions about where the product is offered to the consumer in terms of the channels of distribution.

Operating within constraints:-

Marketing managers must undertake all of the above activities within various constraints, all of which start with the letter C. None of these constraints are under the direct control of the marketing managers; some can be influenced; all can be understood.

Competition:-

Other companies are competition for the same consumers and channels of distribution.

Channels:-

Retail stores, electronic markets, communications media exist to serve the marketer. In the short run, they must be accepted as constraints; in the long run, the marketer can exert some control over them ... even vertically integrate into the channels.

Consumers:-

Consumers have
needs and wants
. The marketers must understand those needs
before they can design marketing programs aimed at impacting consumer wants.

Conditions:-

Markets are not static but in constant evolution under the influences of the economy, changing tastes and fashions, population dynamics, etc.

Company:-

Company policies, procedures, practices, and cultures place constraints upon the marketing resources and programs that the marketer can deploy.

Marketing is Collaboration:-

The nature of marketing requires marketing managers and professionals to work together on all aspects of marketing. It is common for the marketing manager to be at the center of a set of activities being worked on by people within the company (sales force, promotion manager, product development teams, etc.) and outside the company (ad agencies, consultants, marketing research firms, etc). Thus marketing managers must spend considerable time in consultation and collaboration with other people.

1.1 Meaning and importance of products and classification of product

PRODUCT DEFINATION

Product:-
A product is a set of tangible and intangible attributes which may include, packaging, color, price, and quality, brand, and seller reputation and seller services. The first commandant in marketing is the customer and the second is the product. In narrow sense product is the product is set of basic attributes assembled in an identified form. Each product is identified by a commonly understood descriptive name, such as steel, insurance, tennis rackets etc.

There are many definitions of product by different authors.

1-A product is a set of tangible and intangible attributes, which may include packaging, color, price, quality, brand and seller's services and reputations.
2-Product is a service that provides the benefit of a comfortable night rest at a reasonable price.
3-Product is a place that provides sun and sand, relaxation, romance, cross cultural experiences and other benefits.

Explanation:-
We treat each brand as separate product. Any change in a feature (design, color, size, packing) however minor, creates another product. Each such change provides the seller with an opportunity to use a new product. A product may be a good, service, place, person or idea. Customers buy products to satisfy their needs.

Classification of product:-

Products or goods are basically of two types.(1). Consumer goods(2). Industrial goods.

- **Consumer goods:-**

Consumer products are produced for personal consumption by households. There are four types of consumer goods.

(1). **Convenience goods:-**
Goods that the consumer usually purchase frequently, immediately, and with the minimum of effort in comparison and buying for most buyers, convenience goods include many food items, inexpensive candy, drugs like aspirin and tooth paste, hardware items such as light bulbs and batteries. Convenience goods have low price an are not greatly affected by fad and fashion. A manufacturer prepares these products to distribute it widely and rapidly.
(2) **Shopping goods:-**
A tangible product for which a consumer wants to compare quality, price and perhaps style in several stores before making a purchase is known as shopping goods. Examples of shopping are furniture, automobiles, major appliance etc. The process of searching and comparing continues as long as consumer feels satisfaction. The shopping goods can be divided into homogeneous and heterogeneous goods. The homogeneous goods are similar in quality but different in price. The heterogeneous products are different in quality and prices.
(3) **Specialty goods:-**
A tangible product for which a customer give preference to a strong brand and he wants to expend substantial time and effort in locating the desire brand is called a specialty good. Examples of specialty goods are men's suits, stereo sound equipment, health foods, photograph equipment, new automobiles and certain home appliances. The specialty goods do no involve the buyer's making comparisons, the buyer only invest time to reach the dealers carrying the wanted products.
(4) **Unsought goods:-**
An unsought good is a new product from which a consumer is not aware. More people are unaware of interactive movies. An electric car might be an unsought good for most people, because they are unaware of it. Bathroom tissue made strictly from cotton fiber would seem to be an unsought good. A firm faces a very difficult, perhaps impossible advertising when trying to market unsought goods. Marketers market unsought goods by placing ads on bus-stop benches or in church buildings.

- **<u>Industrial goods/Business goods:-</u>**

Industrial products are purchased to produce other products or for use in a firm's operations. Industrial products are purchased on the basis of organization's goals and objectives. On the basis of their uses and characteristics, industrial or business products can be classified into seven categories.

1).Raw material:-

Raw materials are the basic materials that actually become part of the product. They are provided form mines, forests, oceans, farms and recycled solid wastes.

2).Fabricating Materials and parts/Capital items:-

Major equipment includes large tools and machines used for production purposes. Examples are rather, cranes, Stamping machines.

3). Accessory Equipment:-

Accessory equipment does not become part of the final product but is used in production or office activities. Examples include, hand tools, type writers, fractional horse power motors etc. Accessory equipments are less expensive than capital items.

4).Component Parts:-

Component parts become a part if the physical product and either are finished items ready for assembly or are products that enter the finished product completely with no further change inform, as when small motors are put into vacuum cleaners and tires are added on automobiles. Spark plugs, tires, clocks and switches are all component parts of the automobile.

5).Process material:-

Process materials are used directly in the production of other products. Unlike component parts, however process materials are not identifiable process materials are further fabricated. For example, Pig iron is made into steal and Yarn is woven into cloth.

6).Supplies:-

Supplies facilitate productions, but they do not become part of he finished product. Paper, pencils, oils, cleaning agents and paints are examples

.

7).Industrial Services:-

Industrial services include maintenance and repair services. (e.g.; window cleaning, typewriter repair) and business advisory services. (e.g.; legal, management, consulting, advertising, marketing research services). These services can be obtained internally as well as externally.

1.2 <u>Product innovation & Importance of product innovation</u>

IMPORTANCE OF PRODUCT INNOVATION

The main purpose of business is to satisfy customers and to make profit fundamentally; accompany fulfills this purpose through its products. New product planning and development are very important for an organization's success. The new products must satisfy customers need as well as must be profitable for the firm.
Requirement for growth:-
Sooner or later, many products brands become outdated. Their sales volumes and market shares drop because of changing desires or superior competing products.
Examples of outdated products:-

⇒

Once successful products that are now become outdated include fountain pen, audiocassettes.

⇒Now many dated products are becoming successful rapidly for example, white

cloud bathroom tissue, computers, etc. Thus the guideline for management is innovating or die. Introduction a new product at the right time can help sustain a firm. In fact, companies that are leaders in terms of profitability and sales growth obtain 39% of their revenues from new products. Some firms that were successful innovators for long periods like Nike, Procter and Gamble, haven't maintained a steady flow of new products in recent years. Some of their competitors have been more successful. Business profitability and success depends on innovation. IF we innovate well, we will ultimately win.

High Failure Rates:-

For many years, “the rule of thumb” has been that about 80% of new product fail. New products higher failure rate is due to no change in existing products or new products are not being different that existing products. For example, Vaseline after shave lotion, Pepsi A.M, and Farrah Shampoo. A new product is also fail if it does not deliver on its promise. Further, a product can be failed if it is perceived as offering poor value in relation to its price. Other factors that can undermine new products include poor positioning and lack of marketing support. Firms that are inattentive to their new products can face higher failures. Firms and organizations that effectively manage product innovation can get higher advantage, higher sales and profits and solid foundation for the future.

Planning and development of a new product

NEW PRODUCT

There are several possible categories of new products. Each separate category may require quite a separate marketing programmed to ensure a reasonable probability of market success. Three considerable categories of new products are:-

1) Products which are really innovative:-

Truly unique, e.g., a hour restores, cancer cure products for which there is a real used but for which no existing substitutes are considered satisfactory. In this case we also includes product that are quite different from existing product but satisfy the same need.

2) Replacement for existing products:-

That are significantly different from existing goods. Annual model, change automobiles and new fashions in clothing, belong to this category.

3) Imitative Product:-

That are new to a particular company but not new to market, with a “me-too” product. Perhaps the key criterion as to whether a given product is new is how to intend market perceives it. If a buyer perceives a product is significantly different from competitive goods in some characteristics then it is a new product.

Reasons of failure of new product:-

The new product fails due to certain reasons in market.

The idea is good, but market size is overestimated.

The product is not well-designed.

The product is incorrectly positioned in market, no advertised effectively and over- priced.

The product fails to gain sufficient distribution coverage or support.

Development costs are higher than expected.

Competitors fight back harder than expected.

Organizing new product development:-

Companies handle organizational aspects of new product development in several ways. Many companies assigned responsibility for new product ideas to product manager. But product managers are often busy in managing existing lines that they give little time and effort to new products other than line extensions. They also lack specific skills and knowledge needed to develop and critique new product.

New Product Strategy:-

A new product strategy is a statement identifying the role of new product is expected to play in achieving corporate and marketing goals. New product development process

Stages:-

A new product is best developed through a series of eight stages.As compared to unstructured development the formal development of new product provides benefits such as improved team work, lesser work, earlier failure detection and most important higher success rate.

1).Idea generation:-

The new product Development process with the search for ideas. New product ideas comes through interacting with various group of people , such as customer, scientists, competitors , employees and top management. Companies can also find good ideas by searching competitor's products and services. From this they can find out what the customers likes and dislike about competitors products. They can buy their competitors products, take them a part and build better ones. Many companies also encourage employees particularly those on production line to come forth with ideas, often offering cash reward for good suggestion. New product ideas also come from inventors, university and commercial laboratories, advertising agencies. As the ideas start to flow, one will sprat another, and within a short time hundred of new ideas may be brought to surface.

2) Idea screening: -Idea screening is second stage in new product development once a large pool of ideas has been generated by what ever their means, their number have to be pruned to manageable level. In screening ideas the company must avoid two types of error.

Drop error: -

Occurs when the company dismisses an otherwise good idea.

