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## M.COM. PART-II SEMESTER-III

MCOP2304T

MARKETING MANAGEMENT

### (BOOKLET-II)



## Punjabi University, Patiala

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**Department website : [www.pbide.org](http://www.pbide.org)**

MCOP2304T	MARKETING MANAGEMENT
4.1	: Physical Distribution Decisions
4.2	: Promotion Decision
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M.COM. PART-II

MCOP2304T

MARKETING MANAGEMENT

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LESSON NO. 4.1

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## Physical Distribution Decisions

### Lesson Structure

- 4.1.1 Objectives
- 4.1.2 Introduction
- 4.1.3 Marketing through channel partners
  - 4.1.3.1 Nature & importance of marketing channels
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### 4.1.1 OBJECTIVES

After reading this chapter, the student should be able to :

- Determine the basic concepts of Physical distribution system .
- To understand the importance of physical distribution in profit and non-profit making organizations
- Get an insight into the nature and scope of physical distribution and the various marketing tasks.
- To know the task and preferences of physical distribution in different markets.

#### 4.1.2 Introduction

Product distribution is one of the 4 elements of the marketing mix. Distribution is the process of making a product or service available for use or consumption by a consumer or business user, using direct means, or using indirect means with intermediaries. Product distribution is one of the four elements of the marketing mix. Distribution is the process of making a product or service available for use or consumption by a consumer or business user, using direct means, or using indirect means with intermediaries.

The physical distribution considers many sales distribution channels, such as wholesale and retail and includes critical decision areas like customer service, inventory materials, packaging, order processing and transportation logistics. Distribution is the place element of the marketing mix. Products need to be available in adequate quantities, in convenient locations and at time when customers want to buy them. Producers need to consider not only the needs of their ultimate customer but also the requirement of channel intermediaries, those organisations who facilitate the distribution of products to customers. The choice of the most effective channel of distribution is an important aspect of marketing strategy.

One can describe distribution as follows :- *A channel of distribution comprises a set of institutions which perform all of the activities utilised to move a product and its title from production to consumption.*

We define a value network as follows: *A value network is a system of partnerships and alliances that a firm creates to source, augment, and deliver its offerings* Marketing channels are sets of interdependent organizations involved in the process of making a product or service available for use or consumption! Marketing-channel decisions are among the most critical decisions facing management. The channels chosen intimately affect all the other marketing decisions. The company's pricing depends on whether it uses mass-merchandisers or high quality boutiques. The firm's sales force and advertising decisions depend on how much training and motivation dealers need. In addition, the company's channel decisions involve relatively long-term commitments to other firms.

When an automaker signs up independent dealers to sell its automobiles, the automaker cannot buy them out the next day and replace them with. Company - owned outlets. Marketers, for their part, have traditionally focused on the side of the value network that looks forward toward the customer. Hopefully, they will increasingly participate in and influence their companies' upstream activities and become network managers, not only product and customer managers. Most producers do not sell their goods directly to the final users; between them stands a set of intermediaries performing a variety of functions. These intermediaries constitute a marketing channel (also called a trade channel or distribution channel). Some intermediaries-such as wholesalers and retailers-buy, take title to, and resell the merchandise; they are called merchants. Others-brokers, manufacturers' representatives, sales agents search for customers and may negotiate on the producer's behalf but do not take title to the goods; they are called agents. Still others-transportation companies, independent warehouses, banks, advertising agencies-assist in the distribution process but neither take title to goods nor negotiate purchases or sales; they are called facilitators.

**4.1.3 MARKETING THROUGH CHANNEL PARTNERS** the most basic question to ask when deciding channel strategy is whether to sell directly to the ultimate customer, or to use channel intermediaries such as retailers and/or wholesalers.

**4.1.3.1 THE NATURE & IMPORTANCE OF MARKETING CHANNELS :** In brief the following highlights the importance of marketing channels :-

- Channel choices affect other decisions in the marketing mix

□ Pricing, Marketing communications etc. A strong distribution system can be a competitive advantage. Channel decisions involve long-term commitments to other firms. More specifically, producers do gain several advantages by using intermediaries: A marketing channel performs the work of moving goods from producers to consumers. It overcomes the time, place, and possession gaps that separate goods and services from those who need or want them.

Members of the marketing channel perform a number of key functions:

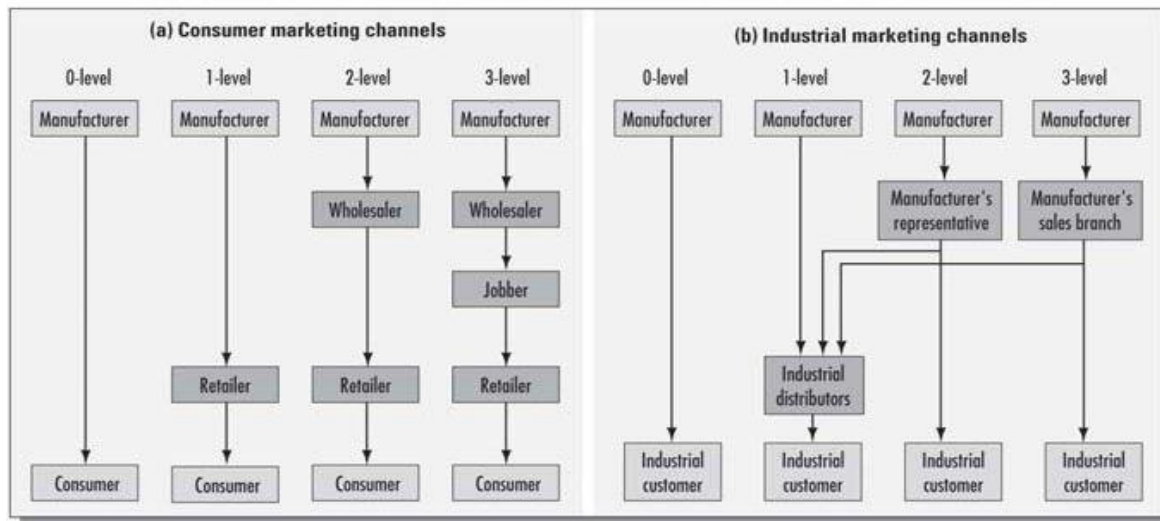
1. They gather information about potential and current customers, competitors, and other actors and forces in the marketing environment.
2. They develop and disseminate persuasive communications to stimulate purchasing.
3. They reach agreements on price and other terms so that transfer of ownership or possession can be effected.
4. They place orders with manufacturers.
5. They acquire the funds to finance inventories at different levels in the marketing channel.
6. They assume risks connected with carrying out channel work.
7. They provide for the successive storage and movement of physical products.
8. They provide for buyers' payment of their bills through banks and other financial institutions. They oversee actual transfer of ownership from one organization or person to another.

Some functions (physical, title, promotion) constitute a *forward flow* of activity from the company to the customer; other functions (ordering and payment) constitute a *backward flow* from customers to the company. Still others (information, negotiation, finance, and risk taking) occur in both directions. Five flows are illustrated in the above figure for the marketing of forklift trucks. If these flows were superimposed in one diagram, the tremendous complexity of even simple marketing channels would be apparent. A manufacturer selling a physical product and services might require three channels: a *sales channel*, a *delivery channel*, and a *service channel*. The question is not *whether* various channel functions need to be performed—they must be—but rather, *who* is to perform them.

All channel functions have three things in common: They use up scarce resources; they can often be performed better through specialization; and they can be shifted among channel members.

When the manufacturer shifts some functions to intermediaries, the producer's costs and prices are lower, but the intermediary must add a charge to cover its work. If the intermediaries are more efficient than the manufacturer, prices to consumers should be lower. If consumers perform some functions themselves, they should enjoy even lower prices. Marketing functions, then, are more basic than the institutions that perform them at any given time.

## : Consumer and Industrial Marketing Channels



The producer and the final customer are part of every channel. We will use the number of intermediary levels to designate the length of a channel. The figure illustrates several consumer-goods marketing channels of different lengths.

A zero-level channel (also called a *direct-marketing channel*) consists of a manufacturer selling directly to the final customer. The major examples are door-to-door sales, home parties, mail order, telemarketing, TV selling, Internet selling, and manufacturer-owned stores. Avon sales representatives sell cosmetics door-to-door; Tupperware representatives sell kitchen goods through home parties;

A one-level channel contains one selling intermediary, such as a retailer.

A two level channel contains two intermediaries. In consumer markets, these are typically a wholesaler and a retailer

A three-level channel contains three intermediaries e.g., food distribution may involve as many as six levels, there can be many brokers and agents involved.

From the producer's point of view, obtaining information about end users and exercising control becomes more difficult as the number of channel levels increases. The figure also shows channels commonly used in industrial marketing. An industrial-goods manufacturer can use its sales force to sell directly to industrial customers; or it can sell to industrial distributors, who sell to the industrial customers; or it can sell through manufacturer's representatives or its own sales branches directly to industrial customers, or indirectly to industrial customers through industrial distributors. Zero-, one-, and two-level marketing channels are quite common in

industrial marketing channels. Channels normally describe a forward movement of products from source to user.

One can also talk about reverse-flow channels.

They are important in the following cases:

- (1) to reuse products or containers (such as refillable chemical-carrying drums);
  - (2) to refurbish products (such as circuit boards or computers) for resale;
  - (3) to recycle products (such as paper )
  - (4) to dispose of products and packaging (waste products )
- Several intermediaries play a role in reverse-flow channels, including manufacturers,' redemption centers, community groups, traditional intermediaries such as soft-drink intermediaries, trash collection specialists, recycling centers, trash-recycling brokers, and central-processing warehousing.

Service sector channels. The concept of marketing channels is not limited to the distribution of physical goods. Producers of services and ideas also face the problem of making their output available and accessible to target populations. Schools develop "educational dissemination systems" and hospitals develop "health-delivery systems." These institutions must figure out agencies and locations for reaching a population spread out over an area. Hospitals must be located in geographic space to serve the people with complete medical care, and we must build schools close to the children who have to learn. Fire stations must be located to give rapid access to potential conflagrations, and voting booths must be placed so - that people can cast their ballots without expending unreasonable amounts of time, effort, or money to reach the polling stations. Many of our states face the problem of locating branch 'campuses to serve a burgeoning and increasingly well educated population. In the cities we must create and locate playgrounds for the children. Many overpopulated countries must assign birth control clinics to reach the people with contraceptive and family planning information. As Internet technology advances,' \_service industries such 'as banking, insurance, travel, and stock buying and selling will take place through new channels.

Information highway channels There was a time when information could only be passed from mouth to mouth, or by posters, or by mail. Each information channel was originally designed to carry one type of information. Telephone carried voice, cable networks carried video programming, ATMs carried data.. Today, there is a major drive to expand bandwidth so that these *channels can effectively carry data, voice, video, and text*. The rapid growth of the Internet, extranets, and intranets has created a huge demand for information channel capacity. Copper wires have too limited a bandwidth,

so much hope lies in expanding the carrying capacity of fiber and in wireless transmission. These conditions have initiated fresh marketing challenges

#### 4.1.4 CHANNEL DESIGN DECISIONS

*A new firm typically starts as a local operation selling in a limited market, using existing intermediaries.* The number of intermediaries in any local market is apt to be limited: a few manufacturers' sales agents, a few wholesalers, several established retailers, a few trucking companies, and a few warehouses. Deciding on the best channels might not be a problem. The problem might be to convince the available intermediaries to handle the firm's line. If the firm is successful, it might branch into new markets. It might have to use different channels in different markets. In smaller markets, the firm might sell directly to retailers; in larger markets, it might sell through distributors. In rural areas, it might work with general-goods merchants; in urban areas, with limited-line merchants. In one part of the country, it might grant exclusive franchises; in another, it might sell through all outlets willing to handle the merchandise. In managing its intermediaries, the firm must decide how much effort to devote to push vs. pull marketing

□ **Push strategy** A push strategy involves the manufacturer using its sales force and trade promotion money to induce intermediaries to carry, promote, and sell the product to end users. Push strategy is appropriate where there is low brand loyalty in a category, brand choice is made in the store, the product is an impulse item, and product benefits are well understood.

□ **Pull strategy** A pull strategy involves the manufacturer using advertising and promotion to induce consumers to ask intermediaries for the product, thus inducing the intermediaries to order it. Pull strategy is appropriate when there is high brand loyalty and high involvement in the category, when people perceive differences between brands, and when people choose the brand before they go to the store. Companies in the same industry may differ in their emphasis on push or pull.

There are six basic 'channel' decisions:

1. Do we use direct or indirect channels? (e.g. 'direct' to a consumer, 'indirect' via a wholesaler)
2. Single or multiple channels
3. Cumulative length of the multiple channels
4. Types of intermediary (see later)
5. Number of intermediaries at each level (e.g. how many retailers in Southern Spain).



6. Which companies as intermediaries to avoid 'intra-channel conflict' (i.e. infighting between local distributors)

#### 4.1.5 Designing a channel system

Following four steps help design a channel system :-

1. Analyzing customer needs 2. Establishing channel objectives 3. Identifying major channel alternatives 4. Evaluating major channel alternatives

1. Analyze Customers' Desired Service Output Levels *It is imperative for you to understand that in designing the marketing channel, the marketer must understand the service output levels desired by target customers.* Channels produce five service outputs

**Lot size :** The number of units the channel permits a typical customer to purchase on one occasion, customers normally prefer fast delivery channels

**Waiting time :** The average time customers of that channel wait for receipt of the goods.

**Spatial convenience :** The degree to which the marketing channel makes it easy for customers to purchase the product

**Product variety:** The assortment breadth provided by the-marketing channel. Normally, customers prefer a greater assortment because more choices increase the chance of finding what they need. **Service backup:** The add-on services (credit, delivery, installation, repairs) provided by the channel. The greater the service backup, the greater the work provided by the channel

2. Establish Objectives and Constraints Students ,the next logical step is to establish objectives and constraints .Channel objectives should be stated in terms of targeted service output levels under competitive conditions, channel institutions should arrange their functional tasks to minimize total channel costs with respect to desired levels of service outputs Usually, several market segments that desire differing service output levels can be identified. Effective planning requires determining which market segments to serve and the best channels to use in each case. Channel objectives vary with product characteristics. Why and how they vary ? Can you explain ? Perishable products require more direct marketing. Bulky products, such as building materials, require channels that minimize the shipping distance and the amount of handling. Non standardized products, such as custom-built machinery and specialized business forms, are sold directly by company sales representatives. Products requiring installation or maintenance services,

3. **Identify Major Channel Alternatives** Companies can choose from a wide variety of channels for reaching customers—from sales forces to agents, distributors, dealers, direct mail, telemarketing, and the Internet. Each channel has unique strengths as well as weaknesses. Sales forces can handle complex products and transactions, but they are expensive. The Internet is much less expensive, but it cannot handle complex products. Distributors can create sales, but the company loses direct contact with customers. The problem is further complicated by the fact that most companies now use a mix of channels. Each channel hopefully reaches a different segment of buyers and delivers the right products to each at the least cost. When this does not happen, there is usually channel conflict and excessive cost.

