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SCHOOL OF MANAGEMENT SCIENCES

COURSE CODE: MKT 826

COURSE TITLE: MARKETING MANAGEMENT

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NATIONAL OPEN UNIVERSITY OF NIGERIA

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UNIT ONE: INTRODUCTION TO MARKETING

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1.0 INTRODUCTION

Marketing is the process of communicating the value of a product or service to customers, for the purpose of selling that product or service.

From a societal point of view, marketing is the link between a society's material requirements and its economic patterns of response. Marketing satisfies these needs and wants through exchange processes and building long term relationships. Marketing can be looked at as an organizational function and a set of processes for creating, delivering and communicating value to customers, and managing customer relationships in ways that also benefit the organization and its shareholders. Marketing is the science of choosing target markets through market analysis and market segmentation, as well as understanding consumer buying behavior and providing superior customer value.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

Define marketing;

Explain the five competing concepts under which organizations can choose to operate their business;

Discuss the elements of marketing mix; and

List the aspects of marketing.

3.0 MAIN CONTENT

3.1 Overview of Marketing

Marketing is the science of meeting the needs of a customer by providing valuable products to customers by utilizing the expertise of the organization, at same time, to archive organizational goals. According to The American Marketing Association, Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.

With this definition, it is important to realize that the customer can be an individual user, a company, or several people who contribute to the purchasing decision. The product can be a hard good, a service, or even an idea – anything that would provide some value to the person who provides an exchange. An exchange is most often thought of as money, but could also be a donation of time or effort, or even a specific action. A producer is often a company, but could be an individual or non-profit organization.

Classical marketing is often described in terms of the four "P's, which are:

- **Product** – what goods or services are offered to customers
- **Promotion** – how the producer communicates the value of its products
- **Price** – the value of the exchange between the customer and producer
- **Placement** – how the product is delivered to the customer.

A complete analysis of these categories is often called the **Marketing Mix**. Marketing has both inbound and outbound activities. Inbound activities largely center on discovering the needs and wants of the potential customers. The collective group of all potential customers is called a market. Categorizing these needs into groups is called segmentation. Organizing markets into segments allows a producer to more logically decide how to best provide value to that group of potential customers. The analysis of market segment needs; analysis of existing sales and profitability; the descriptions, design and introduction of new products; and the analysis of competitor offerings are also inbound activities that are important but not often seen by the public.

Outbound activities include all aspects of informing the market that a product is available, delivering that product, and encouraging the purchase decision. These activities include advertising, promotion, supply chain, sales support, product training, and customer support.

To the public, the most common interaction with marketing is where it touches the discipline of sales in the form of advertising. This interaction leads to a common misconception that marketing is only this aspect of promotion. Instead, it is useful in understanding that:

Marketing is a data driven science.

The good marketer will develop the data necessary to define the customer's needs, develop a good product based on the available resources, deliver the product in an effective manner to the consumer at a price that reflects the customer value and the profit desired by the producer.

3.2 Marketing Models

When the producer is a commercial entity and the end user makes the purchasing decision, the model used to describe this transaction is often called a Business to Consumer (B2C) model. When the producer is a commercial entity and a second commercial entity makes the purchasing decision but provides the product to their customer, then the model is often called a Business to Business (B2B) model. The difference in these models affects how the marketer constructs his marketing analysis and marketing mix.

3.3 Aspects of Marketing

Marketing has many aspects or sub-disciplines within the broad discipline of marketing. They include:

• Advertising.

• Branding.

• Copywriting.

• Customer relationship management (CRM).

• Direct marketing.

• Event planning.

• Graphic design.

• Internet Marketing.

• Loyalty marketing.

• Market research.

• Marketing communications.

• Media relations.

• Merchandising.

• New product development.

• Pricing.

• Product management.

• Promotion.

• Public relations.

• Sales management and support.

• Search engine optimization (SEO).

• Social media optimization.

• Strategic planning.

• Supply chain management.

Marketing functions in all of these areas. A marketer can do many of these functions within an organization or specialize in one or more.

The Market

prospective customers for a given product, service, or idea

The market consists of all prospective customers for a given product, service, or idea. Customers can be purchasers who intend to resell the product or end users who intend to use or consume the product. The market can be categorized into separate groups called segments. When a producer appeals to a market or market segment, the producer must take into account the distinction between the end user or consumer and the purchaser or decision maker(s). This is especially true in B2B models. The market may be individuals or organizations that are able to purchase the organization's product. Each entity in the delivery chain will have different needs, so a complete market needs analysis must include all potential segments and all entities within each segment.