Go error: -

Mean adoption of poor ideas

The purpose of screening is to drop poor ideas as early as possible. Many companies require their executives to write up new product on a standard form that can be received by anew product committee. The write up describes product idea, target market and competition. It makes some rough estimate of market size, product price, development cost and rate of return.

3) Concept development and testing: -

A product idea is possible product the company might offer to the market. A product concept is an elaborated version of ideas expressed in a meaningful consumer terms. Throughout the stages of idea generation and screening, the developers are only with the product idea, general concept of what product might be. Concept development involves many questions') Who will buy the new product? ii) What is the primary benefit of new product? iii) Under what circumstances, the new product may be used?

Concept testing:-

Concept testing involves presenting the product concept to appropriate target consumers and getting their reactions.

4) Marketing Strategy: -

Following the successful concept test, the new product manager will develop a preliminary marketing strategy plan for introducing the new product into market. The plan consists of three parts. The first part describes the target market size, structure and behavior, the planned product positioning and sales, market share, profit goals sought in the first few years. The second part outlines the planned price, distribution strategy and marketing budget for first year. The third part of marketing strategy plan describes the long run sales and profit goals and marketing strategy overtime.

5) Business Analysis: -

The next step in new product development is business analysis. The market must project costs, profit and return on investment for the new product if it were placed in market. Business analysis is not a short process; it is a detailed realistic projection of both maximum and minimum sales and their impact on economy or company. For some products such as another candy bar, marketers can use existing sales data to guide themselves. But with a product, for which sales data does not exist, only estimation can be used.

6) Product Development: -

If the result of business analysis is favorable then a prototype of the product is developed. In development stage, the idea is given in a concrete or tangible form. Up to now, the product has existed only a word description, a drawing or a prototype. This step involves a large investment. The company will determine whether the product idea can be translated into a technically and commercially feasible product.

7) Test marketing: -

After management is satisfied with functional and psychological performance, the product is ready to be dressed up with a brand name and packaging and put into a market test. Test marketing involves how large the market is and how consumers and dealers react to handling, using and repurchasing the product. The amount of test marketing is influenced by investment cost and risk on one hand and time pressure and research cost on the other.

8) Commercialization: -

As the company goes ahead with commercialization, it will face its large gest costs todate. The company will have to contract for manufacturing facility. Another major cost is marketing

Example:-

To introduce a major new consumer packaged good into the national market, the company may have to spend b/w $20 million and $80 million in advertising and promotion in the first year. In the introduction of new food products, marketing expenditures typically represents57% of sales during the first year

1.3 <u>Product life cycle</u>

PRODUCT LIFE CYCLE

A product life cycle consists of the aggregate demand over an extended period of time for all brands comprising a generic product category. A product life cycle can be graphed by plotting aggregate sales volume for a product category over a time, usually years. It is also worthwhile to accompany the sales volume curve with the corresponding profit curve for the product category. As shown in the figure 9.2After all a business in interested in profit not in just sales. The shape of these two curves varies from one product category to another. Still for most categories, the basic shape of the relationship between the sales and the profit curves are illustrated in figure 9.2. In this typical life cycle the profit curve for most new product is negative, satisfying a loss, through much of introductory stages. In the later part of growth stage, the profit curve starts to decline while the sales volume is still rising. Profit declines because the companies in an industry usually must increase their advertising and selling efforts or cut their prices to sustain sales growth in the face of intensifying competition during the maturity stage. The product life cycle consist of four stages

1) Introduction:-

During introduction stage, some times called pioneering stage, a product is launched into the market in a full scale of marketing program. It has gone through product development, including idea screening, prototype, and market test. The entire product may be new, such as the zipper, the video cassette recorder, etc for a new product there is very little competition. However, if the product has tremendous promise, numerous companies may enter into the industry early on. That has occurred with digital TV, introduced in 1988.Introduction is the most risky and expensive stage because substantial dollars must be spent not only to develop the product but also to seek consumer acceptance of the offering.

2) Growth:-

In the growth stage on market acceptance stage, sales and profit rise frequently at a rapid rate. Competitors enter the market, often in large number if the profit outlook is particularly attractive. Mostly as a result of competition profit start to decline nears the end of the growth stage. As a part of firm's efforts to build sales and in turn, market share, prices typically decline gradually during this stage. ''The only thin that matters is if the exponential growth of your market is faster then the exponential decline of your prices''

Maturity:-

During the first part of the maturity stag, sales continue to increase, but at a decreasing rate. When sales level off, profits of both producers and middle-man decline. The primary reason increase price competition. Some firms extends their product lines with new models, other come up with a new improved version of their primary brand. During the later part of this stage marginal producers those with high cost or no differentiate advantage drop out to the market. They do so because the lack sufficient customers or profit.

Decline:-

For most products a decline stage, as gauged by sales volume for the total category is inevitable for one of the following reason.
A better or less expensive product is developed to fill the same need.
The need for product disappears, often because of other product development.
People simply grow tired of a product so disappear from the market.

Length of product life cycle:

The length of product life cycle from the start of introduction stage to the end of decline stage varies across the product categories. It ranges from a few weeks or a short season (for a clothing fashion) to many decades (for autos or telephones). And it varies because of differences in the length of individual stages from one product category to the next.

Example:-

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1.7 Product line and product mix

PRODUCT MIX & PRODUCT LINE

Product Mix: -

A product mix is the set of all the products offered for sale by a company. The structure of product mix has width, depth, length and consistency. or
Product mix can be defined as:-

"Product mix is defined as, the set of all product lines and items that a particular seller offers for sale to buyers."
The product mix is also known as product assortment. Or factors influencing change in product

Mix Width:-

The width of the product mix refers to how many product lines the company carries.

For Example:-
proctor & gamble markets a fairly wide product mix consisting of many product lines including food, household, cleaning , mechanical, cosmetics and personal care products

Depth:-
The depth of the product mix refers to how many varieties are offered of each product in the line.

For example: -
P&G Crest tooth paste comes in three sizes and two formulations (paste ,gel)

Length:-
The length of the product mix refers to the total number of items in its product mix.

For example:
P&G typically carries many brands within each line It sells eight laundry detergents, six hand soaps , six shampoos, & four dish washing detergents.

Consistency: -
The consistency of the product mix refers to how closely relate the various product lines are in end-use, production requirements, distribution channels or in some other way.

For example: -
P&G product lines are consistent insofar as they are consumer products that go through the same distribution channels. The lines are less consistent insofar they provide different functions for buyers. These four dimensions of the product mix provide the handles for defining the company's product strategy. The company can adopt product lines, thus widening its product mix.

Major Product-Mix Strategy: -
Manufacturers we several major strategies in managing their product mix.

1) Expansion of product mix: -
A firm may decide to expand its present mix by increase the number of lines or the depth with in the lines. Now lines may be related or unrelated to the present products. The company may also increase the number of items in its product mix.

2) Contraction of product mix: -
Another product strategy is to thin out the product mix, either by eliminating entire line or by simplifying the assortment with in a line. The shift from fat and long lines to thin and short lines, is designed to eliminate low-profit products and to get more profit from fewer products. There are many examples of product mix contraction, sometimes involving will known firms. For example, Unilever, and English, Dutch firm decided to produce more than 1000 brands from its total set of about 1600. The company wants to concentrate its marketing resources on the 400 or so remaining brands including Lipton teas, Lever soap that generate 90%of annual revenues.

3) Alteration of existing product: -
In spite of developing a complete new product, management should take a fresh look at the company's existing products. Often, improving and established product can be more profitable and less risky than developing a completely new one.For material goods, especially, redesigning is often the key to products, renaissance packaging has been a very popular area for product alteration, particularly in consumer products.

4) Positioning the product: -
Positioning of product in the market is a major determinant of company profits. A product position is the image that the product projects in relation to competitive product and to other products marketed by the same company. Marketing executives can choose from a variety of positioning strategies. These strategies can be grouped into following six categories:

1). positioning in relation to a competitor: -
Position is directly against the competition.

2). positioning by product attribute: -
The company associates its product with some product features.

3). positioning by price and quality:-To position on high price, high quality or low price, low quality basis.
4). Positioning in relation to product use.

5). Positioning in relation to a target market: -(Market Segmentation)
6). Positioning in relation to product class: - (Associating the Product) a class of product.
7) Trading up & trading down: -
As product strategies, trading up and trading down involves, essentially, an expansion of the product line and a change in product positioning. Trading up means adding a higher priced prestige product to a line in the hope of increasing the sales of existing lower priced products. When a company going on a policy of trading up, at least two ways are open with respect to promotional emphasis.

(1) The seller may continue to depends upon the older, lower-priced product for the bulk of the sales volume and promote it heavily or

(2) The seller may gradually, promote the new product and expect it to share a major sales volume .A company is said to be trading down when it adds a lower priced item to its line of prestige products. The company wants to sale its products rapidly.

Product Line
A product line includes a group closely related products that are considered a unit because of marketing, technical or end-use consideration.
Definition: -
A broad group of products intended for essentially similar uses and possessing reasonably similar physical characteristics, constitutes a product line. Or
"A product line is defined as" A product line is a group of products that are closely related, either because
(1) They function in a similar manner.
(2). Sold to the same customer groups
(3). Marketed through the same type of outlets,
(4). Fall with in a given price ranges. Clothing is an example of product line. But in a different context, say in a small specialty shop, men's furnishings (shirts, ties and under wears) and men's ready-to-wear (suits, jackets, topcoats and stocks) would each constitute a line. There are product line managers for refrigerators, stoves and washing machines.

Product line decisions, management and responsibilities:-
Product line decisions are concerned with the combination of the individual products offered within a given line. The product line manager supervises several product managers who are responsible for the individual products and the line. Decisions about a product line are usually incorporated into a marketing plan at the divisional level. Such a plan specifies changes in the product lines and allocation to

the products in each line. Generally, product line managers have the following responsibilities;

1.Considering expansion of a given product line

2.Considering candidates for deletion from the product line

3.Evaluating the effects of the product addition and deletions on the profitability on the other items in the line.