A channel alternative is described by three elements

- i. the types of available business intermediaries,
- ii. the number of intermediaries needed, and ☐ Exclusive distribution ☐ Exclusive dealing ☐ Selective distribution ☐ Intensive distribution
- iii. the terms and responsibilities of each channel member. ☐ Price policy ☐ Conditions of sale ☐ Distributors' territorial rights

4. **Evaluate the Major Alternatives** (time, cost, image parameters particularly)

- ☐ Economic criteria—sales versus costs
- ☐ Control and adaptive criteria—degree of intermediary Commitment

#### 4.1.6 Channel Strategies

Manufacturers can profit from new developments in channel marketing with three interrelated strategies.

1. **Understand the End-Customer's Buying Process** Too many manufacturers remain insulated from customers by channel relationships. Reaching all but the largest customers requires manufacturers to cede responsibility for sales and fulfillment to distributors and other intermediaries. Management at industrial and technology companies further heightens their isolation from the marketplace by devoting their energies to designing top-quality products without regard to the process by which customers purchase and use the product. Manufacturers must understand their end-user's current and future purchasing priorities in order to generate market share gains from new technologies. What's more, e-business and channel investments will be squandered and unproductive without a clear understanding of what end customers require from the buying process – beyond a first-rate product. Consider the changes in business procurement.

During the past 10 years, business customers have focused on improving efficiencies in their inbound supply chain by consolidating supply contracts, implementing integrated supply agreements, installing e-procurement systems, experimenting with reverse auctions, and rationalising vendors. To respond, manufacturers must identify the winning channels and partner with them to retain access to customers. The winner might be a distribution intermediary with sophisticated transactional services, such as electronic data interchange and e-procurement support. Or the winner could be an integrated e-procurement vendor who controls access to customers. The key to picking the winners comes from truly understanding the way in which end-customers procure your products. For example, customers in business-to-business channels face enormous organisational costs for procurement, purchasing and inventory maintenance.

A distributor or channel that lowers a customer's total cost of acquisition is generally preferred over one that simply offers a lower price. The successful evolution and transformation of a go-to-market channel occurs in response to changes in the requirements of customers. By developing early partnerships with the best channel in the eyes of end-customers, manufacturers can better leverage their resources and meet the needs of more powerful and demanding customers. Manufacturers need to understand how end-user customers buy and want - not just which products they buy or who they are. This requires research and insight about the "how" of product selection, not simply the "what" decision. Products are a means to an end in the eyes of a buyer. Product satisfaction surveys and feature/function market research miss the behavioral trends that provide clues to the evolving channel.

2. Restructure the Economics of Your Channel Partners E-business is unbundling channel activities by giving customers lower cost, higher service alternatives to the sub-components of traditional go-to market. Unbundling requires new approaches to channel compensation. For example, the Internet overcomes traditional cost limitations of geography, time, or number of customers, giving manufacturers an affordable way to take greater control over the information (not product) flow to the customer. This represents a shift from the era when smaller customers would rely more heavily on a local sales rep to get technical and business help. These developments create an opportunity for manufacturers to redefine traditional channel economics because the value of a distributor's sales force is reduced in the eyes of customers. The challenges to traditional channels are not online exchanges or direct-buy strategies. Instead, our research shows that e-business squeezes channel profits as some, but not all, functions are shifted away from the traditional channel. Either overhead shrinks or distributors must find other ways to justify their gross margin. When this transition has occurred in channels such as

pharmaceuticals or automobiles, channel margins drop since the intermediary is adding less value.

Research shows that business customers are reluctant to migrate their entire purchasing process to a direct on-line relationship if it means sacrificing local service, technical support, or complex fulfillment requirements. Manufacturers can manage the fragmenting roles of their traditional channel using functional discounts programs. In a functional discount program, distributors are compensated so that payments (discount off list) are tied to the actual activities being performed by the channel. Customers, not manufacturers, are best positioned to determine the value provided by their channel. That's another reason that deep insight about end customer behavior becomes invaluable to implementing an e-business strategy.

3. **Lead from the Top** Manufacturers stand at the top of the supply chain and can use a variety of sales, marketing, and physical distribution systems to connect their products with customers. Therefore, they are well positioned to evaluate the business needs of their distribution channel partners before implementing new technologies and programs. Technology link-ages in the channel must benefit customers as well as demonstrate a clear return on investment for distributors and dealers. Leadership begins by knowing your channel partners and assessing their competencies and performance. Yet we frequently encounter industrial manufacturers with e-business and channel management initiatives but without formal distributor evaluation programs. Evaluations should be conducted yearly and include both quantitative and qualitative assessments.

Quantitative measures can include the distributor's purchase patterns, pricing abilities, and market share. Qualitative assessment can include the strength of the distributor's management, the effectiveness of their growth plans, and overall customer experience they offer. Here are a few specific questions to begin a qualitative evaluation of e-business with a channel partner: What plans do you have for upgrading your technology systems?" Establishing and maintaining technology is costly. Many smaller distributors do not have the available capital to make the needed investments in technology or to build private exchanges for their manufacturers. For others, the initial investment, along with the integration and ongoing maintenance, negates the benefits of communicating electronically with suppliers. \*How will we work together to avoid disappointing customers"? A customer will expect a seamless experience when interacting with systems that link distributors and manufacturers.

This interaction raises the stakes, because customer management and inventory systems must be seamlessly integrated across the channel. This complexity of operations and interactions creates increased opportunities to perform below a

customer's expectations. Develop knowledge of customer's buying preferences to help design these systems for a sales channel. \*What are your future strategic objectives?" A critical part of channel evaluation is an assessment of distributor and dealer growth plans. Not all distributors and dealers will want to grow. For those that do, the desire to grow starts with senior management and permeates the company's business practices, service culture and compensation plans. Growth plans must be realistic, reflecting the investments and skills required to sell new products or to sell to new customers. Dealers and distributors must be able to articulate the reasons why a customer buys from them and have a clear plan for how technology fits into their company. Business relationships between manufacturers and distributors are not altruistic, nor should they be. A strategic perspective on evolving channel systems will create a better and more effective go-to-market strategy.

#### 4.1.7 Types of Channel Intermediaries And Their Functions –

There are many types of intermediaries such as wholesalers, agents, retailers, the Internet, overseas distributors, direct marketing (from manufacturer to user without an intermediary), and many others. The main modes of distribution will be looked at in more detail.

1. Channel Intermediaries –Wholesalers : They break down 'bulk' into smaller packages for resale by a retailer. They buy from producers and resell to retailers. They take ownership or 'title' to goods whereas agents do not. They provide storage facilities. For example, cheese manufacturers seldom wait for their product to mature. They sell on to a wholesaler that will store it and eventually resell to a retailer. Wholesalers offer to reduce the physical contact cost between the producer and consumer e.g. customer service costs, or sales force costs. A wholesaler will often take on some of the marketing responsibilities. Many produce their own brochures and use their own tele sales operations
2. Channel Intermediaries – Agents: Agents are mainly used in international markets. An agent will typically secure an order for a producer and will take a commission. They do not tend to take title to the goods. This means that capital is not tied up in goods. However, a 'stockist agent' will hold consignment stock (i.e. will store the stock, but the title will remain with the producer. This approach is used where goods need to get into a market soon after the order is placed e.g. foodstuffs). Agents can be very expensive to train. They are difficult to keep control of due to the physical distances involved. They are difficult to motivate.
3. Channel Intermediaries -Retailers Retailers will have a much stronger personal relationship with the consumer. The retailer will hold several other

brands and products. A consumer will expect to be exposed to many products. Retailers will often offer credit to the customer e.g. electrical wholesalers, or travel agents. Products and services are promoted and merchandised by the retailer. The retailer will give the final selling price to the product. Retailers often have a strong 'brand' themselves e.g. Ross and Wall-Mart in the USA ,

**Channel Intermediaries –Internet** The Internet has a geographically disperse market.

- The main benefit of the Internet is that niche products reach wider
- There are low barriers to entry as set up costs are low.

#### 4.1.12 Summary

- 5 Service sector channels. The concept of marketing channels is not limited to the distribution of physical goods. Producers of services and ideas also face the problem of making their output available and accessible to target populations. Schools develop "educational dissemination systems" and hospitals develop "health-delivery systems." These institutions must figure out agencies and locations for reaching a population spread out over an area. Hospitals must be located in geographic space to serve the people with complete medical care, and we must build schools close to the children who have to learn. Fire stations must be located to give rapid access to potential conflagrations, and voting booths must be placed so - that people can cast their ballots without expending unreasonable amounts of time, effort, or money to reach the polling stations. Many of our states face the problem of locating branch 'campuses to serve a burgeoning and increasingly well educated population. In the cities we must create and locate playgrounds for the children. Many overpopulated countries must assign birth control clinics to reach the people with contraceptive and family planning information. As Internet technology advances, service industries such as banking, insurance, travel, and stock buying and selling will take place through new channels.

#### 5.1.1 Glossary

Word	Meaning
Station	stop, halt, stage, establishment
Geographic	Earthly, geological, topological
Intermediary	Mediator, go-between, negotiator
Travel	move, proceed, progress, advance

#### 5.1.2 Questions for exercise

##### Self-exercise

1. What is Process of distribution in the marketing process ?
2. Why companies use distribution channels? and explain the functions that

these channels perform?

3. How channel members interact and how they organize to perform the work of the channel.
4. The major channel alternatives that are open to a company.  
What are concept and different forms of retailing and wholesaling.
5. How companies select, motivate, and evaluate channel member
6. The nature and importance of marketing logistics and integrated supply chain management

### 5.1.3 Recommended readings

#### References

- Kotler Philip & Armstrong, G., *Principles of Marketing*, Prentice-Hall of India, New Delhi, 2007.
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MARKETING MIX (PROMOTION MIX DECISIONS)

Structure of the Lesson :

4.2.1 Objectives

4.2.2 Introduction

4.2.2.1 Deciding on Media and Measuring Effectiveness

4.2.2.2 Evaluating Advertising Effectiveness

4.2.3 Sales Promotion

4.2.3.1 Purpose of Sales Promotion

4.2.3.2 Major Decisions in Sales Promotion

4.2.4 Public Relations

4.2.4.1 Marketing Public Relations

4.2.4.2 Major Decisions in Marketing PR

4.2.5 Direct Marketing

4.2.5.1 Major Channels for Direct Marketing

4.2.6 Personal Selling

4.2.6.1 Objectives

4.2.6.2 Advantages

4.2.6.3 Disadvantages

4.2.7 Summary

4.2.8 Questions for Exercise

4.2.9 Glossary

4.2.10 Reference

1. ADVERTISING (INTRODUCTION) :

*Advertising is an audio or visual form of marketing communication that employs an openly sponsored to promote or sell product service. Activity or progression of producing advertisements for commercial products or services. While promotion is manipulative and from the seller, communication is cooperative and from the buyer with the aim to create a catalogue with the potential customers based on their needs and life styles. Advertising is any paid form of non personal presentation and promotion of ideas, goods, or services by an identified sponsor.*

Promotion is a continuous effort to plan execute and evaluate techniques for selling traditional and non-traditional methods of promotion. Advertisers include not only business firms but also museums, charitable organizations and government agencies that direct messages to target public. Ads are a cost effective way to disseminate messages, whether to build brand preference for Coca-Cola or to educate people to avoid hard drugs. Organizations handle their advertising



in different ways. In small companies, advertising is handled by204

someone in the sales or marketing department, who works with an advertising agency. A large company will often set up its own advertising department, whose manager reports to the vice president of marketing. The advertising department's job is to propose a budget; develop advertising strategy; approve ads and campaigns; and handle direct-mail advertising, dealer displays, and other forms of advertising. In developing a program, marketing managers must always start by identifying the target market and buyer motives. Then they can make the five major decisions in developing an advertising program, known as the five Ms — Mission : What are the advertising objectives? Money: How much can be spent? Message: What message should be sent? Media: What media should be used? Measurement: How should the results be evaluated?

### Setting the Advertising Objectives

Advertising objectives can be classified according to whether their aim is to inform, persuade, or remind.

*Informative advertising* figures heavily in the pioneering stage of a product category, where the objective is to build primary demand. Thus the yogurt industry initially had to inform consumers of yogurt's nutritional benefits.

*Persuasive advertising* becomes important in the competitive stage, where a company's objective is to build selective demand for a particular brand. For example, Chivas Regal attempts to persuade consumers that it delivers more taste and status than other brands of Scotch whiskey.

*Reminder advertising* is important with mature products. Expensive four-color Coca-Cola ads in magazines are intended to remind people to purchase Coca Cola. A related form of advertising is reinforcement advertising, which seeks to assure current purchasers that they have made the right choice.

### Deciding on the Advertising Budget

How does a company know if it will be spending the right amount? If it spends too little, the effect will be negligible. If it spends too much, then some of the money could have been put to better use. Some critics charge that large consumer-packaged goods firms tend to overspend on advertising as a form of insurance against not spending enough and that industrial companies underestimate the power of company and product image building and tend to under spend on advertising.

There are five specific factors to consider when setting the advertising budget :

- Stage in the product life cycle : New products typically receive large advertising budgets to build awareness and to gain consumer trial. Established brands usually are supported with lower advertising budgets as a ratio to sales.

- **Market share and consumer base :** High-market-share brands usually require less advertising expenditure as a percentage of sales to maintain their share. To build share by increasing market size requires larger advertising expenditures. On a cost-per-impression basis, it is less expensive to reach consumers of a widely used brand than to reach consumers of low-share brands.
- **Competition and clutter :** In a market with a large number of competitors and high advertising expenditure, a brand must advertise more heavily to be heard. Even simple clutter from advertisements not directly competitive to the brand creates a need for heavier advertising.
- **Advertising frequency :** The number of repetitions needed to put across the brand's message to consumers has an important impact on the advertising budget.
- **Product substitutability :** Brands in a commodity class (cigarettes, beer, soft drinks) require heavy advertising to establish a differential image. Advertising is also important when a brand can offer unique physical benefits or features.

### Choosing the Advertising Message

Advertising campaigns vary in their creativity. Only after gaining attention a commercial can help to increase brand sales.

Advertisers go through four steps to develop a creative strategy : message generation, message evaluation and selection, message execution, and social responsibility review.