4.Allocating resources to individual products in the line on the basis of marketing strategies recommended by product managers.

<u>1.9 Planned obsolescence and fashion</u>

PLANNED OBSOLENCENCE AND FASHION

American consumers seem to be constantly searching for "what's new" but not too new. They want newness, new products, new style and new colors. However they want to be moved gently out of their habitual patterns, not shocked out of them, So, consequently, many manufacturers use a product strategy of planned obsolescence. The purpose of this strategy is to make an existing product out-of-date and to increase the market for replacement of products. Consumers often satisfy their thirst for newness through fashion. And producers of fashion rely heavily on planned obsolescence.

Nature of planned obsolescence: -

The term planned obsolescence is used to refer to either two developments.

(i). Technological obsolescence: -

The significant technical improvements result in a more effective product. For example cassette types made phonograph records out-modes and then compact discs rendered cassettes obsolete. This type of obsolescence is generally considered to be socially or economically desirable because the replacement product offers more benefits or at a lower cost.

(ii). Style obsolescence: -

In style obsolescence superficial characteristics of a product are altered so that new model is easily differentiated from the previous model. Style obsolescence sometime called psychological or fashion obsolescence is intended to make people feel out of date. If they continue to use old models. Normally, when people criticize planned obsolescence, they mean style obsolescence.

Nature of Style & Fashion: -

Although the words style and fashion are often used interchangeably, but there is a clear distinction. A style is a distinctive manner of construction or presentation in any art, product. Thus we have style in automobiles, in furniture and in music. A fashion is any style that is popularly accepted or purchased by successive group of people over a reasonably long period of time. Not every style becomes fashion. To be considered a fashion or to be called fashionable, a style must be accepted by many people.

Fashion adoption process: -

The fashion adoption process reflects the concept of

1) Cultural, social class and reference group influences on consumer buying behavior.

2) Diffusion of innovation: -

Thus fashion adoption process is a series of buying waves that arise as a particular style is popularly accepted is one group then another group and another, until it finally out of fashion. This movement representing the introduction, rise, popular culmination and decline of the market's acceptance of a style is referred to as fashion cycle. There are three theories of fashion adoption.

(1).Trickledown: -

Where a given fashion cycle follows downward through several socioeconomic levels.

(2). Trickle across: -

Where the cycle moves. Horizontally and simultaneously within several socio economic levels.

(3)Trickle up: -

Where a style first becomes popular at lower socioeconomic levels and then flows upward to become popular among higher levels.

Traditionally, the trickle down theory has been used to explain the fashion adoption process. For example, designers of women's apparel first introduce a style to opinion leaders in upper socioeconomic groups. If they accept the style, it quickly appears in leading fashion stores. Soon the middle income and then low income markets want to emulate the leaders and the style is mass marketed. As its popularity wanes, the style appears in bargain price stores and finally is no longer considered fashionable. The trickle up process also explains some product adoption processes. Consider ho styles of music such as Jazz and rap become popular. Also look at blue pants and jackets, athletic footwear's. They were popular first with lower socioeconomic groups and later their popularity "trickled up" to higher income markets. Today the trickle across theory best explains the adoption process for most fashions. Now the designers of expensive fashions are displaying their new offerings on the internet. Within each class, the chesses are purchased early in season by opinion leaders the innovators. If the style is accepted, the sales curve rises as it becomes popular with early adopters and late adopters. Eventually sales decline as style loses popularity

Marketing consideration in fashion: -

In fashion merchandising accurate forecasting is critical to success. This is extremely difficult; however, the fore caster must dial with complex sociological and psychological factors. For example, noticing an upward trend in late 1998 sales for a T-shirts with deep V-neck, a banana republic merchandiser ea banana republic merchandiser emphasized this style in spring 1999. Now the deep V-neck shirts become a hot seller.

10 Branding, Packaging and labeling

BRANDING

The word brand is comprehensive, it encompasses other narrower terms. A brand is a name and a mark intended to identify the product of one seller or groups of sellers and differentiating the product from competing products. A brand name consists of words, letters and numbers that can be vocalized. And a brand mark is the part of brand that appears in the form of symbol, design or distinctive color. A brand mark is recognized by sight but cannot be expressed. When a person pronounces the brand name. Trademark is a brand that has been adopted by a seller and given legal protection. One method of classifying brand is on the basis of who owns them. Thus we have producer's brands and middle men's brand and later being owned by retailer or whole sellers.

Reason for branding and non-branding: -

In the past, producers and intermediaries sold their goods out of barrels, cases without any superior identification. And buyers depend upon seller's integrity. The earliest signs of branding were the "medieval guilds" efforts require crafts people to product themselves and consumer against inferior quality. But today branding is such a strong force that hardly anything goes unbranded. So called commodities do not have to remain commodities. e.g., salt is packaged in distinctive container, oranges are stamped with growers cane and fresh food products such as chicken, turkey are increasingly being sold under strongly advertised brand name.

Branding Strategies: -
Both producer and middlemen faces strategic decisions regarding branding of their goods and services.

(A). Producer's Strategies: -
Producer's most deciding whether to brand their products and whether to sell any or all of their output under middlemen's brands.

(1). marketing entire output under producer's own brands: -
Companies that rely strictly on their own brands usually are very large, well-financed and well-managed The examples are I.B.M that has broad product lines, well established distribution system and large shares of market. Branding of fabricating parts and materials Some producers use a strategy of branding fabricating parts and materials. With this strategy, the seller seeks to develop a market preference for its branded parts or materials. The strategy is most likely to be effective when particular type of fabricating parts or materials have two characteristics.

(1) The product is also consumer good that is brought for replacement.
(2) The item is a key part of finished products, a microprocessor within a personal computer, for example Intel developed the slogan," Intel inside" to strengthen its product's position. The campaign become so successful that some computer makers, including IBM feared that brand of personal computer would become less important than the brand of microprocessor contained in machine.

(3) Marketing under middlemen's brand: -
A wide spread strategy among manufacture is to sell part or all of their output to middlemen for branding by these customers. Firms such as Borolen and Keller have their own well-known brands and they also produce goods for branding by middlemen. This approach allows a manufacturer to "hedge its bets"

A company employing this strategy hopes that its own brands will appeal to some loyal customers; where as middlemen's brands are of interest to other. One drawback of that strategy is that the manufacturer may lose some customers for its own brands.
(B). Middlemen's Strategies: -

There are also some middlemen strategies. Carry only producer's brands Most retailers and whole sellers follow this policy, because they do not resources to promote a brand and maintain its quality. Carry both producers and middlemen's brand Many large retailers and some large wholesaler stock popular producers brands and also have their own labels. Middlemen may own brands, in place of or in addition to producer's brands, because it increases their control over their target markets. Further more, middlemen usually can sell their brands at prices be low those of producer's brands and still earn higher gross margins.

Carry Generic products: -
Generic products are simply labeled according to the contents such as peanut butter, cottage cheese.

Strategies common to producers & middlemen: -
Producers and middlemen alike must choose strategies with respect to branding their product mixes, branding for market with other companies.

Branding within a product mix: -
At least three different strategies are used by firms that sell more than one product

- **A separate name for each product:**
  This strategy is employed by Lever Brothers and proctors and Gamble. The company name combined with a product name. Examples include Johnson's Pledge and Johsons Glo-coat.The company name alone: Today few companies rely exclusively on this policy. Branding for market saturation With frequency, firms are employing a multi brand strategy to increase their total sales in a market. They have more than one brand of essentially some product.
- **Co branding: -**

Most often, two companies or two divisions within the same company agree to place both of their respective brands on a particular product or enterprise. The agreement termed as co branding or dual branding. Co branding has potential benefits and drawbacks. Co-branding can be provide added revenues for one or both of the participating firms, such as fee paid to Sunkist Growers by Generals Mills in order to use Sunkist name as packages of Betty Crocker lemon bar mix. The biggest potential drawbacks to co-branding are possible over-exposure of a brand of name.

PACKAGING

Most physical products have to be packaged. One package, such as coke bottle is world famous. Many marketers have called packaging a fifth “P” along with product, price place and promotion. Packaging is defined as all the activities of designing and producing the container for a product.

Purpose & importance of packaging

(1). Protest the product on its way to customer.
(2). Provide protection often the product is purchased.
(3). Help gain acceptance of the product from middleman.
(4). Help persuade consumer to buy the product. Historically, packaging was intended primarily to provide protection. Today packaging is a major factor in gaining distribution and promotion. And packaging may become a product’s differential advantage, or at least a significant part of it. That was certainly true with coca-cola and its distinctive cont our glass bottle.

Packaging Strategies: -

In managing the packaging of a product, executive must make the following strategic decisions.

1). Packaging the product line: -

A company must decide whether to develop a family resemblance when packaging related products. Family packaging uses either higher similar package for all products with a common and clearly noticeable feature. Family packages makes since when products are of similar quality and have a similar use.

2). Multi packaging: -

For many years, there has been a trend toward multiple-packaging, the practice of placing several units of same product in one container. For example, dehydrated soups, motor oil, beer, candy bars and count less other products are packaged in multiple units.

3). changing the package: -

When something is detected in package then company must change a poor feature in an existing package. For this firm’s need to consider continuing developments such as new packaging materials, uncommon shapes, innovative closures, all these are intended to provide a benefit to middlemen and to consumer and as a result are selling points for markers.

LABELING

A label is the part of product that carries information about the product and the seller. A label may be the part of package, or it may be a tag attached to product. Obviously there is close relationship among labeling, packaging and branding.

Types of labels

(1) A brand label: -

Is simply the brand alone applied to the product or package.(

2). Descriptive label: -

Gives objective information about product's use, care, instruction and performance.

(3). A grade label: -

Identifies the product's judged quality with a letter, number or a word. Brand labeling is an acceptable form of labeling but it does not supply sufficient information to a buyer. Descriptive labeling provides more product information but not necessarily all that is needed or desired by a consumer in making a purchase decision.

Statutory labeling requirements: -

Labeling has received its share of criticism. For example, consumers have charged that labels contain incomplete or misleading information and there were a confusing number of size sand shapes of packages for a given product. The public's complaints about false or deceptive labeling and packaging have lead to a number of federal labeling and packaging have lead to a number of federal labeling laws.

Laws: -

The Food and Drug Act 1906 and its amendment, the food, drug and cosmetic Act 1938 provide explicit regulations for labeling drugs, food, cosmetic and therapeutic devices.

Design: -

One way to satisfy customers and gain a differential advantage is through product design, which refers to arrangements of elements that collectively from a good or service. Good design can improve the market ability of a product, by making it easier to operate, upgrading its quality, improving its appearance and reducing production costs. For example , computer programs are supposed to assure that any new software is very user-friendly. According to an IBM, executive, design has become a strategic marketing tool. Design is receiving more and more attention for several reasons.

(1). rapidly advancing technologies are generating not only few products that need attractive yet functional designs, but also new materials that can enhance design capability.

(2). A growing number of firms have turned to low prices as a competitive tool. For example, for most consumer and business goods, ranging from furniture to electronic equipment design has long been recognized as important.

Color: -

Like design, product color often is the determining factor in a consumer's acceptance or rejection of a product, whether it is a dress, a table or an automobile. In fact color is so important, that U.S Supreme Court confirmed in early 1995 that color of a product or its packaging can be registered as a part of trade mark under the Lanham Act. Color by itself can qualify the trademark status when according to court's ruling it identifies and distinguishes a particular brand and thus indicates its resources. But poor color choices results in differential disadvantages. For example if a garment manufacturer or a person responsible for purchasing merchandize for a retail store guesses wrong on what will be fashionable color in women's color disaster may ensure.

So, in short, color is extremely important for packaging as well as for product itself.

Quality: -

There is no agreed definition of product quality, even though it is universally recognized as significant. On professional society defines product quality as the set of features and characteristics of a good or service that determines its ability to satisfy needs. In quality, personal taste is deeply involved, what you like? Another person may dislike. Beside personal taste, individual expectations also affect judgment of quality. Quality was the most mentioned basis for a strong differential advantage. At least an enterprise needs to avoid differential disadvantages related to a product quality.ISO 9000 is a set of related standards of quality management that have been adopted by about 60 countries including U.S companies that meet ISO 9000 standards are awarded a certificate which often put them in a favorable position with a large customers.

<u>PRICE-PRICING SYSTEM Outline 02</u>

2.1 Meaning and importance of price

2.2 Pricing system/objective

- ✓ Profit oriented goals
- ✓ Sales oriented goals
- ✓ Status Quo goals
- ✓ Limitation

2.3 Procedure for price determination

OR

Basic methods of setting price

Cost plus pricing

Balance between demand and supply:-

Price set in relation to market alone:-

Breakeven point

2.4 Price polices and strategies

pricing strategies

New product

Pricing an imitative products

Product mix pricing strategies

Bye product pricing

Product brindle pricing

Price adjustment strategies

PRICING2.1

Meaning and importance of price

Meaning:-

Price goes by many other names, rent, fare, rate, interest, toll, premium and even bribe but all these names add up to one thing.“”What consumers pay for product or services””

Services:-

Price is an offer or experiment to test the plus of market. Prices are always on trail. If customers accepted the offer then the price is fine. If they reject it, the price is not fine. Price is all around us, we pay rent for our apartment, tuition for education, and fee to our physician. The air line, railways, taxes and business companies charge us a fare. In economics theory, we learn that price, value and utility are related concepts. Utility creates value measures price

Price:-

There are many definition of price1) Price is a value expressed in terms of dollars, Cents, Rupee or any other monetary medium of exchange.2).In summary, price is value placed on goods and services. Price is the amount of money needed to acquire some combination of other good services.3) Price is which is exchanged in order to acquire something else of value.

Importance of price:-

1).In economy:-

Products prices may be wages, rent, interest and profits. These prices paid for factors of production, land labor, capital and entrepreneurship. Price thus is a basic regulator of income system because it influences the allocation and retaining the factors of production to their most efficient use. Price as allocator of source determinations what will be produced (supply) and who will get goods and services that are produced (Demand). Price helps to determine a company's profits. It is profit that enable companies to spend money for research and development. Profits

lead to new technology and better products that provide more satisfaction and an improved standard of living. Prices influences the spending and saving habits of consumers. When the price of product rises, consumers buy less. When prices decreases, people buy more. In setting prices marketers must consider these long run effects as well as their own desire for profit s.

2).To an individual firm:-

a) For any business firm, profits are determined by difference between its revenues and its costs. But profits revenue depends on price charged by firm and quantity of product sold. Profit = total revenue – total cost Or Profit = (price x quantity)- total cost. b) A product's price has a strong effect on its sales. For some products, an increase in price ,may result in an increase in sales revenue , for other products reduction in price may result in increase in sales revenue. c) The price of a product determines where it will be sold, when retailers can realize hire profits by carrying hire price items, they are more likely to handle such products. d) Pricing can effects a firm's entire marketing program, which in turn, determines the firm's success as well as the total satisfaction provided to consumers and society in general.

Conclusion:-

It is clear that price is important to marketers, both because of profit equation and because of symbolic aspects of a products price.

3). Relationship to product quality:-

Consumers rely hearty on price, when they must make purchase decisions within complete information. If the price is higher, they perceived goods quality. Consumer's quality perceptions can also be influenced by such things as so reputation and advertising.

2.2 pricing system/objectives

PRICING OBJECTIVES

Management should decide on its pricing objectives before determining the price. The main goals in pricing are oriented toward profit, towards sales or towards maintaining the status. Thus they are

1) Profit oriented goals:-

Profit may be set for short run or for longer period of time.

A) Achieve a target return:-

A firm may price its products to achieve a certain percentage return an its sales or on its investment. Such goals are used by middleman and producers. Many retailers are whole sellers use the target return as a pricing objective for short run periods such as a year or fashion season.

Example:-

The typical target return for manufacturers that are leaders in their industry – e.g. lever brothers, Suzuki motors etc ranges firm 10 to 20 percent after paying taxes.

B) Maximizing profit:-

It is the goal of almost all companies that they enjoy maximum profit. The term profit maximization has an ugly imagination. People consider it high prices and monopoly. Theoretically if profits become high because supply is short in relation to Demand new capital will be attracted in this field. This will increase supply and decrease profit to normal level. To maximize profit over the long run firms may have to accept short run losses. A firm entering a new geographic market or introducing a new product does best by selling at low price to build large client.

2) Sales oriented goals:-

In some companies, management's pricing attention is focused on sales volume rather then on profits. In this situation the pricing goal may be a) To increase sales volume. b) To maximize or increase market share.

a) To increase sales volume:-

This pricing goal is usually stated as a percentage increase in sales volume over period of time, say 1 year or 3 years. But it is not necessary that due to increase in sales volume profit will also increase. So due to this reason management some times willing to take a short run loss. Increased sales enable that company to get a foot- hold in its market.

b) Maintain or increase Market share:-

In some companies, the major pricing objective is to increase the share of market held by firm. Market share of company shows health of company and its important goals. A price war is started when one firm cuts its price in an effort to increase its market share.

3) Status Quo goals:-

To closely related goals – stabilizing prices and meeting competition are least aggressive of all pricing goals because they are designed to maintain the pricing status quo.

a) Price stabilization:-

Price stabilization is goal in industries with a price leader. Especially in industries where demand can fluctuate frequently and where leader some time try to maintain stability in their pricing. A major reason for seeking stability in pricing is to avert price wars whether demand is increasing or decreasing.

b) Meet competition:-

Countless firms price there products simply to met the competition.

Limitation:-

1) Differentiated products features of favorite brands may be more important to customer then price.

2)when economic condition are good and customer feel rich then price is not rated as important as products planning or promotional activities.

3) During the period of recession and inflation, pricing becomes extremely important.

2.3 Procedure for price determination

METHODS OF STTING PRICE

There are three methods of setting price

1) Price is based on total cost plus a desired profit.(balance between supply and demand.

2) Prices are based on marginal analysis.

3) Prices are based only on competitive market condition.

1) Cost plus pricing;

It means that costing the prices of one unit of a product is equal to the total cost of the unit plus the desired profit on the unit.

Example:-

Suppose the total fixed cost (TFC) of company for production is $30,000 the management whishes to earn $ 20,000 as profit and firm has decided to produce

400 units. Thus the formula for determination of price is equal to TFC+TVC+ Projected profit divided by units produced**.** 30, 0000+90,000+20,000(divided by) 400This cost plus pricing approach ensure that desired profit level will be achieved however , it relies on forecasts which can be dangerous because costs often change rapidly. There are some situations where cost plus pricing approach to pricing is perfectly suitable.

For example:-

The price of some products remain suitable from year to year e.g. Milk , bread, paper chips etc. The cost plus pricing system is useful in such fields where the firms are given a job or government contract because the demand is known. Setting price can be determined as S.P = C+M Where S.P = setting price C= cost M= markup.

Drawbacks:-

1) It relies on forecast cost.

2) This method also fails to ensure that how much quantity of output will actually be sold.

2) Balance between demand and supply:-

Another method of setting price involves balancing demand with cost to determine the best price for profit maximization. This method is thus best suited for companies whose pricing goals are to maximize profit. Some companies can use this method to compare prices determined by different methods. The firm in market of perfect competition has horizontal demand curve which shows single seller has control over price and his production can be sold at the market price. But industry has downward slopping curve which shows industry can sell more units on lower price that at higher price.