**Message Generation :** The product's "benefit" message should be decided as a part of developing the product concept. Yet there is usually latitude for a number of possible messages. Over time, the marketer might want to change the message, especially if consumers seek new or different benefits from the product. Creative people use several methods to generate possible advertising appeals. Many creative people proceed inductively by talking to consumers, dealers, experts, and competitors. Some creative people use a deductive framework for generating advertising messages. Buyers expect one of four types of reward from a product: rational, sensory, social, or ego satisfaction. Buyers might visualize these rewards from results-of-use experience, product-in-use experience, or incidental-to-use experience. Crossing the four types of rewards with the three types of experience generates twelve types of advertising messages. For example, the appeal "get clothes cleaner" is a rational-reward promise following results-of-use experience. The phrase "real gusto in a great light beer" is a sensory- reward promise connected with product-in-use experience.

**Message Evaluation and Selection :** A good ad normally focuses on

one core selling proposition. The message should be rated on desirability, exclusiveness and believability. The advertiser should conduct market research to determine which appeal works best with its target audience.

Message Execution : The message's impact depends not only upon what is said but also on how it is said. Some ads aim for rational positioning and

Medium	Advantages	Limitations
Newspapers	Flexibility; timeliness; good local market coverage; broad acceptance; high believability	Short life; poor reproduction quality; small-pass-along-audience.
Television	Combines sight, sound. and motion; appealing to the senses; high attention; high reach	High absolute cost; high clutter; fleeting exposure; less audience selectivity
Direct Mail	Audience selectivity; flexibility; no ad competition within the same medium; personalization	Relatively high cost; junk mail-image
Radio	Mass use; high geographic and demographic selectivity; low cost	Audio presentation only; lower attention than television; non standardized rate structures; fleeting exposure
Magazines	High geographic and demographic selectivity; credibility and prestige; high-quality reproduction; long life	Long ad purchase lead time; some waste Circulation; no guarantee of position
Outdoor	Flexibility; high repeat exposure; low cost; low competition	Limited audience selectivity; creative limitations
Newsletter	Very high selectivity; full control; interactive opportunities; relative low costs	Costs could run away
Brochures	Flexibility; full control; can dramatize messages	Overproduction could lead to run-away costs
Telephone	Many users; opportunity to give a personal touch	Relative high cost unless volunteers are used
Yellow Pages	Excellent local coverage; high believability; wide reach; low cost	High competition; long ad purchase lead time; creative limitations

others for emotional positioning. U.S. ads typically present an explicit feature or benefit designed to appeal to the rational mind. Japanese ads tend to be more indirect and appeal to the emotions. The choice of headlines and copy can make a difference in impact. Consider two ads for the same car. The first ad carried the headline "A New Car"; the second headline "Is This Ute for You?" The second headline utilized an advertising strategy called labeling, in which the consumer is labeled as the type of person who is interested in that type of product. The two ads also differed in that the first ad described the car's features and the second described the car's benefits. In preparing an ad campaign, the advertiser usually prepares a copy strategy statement describing the objective, content, support, and tone of the desired ad. Creative people must also find a cohesive style, tone, words, and format for executing the message.

Format elements such as ad size, color, and illustration will affect an ad's impact as well as its cost. A minor rearrangement of mechanical elements can improve attention-getting power. Larger-size ads gain more attention, though not necessarily by as much as their difference in cost. Four-color illustrations increase ad effectiveness and ad cost. By planning the relative dominance of different elements, better delivery can be achieved.

### Social Responsibility Review

Advertisers and their agencies must be sure that their "creative" advertising doesn't overstep social and legal norms. Most marketers work hard to communicate openly and honestly with consumers. Still, abuses occur, and public policy makers have developed a substantial body of laws and regulations to govern advertising. Advertisers must not make false claims, such as stating that a product cures something when it does not. They must avoid false demonstrations, such as using sand-covered plexiglass instead of sandpaper to demonstrate that a razor blade can shave sandpaper. To be socially responsible, advertisers must be careful not to offend ethnic groups, racial minorities, or special-interest groups.

#### 4.2.1.1 Deciding on Media and Measuring Effectiveness

After choosing the message, the advertiser's next task is to choose media to carry it. The steps here are deciding on desired reach, frequency, and impact; choosing among major media types; selecting specific media vehicles; deciding on media timing; and deciding on geographical media allocation. Then the results of these decisions need to be evaluated.

#### Deciding on Reach, Frequency and Impact

Media selection involves finding the most cost-effective media to deliver the desired number of exposures to the target audience. What do we mean by the desired number of exposures? Presumably, the advertiser is seeking a certain

response from the target audience—for example, a certain level of product trial. The rate of product trial will depend, among other things, on the level of audience brand awareness.

The effect of exposures on audience awareness depends on the exposures' reach, frequency, and impact :

**Reach (R)** : The number of different persons or households exposed to a particular media schedule at least once during a specified time period.

**Frequency (F)** : The number of times within the specified time period that an average person or household is exposed to the message.

**Impact (I)** : The qualitative value of an exposure through a given medium.

The relationship between reach, frequency, and impact is captured in the following concepts :

**Total number of exposures (E)**: This is the reach times the average frequency; that is,  $E = R \times F$ . This measure is referred to as the gross rating points (GRP). If a given media schedule reaches 80 percent of the homes with an average exposure frequency of 3, the media schedule is said to have a GRP of 240 ( $80 \times 3$ ). If another media schedule has a GRP of 300, it is said to have more weight, but we cannot tell how this weight breaks down into reach and frequency.

**Weighted number of exposures (WE)**: This is the reach times average frequency times average impact, that is  $WE = R \times F \times I$ .

The media planner has to figure out, with a given budget, the most cost-effective combination of reach, frequency, and impact. Reach is most important when launching new products, flanker brands, extensions of well-known brands, or infrequently purchased brands, or going after an undefined target market. Frequency is most important where there are strong competitors, a complex story to tell, high consumer resistance, or a frequent-purchase cycle.

### Choosing Among Major Media Types

The media planner has to know the capacity of the major media types to deliver reach, frequency, and impact. The major advertising media along with their costs, advantages, and limitations are profiled in the following table.

Media planners make their choice among media categories by considering the following variables :

**Target audience media habits** : For example, radio and television are the most effective media for reaching teenagers.

**Product** : Women's dresses are best shown in color magazines, and Polaroid cameras are best demonstrated on television. Media types have different potentials for demonstration, visualization, explanation, believability, and color.

**Message :** A message announcing a major sale tomorrow will require radio, TV, or newspaper. A message containing a great deal of technical data might require specialized magazines.

**Cost :** Television is very expensive, whereas newspaper advertising is relatively less expensive.

### Selecting Specific Vehicles

The media planner must search for the most cost-effective media vehicles within each chosen media type. The planner has to rely on media measurement services that provide estimates of audience size, composition, and media cost.

Audience size has several possible measures :

**Circulation :** The number of physical units carrying the advertising.

**Audience :** The number of people exposed to the vehicle.

**Effective audience :** The number of people with target audience characteristics exposed to the vehicle.

**Effective ad-exposed audience :** The number of people with target audience characteristics who actually saw the ad.

### Deciding on Media Timing

In choosing media, the advertiser faces a macro scheduling problem and a micro scheduling problem.

The macro scheduling problem involves scheduling the advertising in relation to seasons and the business cycle. Suppose 70 percent of a product's sales occur between June and September. The firm can vary its advertising expenditures to follow the seasonal pattern, to oppose the seasonal pattern, or to be constant throughout the year.

The micro scheduling problem calls for allocating advertising expenditures within a short period to obtain maximum impact. Suppose the firm decides to buy 30 radio spots in the month of September. The advertising messages for the month can be concentrated ("burst" advertising), dispersed continuously throughout the month, or dispersed intermittently. The advertising messages can be beamed with a level, rising, falling, or alternating frequency.

The timing pattern should consider three factors. Buyer turnover expresses the rate at which new buyers enter the market; the higher this rate, the more continuous the advertising should be. Purchase frequency is the number of times during the period that the average buyer buys the product; the higher the purchase frequency, the more continuous the advertising should be. The

forgetting rate is the rate at which the buyer forgets the brand; the higher the forgetting rate, the more continuous the advertising should be.

### Deciding on Geographical Allocation

A company has to decide how to allocate its advertising budget over space as well as over time. The company makes "national buys" when it places ads on national TV networks or in nationally circulated magazines. It makes "spot buys" when it buys TV time in just a few markets or in regional editions of magazines. These markets are called areas of dominant influence (ADIs) or designated marketing areas (DMAs), and ads reach a market 40 to 60 miles from a city center. The company makes "local buys" when it advertises in local newspapers, radio or outdoor sites.

#### 4.2.1.2 Evaluating Advertising Effectiveness

Good planning and control of advertising depend on measures of advertising effectiveness. Most advertisers try to measure the communication effect of an ad - that is, its potential effect on awareness, knowledge or preference. They would also like to measure the ad's sales effect.

#### Communication-Effect Research

Communication-effect research seeks to determine whether an ad is communicating effectively. Called copy testing can be done before an ad is put into media and after it is printed or broadcast. There are three major methods of advertising pretesting. The direct rating method asks consumers to rate alternative ads. These ratings are used to evaluate an ad's attention, read-through, cognitive, affective, and behavior strengths. Although an imperfect measure of actual impact, a high rating indicates a potentially more effective ad. Portfolio tests ask consumers to view or listen to a portfolio of advertisements; taking as much time as they need. Consumers are then asked to recall all the ads and their content, aided or unaided by the interviewer. Recall level 1 indicates an ad's ability to stand out and to have its message understood and remembered. Laboratory tests use equipment to measure physiological reactions-heartbeat, blood pressure, pupil dilation, perspiration-to an ad. These tests measure attention getting power but reveal nothing about impact on beliefs, attitudes, or intentions.

#### Sales-Effect Research

What sales are generated by an ad that increases brand awareness by 20 percent and brand preference by 10 percent? Advertising's sales effect is generally harder to measure than its communication effect. Sales are influenced by many factors, such as the product's features, price, and availability, as well



as competitors' actions. The fewer or more controllable these other factors are, the easier it is to measure effect on sales. The sales impact is easiest to measure in direct marketing situations and hardest to measure in brand or corporate image-building advertising. Researchers try to measure the sales impact through analyzing either historical or experimental data. The historical approach involves correlating past sales to past advertising expenditures using advanced statistical techniques.

#### 4.2.2. SALES PROMOTION

Sales promotion is one level or type of marketing aimed either at the consumer or at the distribution channel (in the form of sales-incentives.) It is used to introduce new product, clear out inventories, attract that, and to sales temporary. Sales promotion consists of a diverse collection of incentive tools, mostly short term, designed to stimulate quicker or greater purchase of particular products or services by consumers or the trade.

Whereas advertising offers a reason to buy, sales promotion offers an incentive to buy. Sales promotion includes tools for consumer promotion (samples, coupons, cash refund offers, prices off, premiums, prizes, patronage rewards, free trials, warranties, tie-in promotions, cross-promotions, point-of-purchase displays, and demonstrations); trade promotion (prices off, advertising and display allowances, and free goods); and business- and sales force promotion (trade shows and conventions, contests for sales reps, and specialty advertising).

Sales-promotion expenditures have been increasing as a percentage of budget expenditure annually for the last two decades. Several factors contribute to the rapid growth of sales promotion, particularly in consumer markets. Internal factors include the following : Promotion is now more accepted by top management as an effective sales tool; more product managers are qualified to use sales-promotion tools; and product managers are under greater pressure to increase current sales. External factors include the following: The number of brands has increased; competitors use promotions frequently; many brands are seen as similar; consumers are more price-oriented; the trade has demanded more deals from manufacturers; and advertising efficiency has declined because of rising costs, media clutter, and legal restraints.

##### 4.2.2.1 Purpose of Sales Promotion

Sales-promotion tools vary in their specific objectives. Sellers use incentive-type promotions to attract new triers, to reward loyal customers, and to increase the repurchase rates of occasional users. New triers are of three types-users of

another brand in the same category, users in other categories, and frequent brand switchers. Sales promotions often attract the brand switchers, because users of other brands and categories do not always notice or act on a promotion. Brand switchers are primarily looking for low price, good value, or premiums. Sales promotions are unlikely to turn them into loyal users. Sales promotion used in markets of high brand similarity produces a high sales response in the short run but little permanent gain in market share. In markets of high brand dissimilarity, sales promotions can alter market shares permanently.

- Sales promotions yield faster and more measurable responses in sales than advertising does.
- Sales promotions do not tend to yield new, long-term buyers in mature markets because they attract mainly deal-prone consumers who switch among brands as deals become available.
- Loyal brand buyers tend not to change their buying patterns as a result of competitive promotion.
- Advertising appears to be capable of deepening brand loyalty.

#### 4.2.2.2 Major Decisions in Sales Promotion

In using sales promotion, a company must establish its objectives, select the tools, develop the program, pretest the program, implement and control it, and evaluate the results.

##### Establishing Objectives

Sales-promotion objectives are derived from broader promotion objectives, which are derived from more basic marketing objectives developed for the product. The specific objectives for sales promotion vary with the target market. For consumers, objectives include encouraging purchase of larger-size units, building trial among nonusers, and attracting switchers away from competitors' brands. For retailers, objectives include persuading retailers to carry new items and higher levels of inventory, encouraging off-season buying, encouraging stocking of related items, offsetting competitive promotions, building brand loyalty, and gaining entry into new retail outlets. For the sales force, objectives include encouraging support of a new product or model, encouraging more prospecting, and stimulating off-season sales.

##### Selecting Consumer-Promotion Tools

The promotion planner should take into account the type of market, sales-promotion objectives, competitive conditions, and each tool's cost effectiveness. The main consumer-promotion tools are summarized as follows:

**Samples :** Offer of a free amount of a product or service delivered door to door, sent in the mail, picked up in a store, attached to another product, or featured in an advertising offer.

**Coupons :** Certificates entitling the bearer to a stated saving on the purchase of a specific product: mailed, enclosed in other products or attached to them, or inserted in magazine and newspaper ads. Redemption rate varies with mode of distribution. Coupons can be effective in stimulating sales of a totally matured brand and inducing early trial of a new brand.

**Cash Refund Offers (rebates) :** Provide a price reduction after purchase rather than at the retail shop: consumer sends a specified "proof of purchase" to the manufacturer who "refunds" part of the purchase price by mail.

**Price Packs (cents-off deals) :** Offers to consumers of savings off the regular price of a product, flagged on the label or package. A reduced-price pack is a single package sold at a reduced price (such as two for the price of one). A banded pack is two related products banded together (such as a toothbrush and toothpaste).