3) Price set in relation to market alone:-

1) Going rate pricing:-

In this method, firm basis its price largely on competition and pay less attention to its own cost and demand. Going rate pricing is quite popular where demand elasticity is difficult to measure.

a) Pricing below competition level:-

A variation of market- based pricing is to set a price at some point by discount retailers. These stores offer fewer services and operate on principle of low mark up and high volume.

b) Price above competition level:-

Producers or retailers sometimes set their prices above market level. Usually above market pricing works only when the product is distinctive or when seller has acquired prestige in its field. E, g prestigious stores of jewelry, clothing, perfumes etc.

2) Sealed- Bid pricing:-

In this method price on expectations of how competitors price rather then to firms costs or demand. The firm wants to win contracts and this requires pricing lower then other firms. Yet the firm cannot set its price below cost.

3) Select the final price:-

Before selecting the final price, the company must evaluate some additional consideration.

a) Psychological pricing:-

The seller should consider the psychology of prices. May people relates prices with quantity, many sellers believe that price should be 299, 1.95 rather then 200 or 200.

b) Impact of price on other parties:-

Management also considers the reaction of other parties on the price selected. How will the distributors and dealers feel it? How will competitor react the price? Etc.

4) Breakeven point:-

A breakeven point is the quantity of product at which the sellers revenue equal to the total costs assuming a certain selling price. Thus there is deferent breakeven point for each different selling price. The breakeven point may be found with this formula, Total fixed cost Break even point = Selling price – average variable cost

2.4 Price strategies

PRICING SRATEGIES

A company not sets a single price but a pricing structure that covers different items in its line. This pricing structure change with products life cycles. The company adjusts product price to reflect changing costs and situations. There are many price strategies available tomanagement.

1) New product pricing strategies,
2) Product mix pricing strategies,
3) Price adjustment strategies.

1) New product pricing strategies:-

New product pricing strategies include,

(1) Pricing on innovative product.

2) Pricing on innovative product. Pricing innovative include sub heading as

(a) Market skimming pricing.

(b) Market penetration pricing, Which have been discussed earlier.

1) Pricing imitative products:-
A company that involves pricing imitative products faces a product positioning problem. It must decide where to position the product on quality & price.
(1) Positioning in relation to competitors.
(2) Positioning by price and quality.
(3) Positioning in relation to target market.
(4) Positioning in relation to product class.
2) Product mix pricing strategies:-
In this case, the firms, looks for set of prices that maximize the profit on the total product mix.

The product mix pricing strategies has to face different degree of competitors
(1) Product line pricing:-
Companies usually develop product lines rather than single product. In this type of pricing management must determine the price steps to set between the various product in a line.
(2) Optional product pricing:-
Many companies use optional product pricing-offering to sell optional or accessory products along with their main products. A car buyer can order electric windows etc. Pricing these options is a problem. Automobile companies must decide to offer options in base price.
(3) Captive product pricing:-
Companies that make product which must be used along with a main product use captive product pricing e.g., laser blades, camera films and computer software.
(4) Bye product pricing:-
In producing processed needs petroleum products, chemicals and other products. These are often by products. In the by product have no value, this will affect the product pricing, the manufacturers should accept any price that cover more than cost.
(5) Product brindle pricing:-
Using product brindle pricing sellers often combine several of their products and offer the brindle at a reduced price.
Price adjustment strategies Discounts and allowances:-
Discount and allowances results in a deduction from the list price in the form of cash or something else.
1) Cash discount:-
Cash discount is a price reduction to buyers who pay their bills promptly. The typical example is 2/10; n/30 which means the buyer can deduct 2% from the cost by paying the bill within 10 days.
2) Quantity discounts:-

A quantity is a deduction in price to buyers who buy large volume. The discount may be based on dollar amount. Quantity discounts are offered by seller to encourage customer to buy in large amount.

3) Cumulative and non-cumulative quantity:-

A non cumulative discount is based on the size of an individual order of one or more products. Cumulative discounts are based on the total volume purchased over a period of time.

4) Trade or functional discounts:-

Trade or functional are offered by manufacturers to trade channel members who performed certain functions such as selling, storing and record keeping.

5) Promotional discounts:-

These are payments or price reduction to reward dealers for participating in advertising and sale support programs.

6) Seasonal discounts:-

A seasonal discount is a price reduction to buyers who buy products or services out of seasons.

7) Trade-in-allowances:-

These are price reduction granted in a sold item when buying a new one. It is common in automobile companies.

8) Allowance:-

Allowance is another type of reduction from list price e.g. promotional allowances, trade in allowances etc.

Price Determination

The sellers can and some sellers do charge different prices from different people for the same product, or same price of different products. This is known as determination. It should be kept in mind that seller often charge more prices on inelastic consumer and less from elastic one.

DISTRIBUTION STRUCTURE

Outline 03

3.1 Channel of distribution

- ✓ Distribution

- ✓ Channel of distribution
- ✓ Types of channels & distribution

3.2 Nature of retail market,

Retailing Nature of Retail

3.3 Economics basis of retailing and its Classification.

Classification Of Retailers

Whole selling

3.4 Retailer's whole seller and methods of operation.

Classification of whole seller

Methods of operation.

3.5 Designing and managing channel of distribution.

Managing of physical distribution

3.1 Channel of distribution

DISTRIBUTION:

Distribution involves the physical movement of products to ultimate consumers. Distribution is not simply a matter of moving products into the hands of consumers, it involves a products movement throughout all stages of development from finding resources, through manufacturing to final sales.

Distribution Channels:-

A distribution channel consists of the set of people and firms involves in the flow of a product, as it moves from producer to ultimate consumer or business users. A distribution channel always include both the producers and final customer for product as well as any middleman.(retailers or wholesalers).

Types of channels & distribution:-

Common channels for distribution of consumer goods, business goods and services are discussed below.

1) Distribution of channel goods:-

There are five channels are used for distribution of tangible goods to ultimate consumer.

a) Producer—>Consumer:

The shortest, simplest channels of distribution for distributing gods are from producer to consumer. It involves no middle man. The producer may sell from door to door or by mail.

Door to Door:-
In these channels companies use their representatives to sell their gods from door to door such as insurance magazines, newspapers, milk etc.

By Mail:-
Some companies also sell their products by mails. A farmer sells their fruit and vegetables directly to consumer at road is also using this method. It is short and direct method.

b) Producer–→Retailer→Consumer

Consumer:-
Many large retailers buy directly from manufacturers and agricultures' large no. of our purchases are mad through this channel such as automobiles, clothing, gasoline etc .In this case manufacturers keep contact with retailers, take purchase orders. The retailers then sell to ultimate consumers.
C) Producer→ Wholesaler→ Retailer→ Consumer

Consumer:-
This type of channel mostly used by small manufacturers and small retailers to distribute such things that have a large market need. The products such as drugs, lumber, hardware and many food items are distributed in such channel process.
d) Producer-→ Agents→ Retailer → Consumers

Consumers:-
Instead of using wholesaler many producers prefer to use manufacturer's agents, a broker or some other agent's middleman to reach the retail market. A glass marker selected a food broker to reach store market.
e) Producer→ Agents→ Wholesaler→ Retailer→ Consumer

Consumer:-
To reach small retailers, the producers often use agent middleman, who in turn cal on with wholesales that sell to small stores. Agent can be especially useful for

making contacts and bringing buyers and sellers together. They are common in food industry, where they are called "food brokers".

2) Channels for Distribution of Business Gods:-

a) Producers-→Industrial Users:-

This direct channel is used for most expensive products. Manufacturers of large installations such as air planes, generators etc use this channel.

b) Producer→Industrial Distribution-→Users:-

Producers of operating supplies and small accessory equipment frequently use industrial distributors to reach their market.

c) Producer→ Agent-→User:-

Firms without their own marketing department find this channel. Also a company that wants to introduce a new product or enter a new market may prefer to use agents rather than its own sales force.

d) Producer→ Agent→ Industrial Distributers→ Users:-

This channel to similar to previous one. It is used when it is not possible to sell through agents directly to business users.

3) Distribution of Services:-

The intangible nature of services creates special distribution requirements. There are only two common channels.

a) Producer→Consumer:-

As service is intangible so it requires direct contact b/w consumer and producer. Thus direct channel is used, as for many professional services such as health, care, legal advice and personal services as hair cutting etc.

b) Producer-→Agent-→Consumer:-

While direct distribution is often necessary for a service to be performed, producer consumer contact may not be required for key distribution activities; Agents frequently assist service without producer. Many services as travel, loading, advertising media and insurance use agents.

3.2 Nature of retail market

RETAILING

Retailing includes all activities associated with selling goods and services to ultimate consumers for personal or non business use. It may be done through retail stores.

Retail Sales:-

Any firm manufacturers retailer or wholesaler that sells some thing to ultimate consumer for their personal use is called retail sale.

Retailer:-

It is business enterprise that sells primarily to household consumers for non business use. The word "Dealer" is also used for retailer

Nature of Retail:-

1) Easy To Entry into Retailing:-

2)It is easier to go into retailing than any other trade, profession or line of business. To start a manufacturing firm one must have money to acquire a plant, equipment and material. But to operate a retail store, no exams are required and necessary business licenses are easy to acquire. Many under formed and poorly qualified people enter in the field and son fail.

3) Economic Justification For Retailing:-

To get into retailing is easy but to forced out is just as easy. Thus to survive to retailing, accompany must perform its primary role i-e to provide gods and services to customer.

Secondly role i-e, to serve producer and wholesaler. This dual responsibility is both, the justification for retailing and key to success in retailing.

1) Size OF Retail Market:-

There is a large no. of retail stores in the world. In spite of the population boom and raising consumer incomes over the past three decades, there has been no appreciable change in the number of retail stores. Sales through retail store increased from late 1960,s to early 1990,s due to increase in per capital income, in spite of increase in price goods, total sales and per capital retail sales have increased.

2) Cost and Profit of Retailers:-

The total average operating expenses for al retailers combined are about 25% to 27% of retail sales.

Wholesaling expenses are estimated at about 8% of wholesaling sales. Retailers cost and profit very depending on the type of operation and major product line.

Higher retail costs are generally related to the expense of dealing directly with ultimate consumer.

3.3 Economics basis of retailing and its Classification

Classification of Retailers:-

There are four classifications of retailers. These are

1. By Sale-Volume
2.By Product Line
3.By Fore Of Ownership
4.By Method Of Operation5.

1) By sales volume:-

Sale volume is useful basis for classifying retail stores, because stores of different sizes present different management problems. Buying, Promotional, Financing personal relations and expense control al influenced significantly by, whether a store sales volumes large or small. On this basis relating is both a large scale and small scale operation.

1) By product line:-

We can group them into two categories

a) General Merchandized Store:-

General Merchandized store carry a large no. of product lines. Departmental store are type of general merchandized store with largest sale volume.

b) Limited Line Store:-

Limited line store is considerable assortment of goods but in only one or few related lines. We identify these stores by the name of the product. Examples are Food store, shoe store, furniture's store, and ladies ware store and so on.

3) By form of ownership:-

Another useful way of classifying retail stores is based on ownership. Thus a retailer may operate the business independently or may be part of chain. The major store ownership categories are

a) Independent Store:-

In an independent store, there are close personal relationship b/w customers and retailers. About 90% of operations fall into this category. Flower shop, tobacco shop, booth store fall in this category.

b) Corporate Chain Stores:-

A corporate chain store is an organization of two or more stores, centrally owned and managed, that generally handle the same line of products on the same level in distribution structure.

4) By method of operation:-

The four types of retailers, classified by method of operation.

a)Full Service Retailing:-

Full service retailing is stick quite prevalent, although its used has declined during the last 30 years, while the super market discount retailing, non retailing store has increased during the last 3 decades.

b) Super Market Retailing:-

Super market will be defined as a large scale retailing institutions offering a variety of merchandize including (meat and dairy products).

c) Telephone Retailing:-

Telephone retailing involves the sales of goods and services over the telephone. It is a growing form of retailing. Telephone orders are published by advertisement in news papers, magazines and on radio and on TV.

d) Vending Machine Retailing:-

Retailing is non personal form of selling in which customers buy products directly form conveniently located machinist.

<u>CLASSIFICATION OF RELAILERS</u>

By sales volume By product line By form of ownership By method of operation General merchandize Limited line Independent store Corporate chain Non store retail Discount Retail Supermarket Full Service retail Mail order Retailing Door to door retailing Telephone Vending

3) Discount Retailing:-
The modern discount houses are large stores that are freely open to the public, advertised widely and carry a complete selection of well known brands of hard goods (furnishing jewel etc).They sell below nationally advertised list price.
4) Non Store Retailing:-
There are four important stores of non important stores of retailing.
a) Mail Order:-
Mail order retailing may involve catalogue, advertising through mass-media. It has both advantages and disadvantages
b) Door To Door Retailing:-
The process in which all the transactions occur in the consumer's home. Door to door sales may be conducted by producers or retailers.

c) Telephone Retailing
d) Vending Machine Retailing
<u>3.4 whole seller and methods of operation.</u>

-
<u>WHOLE SELLING</u>
Definitions:-
Whole selling includes all sales made to any person or organization other than ultimate consumers, who use the product for personal non business purpose. Any transaction from one producer to another producer is a whole selling exchange. Whole selling and whole sell trade consists of the sale, and al activities directly related to sale of goods and services to parties for resale, use in producing other goods or service or operating an organization.

Classification of whole seller:-
There are three categories of whole sale1); Merchant Whole Seller 2; Agent and Broker 3): Manufacturer Whole Selling
1): Merchant Whole Seller:-
These are sometimes called jobbers and distributors. They are the largest single group of whole seller which are measured either by sale or by no. of establishments. There are two types of merchant whole sellers

a)Full Service Whole Selling
b)Limited Service Whole Selling

a): Full Service Whole Selling:-

Full service whole service almost all the service that a whole seller can provide such a carrying stock can provide such a carrying stock using a sale force, offering a credit, making deliveries and providing management assistance. They are divided into two groups.

1). General Merchandise Full Services:-

They handle a broad line of non perishable items such as drugs, cosmetics, hardware' setc. They provide full range of services

1) Limited Line Full Service Whole Selling

:-Limited line service whole seller carry out a few product lines but offer a full range of service. They are also called industrial distributors.

b) Limited Service whole selling:-

Limited service whole selling offer service to their suppliers and customers. There are several types of limited service whole selling.

1) Cash and Carry Whole Selling:-

Cash and whole sellers have a limited line of fast moving goods and sell to small retailers for cash and normally do not dollars.

2) Drop Shipping Whole Selling:-

Drop shipper whole sellers operate in bulk industries such as coal and heavy equipment. They do not physical possession products.

3) Truck/Wagon Whole Sellers:-

These are also called truck jobbers. They perform a selling or delivering function. They carry a limited line of semi-perishable merchandise (milk, breads, snacks) which they sell for cash as they make their rounds to supermarkets, small groceries, hospital, hotels and cafeteria etc.

4) Material Order Whole Selling:-

Male order whole sellers send catalogue to retailer, industrial and institutional customers, generally for cosmetics, specially food and other small items. Orders are filled and sent by mail, truck or other means of transport.

2) Agents and brokers:-

These middlemen never own the products. Their activity is bringing buyers and sellers together and facilitating the sale. Brokers are paid by the party who hire them. They do not involve in financing.

Agents and brokers work on commission basis, ranging from 2 to 6%. Of the selling price. They perform useful function for small producers who cannot afford the high cost of hiring, training and paying their own sales force.

3) Inside or manufacturing whole selling:-

This type of whole selling consists of whole selling operations conducted by buyers and sellers themselves rather than through independent whole seller. There are two types of wholesaling.

a) Sale Branches and Offices:-

Manufacturers often set up their sales branches and offices improve inventory control, selling and promotion.

2): Purchasing Offices:-

Many whole sellers set their offices in market centers such as Lahore and Karachi. These purchasing offices perform a role similarly to that of agent or brokers but are the part of organization.

3.5 Designing and managing channel of distribution

&Managing of physical distribution

DESIGNING DISTRIBUTION CHANNELS

To design channels that satisfy customers and out of competition, an organized approach is required. We suggest a sequence of four decisions.1)

Specify The Role Of Distribution

:-A channel strategy should be designed with in the context of the entire marketing mix. Firstly, the firm's marketing objectives are review and than the roles assigned to product, price and promotion are specified. Each element may have separate role or two elements may have together roles. For Example A manufacturer of pressure gauges may use both middle man and direct mail advertising to convince customers.

2) Select the Type of Channel:-

Once distribution role is specified, the most suitable type of channel for the companies' product must be determined. At this point a firm needs to decide whether middleman will be used in its channel and, if so, which type of middle man.

3) Determine Intensity of Distribution:-

The next decision relates to intensity of distribution that is, the mo. Of middle man used at the wholesale and retail levels. Because of the desires of prospective customers good year found it necessary to intensity its distribution and as a result, started selling most of a tire lines through discount outlets.

4) Choose Specific Channel Members:

The last decision concerns the selection of specific firms to distribute the product. Sometimes a company trying to market a new product, it has little choice regarding which channel members to use. In this case, the company goes must with those middleman that are willing to distribute the product

Physical distribution:-

Physical distribution consists of all activities concerned with moving activities the right amount of the right products to the right place at the right time.Physical distribution for manufacturers includes the flow of raw materials from their sources of supply to the production line and the movement of finished goods from end of this production line to final user's locations. Middleman manages the flows of goods onto their shelves as wells their shelves to customer homes, store or other places of business.

Activities

:-The activities of physical distribution are order processing, inventory control, inventory location and warehousing, materials handling and transportation.

Strategic Use of Physical Distribution:-

The management of physical distribution can enables company to satisfy customers need bitterly by reducing operating costs. The management of physical distribution can also effect affirms marketing mix.

PERMOTIONAL ACTIVITIES

Outline 04

4.1 Promotional activities
- ✓ The promotional program
- ✓ Campaign concept

4.2 Promotional mix- sales promotions,4.3Personal selling
- ✓ Personal selling process
- ✓ Prospecting
- ✓ Qualifying prospects
- ✓ Prospects
- ✓ Re-approach to individual
- ✓ Presenting the sales messages
- ✓ Past sale services

4.4 Nature and importance of advertising

4.5 Types of advertising4.6 Features of advertising
4.7 Development of advertising.

Developing advertising campaign

- ✓ Defining objectives
- ✓ Establishing a budget
- ✓ Creating a message
- ✓ Selecting media
- ✓ Yellow pages

4.8 Aim of advertising.

PROMOTION

4.1 Promotional activities

From a market perspective, promotion serves three essential roles-it informs, persuades and reminds prospective and current customers and other selected audience about a company and its products.

To inform:-

The most useful product or brand will be consider failed, if no one knows that it is available. Because distribution channels are often long, a product may pass through many hands a producer and consumers. Therefore, a producer must inform middleman as well as business users and ultimate consumers about a product. Wholesalers in turn must inform retailers and retailers must inform consumers.

To persuade:-

Another purpose of promotion is to persuade. The intense competition among different industries as well as among different firms in the same industry puts a tremendous pressure on promotional programs of sellers. In our economy of a abundance, we need strong persuasive promotion, because consumers have many alternatives to choose from. For example, in case of luxury product, for which sales depend on its ability to convince consumers that the product's benefit exceed those of other luxuries, persuasive is even more important.

To remind:-

Consumer also must be reminded about products availability and its potential to satisfy.