**Premiums (gifts) :** Merchandise offered at a relatively low cost or free as an incentive to purchase a particular product. A with-pack premium accompanies the product inside or on the package. The package itself can serve as a premium. A free in-the-mail premium is mailed to consumers who send in a proof of purchase, such as a box top or UPC code. A self-liquidating premium is sold below its normal retail price to consumers who request it.

**Prizes (contests, sweepstakes, games) :** Prizes are offers of the chance to win cash, trips, or merchandise as a result of purchasing something. A contest calls for consumers to submit an entry to be examined by a panel of judges who will select the best entries. A sweepstake asks consumers to submit their names in a drawing. A game presents consumers with something every time they buy-bingo numbers, missing letters-which might help them win a prize.

**Patronage Awards :** Values in cash or in other forms that are proportional to patronage of a certain vendor or group of vendors.

### Selecting Trade-Promotion Tools

Manufacturers use a number of trade-promotion tools

**Price-Off (off-invoice or off-list) :** A straight discount off the list price on each case purchased during a stated time period. The offer encourages dealers to buy a quantity or carry a new item that they might not ordinarily buy. The dealers can use the buying allowance for immediate profit, advertising, or price

reductions.

**Allowance :** An amount offered in return for the retailer's agreeing to feature the manufacturer's products in some way. An advertising allowance compensates retailers for advertising the manufacturer's product. A display allowance compensates them for carrying a special product display.

**Free Goods :** Offers of extra cases of merchandise to intermediaries who buy a certain quantity or who feature a certain flavor or size. Manufacturers might offer push money or free specialty advertising items to retailers that carry the company's name.

Manufacturers award money to the trade for four reasons :

1. *To persuade the retailer or wholesaler to carry the brand :* Shelf space is so scarce that manufacturers often have to offer prices off, allowances, buyback guarantees, free goods, or outright payments (called slotting allowances) to get on the shelf, and once there, to stay on the shelf.
2. *To persuade the retailer or wholesaler to carry more units than the normal amount :* Manufacturers will offer volume allowances to get the trade to carry more in warehouses and stores. Manufacturers believe the trade will work harder when they are "loaded" with the manufacturer's product.
3. *To induce retailers to promote the brand by featuring, display, and price reductions :* Manufacturers might seek an end-of-aisle display, increased shelf facings, or price reduction stickers and obtain them by offering the retailers allowances paid on "proof of performance."
4. *To stimulate retailers and their sales clerks to push the product :* Manufacturers compete for retailer sales effort by offering push money, sales aids, recognition programs, premiums, and sales contests.

### Developing the Program

In planning sales-promotion programs, marketers are increasingly blending several media into a total campaign concept. In deciding to use a particular incentive, marketers have several factors to consider. First, they must determine the size of the incentive. A certain minimum is necessary if the promotion is to succeed. A higher incentive level will produce more sales response but at a diminishing rate. Second, the marketing manager must establish conditions for participation. Incentives might be offered to everyone or to select groups. Third, the marketer has to decide on the duration of

promotion. If the period is too short, many prospects will not be able to take advantage of it. If the promotion runs too long, the deal will lose some of its "act now" force. Fourth, the marketer must choose a distribution vehicle. A fifteen-cents-off coupon can be distributed in the package, in stores, by mail, or in advertising. Each distribution method involves a different level of reach, cost, and impact. Fifth, the marketing manager must establish the timing of promotion. Finally, the marketer must determine the total sales-promotion budget. The budget can be built from the ground up, with the marketer choosing the individual promotions and estimating their total cost. The cost of a particular promotion consists of the administrative cost (printing, mailing, and promoting the deal) and the incentive cost (cost of premium or cents-off, including redemption costs), multiplied by the expected number of units that will be sold on the deal. In the case of a coupon deal, the cost would take into account the fact that only a fraction of the consumers will redeem the coupons. For an in-pack premium, the deal cost must include the procurement cost and packaging of the premium, offset by any price increase on the package.

### **Pretesting the Program**

Although most sales-promotion programs are designed on the basis of experience, pretests should be conducted to determine if the tools are appropriate, the incentive size optimal, and the presentation method efficient. Strang maintains that promotions usually can be tested quickly and inexpensively and that large companies should test alternative strategies in selected market areas with each national promotion. Consumers can be asked to rate or rank different possible deals, or trial tests can be run in limited geographic areas.

### **Implementing and Controlling the Program**

Marketing managers must prepare implementation and control plans for each individual promotion. Implementation planning must cover lead time and sell-in time. Lead time is the time necessary to prepare the program prior to launching it: initial planning, design, and approval of package modifications or material to be mailed or distributed; preparation of advertising and point-of-sale materials; notification of field sales personnel; establishment of allocations for individual distributors; purchasing and printing of special premiums or packaging materials; production of advance inventories in preparation for release at a specific date; and, finally, the distribution to the retailer.

### **Evaluating Results**

Manufacturers can use three methods to measure sales-promotion effectiveness: sales data, consumer surveys, and experiments.

The first method involves using scanner sales data, which are available from companies such as Information Resources Inc. and Nielsen Media Research. Marketers can analyze the types of people who took advantage of the promotion, what they bought before the promotion, and how consumers behaved later toward the brand and other brands. In general, sales promotions work best when they attract competitors' customers to try a superior product and these customers switch as a result. If the company's product is not superior, the brand's share is likely to return to its pre promotion level. The promotion may have covered its costs, but more likely did not. If more information is needed, consumer surveys can be conducted to learn how many recall the promotion, what they thought of it, how many took advantage of it, and how the promotion affected subsequent brand-choice behavior. Sales promotions can also be evaluated through experiments that vary such attributes as incentive value, duration, and distribution media.

#### 4.2.3 PUBLIC RELATIONS

A public is any group that has an actual or potential interest in or impact on a company's ability to achieve its objectives. Public relations (PR) involve a variety of programs designed to promote or protect a company's image or its individual products.

A public can facilitate or impede a company's ability to achieve its objectives. PR has often been treated as a marketing stepchild, an afterthought to more serious promotion planning. But the wise company takes concrete steps to manage successful relations with its key publics. Most companies operate a public-relations department. The PR department monitors the attitudes of the organization's publics and distributes information and communications to build goodwill. When negative publicity happens, the PR department acts as a troubleshooter. The best PR departments spend time counseling top management to adopt positive programs and to eliminate questionable practices so that negative publicity does not arise in the first place. They perform the following five functions :

1. Press relations : Presenting news and information about the organization in the most positive light.
2. Product publicity : Sponsoring efforts to publicize specific products.
3. Corporate communication : Promoting understanding of the organization through internal and external communications.
4. Lobbying : Dealing with legislators and government officials to promote or defeat legislation and regulation.

5. **Counseling** : Advising management about public issues and company positions and image. This includes advising in the event of a product mishap.

#### 4.2.3.1 Marketing Public Relations

MPR plays an important role in the following tasks :

1. **Assisting in the launch of new products** : The amazing commercial success of toys such as Teenage Mutant Ninja Turtles, Mighty Morphin' Power Rangers, and Beanie Babies owes a great deal to clever publicity.
2. **Assisting in repositioning a mature product** : New York City had extremely bad press in the 1970s until the "I Love New York" campaign began.
3. **Building interest in a product category** : Companies and trade associations have used MPR to rebuild interest in declining commodities such as eggs, milk, beef, and potatoes and to expand consumption of such products as tea, pork, and orange juice.
4. **Influencing specific target groups** : McDonald has established sponsors special neighborhood events in Latino and African American communities to build goodwill.
5. **Defending products that have encountered public problems** : Johnson & Johnson's masterly use of MPR was a major factor in saving Tylenol from extinction following two incidents in which poison-tainted Tylenol capsules were found.
6. **Building the corporate image in a way that reflects favorably on its products** : Iacocca's speeches and his autobiography created a whole new winning image for the Chrysler Corporation.

#### 4.2.3.2 Major Decisions in Marketing PR

In considering when and how to use MPR, management must consider the following :

##### Establishing the Marketing Objectives

MPR can contribute to the following objectives :

- Build awareness
- MPR can add credibility by communicating the message in an editorial context.
- Stimulate the sales force and dealers

- Hold down promotion costs
- Build marketplace excitement before media advertising breaks
- Build a core consumer base
- Build a one-to-one relationship with consumers

### Choosing Messages and Vehicles

The manager must identify or develop interesting stories to tell about the product. The challenge is to create news. PR ideas include hosting major academic conventions, inviting expert or celebrity speakers and developing news conferences. Each event is an opportunity to develop a multitude of stories directed at different audiences. Event creation is a particularly important skill in publicizing fund-raising drives for non profit organizations. Various profit organizations also use events to call attention to their products and services.

### Implementing the Plan

Implementing public relations requires care. A great story is easy to place, but most stories are less than great and might not get past busy editors. One of the chief assets of publicists is their personal relationships with media editors.

### Evaluating results

The three most commonly used measures of MPR effectiveness are number of exposures; awareness, comprehension or attitude change; and contribution to sales and profits. The easiest measure of MPR effectiveness is the number of exposures carried by the media. The exposure measure is not very satisfying because it contains no indications of how many people actually read, heard or recalled the message and what they thought afterward. Nor does it contain information on the net audience reached, because publications overlap in readership. A better measure is the change in product awareness, comprehension or attitude resulting from the MPR campaign.

#### 4.2.4 DIRECT MARKETING

The business of selling products or services directly to the public. The explosion of media enables many more companies to sell their products and services directly to customers without intermediaries. Companies are increasingly using media to make direct offers to existing customers and to identify new prospects. Direct marketing enables companies to target their offers and to measure their results more accurately.

Direct Marketing is defined as an interactive system that uses one or more advertising media to effect a measurable response and/or transaction at any location. Direct Marketing generates profitable business result by rising



targeted communications to engage specific audiences through a combination of relevant mess messaging and offers that can be tracked, measured, analysed, stored and emerged to drive furure marketing initiatives.

Direct marketing benefits customers in many ways :

- Home shopping is convenient and hassle free.
- It saves time and introduces consumers to a larger selection of merchandise.
- They can do comparative shopping by browsing through mail catalogs and on-line shopping services. They can order goods for themselves or others.

Direct marketing also benefits sellers in many ways :

- Direct marketers can buy a mailing list containing the names of almost any group.
- They can personalize and customize their messages.
- Direct marketers can build a continuous relationship with each customer.

Direct marketing can be timed to reach prospects at the right moment, and direct marketing material receives higher readership because it is sent to more interested prospects. Direct marketing permits the testing of alternative media and messages in search of the most cost-effective approach. It makes the direct marketer's offer and strategy less visible to competitors. Finally, direct marketers can measure responses to their campaigns to decide which have been the most profitable.

#### 4.2.4.1 Major Channels for Direct Marketing

Direct marketers can use a number of channels for reaching prospects and customers.

1. Face-to-face Selling : Most companies rely heavily on a professional sales force to locate prospects, develop them into customers and grow the business. In addition many consumer companies use a direct selling force: insurance agents, stockbrokers and distributors working for direct sales organization.
2. Direct Mail : Direct mail marketing involves sending an offer, announcement, reminder or other item to a person at a particular address. Using highly selective mailing lists, direct marketers send out millions of mail pieces each year. Direct mail is a popular medium because it permits target market selectivity, can be personalized, is

flexible and allows early testing and response measurement. Although the cost per thousand people reached is higher than with mass media, the people reached are much better prospects.

In constructing an effective direct mail campaign direct marketers must decide on following :

- Objectives : Most direct marketers aim to receive an order from prospects. A campaign's success is judged by the response rate. Direct mail has other objectives as well, such as producing prospect leads, strengthening customer relationships and informing and educating customers for later offers.
- Target markets and prospects : Direct marketers need to identify the characteristics of prospects and customers who are most able, willing and ready to buy. The best customer targets are those who bought most recently, who buy frequently and who spend the most. Prospects can also be identified on the basis of variables such as age, sex, income, education and previous mail order purchases. The company's best prospects are customers who have bought its products in the past. Additional names can be obtained by advertising some free offer. The best list of prospects includes overlays of demographic and psychographic information.
- Offer elements : The offer strategy should consist of five elements: the product, the offer, the medium, the distribution method and the creative strategy. In addition to these elements the direct mail marketer has to decide on five components of the mailing itself: the outside envelope, sales letter, circular, reply form and reply envelope. In most cases a colorful circular accompanying the letter will increase the response rate by more than its cost. The inclusion of a postage free reply envelope will dramatically increase the response rate.
- Testing elements : One of the great advantages of direct marketing is the ability to test, under real marketplace conditions, the efficacy of different elements of an offer strategy such as product features, copy, prices, media or mailing lists. Direct marketers must remember that response rates typically understate a campaign's long term impact. To derive a more comprehensive estimate of the promotion's impact some

companies are measuring direct marketing' s impact on awareness, intention to buy and word of mouth.

3. **Catalog Marketing** : Catalog marketing occurs when companies mail one or more product catalogs to selected addressees. They may send full line merchandise catalogs, specialty consumer catalogs and business catalogs. The success of a catalog business depends on the company's ability to manage its customer lists so carefully that there is little duplication or bad debts, to control its inventory carefully, to offer quality merchandise so that returns are low and to project a distinctive image. Some companies distinguish their catalogs by adding literary or information features, sending materials, operating a special hot line to answer questions, sending gifts to their best customers and donating profits to good causes.
4. **Telemarketing** : Telemarketing describes the use of telephone operators to attract new customers, to contact existing customers to ascertain satisfaction levels or to take orders. In the case of routinely taking orders it is called telesales. Telemarketing is increasingly used in business as well as consumer marketing. It reduces the amount of personal selling needed for contacting the dealers. Telemarketing tends to replace though never eliminate more expensive field sales calls. Effective telemarketing depends on choosing the right telemarketers, training them well and providing performance incentives. Telemarketers should initially train with a script and then move toward more improvisation. The telemarketer needs to know how to end the conversation if the prospect seems to be a poor one. The call should be made at the right time. The telemarketing supervisor can build enthusiasm by offering prizes to the first one who gets an order or to the top performer. Given privacy issues and the higher cost per contact, precise list selection is critical.

#### 4.2.5 PERSONAL SELLING

We saw how marketers can use advertising, sales promotion and public relations to reach a large number of customers. While these methods of promotion offer many advantages, they each share one major disadvantage: they are a non-personal form of communication. Whether a company is in retailing or manufacturing, sells goods or services, is a large multi-national or a local startup, is out to make a profit or is a non-profit, in all probability at some point they will need to rely on personal contact with customers. In other

words, they will need to promote using personal selling. Unfortunately, personal selling is widely misunderstood. For instance, many customers think salespeople possess traits that include being manipulative, arrogant, aggressive and greedy. While many marketers believe salespeople are only out to make a quick sale intended to increase their income and that they often do this by making unscrupulous deals undermining the marketer's attempt to build strong brands.