4.2 Promotional mix- sales promotion

Determining the promotional mix:-

A promotional mix is an organization's combination of personal selling, advertising sales promotion and public relation. An effective promotional mix is a critical part of virtually all

marketing strategies. Product differentiation, market segmentation, trading up and trading down and branding all requires effective promotion. Designing effective promotional mix involves a number of strategic decisions about five factors.

1) Target audience:-

Decision on promotional mix will be greatly influenced by target audience. The target may be final consumer, who could be further defined as existing customer or new prospects. In some order to gain their support in distributing a product or in case of a company about to makes stock offering. A promotion program aimed primary at middlemen is called push strategy and promotion program directed primarily at end users is called pull strategy. Using a push strategy means a channel member directs its promotion primarily at the middlemen that are next link forward in the distribution channel. With a pull strategy, promotion is directed at end users usually ultimate consumers.

2) Promotion objectives:-

A target audience can be in any one of six stages of buying readiness. These stages awareness, knowledge, liking, preference, conviction, and purchase are called hierarchy of effects, because they represent stages a buyer goes through in moving toward a purchase and each describes a possible objective or effect of promotion. The goal of promotion is to get the prospect to the final or purchase stage.

i) Awareness: -

At the awareness stage, the seller's task is to let the buyer know that the product or brand exists. Here the objective is to build familiarity with product and brand name.

ii) Knowledge: -

Knowledge goes beyond the awareness to learning about a product's feature.

iii) Liking: -

Liking refers to how the market feels about the product. Promotion can be used to move acknowledgeable audience from being indifferent to liking a brand. A common technique is to associate the item with an attractive symbol or person.

iv) Preference: -

Creating preference involves distinguishing among brands such that the market finds your brand more attractive than alternative. It is not uncommon to like several brands of the same product but the customer can't make a decision until one brand is preferred over the other.

v) Conviction: -

Conviction entails the actual decision or commitment to purchase. For example a student may prefer IBM over a clone, and not yet be convinced to buy a computer. The promotion objective here is to increase the strength of buyer's need.

vi) Purchase: -

Purchase can be delayed or postponed indefinitely, even for customers who are convinced they should buy a product. There may be some situational factor involved such as not having enough money at that moment or natural resistance to price.

3) Nature of Product:-

Several product attributes influences the promotional mix. We consider three that are significant are:

i) Unit value: -

A product with low unit value is usually relatively uncomplicated, involves little risk for buyer and must appeal to mass market to survive. As a result, advertising would be primary promotional tools. In contrast high unit value products are complex and complicated.

ii) Degree of customization: -

If a product is adapted to an individual customer need, personal selling is important. However the benefits of most standardized products can be effectively communicated in advertising. Although this principle holds true for many products, it is being challenged by firm implementing mass customization.

iii) Presale and Post sale services: -

Products that must be demonstrated for which there are trade in, or that require frequent servicing to stay in good working order lend themselves to personal selling.

iv) Stages in product life cycle: -

Promotional strategies are influenced by product life cycle-stages. When a new product is introduced prospective buyer must be informed about its existence and its benefits and middlemen must be convinced to carry it. Thus both advertising and personal selling are critical in a product introductory stage. At introduction a new product also may be something of novelty, offering excellent opportunities for publicity. Later, if a product becomes successful, competition intensities and more emphasis is placed on persuasive advertising.

v) Funds available: -

Regardless of the most desirable promotional mix, the amount of money available for promotion is often the ultimate determinant of mix. A business with more funds can make more effective use of advertising than a firm with limited financial resources. For example, television advertising can carry a particular promotional message to for more people and at a lower cost per person then most other media.

4.3 Personal selling

PERSONAL SELLING PROCESS

Personal selling is the individual to individual communication. It has some advantages over advertising. Personal selling provides the human touch that is backing in adverting. The value of personal selling as a promotional activity depends on the product being offered and market involved. Inexpensive consumer products can be marketed successfully through personal selling.

Personal selling process:-

The personal selling process is a logical sequence of four steps that a sales person takes in dealing with a perspective buyer. The process is designed to produce some desired consumer actions and ends with a follow-up to ensure customer satisfaction. The desired action usually is a purchase by the customer. Prospecting

- Reproach
- Presentation
- Post sale service

(i) Identifying prospective customers.
(ii) Qualifying prospects
  (i) Information
  (ii)Habits
(iii) Preferences

AIDA

(i) Attention
(ii) Interest
(iii)Desire
(iv)Action
(i)Reduce decision Build good will

a) Identifying: -

The identification process is an application of market segmentation. By analyzing the firm's database of pas and current customers, a sales rep can determine characteristics of an ideal prospect. Comparing this profile to a list of potential customers will produce a set of prospect. A List of potential customers can be constructed using suggestions from current customers, trade associations and industry directories.

Qualifying prospects:-

After indentifying prospective customers, a seller should qualify them, that is determine whether they have necessary willingness, purchasing power and authority to buy. To determine willingness to buy, a seller can seek information about any changes in the prospect's situation. For example, a business firm or a household consumer may have had a recent problem with an insurances provider. In this case there may be an opportunity for a sales person from a competing insurer to get that prospect's business. To determine a prospect's financial ability to pay, a seller can refer to credit rating services. For household consumers or small business, a seller can get credit information from a local credit bureau. Indentifying who has authority to buy is a business or a household can be difficult. For example, a purchasing agent may have buying authority, but what he or she buys may depend on the recommendation of an office secretary.

(2) Re-approach to individual prospects:-

Before calling on prospects, sales people should conduct a pre approach-learning all about the companies and persons to whom they hope to sell. This might includes finding that what products the prospects have used in the past, what they are now using and their reactions to these products. In business to business selling a sales person or selling team should find out how buying decisions are made in customer's organization.

Sales people should try to get all the information, so they will be able to tailor their presentation to individual buyer.

(3) Presenting the sales messages:-

With the appropriate pre approach information, a sales person can design a sales presentation that will attract the prospect's attention. The sales person will then try to hold the prospect's interest while building a desire for the product, and when the time is right, attempts to stimulate action by closing sales. This approach is called AIDA (Attention interest, desire and action) is used by many organization.

a) Attract attention the approach:-

First task in a sales presentation is to attract the prospect's attention and to generate curiosity. In case where the prospect is aware of a need and is seeking a solution by simply stating the Sellers Company and product may be enough, provided by company. For example, if sales person was offered to the prospects by a customer, the right approach might be to start out by mentioning this common acquaintance, or a sales person might suggest the product benefits by making some startling statement.

b) Hold interest and arouse desire:-

After attracting the prospect's attention the challenge for sales rep is to hold it and stimulate a desire for product with a sales presentation. For example, some companies train their sales people to use a canned sales talk, a memorized presentation designed to cover all points determined by management to be important.

c).Meet objections and close the sale:-

After explaining products and its benefits, a sales person should try to close the sale, that is obtain action on the consumer's part. Periodically in a presentation, the sales person may venture a trial close to test the prospect's willingness to buy.

The trial close tends to uncover the buyer's objection. A sales person should encourage the buyer to state their objections. Then the sales person has an opportunity to meet the objections and bring out additional product benefit or reemphasize previously stated points.

(4) Past sale services:-

An effective selling job does not end when the order is written up. The final stage of a selling process is a series of post sale activities that can build customer goodwill and lay the groundwork for future business. Post sale services reduce the customer's post purchase cognitive dissonance. In this final stage of personal selling, a sales person can minimize the customer's dissonance by(1) Summarize the products, benefit after purchase.(2) Repeat why product is better than other alternative.(3) Emphasizing how satisfied customer will be with product.

ADVERTISING

Advertising is an art of influencing the customers through paid non-personal presentation to purchase and posses a product. It can also be defined as "any paid form of non-personal presentation and promotion of ideas goods or services by an identified sponsor. The two main objectives of advertising are to expose a product to a large market and to encourage the buyer to accept the product.

4.4 Nature and importance of advertising

Nature Objectives of advertising:-

Establish advertising objectives to optimize performance of the product or service, and Meet advertiser needs.
1) Communication effects are analyzed and assessed for their ability to achieve Specified responses.
2) Brand awareness objectives that enhance buyer empathy with the product or service are developed, evaluated, and determined.
3) Brand attitude objectives that enhance positive buyer brand evaluation and distinguish rational and emotional responses to brand attitude are developed, evaluated, and determined.
4) Brand purchase intention objectives that encourage buyer purchase action are developed, evaluated, and determined.
5) Objectives that achieve the required effects for the product or service are developed and integrated to meet overall brand strategy and advertising objectives.
6) Proposed advertising objectives are assessed for their compatibility with advertiser needs for the development and execution of effective messages and advertisements that achieve advertising and marketing objectives.
7) Provisions are made for monitoring, evaluating, and adjusting advertising responses to ensure that these continue to meet brand strategy and advertising objectives.

Importance of advertising:-

Advertising is of great importance in our world of competition. It is important for both seller and buyer. Even the government cannot do without it. First, of all, advertising introduces new products to general public. For example, the public come to know about useful new medicines for some diseases. We often learn about new machines for agriculture and industry for ads.

Secondly:-

Advertising introduces different brands of same product. Advertisement tells about qualities of each brand and we can easily select.

For example:-

There are three different brands of bicycle produced by same company.

Thirdly:-

Government can very profitably advertise its schemes and policies. It can tell general public what it might do for good of nation.

Fourthly:-

It is through advertisements that we come to know of new service jobs. Qualified people apply for them and get adjusted in life.

Fifthly:-

Advertisement is a dependable and effective means of expanding education and of bringing students to educational institutions. Schools, colleges and universities advertise their classes, courses, and fees and attract students for admission. Advertising can also be harmful. When advertisement misstates qualities of their products, they misguide public. When manufacturers advertise harmful products like cigarettes, they da a disservice. Advertising is useful a\within proper limits. These limits Cleary lay down by religion, law and our traditions.