Personal selling is a promotional method in which one party (e.g., salesperson) uses skills and techniques for building personal relationships with another party (e.g., those involved in a purchase decision) that results in both parties obtaining value. In most cases the "value" for the salesperson is realized through the financial rewards of the sale while the customer's "value" is realized from the benefits obtained by consuming the product. However, getting a customer to purchase a product is not always the objective of personal selling. For instance, selling may be used for the purpose of simply delivering information.

Because selling involves personal contact, this promotional method often occurs through face-to-face meetings or via a telephone conversation, though newer technologies allow contact to take place over the Internet including using video conferencing or text messaging (e.g., online chat).

#### 4.2.5.1 Objectives

Personal selling is used to meet the five objectives of promotion in the following ways :

- **Building Product Awareness** : A common task of salespeople, especially when selling in business markets, is to educate customers on new product offerings. In fact, salespeople serve a major role at industry trades shows (see the Sales Promotion Tutorial) where they discuss products with show attendees. But building awareness using personal selling is also important in consumer markets. As we will discuss, the advent of controlled word-of-mouth marketing is leading to personal selling becoming a useful mechanism for introducing consumers to new products.
- **Creating Interest** : Personal selling involves person-to-person communication which is it a natural method for getting customers to experience a product for the first time. In fact, creating interest goes hand-in-hand with building product awareness as sales professionals can often accomplish both objectives during the first encounter with a potential customer.

- **Providing Information :** When salespeople engage customers a large part of the conversation focuses on product information. Marketing organizations provide their sales staff with large amounts of sales support including brochures, research reports, computer programs and many other forms of informational material.
- **Stimulating Demand :** By far, the most important objective of personal selling is to convince customers to make a purchase. In The Selling Process Tutorial we will see how salespeople accomplish this when we offer detailed coverage of the selling process used to gain customer orders.
- **Reinforcing the Brand :** Most personal selling is intended to build long-term relationships with customers. A strong relationship can only be built over time and requires regular communication with a customer. Meeting with customers on a regular basis allows salespeople to repeatedly discuss their company's products and by doing so helps strengthen customers' knowledge of what the company has to offer.

#### 4.2.5.2 Advantages

One key advantage personal selling has over other promotional methods is that it is a two-way form of communication. In selling situations the message sender (e.g., salesperson) can adjust the message as they gain feedback from message receivers (e.g., customer). So if a customer does not understand the initial message (e.g., doesn't fully understand how the product works) the salesperson can make adjustments to address questions or concerns. Many non-personal forms of promotion, such as a radio advertisement, are inflexible, at least in the short-term, and cannot be easily adjusted to address audience questions.

The interactive nature of personal selling also makes it the most effective promotional method for building relationships with customers, particularly in the business-to-business market. This is especially important for companies that either sell expensive products or sell lower cost but high volume products (i.e., buyer must purchase in large quantities) that rely heavily on customers making repeat purchases. Because such purchases may take a considerable amount of time to complete and may involve the input of many people at the purchasing company (i.e., buying center), sales success often requires the marketer develop and maintain strong relationships with members of the purchasing company.

Finally, personal selling is the most practical promotional option for reaching customers who are not easily reached through other methods. The best example is in selling to the business market where, compared to the consumer market, advertising, public relations and sales promotions are often not well received.

#### 4.2.5.3 Disadvantages

Possibly the biggest disadvantage of selling is the degree to which this promotional method is misunderstood. Most people have had some bad experiences with salespeople who they perceived were overly aggressive or even downright annoying. While there are certainly many salespeople who fall into this category, the truth is salespeople are most successful when they focus their efforts on satisfying customers over the long term and not focusing on their own selfish interests.

A second disadvantage of personal selling is the high cost in maintaining this type of promotional effort. Costs incurred in personal selling include :

**High cost-per-action (CPA) :** As noted in the Promotion Decisions Tutorial, CPA can be an important measure of the success of promotion spending. Since personal selling involves person-to-person contact, the money spent to support a sales staff (i.e., sales force) can be steep. For instance, in some industries it costs well over ( US) \$300 each time a salesperson contacts a potential customer. This cost is incurred whether a sale is made or not! These costs include compensation (e.g., salary, commission, bonus), providing sales support materials, allowances for entertainment spending, office supplies, telecommunication and much more. With such high cost for maintaining a sales force, selling is often not a practical option for selling products that do not generate a large amount of revenue.

**Training Costs :** Most forms of personal selling require the sales staff be extensively trained on product knowledge, industry information and selling skills. For companies that require their salespeople attend formal training programs, the cost of training can be quite high and include such expenses as travel, hotel, meals, and training equipment while also paying the trainees' salaries while they attend.

A third disadvantage is that personal selling is not for everyone. Job turnover in sales is often much higher than other marketing positions. For companies that assign salespeople to handle certain customer groups (e.g., geographic territory), turnover may leave a company without representation in a customer group for an extended period of time while the company recruits and trains a replacement.

#### 4.2.6 Summary

Although most sales-promotion programs are designed on the basis of experience, pretests should be conducted to determine if the tools are appropriate, the incentive size optimal, and the presentation method efficient. Strang maintains that promotions usually can be tested quickly and inexpensively and that large companies should test alternative strategies in selected market areas with each national promotion. Consumers can be asked to rate or rank different possible deals, or trial tests can be run in limited geographic areas. Marketing managers must prepare implementation and control plans for each individual promotion. Implementation planning must cover lead time and sell-in time. Lead time is the time necessary to prepare the program prior to launching it: initial planning, design, and approval of package modifications or material to be mailed or distributed; preparation of advertising and point-of-sale materials; notification of field sales personnel; establishment of allocations for individual distributors; purchasing and printing of special premiums or packaging materials; production of advance inventories in preparation for release at a specific date; and, finally, the distribution to the retailer.

#### 4.2.7 Question for Exercise

1. What steps are involved in developing an advertising program?
2. What explains the growing use of sales promotion and how are sales-promotion decisions made?
3. How can companies exploit the potential of public relations and publicity?
4. What channels do direct marketers use to reach individual prospects and customers?
5. How can salespeople improve their skills in selling, negotiating and carrying on relationship marketing?

#### 4.2.8 References

- Kotler Philip & Armstrong, G., *Principles of Marketing*, Prentice-Hall of India, New Delhi, 2007.
- Kotler Philip, *Marketing Management*, Prentice-Hall of India, New Delhi, 2007.
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- Saxena Rajan, *Marketing Management*, Tata McGraw-Hill Publishing

### 4.2.9 Glossary

5	Word	Meaning
6	Station	stop, halt, stage, establishment
7	Geographic	Earthly, geological, topological
8	Intermediary	Mediator, go- between, negociator
9	Travel	move, proceed, progress, advance





## SERVICES MARKETING- AN OVERVIEW

### 4.3.0 Objectives

#### 4.3.1 Introduction

#### 4.3.2 Need for service marketing mix

#### 4.3.3 Service Marketing Mix

#### 4.3.4 Development of new Service

#### 4.3.5 Summary

#### 4.3.6 Glossary

#### 4.3.7 Questions for exercise

#### 4.3.8 Recommended readings

### 4.3.0 Objectives

After reading this lesson student would be able to define the concept of services Marketing. They will understand the need of services Marketing

#### 4.3.1 Introduction

Marketing of Services Service firms lagged behind manufacturing companies in the application of marketing principles till recently. Many service organisations were either small which consider marketing not necessary or costly or unethical. The service sector has been found contributing substantially to the development process of any economy. The developments in the service sector and mounting competition in this field have been forcing service-generating firms to apply modern marketing principles. It is necessary to adopt marketing strategies by service firms not only for their survival and growth but also for satisfying the needs and expectations of their customers. Marketing is a human activity directed at satisfying the needs and wants of consumers through exchange process. The British Institute of Marketing finds it as the management function which organises and directs all those activities involved in assessing and converting customer purchasing power into effective demand for a specific product or service and to achieve the profit motive in moving the product to the final customers or users. Marketing is essentially a customer-oriented activity where satisfaction of customers is the focal point. The American Marketing Association defines

marketing as the performance of business activities that direct the flow of goods and services from producer to consumer or user. "Marketing is a social and managerial process by which individuals and groups obtained what they need and want through creating and exchanging products and value with others".

Kotler further adds "Marketing is getting the right goods and service to the right people, at the right places, at the right time and at the right price with the right communications and promotions". "Marketing is not concerned solely with tangible goods, it also plays a similar role in connection with the distribution of service. Felton views the marketing concept as "a corporate state of mind that insists on the integration and co-ordination of all marketing functions which, in turn, are welded with all other corporate functions for the basic objective of providing maximum long range corporate profits". Service marketing is defined as the integrated system of business activities designed to plan, price, promote and distribute appropriate services for the benefit of existing and potential consumers to achieve organisational objectives. The perception of services marketing focuses on selling the services in the best interest of the customers. it is a systematic and coordinated effort of a service organisation to expand its market by delivering the best possible services. The objects of services marketing are the achievement of organisational goals like making profits, establishing leadership, long term survival and growth and the satisfaction of consumers by rendering excellent services. The concept of services marketing covers the following aspects: selling services profitably to target consumers and prospects delivering maximum satisfaction to consumers of services; and positioning the service firm in the market. Marketing is thus an integral part of service management. The managerial decisions are not found to be effective in the absence of a time bound implementation of marketing principles. Of late, customer satisfaction is found to be a focal point of the marketing decisions since the marketing process--can help in offering the right services to the right persons at the right time. Marketing simplifies the process of transforming prospects into actual customers of services.

#### 4.3.2 Need for Services Marketing

The following facts make it clear that the application of modern .- marketing principles by service generating organisations would pave avenues for qualitative and quantitative transformation:

1. **Increase in the Disposable Income** The disposable income of the people has been found increasing in recent years. This trend is also visible in developing countries like India. The increase in income in turn leads to demand for a number

of services and thereby, new opportunities are created in the service sector. The positive developments in the service sector open new doors for an increase in disposable income. The moment an increase in the disposable income is found, the process of demand generation gains a rapid momentum creating more opportunities for the development of services sector.

## 2. Increasing Specialisation

Organisations have now no option but to promote specialisation since this helps them to be cost effective. The firms prefer to engage specialists for almost all purposes. Experts and professionals like consultants; legal advisors, financial experts, technocrats etc. play a decisive role in managing an organisation. Greater specialisation in management requires the services of experts and consultants in almost all areas. It is right to mention that due to growing specialisation, service generating organisations would need a new culture influenced by corporate culture, and marketing practices can do a lot towards this end.

## 3. Changing Lifestyles

With the development of corporate culture and the emergence of a well-established services sector there would be a basic change in the lifestyles. The busy working environment and increased personal stress and strain would pave the way for development of innovative personal services like healthcare, fashion-designing, recreational centres, beauty parlours etc. The change in lifestyles creates new waves in the demand for specialised services and marketing can play a vital role in meeting the new aspirations of the consumers. y of competition is found at its peak and this necessitates application of marketing principles.

## 4. Professional Excellence

Corporate culture makes an advocacy in favour of performance orientation. The development of human resources would be given greater importance by all organisations either producing goods or services. Professional excellence thus would get a new priority and the masses would be tempted to the professional education. Excellence and professionalism in knowledge require the development of world-class educational institutions for almost all disciplines. The services sector would be professionalised in which only the world-class human resources can get a place. This will lead to greater efficiency in service organisations. .- The application of marketing principles along with this professionalism - will make it easier to achieve the corporate goals.

## 5. Information Explosion

The inventions and innovations in the field of communications have been found fuelling information explosion. The tremendous opportunities generated by communications would influence almost all the sectors especially service industries like entertainment, advertisement, fashion designs etc. It is in this context that it is essential to practice the modern marketing principles so that the marketing information system plays a positive role in improving the quality of decisions

6. Sophistication in Market: There is more sophistication in the modern market where consumer expectations would be greater and more complex in nature. There would be frequent changes in the hierarchy of needs and requirements of consumers that result in the changes in the nature of market in terms of products or services required for that market. These multi-dimensional changes in the market necessitate the application of modern marketing principles.

## 7. Increasing Governmental Activities:

The expanding governmental activities in almost all sectors of the economy would also make ways for the development of the service sector. The latest trends in the trade and cultural exchange policies, the global partnership etc. would pave the way for more profitable growth of service sector. This will also lead to more positive and sophisticated qualitative changes in the service sector which call for intensive use of innovative marketing principles.

### 4.3.3 Service Marketing Mix

#### 4.3.3.1 The Product in Service

A product is anything that can - be offered to a market for attention, acquisition, use or consumption. A product might satisfy a human want or need. The term, product includes physical objects, services, concept ideas, place or persons. Customers are not purchasing goods or services but are in fact buying specific benefits and values in the form of an offer to meet their particular needs Service offers have been classified into the following three groups.

- Tangible goods with accompanying services such as computers, washing machine etc.
- A major service with accompanying minor goods and services such as hotels, resorts etc.
- Pure services such as consultancy, teaching etc. The service product has four dimensions. These are

1. The basic or core service, for example, serving food in a restaurant.
2. The expected service - this includes the minimum expectations that a customer has from a service, for example, a customer expects prompt service and comfortable seating in addition to good food from a restaurant.
3. The augmented services - here the service provider offers benefits over and above those that the customer expects.
4. The potential service - this contains all potential features and benefits that may be added to increase the utility of the service to the buyers. For example, a computer can be upgraded to function as a multimedia unit for entertainment or making presentation.

#### 4.3.3.2 Price in Services

Price is a key element in marketing mix. It must be aimed at achieving organisational goals and customer acceptance. The price of the service is the value attached to it by the service provider. It must correspond with the customer's perception of value and quality. If the service is priced too high, customers who may not accept it will see it as poor value for money. If the price is too low, the service may be perceived as poor as inferior quality.

Customers differ in their needs, styles and spending power. Therefore, many service providers offer a wide range of services at various prices to meet the needs of different target customers. Some service firms follow differential price policy to correspond with changes in demand at different points of time. For example, a hotel may offer services at lower prices during off peak seasons.

The pricing decisions of a service firm are influenced by several - factors. The type of service organization, the demand-supply position in the market, the level of competition, the stage in the life cycle may all have an - impact on pricing decisions. However, organisational objectives have a dominant role in pricing decisions for long-term survival and excelling competition. Some service organisations like those owned by public sector have constraints over the prices they can charge to customers. Here pricing is dependent more on providing social benefits to customer rather than making profits.

#### 4.3.3.3 Promotion of Services

Promotion is used to communicate information about products and services to target market audiences thereby facilitating the exchange process. It helps to create awareness among the customers and enables them to select the service provider. -

Promotional programme in a service firm should have three goals: to portray the service benefits in as appealing a manner as possible, to differentiate its offerings from those of its competitors, and to build a good reputation to the service firm. Since the service firm is marketing intangibles, reputation is very important. Promotional programmes can stress dependability of the service - its efficient delivery and consistent high quality.

The promotional measures of a service firm include personal selling, advertising, sales promotion, public relations and mailing offers. Personal selling is resorted to by many service providers to develop a close relationship with customers. Advertising is commonly used in many service firms like banking insurance, entertainments etc. to communicate about their products and services. However, a combination of these programmes will be the most effective promotional tool in creating favourable response from target audience.

The selection of communication mix depends on the level of competition-, degree of intangibility in the service products, the reach of target customers, restrictions on the service professions etc. Some professional organisations restrict the use of advertising for their members on the ground that it is unethical.

#### 4.3.3.4 Place Decisions in Services

In services, place decisions basically consist of deciding where to locate the service facility and what channels of distribution to use for delivering the service. The inseparable nature of services makes it necessary that it must be accessible and available to customers in order to facilitate the exchange process. It cannot be stored until a later date; it must be available for consumption at the point of production.

Distribution or the place element of the marketing mix is concerned with two main issues, namely, accessibility and availability of services. Accessibility refers to the ease and convenience, with which a service can be purchased, used or received. Availability refers to the extent to which a service is obtainable or capable of being purchased, used or received. Both criteria must be satisfied in order to achieve successful services marketing

A key decision with regard service distribution is location. There are several factors, which influence the decision of service location. These are:

- Service inseparability
- Service perishability
- The role of the consumer as co producer of the service

- Customer needs and wants
- Importance of geographical location as part of the service
- Target markets
- Many service organisations use direct distribution methods or personal selling in the distribution of their services. However, intermediaries or agents are employed in certain commercial services like banking, insurance etc. Some services like courier services operate through multiple outlets. But certain common functions like service designing, promotion etc., are done at a central-location. Another method of service distribution channel is known as franchising. Franchising is extensively used by software training firms like NIIT, Aptech etc. It basically consists of signing an agreement between the service organisation and another individual or firm called a franchisee. The agreement permits the franchisee to use the name and goodwill of the service firm. The franchisee is authorised to sell the service of the firm on payment of a royalty and/or commission to the franchiser. The franchiser lays down the standard conditions regarding location; space, decor, layout and external make up of the outlet. Thus in services marketing as in marketing of goods, there are number of channel options to market the services. One can also make use of modern channels like e-mail and Internet for marketing services.

#### 4.3.3.5 People in Services

Services are people-oriented and highly interactive in nature. They involve considerable interaction between the service provider and customers. Therefore, employment of right kind of personnel in service firms is of utmost importance. The inseparable nature of services means that the human element forms an integral part of the service package. People being an element of services marketing mix applies not only to the service personnel but also to the customers who play an active role in the service delivery. In many services, customers form an important part of the service. For example, in education, the students are very much part of the learning programme. The participation of customer is essential to derive the full benefits of services.

People are the key to a successful service encounter and this can happen only if the employees develop an obsession with the customers. "The organisation's staff are its prime resource, and human resources management is the professional approach to finding and developing the right people". Central to successful service delivery is the management of the customer-provider interface. Employees need to understand their role in service exchange, and human resources management



provides the programmes and strategies to ensure the highest standards of customer care.

#### 4.3.3.6 Process In Services

Service process means the way in which services are created and delivered. Services are not purchased and owned in the same way as physical goods. A service is created or performed rather than physically handed over. The performance process involves interaction between service provider and -- customers. Therefore, the service process is an integral part of service offering and also the consumer satisfaction.

It is only recently that the importance of service delivery process has been recognised and developed as a marketing tool in service industry. Developments in technology have also helped to revolutionalise many processes in the service sector. The principles by which service delivery process can be designed and implemented are really not different from those applied in the field of manufacturing.

There are four objectives of setting down clear outlines or blueprints for service delivery processes. These are:

- To ensure that service is carried out in the fastest, most efficient and cost effective manner possible,
- To enable service quality to be monitored and benchmarks to be put in place thus allowing accurate measurement of both quality and productivity.
- To facilitate staff training and enable individuals to carry responsibility for individual stages of the service transaction and delivery. 9
- To reduce the amount of divergence thus enabling accurate budgeting and manpower planning etc. to take place.

While designing a service delivery process the following factors are to be considered:

1. The extent of customer involvement or participation in the service process.
2. The location of the service points i.e., whether the services are delivered at the service-provider's premises or at the place of customers.
3. The nature of the service itself i.e., its intangibility, perishability etc.
4. The degree of standardisation i.e., whether services are delivered in a standard format or whether customisation is done for services.
5. The complexity of the service as measured by the number steps or activities in the service delivery process.

The pace of technological developments in recent years has had a major impact on service delivery processes and practices. Service providers and customers have now

online information and access to services like banking, stock broking, airline-ticket booking etc. Many organisations have been using technology to improve service efficiency and reach of services. Some new services have also developed directly out of developments in technology such as mobile communication, internet- trading and e-commerce.

#### 4.3.3.7 . Physical Evidence in Services

Physical evidence or appearance is an important element of service marketing mix. Since services lack tangibility the consumers require evidence to prove- that they exist in the same form as being claimed by the service provider. Some services are product based and service providers will focus on ensuring that any accompanying goods, which form part of the service, are of appropriate quality and standard. Services, which are highly intangible like consultancy and financial advice, are more difficult for the consumer to assess. In the absence of any tangible products, consumers will look for other ways of evaluating the service. In this context physical evidences like the tangible aspects of the service, the physical surroundings, location, decor and layout of the organisation help the service firms for marketing the services efficiently.

A piece of service evidence is a physical object accompanying a service that cannot be categorised as true product elements. For example, for a bank, its computers, ATMs, personnel, Ledgers will form some of the pieces of evidence that will be used by its customers to evaluate the services expected from the bank by its customers. Service evidence, according to Shostack, plays a critical role in verifying either the existence or the completion of a service.

The perception of customers with regard -to physical evidence includes two main types: essential evidence and peripheral evidence. Essential evidence is integral to the service offering and includes the tangible aspects or benefits. Thus a computer in a bank or a teacher in a management institute is essential evidence of these service providers. This type of evidence will not normally be exchanged or owned by the customer. In all cases, the quality and standard of the essential evidence will be a major influence in the customer's purchase decision.

Peripheral evidence, unlike essential evidence, can be given away or exchanged during service transactions. Thus a bank passbook in a bank or course material in an academic institution are peripheral evidence of the service providers. Peripheral evidence plays an emotional role in consumer evaluation of a service before, during and after purchase. Both these types of evidence combine with the organisation's other marketing mix elements, especially promotion and people, to create an

impression on customers and potential customers. Physical evidence will help the potential customers to evaluate the service offering and its quality and standard. Their impression of quality will always be subjective and based on their individual perception of the physical evidence and other elements of the service offering. Therefore, service marketers are expected to search, identify and innovate various configurations of service evidence. These configurations include a dynamic location, physical infrastructure, corporate image and identity, motivated and trained service personnel etc.

#### 4.3.4 Development of New Services

The success of a service organisation depends not only on managing the existing services efficiently but also in developing new services. A dynamic organisation always tries to identify new opportunities and convert them into profitable business propositions: New service development must be a well - thoughtout plan and envisages several processes.

1. **Idea generation** Generation of a creative idea is the beginning of a successful service. It starts with a careful analysis of customer needs and market opportunities. The idea can come from internal sources like staff, organisation's own research and development studies, management's judgement etc. or from external sources like customers, consultants, market demand analysis etc. Marketing research can contribute new ideas or disclose new areas where a firm can enter and exploit the opportunity.
2. **Screening the idea** Screening is a preliminary investigation of the new service idea. The object of screening the idea is to see whether the idea needs a detailed analysis or it must be dropped altogether. In the screening stage, the organisation has to verify details of the idea such as its attractiveness, the expected size of market, the compatibility of the idea with the organisation's objectives and resources etc. The screening reveals the ideas to be rejected and those feasible ideas to be accepted. These feasible ideas are considered for further analysis and development.
3. **Concept Development and Testing** A service idea develops into a service concept which is an elaborated version of the idea expressed in meaningful consumer terms. Concept testing calls for gathering the reactions of consumers to the service concept. In product marketing extensive marketing research and consumer surveys are used for product testing. But in services the concept testing is made by discussing the concept with small group of target clients or by smallscale surveys of existing and potential clients.

#### 4.4.5 Summary

People are the key to a successful service encounter and this can happen only if the employees develop an obsession with the customers. "The organisation's staff are its prime resource, and human resources management is the professional approach to finding and developing the right people". Central to successful service delivery is

the management of the customer-provider interface. Employees need to understand their role in service exchange, and human resources management.

### 4.3.5 Glossary

- **Marketing** - a societal process by which individuals and groups obtain what they need and want through creating, offering and freely exchanging products and services of value with others.
- **Marketing management** - the art and science of choosing target markets and getting, keeping and growing customers through creating, delivering and communicating superior customer value.

### 4.3.6 Questions for exercise

1. How should the price be adapted to meet varying circumstances and opportunities?
2. How should a price be set on a product or service for the first time?
3. Examine various price-setting methods that companies select in deciding the price of a product or service.

### 4.3.7 Recommended readings

- Kotler Philip & Armstrong, G., *Principles of Marketing*, Prentice-Hall of India, New Delhi, 2007.
- Kotler Philip, *Marketing Management*, Prentice-Hall of India, New Delhi, 2007.
- Kotler Philip & Keller, *Principles of Marketing*, Prentice-Hall of India, New Delhi, 2006.
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provides the programmes and strategies to ensure the highest standards of customer care.

Service process means the way in which services are created and delivered. Services are not purchased and owned in the same way as physical goods. A service is created or performed rather than physically handed over. The performance process involves interaction between service provider and -- customers. Therefore, the service process is an integral part of service offering and also the consumer satisfaction.

It is only recently that the importance of service delivery process has been recognized and developed as a marketing tool in service industry. Developments in technology have also helped to revolutionise many processes in the service sector. The principles by which service delivery process can be designed and implemented are really not different from those applied in the field of manufacturing.

4. **Business Analysis** Business analysis is an in-depth exploration and evaluation of the service concept. It involves analysis of the key parameters of the service including its market potential and profitability. The analysis focuses on areas like the target market, its size and expected market share, the level of current and future demand, analysis of break even point and profitability, external market environment affecting performance etc

5. **Service Development** At this stage, preparations are made for developing and launching the service. Necessary infrastructure may be developed for rendering the new service like designing and supplying literature, brochures, schedules and other tangible elements of the service. A suitable marketing strategy is also developed at this stage. Sometimes the existing process may be adapted for accommodating the new service or new premises may be added.

6. **Market Testing** Market testing is the process of introducing the service to a selected number of clients to examine its viability and market performance. It helps to identify the weaknesses of the service including its marketing plan. If the market testing proves to be successful the service can be launched with full fledged marketing programme. 7. **Commercialisation** In the final stage of a service promotion, the service is launched commercially. The organisation may also adopt suitable marketing strategies for the successful implementation of the marketing programme.

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LESSON NO. 4.4

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## MARKET RESEARCH

### 4.4.0 Objectives

#### 4.4.1 Introduction

#### 4.4.2 The market research

#### 4.4.3 The purpose of the research

#### 4.4.4 A Reporting Period

#### 4.4.5 The research proposal

### 4.4.0 Objectives

After reading this lesson, students would be able to answer

- The purpose of the research
- A Reporting Period
- The research proposal

### 4.4.1 Introduction

The process of gathering, analyzing and interpreting information about a market and about the past, present and potential customers for the product or service.

Market Research is any organized effort to gather information about target markets or customers. It is a very important component of business strategy. The term is commonly inter-changed with marketing research, however, expert practitioners may wish to draw a distinction in that marketing research is concerned specially about marketing processes while market research is concerned specifically with markets.

"Marketing research does not make decisions and it does not guarantee success". Marketing managers may seek advice from marketing research specialists, and indeed it is important that research reports should specify alternative courses of action and the probability of success, where possible, of these alternatives. However, it is marketing manager who makes the final marketing decision and not the researcher. The second observation, that marketing research does not guarantee success, is simply recognition of the environment within which marketing takes place.

#### A definition of marketing research

Green and Tull have defined marketing research as follows:

"Marketing research is the systematic and objective search for, and analysis of, information relevant to the identification and solution of any problem in the field of marketing."

Philip Kotler defined market research as "systematic problem analysis, model building and fact finding for the purpose of improved decision making and control in the market of goods and services.

The key words in this definition are: systematic, objective and analysis. Marketing research seeks to set about its task in a systematic and objective fashion. This means that a detailed and carefully designed research plan is developed in which each stage of the research is specified. Such a research plan is only considered adequate if it specifies: the research problem in concise and precise terms, the information necessary to address the problem, the methods to be employed in gathering the information and the analytical techniques to be used to interpret it.

Maintaining objectivity in marketing research is essential if marketing management is to have sufficient confidence in its results to be prepared to take risky decisions based upon those results. To this end, as far as possible, marketing researchers employ the scientific method. The characteristics of the scientific method are that it translates personal prejudices, notions and opinions into explicit propositions (or hypotheses). These are tested empirically. At the same time alternative explanations of the event or phenomena of interest are given equal consideration.

#### 4.4.2 The market research

Marketing research can be concerned with any of a variety of aspects of the market: the product, sales, buyer behaviour, promotion, distribution, pricing, packaging, etc. Since the researcher cannot investigate everything about a market, he/she must be selective. The question remains as to how the researcher decides where to



focus the study, and to what depth each issue should be investigated. The answer should lie in a document called the research brief. The research design is a set of guidelines given to the researcher by the person(s) who have commissioned the research and/or the individual(s) who are to make use of the results in their decision making. The brief must inform the researcher which aspects of the market are particularly important.

#### 4.4.3 The purpose of the research

It is not at all unusual for marketing managers to neglect to tell the researcher the precise purpose of the research. They often do not appreciate the need to do so. Instead, they simply state what they think they need to know. This is not quite the same thing. To appreciate the difference consider the case of the marketing research agency which was contacted by the International Coffee Organization (ICO) and asked to carry out a survey of young people in the age group 16-24. They wanted information on the coffee drinking habits of these young people: how much coffee they drank, at what times of day, with meals or between meals, instant or ground coffee, which other beverages they preferred and so on. In response, the research organization developed a set of wide-ranging proposals which included taking a large random sample of young people.