4.5 Types of advertising

Types of advertising:-

Mentioned below are the various categories or types of advertising:

Print Advertising – Newspapers, Magazines, Brochures, Fliers

The print media have always been a popular advertising medium. Advertising products via newspapers or magazines is a common practice. In addition to this, the print media also offers options like promotional brochures and fliers for advertising purposes. Often the newspapers and the magazines sell the advertising space according to the area occupied by the advertisement, the position of the advertisement (front page/middle page), as well as the readership of the publications. For instance an advertisement in a relatively new and less popular newspaper would cost far less than placing an advertisement in a popular newspaper with a high readership. The price of print ads also depend on the supplement in which they appear, for example an advertisement in the glossy supplement costs way higher than that in the newspaper supplement which uses a mediocre quality paper.

Outdoor Advertising – Billboards, Kiosks, Tradeshows and Events

Outdoor advertising is also a very popular form of advertising, which makes use of several tools and techniques to attract the customers outdoors. The most common examples of outdoor advertising are billboards, kiosks, and also several events and tradeshows organized by the company. The billboard advertising is very popular however has to be really terse and catchy in order to grab the attention of the passers by. The kiosks not only provide an easy outlet for the company products but also make for an effective advertising tool to promote the company's products. Organizing several events or sponsoring those makes for an excellent advertising opportunity. The company can organize trade fairs, or even exhibitions for advertising their products. If not this, the company can organize several events that are closely associated with their field. For instance a company that manufactures sports utilities can sponsor a sports tournament to advertise its products.

Broadcast advertising – Television, Radio and the Internet

Broadcast advertising is a very popular advertising medium that constitutes of several branches like television, radio or the Internet. Television advertisements have been very popular ever since they have been introduced. The cost of television advertising often depends on the duration of the advertisement, the time of broadcast (prime time/peak time), and of course the popularity of the television channel on which the advertisement is going to be broadcasted. The radio might have lost its charm owing to the new age media however the radio remains to be the choice of small-scale advertisers. The radio jingles have been very popular advertising media and have a large impact on the audience, which is evident in the fact that many people still remember and enjoy the popular radio jingles.

Covert Advertising – Advertising in Movies

Covert advertising is a unique kind of advertising in which a product or a particular brand is incorporated in some entertainment and media channels like movies, television shows or even sports. There is no commercial in the entertainment but the brand or the product is subtly (or sometimes evidently) showcased in the entertainment show. Some of the famous examples for this sort of advertising have to be the appearance of brand Nokia which is displayed on Tom Cruise's phone in the movie Minority Report, or the use of Cadillac cars in the movie Matrix Reloaded.

Surrogate Advertising – Advertising Indirectly

Surrogate advertising is prominently seen in cases where advertising a particular product is banned by law. Advertisement for products like cigarettes or alcohol which are injurious to heath are prohibited by law in several countries and hence these companies have to come up with several other products that might have the same brand name and indirectly remind people of the cigarettes or beer bottles of the same brand. Common examples include Fosters and Kingfisher beer brands, which are often seen to promote their brand with the help of surrogate advertising.

Public Service Advertising – Advertising for Social Causes

Public service advertising is a technique that makes use of advertising as an effective communication medium to convey socially relevant messaged about important matters and social welfare causes like AIDS, energy conservation, political integrity, deforestation, illiteracy, poverty and so on. David Oglivy who is considered to be one of the pioneers of advertising and marketing concepts had reportedly encouraged the use of advertising field for a social cause. Oglivy once said, "Advertising justifies its existence when used in the public interest - it is muchtoo powerful a tool to use solely for commercial purposes.". Today public service advertising has been increasingly used in a non-commercial fashion in several countries across the world in order to promote various social causes. In USA, the radio and television stations are granted on the basis of a fixed amount of Public service advertisements aired by the channel.

Celebrity Advertising

Although the audience is getting smarter and smarter and the modern day consumer getting immune to the exaggerated claims made in a majority of advertisements, there exist section of advertisers that still bank upon celebrities and their popularity for advertising their products. Using celebrities for advertising involves signing up celebrities for advertising campaigns, which consist of all sorts of advertising including, television ads or even print advertisements.

4.6 Features of advertising

Features of advertising:-

Nan and Faber (2004)

made a first attempt to identify four unique features of advertising compared to other forms of communication by reviewing the literature and logic reasoning.

These features included

- consumer skepticism,
- message repletion,
- message coordination

Clutter. Building on their study, we provided a more objective view of what makes advertising unique. We gathered what can be called experts' opinions on what makes advertising unique through a survey with a systematically drawn sample of researchers in various fields of communication. These results indicate a number of unique features of advertising that have often been ignored in previous work. Seven unique features of advertising are identified through thissurvey. These unique features are

- untrustworthiness of the source,
- appeal to emotions,
- message repetition,
- explicit conclusions,
- variety of media channels,
- message coordination,

Persuasion goal. Three characteristics identified here, untrustworthiness of the source, message repetitions, and message coordination, have also been identified in the previous study as the unique featuresof advertising. Surprisingly, message competition was not perceived as a unique feature of advertising as compared to other form of communication.

4.7 Development of advertising.

DEVELOPING AN ADVERTISING COMPAIGN

An advertising campaign consists of all the tasks involved in transforming a theme into coordinated advertising program to accomplish a specific goal for a product or brand. Typically, a campaign involves several different advertising messages, presented over an extended period of time using a variety of media. An advertising

campaign is planned within the framework of overall strategic marketing plan and broader promotional program. The framework is established when management:
(1) Identifies the target audience.
(2) Establishes the overall promotional goals.
(3) Set the total promotion budget.
(4) Determine the overall promotional theme.With these task completed the firm can begin formulating an advertising campaign. Thesteps in developing a campaign are developing objectives, establishing budget, creating message, selecting media and evaluating effectiveness.

1) Defining objectives:-

The purpose of advertising is to sell something, a good service, idea to person or a place. This goal is reached by setting specific objectives that can be expressed in individual ads incorporates into an advertising campaign. The main advertising objectives are to:

a). Support personal selling: -

`Advertising may be used to support personal selling.

b). Improve dealers relations: -

Wholesalers and retailers used advertising to improve dealer's relations.

c). introduce a new product: -

Consumers need to be informed ever about line extensions that make use of familiar brand names.

d). expand the use of product: -

Advertising may be used to expend the use of product.

2) Establishing a budget:-

Once a promotion budget has been established, it must be allocated among various activities comprising the overall promotional program. One method that the firm uses to extend their budget is cooperative advertising, which isa joint effort by two or more firms intended to benefit each of the participants. There are types of cooperative ads. Vertical and horizontal. Vertical advertising involves firms on different level of distribution. Horizontal cooperative advertising is joint advertising in which two or more firms on same level of distribution, such as group of retailers, share the costs.

3) Creating a message:-

Whatever the objective of an advertising campaign, the individual ads must accomplish two things: get and hold the attention of audience and influence the audience in a desired way. There are many ways to achieving attention, surprising, shocking, amusing and arousing curiosity are all common techniques to gain attention. If the ad succeeds in getting the audience's attention, the advertiser has few second to transmit a message to influence behavior. The message has two elements, the appeal an execution.

4) Selecting media:-

Creation of message can be discussed before selecting the advertising media in which to place ad The advertiser must make decision before selecting media.

(i) Which type of media will be used?
(ii) Which category of the selected medium will be used?
(iii) Which specific media vehicles will be used?

(1) News Paper:-

As advertising medium newspapers are flexible and timely. The life of newspaper is very short. They are discarded soon after being read. In many cities circulation of daily newspapers is decreasing, because of growth of internet.

(2) Television:-

Television combines motion, sound and special visual effects. In T.V message can be presented bitterly. However, TV ads lack performance, so they must be seen and understood immediately.

(3) Direct mails:-

Direct mail has the potential of being most personal and selective of all media. Because the direct mail goes only to the people, the advertiser wishes to contact, there is almost no wastage coverage.

(4) Radio:-

Radio is low cost per thousand medium because of its broad reach. Nearly 80% of American listens to the radio daily. Radio commercials can be produced in less than a week, at a cost for below T.V. Because radio makes only an audio impression.

(5) Yellow pages:-

The yellow pages are a source of information from which most consumers are familiar. They are used by consumers at or very near buying decisions.

(6) Magazines:-

Magazines are the medium to use when high quality printing and color are desired in an add. Magazines can reach a national market at a relatively low cost per reader.

(7) Out-of-Home advertising:-

Spending out of home advertising is growing at about 10% a year. Most of out-of-home advertising is for local businesses.(

5) Evaluating the advertising effort:-

Top executive want to proof that advertising is worthwhile. They want to know whether dollar spent on advertising are producing as many sales as could be reaped from dollars spent on other marketing activities.

Difficulty of evaluations:-

It is hard to measure sales effectiveness of advertising. These difficulties arise due to:

(1) Different objectives

(2) Effects overtime

(3) Measurement problems. Methods used to measure effectiveness Ad effectiveness means are either direct or indirect. Direct test which compile the responses to an add or campaign, can be used only with anew types of ads. Indirect tests measures something other than actual behavior.

4.8 Five aim of advertising

FIVE AIM OF ADVERTISING

1.Increasing the sales of the product/service

2.Creating and maintaining a brand identity or brand image.

3.Communicating a change in the existing product line.

4.Introduction of a new product or service.

5.Increasing the buzz-value of the brand or the company There are various aims of advertising but the primary aim is to attract the sales for the company. In fact, the ultimate aim of any organization is to enhance its profitability and it is only possible when the company may attract more sales. The second aim of advertising is to enhance the visibility of the products and services among the consumers. In other words, advertising is aimed to increase the awareness of the customers. Advertising also plays an important role to build the image of the organization in the market. Through ads the company can build the image which it wants to make in the minds of the people. Therefore, nowadays, companies spend a huge amount of their budgets on advertising and promotional strategies.