In fact much of the information was interesting rather than important. Important information is that information which directly assists in making decisions and the ICO had not told the research company the purpose of the research. The initial reason for the study had been a suspicion, on the part of the ICO, that an increasing percentage of young people were consuming beverages other than coffee, particularly soft drinks, and simply never developed the coffee drinking habit. Had this been explained to the research company then it is likely that their proposals would have been radically different. To begin with, the sample would have been composed of 16-24 year old non-coffee drinkers rather than a random sample of all 16-24 year olds. Second, the focus would have been non-coffee drinking habits rather than coffee drinking habits.

Unless the purpose of the research is stated in unambiguous terms it is difficult for the marketing researcher to translate the decision-maker's problem into a research problem and study design.

Clear, concise, attainable, measurable and quantifiable objectives

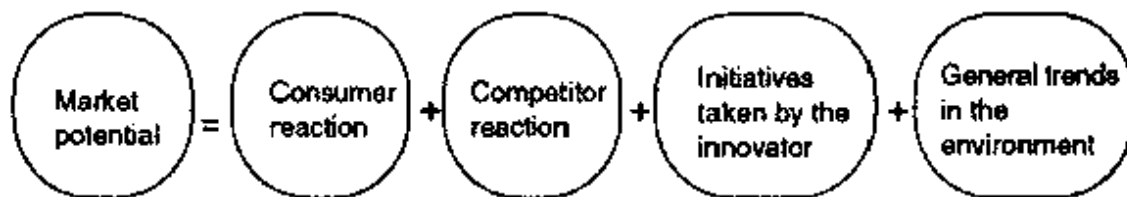
Suppose that the marketing manager states that he needs to know the potential market for a new product his/her organization has been developing. At first glance this might appear to meet all of the requirements of being clear, concise, attainable,

measurable and quantifiable. In practice it would possibly meet only one of these criteria, i.e. it is concise!

Here is another case to be considered. A small engineering firm had purchased a prototype tree-lifter from a private research company. This machine was suitable for lifting semi-mature trees, complete with root-ball intact and transplan ing such trees in another location. It was thought to have potential in certain typ s of tree nurseries and plantations.

The problem with the objective is that the marketing manager needs to know the potential market for the new tree-lifter is that it is not attainable. One could find out how many tree-lifters were currently being sold but this is not the same as the objective set by the marketing manager. The market potential for any new brand is a function of at least 4 things, as shown in Figure Below.

Figure below The components of market potential



It was possible to test custo er reaction to the concept of the new tree-lifter by showing pictures, line drawings and by supplying product specifications to prospective buyers. However, since the company had not decided their pricing policy an important element could not be tested. In large measure, it was also possible to gauge the likely reaction from competitors. The researchers began by looking at the basis of competition to determine whether it was on price product quality or unique product features. The researchers were able to look at precedents. They examined the pattern of response on past occasions when one or other of those companies already in the market had launched a new product. An audit of the environment was undertaken too, but the missing component was the company's own plans for exploiting the market. Since the company had no involvement in the agricultural engineering sector, prior to acquiring the rights to the tree-lifter, they had no agreements with distributors, no idea of which, if any, of the distributors would be prepared to stock their product; they had no salesmen trained in selling into this industry and so on. The product's potential epended very much on such initiatives.

The solution would have been to undertake a study which would have described the market in detail in terms of customers, competitors and the environment. The

company could then have put a marketing plan together and conducted a follow-up study to test their propositions out on the marketplace.

### The need to set a time horizon for marketing research

Inevitably there are deadlines which the marketing research activity must fit and these must be stated clearly at the outset of the research. As was said earlier, because of time pressures, management is often seeking quick answers from marketing research. If the researcher is aware of the time constraints then this will become an overriding factor when he/she plans the research design. He or she is likely to put forward a design which is less elegant, and gives rise to less precise information but delivers the results on schedule.

### A resource allocation, including the budget and facilities

There are essentially two approaches to establishing the resource allocation to a particular marketing research exercise. Management can start with the problem and work out how much it will cost to solve it. Alternatively, they can decide how much the management can afford to spend, at the time, and seek the best answer they can for the time, money and manpower allocated. In practice the decision-makers prefer the latter approach and the researchers the former. In the end, some kind of compromise develops. The researcher rarely gets all of what he/she judges is required to reach a satisfactory conclusion but if the research proposal is well thought out and persuasively presented some concessions can be obtained.

Whichever the approach to resource allocation adopted, it is imperative that the researcher is aware of the financial and other constraints within which he/she must complete the work.

#### 4.4.4 A Reporting Period

The researcher must also know from the outset of the study the points in time when interim reports are required, if any, and the deadline for the final report. The form of interim reports should also be specified at the outset, whether verbal or written, and whether presentations are to be made to a group (nature and size of the group) or an individual.

In addition there are several characteristics of a good research brief and these are that it:

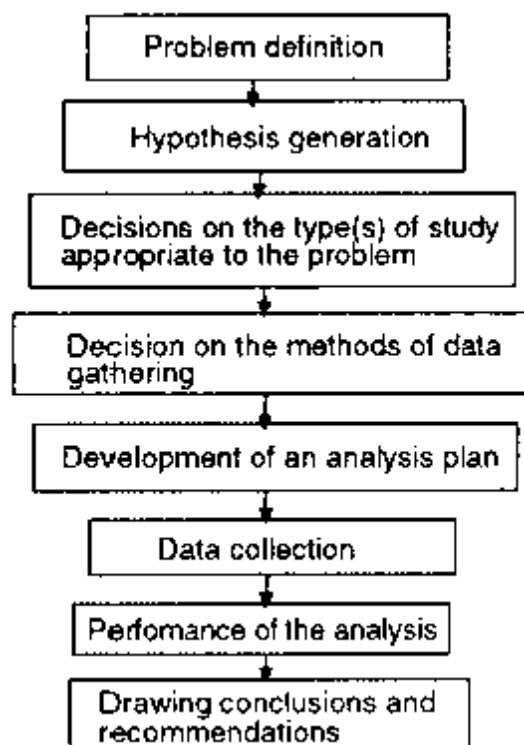
- means the same thing to all concerned
- does not ask for irrelevant information
- defines the relevant populations to be measured

- identifies the correct variables to be measured
- specifies the degree of accuracy really needed within the main results
- specifies an order of priorities when the sample has to be broken down for the purposes of analysing data for subgroups, and
- does not pre-judge the selection of research techniques and procedures.

#### 4.4.5 The research proposal

Having received the research brief, the researcher responds with a research proposal. This is a document which develops after having given careful consideration to the contents of the research brief. The research proposal sets out the research design and the procedures to be followed. The eight steps are set out in figure below. These are only briefly discussed here since the remainder of this textbook consists of a detailed explanation of each step.

Figure Below: The research design



##### Step 1: Problem definition

The point has already been made that the decision-maker should clearly communicate the purpose of the research to the marketing researcher but it is often the case that the objectives are not fully explained to the individual carrying out the study. Decision-makers seldom work out their objectives fully or, if they have, they are not willing to fully disclose them. In theory, responsibility for ensuring that the research proceeds along clearly defined lines rests with the decision-maker. In many instances the researcher has to take the initiative.

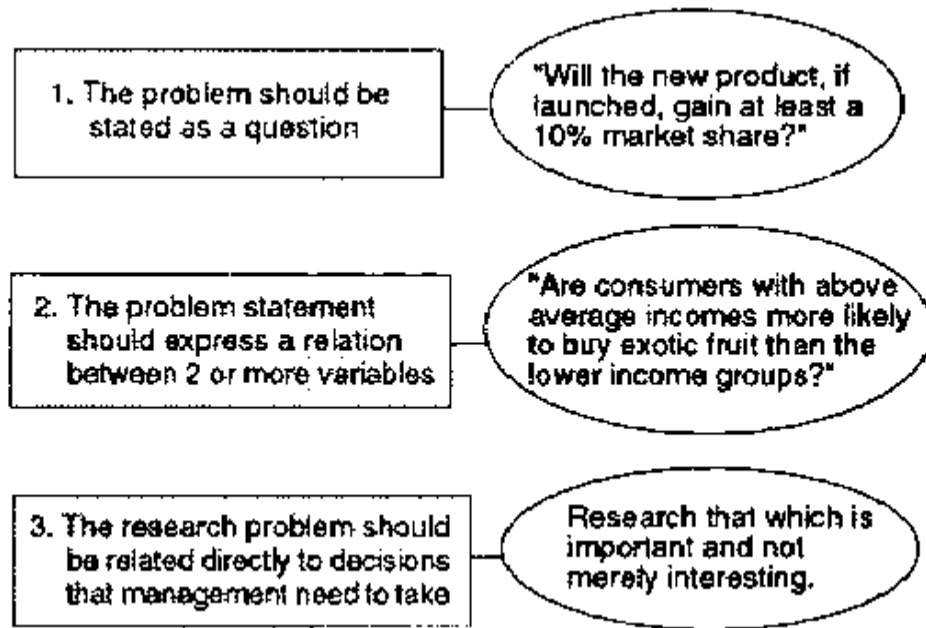
In situations, in which the researcher senses that the decision-maker is either unwilling or unable to fully articulate the objectives then he/she will have to pursue an indirect line of questioning. One approach is to take the problem statement supplied by the decision-maker and to break this down into key components and/or terms and to explore these with the decision-maker. For example, the decision-maker could be asked what he has in mind when he uses the term market potential. This is a legitimate question since the researcher is charged with the responsibility to develop a research design which will provide the right kind of information. Another approach is to focus the discussions with the person commissioning the research on the decisions which would be made given alternative findings which the study might come up with. This process frequently proves of great value to the decision-maker in that it helps him think through the objectives and perhaps select the most important of the objectives.

Whilst seeking to clarify the objectives of the research it is usually worthwhile having discussions with other levels of management who have some understanding of the marketing problem and/or the surrounding issues. Other helpful procedures include brainstorming, reviews of research on related problems and researching secondary sources of information as well as studying competitive products.

### Step 2: Hypothesis generation

Whilst it is true that the purpose of research is to address some question, nonetheless one does not test research questions directly. For example, there may be interest in answering the question: "Does a person's level of education have any bearing upon whether or not he/she adopts new products?" Or, "Does a person's age bear any relation to brand loyalty behaviour?". Research questions are too broad to be directly testable. Instead, the question is reduced to one or more hypotheses implied by these questions.

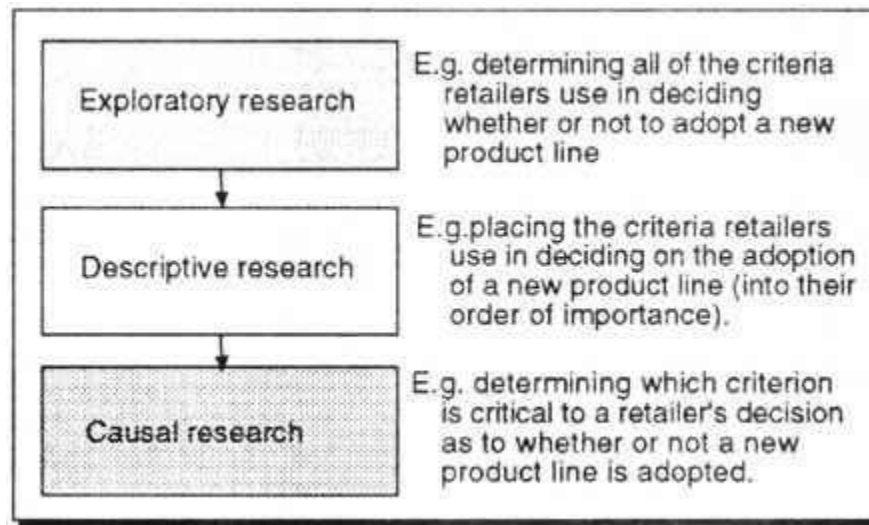
Figure below Characteristics of a sound definition of the research problem



A hypothesis is a conjectural statement regarding the relation between two or more variables. There are two key characteristics which all hypotheses must have: they must be statements of the relationship between variables and they must carry clear implications for testing the stated relations. These characteristics imply that it is relationships, rather than variables, which are tested; the hypotheses specify how the variables are related and that these are measurable or potentially measurable. Statements lacking any or all of these characteristics are not research hypotheses.

### Step 3: Decision on type of study

Marketing research can be carried out on one of three levels: exploratory, descriptive or causal.



[Figure Above Three types of marketing research study](#)

**Exploratory research:** The chief purpose of exploratory research is to reach a better understanding of the research problem. This includes helping to identify the variables which should be measured within the study. When there is little understanding of the topic it is impossible to formulate hypotheses without some exploratory studies.

Exploratory research is intended to help researchers formulate a problem in such a way that it can be researched and suggest testable hypotheses.

**Descriptive research:** As the name suggests, descriptive research is concerned with describing market characteristics and/or marketing mix characteristics. Typically, a descriptive study specifies the number and size of market segments, the alternative ways in which products are currently distributed, listing and comparison of the attributes and features of competitive products, etc.

This type of study can involve the description of the extent of association between variables.

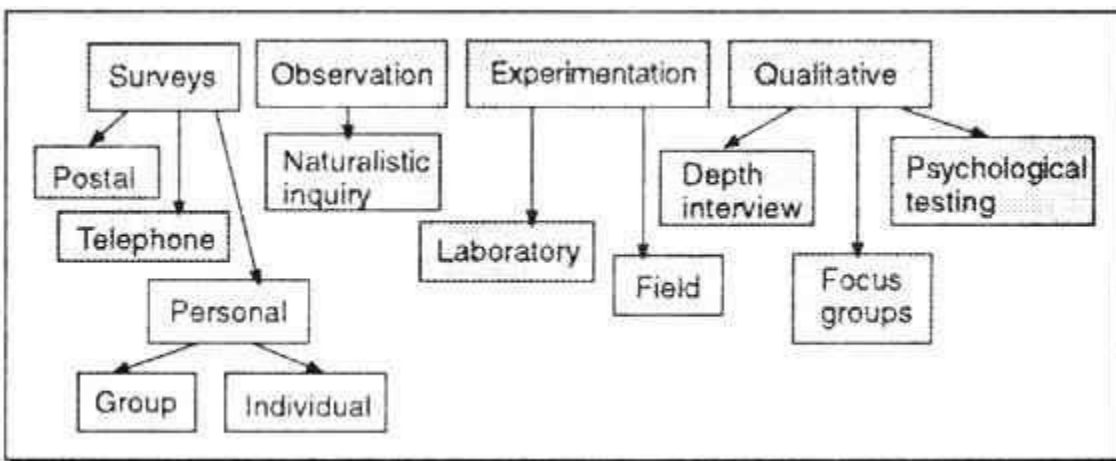
The principal difference between exploratory and descriptive research is that, in the case of the latter, specific research questions have been formulated before the research is undertaken. When descriptive research is conducted the researcher must already know a great deal about the research problem, perhaps because of a prior exploratory study, and is in a position to clearly define what he/she wants to measure and how to do it.

**Causal research:** Causal research deals with the "why" questions. That is, there are occasions when the researcher will want to know why a change in one variable brings about a change in another. If he/she can understand the causes of the effects observed then our ability to predict and control such events is increased.

In summary then there are three distinct types of marketing research study: exploratory, descriptive and causal.

#### Step 4: Decision on data collection method

The next set of decisions concerns the method(s) of data gathering to be employed. The main methods of data collection are secondary data searches, observation, the survey, experimentation and consumer panels. Each of these topics is dealt with later on, so they are simply noted here.



[Figure Above Data collection methods](#)

#### Step 5: Development of an analysis plan

Those new to marketing research often intuitively believe that decisions about the techniques of analysis to be used can be left until after the data has been collected. Such an approach is ill-advised. Before interviews are conducted the following checklist should be applied:

- Is it known how each and every question is to be analyzed?
- Does the researcher have a sufficiently sound grasp of these techniques to apply them with confidence and to explain them to the decision-maker who commissioned the study?



- Does the researcher have the means to perform these calculations? (e.g. access to a computer which has an analysis program which he/she is familiar with? Or, if the calculations have to be performed manually, is there sufficient time to complete them and then to check them?)
- If a computer program is to be used at the data analysis stage, have the questions been properly coded?
- Have the questions been scaled correctly for the chosen statistical technique? (e.g. a t-test cannot be used on data which is only ranked)

There is little point in spending time and money on collecting data which subsequently is not or cannot be analysed. Therefore consideration has to be given to issues such as these before the fieldwork is undertaken.

### Step 6: Data collection

At this stage the researcher is ready to go into the field and collect data. The various issues relating to data collection constitute the main body of the text and therefore, are not dwelt upon here.

### Step 7: Analysis of data

The word 'analysis' has two component parts, the prefix 'ana' meaning 'above' and the Greek root 'lysis' meaning 'to break up or dissolve'. Thus data analysis can be described as:

"...a process of resolving data into its constituent components, to reveal its characteristic elements and structure."

Where the data is quantitative there are three determinants of the appropriate statistical tools for the purposes of analysis. These are the number of samples to be compared, whether the samples being compared are independent of one another and the level of data measurement.

### Step 8: Drawing conclusions and making recommendations

The final chapter of this textbook is devoted to the topic of report writing. However, it is perhaps worth noting that the end products of marketing research are conclusions and recommendations. With respect to the marketing planning function, marketing research helps to identify potential threats and opportunities, generates alternative courses of action, provides information to enable marketing managers to evaluate those alternatives and advises on the implementation of the alternatives.

Too often marketing research reports chiefly comprise a lengthy series of tables of statistics accompanied by a few brief comments which verbally describe what is already self-evident from the tables. Without interpretation, data remains of potential, as opposed to actual use. When conclusions are drawn from raw data and when recommendations are made then data is converted into information. It is information which management needs to reduce the inherent risks and uncertainties in management decision making.

Customer oriented marketing researchers will have noted from the outset of the research which topics and issues are of particular importance to the person(s) who initiated the research and will weight the content of their reports accordingly. That is, the researcher should determine what the marketing manager's priorities are with respect to the research study.

### Chapter Summary

Marketing research serves marketing management by providing information which is relevant to decision making. Marketing research does not itself make the decisions, nor does it guarantee success. Rather, marketing research helps to reduce the uncertainty surrounding the decisions to be made. In order to do so effectively, marketing research has to be systematic, objective and analytical.

The manager or other individual initiating the research must provide guidance to the researcher in the form of a research brief. This document should state the purpose of the research, its objectives, the time by which it must be completed, the budget to which the researcher must work in developing the research design and the timing and frequency of any interim reports which the researcher is expected to make.

Having read, questioned and understood the research brief the onus is then upon the marketing researcher to respond by preparing the research design. Research design begins with an accurate and, as far as is possible, precise definition of the problem. This is followed by the generation of hypotheses. There will then be an intermediate stage whereby the hypotheses are restated in a testable form, i.e. the null form. This will probably only be done if it is intended that statistical analysis is to be undertaken. Where the research is more qualitative in nature then it is still recommended that hypotheses should be developed. These should include alternative hypotheses; depending upon what is already known about the research problem one of three types of study might be undertaken, i.e. an exploratory study, a descriptive study or a causal study. Before proceeding further, the researcher has to develop an analysis plan. It is only when the analysis plan has been considered

that fieldwork, in the form of data collection, should be undertaken. The final step in the research design would be to write the report. Customer oriented marketing researchers will have noted from the outset of the research which topics and issues are of particular importance to the person(s) who initiated the research and will weight the content of their reports accordingly.

### Self Check Exercise

- Q.1 What do you understand by Exploratory, Casual and Descriptive Research?
- Q.2 Explain the Research Proposal in detail.

## MARKETING ORGANIZATION AND CONTROL

### 4.5.1 Introduction

### 4.5.2 Objectives

### 4.5.3 Factors affecting Marketing organisation

### 4.5.4 Types of Marketing Organisation Structure

### 4.5.5 Marketing Control

### 4.5.6 Marketing Audit

Organization is defined as a group of people working together to achieve common goals and objectives of the business. Marketing organization provides a vehicle for making decisions on products, marketing channels , physical distributions, promotions and prices. Marketing Organisation: Marketing organization is the framework for planning and making marketing decision that are essential to marketing success.

It is the vehicle for making decision on all marketing areas such as product, price, place and promotion. Marketing organization is a group of marketing persons working together towards the attainment of certain common objectives. Marketing organization provides a system of relationships among various marketing functions to be performed by coordinating among marketing people. To be competitive in the market where consumer is the king we need to satisfy the consumer. So a good marketing organization is required to satisfy the customers. Marketing organization is the pillar for success for many organizations and provides a framework for the following:

- a. Divide and fix authority among the sub ordinates
- b. To locate responsibility
- c. To establish sales routines
- d. To enforce proper supervision of sales force

- e. To avoid repetitive duties
- f. To enable the top executives to devote more time for planning policy matters

#### 4.5.3 Objectives

After reading this lesson , Students would be able to answer the meaning of Marketing Organisation and control

- They will come to know the types of Marketing Organisation Structures
- Will understand the concept of Marketing Control

#### 4.5.3 FACTORS AFFECTING MARKETING ORGANIZATION

Factors influencing marketing org can be categorized into internal and external factors .

**Internal factors:**

1. Top Management Philosophy: Organizational planning and its working is greatly influenced by philosophy which can be good or bad eg: Centralization Vs Decentralization
2. Product policy: the width of product line of an org determines its size as the product offerings becomes increasingly diverse. Eg: There could be a need to move away from straight functional approach to product group approach.
3. People: The size of the organization is not an important factor in terms of number of people but it is important with respect to human values which are critical and correct decisions regarding people cannot be made unless taking into consideration

Number

Qualifications

Capabilities

Personality

Attitude

Fear

Suspicion

Ambition

Are some of the above intangible factors which affect the marketing organization?

#### External Factors:

1. Business Environment: With regards to business environment three points are important. The type of environment in which the firm is operating in terms of operations and size. The Nature of particular requirement for success in a given business which again determines the size. The rate of change in industries being served which again decides on its size and working.

2. Markets: This is the factor which again affects the marketing organization i.e. one should note about its

- a. Size
- b. Scope
- c. Nature
- d. Location

Based on the above aspects we need to design the size of the organization.

3. Consumer requirements and expectations: Consumers have their own set of requirements and

expectations from the organization. The more varied and vivid services they expect that the usual requirements. as a marketer we need to increase the workload depending upon the consumer requirements and expectations

4. Channels of distribution: It is the type of channel of distribution which a marketing firm selects based on its size. Egg : Incase the company opts for indirect channel or channels it depends on outside sales force and hence the organization gets thinner .When the organization selects direct channel its size is increased as it has its own sales force.

#### 4.5.4 TYPES OF MARKETING ORGANIZATION STRUCTURES

Types of marketing organization structures: The marketing organization of a business can be structured on any

of the following basis:

- a. Line and staff organization
- b. Functional Organization
- c. Product oriented marketing organization

- d. Customer oriented marketing organization
- e. Geography oriented marketing organization
- f. Matrix form / Combined base

### 1. Line and Staff Organization:

In most business forms especially medium size the marketing job is structured around few line functions and few staff functions i.e. Major staff functions is organized into separate department and the line function is responsible for sales department. The required coordination between the line and staff function is managed by the executive at higher level.

#### Merits:

- 1. Provides expert advice from specialists
- 2. Relieves line executives of routine, specialized functions
- 3. Enables young sales executive to acquire expertise
- 4. Helps in achieving effective coordination
- 5. Easy to operate
- 6. Less Expensive

#### Demerits:

- 1. Produce confusions arising from indeterminate authority relationships
- 2. Curbs the authority of experts
- 3. Too much is expected from executives
- 4. Decision making is taken by top management

### 2. Functional:

Under the organization the departments are created on the basis of specified functions to be

performed i.e. The Activities related to marketing, distribution etc

#### Merits:

- 1. Division of work based on specialization
- 2. Relieves line executives of routine and specialized functions

3. Promotes application of expert knowledge
4. Helps to increase overall efficiency

**Demerits:**

1. Leads to complex relationships
2. Makes coordination ineffective
3. Promotes centralization
4. Lack of proper coordination
5. Delay in taking decisions

**3. Product Oriented Marketing Organization:**

Organizations that produce wide variety of products often organize marketing, training and promotion with respect to a product.

**Merits**

1. The salesmen can render better customer service as they possess good knowledge of product and may have close contacts with customers.
2. It makes individual departments responsible for the promotion of specific products.
3. It facilitates effective coordination

**Demerits:**

1. It increases the employment of a number of managerial personal
2. Many salesmen of same enterprise attend same customer each representing a separate product which creates confusion in the minds of the customer.
3. There may be duplication of activities
4. **Customer Oriented Marketing Organization:**

When the departmentation of sales organization is done on customer basis it is called customer oriented marketing organization. Departmentation by customer may be done in enterprise engaged in providing specialized services to different classes of customers.



**Merits:**

1. It takes into account needs of each class of customers.
2. IT provides specialization among the enterprise staff.

**Demerits:**

1. It makes coordination difficult.
2. It may lead to under utilization of resources in same department.
3. There may be duplication of activities.
4. These types of sales organizations are not suitable for small enterprises.

**5. Geography/Territory:**

In a territory oriented marketing organization , the responsibilities for marketing of various products rests almost entirely with line executives .The territory managers are given varying nomenclatures like depot manager, district manager, area manager, zonal manager , divisional manager etc.

**Merits:**

1. It leads to economy in terms of times and money
2. It helps in taking knowledge of local customers
3. It helps in effective control

**Demerits:**

1. It requires employment of number of managerial personnel.
2. It dilutes control from head quarters

**4.5.5 Marketing Control:**

Marketing control is concerned with analyzing the performance of marketing decision, identifying the problem/opportunities and taking actions to take advantage of opportunities and resolving problems. It is the sequel to marketing planning. All manager need to exercise control over their decision and marketing operations. Specifically marketing performance is measured in terms of market share, sales, profits. Kotler defined, "Marketing control is the process of measuring and evaluating the results of marketing strategies and plan and taking corrective action to ensure that marketing objectives are attained. Hence most control

measures are designed with these parameters in mind. But today's marketing needs to measure the following.

- a) Market share
- b) Sales and profits
- c) Marketing effectiveness
- d) Customer satisfaction
- e) Customer perception of the firms and its brands

There are four types of controls with different objectives and tools and exist with different levels of management.

- 1) Annual plan control: It is with top or middle level mgmt to evaluate actual performance with targeted to analyze differences or gaps. The tools used are sales analysis, market share analysis, sales and expense ratios, and financial analysis.
- 2) Profitability control: It is used by marketing department to examine profitability by product, territory, customer segment and trade channel.
- 3) Efficiency control: It is used to assess the effectiveness of money spend on sales force, advertising, sales promotion and distribution. It is used by both line and staff executives.
- 4) Strategic control: It is used by the top mgmt to examine whether the firm and marketing capable to cope with environment or not. The major tool used here is marketing audit.

### Marketing Control Process:

Marketing Control Process includes monitoring, evaluating and improving the performance in each activity.

There are six steps in this

- a) Decide the aspect of marketing operation to be evaluated:

The first step in mcp is deciding about the marketing operation to evaluate. Eg: effectiveness of media for product advertisement, sales person performance, or performance of company product

- b) Establish measurement criterion : In this stage performance standards are decided against which actual performance is evaluated. Eg: control sales person

performance, in this one can measure new accounts obtained, call frequency ratio and order per call

c) **Establishing monitoring mechanism**

After setting the standards, the next step is to develop monitoring mechanism tools like marketing information system(MIS). MIS is used to record performance of all marketing areas like monthly sales volume for products.

d) **Compare actual results with standards of performance**

In this stage, results obtained through monitoring process are compared with pre established standards of performance.

e) **Analyze performance improvement**

If the results/performance are not up to the desired standards, a corrective action is to be taken to enhance the performance levels. For this performance improvement analysis is to be done.

#### 4.5.6 Marketing Audit:

Definition: Marketing audit is systematic review and appraisal of the basic objectives and policies of marketing function and of the marketing organization methods, procedures and personal employed to implement those policies and to achieve those goals. Marketing audit is one of the important tool to asses the effectiveness of different marketing mix elements.

##### Types of Marketing Audit:

**Marketing Environment Audit:** It is divided into two groups i.e macro environment and task environment. Macro environment audit includes analysis of political, economical, technological and cultural aspects. Task environment audit covers customers,competitors, markets, dealer/distributors, suppliers, marketing firms and public.

**Marketing Strategy Audit:** This audit reviews firms marketing mission, objectives, goals, and strategies and to appraise their adaptability to present and future environment.

**Marketing Organisation Audit:** The audit evaluates the firms capability in implementing necessary strategies for the future environment. It also reviews formal organization structure and efficiency.

**Marketing Systems Audit:** It evaluates the subsystems of a system such as marketing information system, marketing planning system, marketing control system and new product development system.

**Marketing productivity Audit:** This audit critically examines the profitability of different marketing entities and cost effectiveness of different heads of marketing expenditure.

**Marketing Function Audit:** It is a functional audit mainly covering marketing mix components namely product, price, place and promotion (advertising, sales promotion, sales force and publicity).

## Mandatory Student Feedback Form

<https://forms.gle/KS5CLhvpwrpgjwN98>

Note: Students, kindly click this google form link, and fill this feedback form once.