The Product

all goods, services, and ideas that are sold or traded

Products that can be marketed include all goods, services, and ideas that are sold or traded. Products can be either *tangible*, as in the case of physical goods, or *intangibles*, such as those associated with service benefits or ideas (intellectual property), or any combination of the three. The *producer* is the entity that offers the product to the market. The producer can be the manufacturer, the wholesaler, the retailer, the service provider, or a combination of these. For services, it is sometimes easier to use the term *provider* instead of producer.

Goods

Goods are a **physical product** capable of being delivered to a purchaser and involves the transfer of ownership from seller to customer.

Services

A service is a non-material action resulting in a measurable change of state for the purchaser caused by the provider.

Ideas (Intellectual Property)

Intellectual Property is any **creation of the intellect that has commercial value**, but is sold or traded only as an idea, and not a resulting service or good. This includes copyrighted property such as literary or artistic works, and ideational property, such as patents, appellations of origin, business methods, and industrial processes.

Product Pricing

price is set at a level which indicates the perceived value agreement between producer and purchaser

Once an organization has its product to sell, it must then determine the appropriate price to sell it at. The *price* is set by balancing many factors including supply-and-demand, cost, desired profit, competition, perceived value, and market behavior. Ultimately, the final price is determined by what the market is willing to exchange for the product. Pricing theory can be quite complex because so many factors influence what the purchaser decides is a fair value.

It also should be noted that, in addition to monetary exchange, price can be the exchange of goods or services as in a barter agreement, or an exchange of specific behavior, such as a vote in a political campaign.

Product Promotion

Informing the market about a product, product line, brand, or company and encouraging a purchase decision

Once an organization has learned the market needs, produced or procured a product, and priced it, it then needs to promote the product by letting the market know that it exists, and how it can be purchased.

Promotion involves providing information about a product, product line, brand, or company. There are many ways to promote including:

- Advertising
- Personal selling
- Sales discounts
- Public Relations/Publicity
- Sampling
- Word of mouth, including electronic endorsements
- Product placement

Product Distribution

delivery of the product to the purchaser

Once an organization has produced or procured, priced, and promoted a product, it then needs to deliver that product to the purchaser. Some distribution examples:

- Direct sale to the customer from the producer
- Wholesale distribution where the producer sells in large quantities only to an intermediary, not the end user
- Retail sales where a retailer will buy large quantities, but sell smaller quantities to individual customers
- Value added resale (VARs) where an organization purchases a product from a producer and, in turn, resells it to a consumer after adding additional products, services, or expertise.

3.4 Marketing Concepts

3.4.1 Earlier approaches

The marketing orientation evolved from earlier orientations, namely, the production orientation, the product orientation and the selling orientation.

Orientation	Profit driver	Western European timeframe	Description
Production	Production methods	until the 1950s	A firm focusing on a production orientation specializes in producing as much as possible of a given product or service. Thus, this signifies a firm exploiting economies of scale until the minimum efficient scale is reached. A production orientation may be deployed when a high demand for a product or service exists, coupled with a good certainty that consumer tastes will not rapidly alter (similar to the sales orientation).
Product	Quality of the product	until the 1960s	A firm employing a product orientation is chiefly concerned with the quality of its own product. A firm would also assume that as long as its product was of a high standard, people would buy and consume the product.
Selling	Selling methods	1950s and 1960s	A firm using a sales orientation focuses primarily on the selling/promotion of a particular product, and not determining new consumer desires as such. Consequently,

			this entails simply selling an already existing product, and using promotion techniques to attain the highest sales possible. Such an orientation may suit scenarios in which a firm holds dead stock, or otherwise sells a product that is in high demand, with little likelihood of changes in consumer tastes that would diminish demand.
Marketing	Needs and wants of customers	1970s to the present day	The '**marketing orientation'** is perhaps the most common orientation used in contemporary marketing. It involves a firm essentially basing its marketing plans around the marketing concept, and thus supplying products to suit new consumer tastes. As an example, a firm would employ market research to gauge consumer desires, use R&D (research and development) to develop a product attuned to the revealed information, and then utilize promotion techniques to ensure persons know the product exists.
Holistic Marketing	Everything matters in marketing	21st century	The holistic marketing concept looks at marketing as a complex activity and acknowledges that everything matters in marketing - and that a broad and integrated perspective is necessary in developing, designing and implementing marketing programs and activities. The four components that characterize holistic marketing are relationship marketing, internal marketing, integrated marketing, and socially responsive marketing.

3.4.2 Contemporary Approaches

Recent approaches in marketing include *relationship marketing* with focus on the customer, *business marketing* or *industrial marketing* with focus on an organization or institution and *social marketing* with focus on benefits to society. New forms of marketing also use the internet and are therefore called *internet marketing* or more generally *e-marketing*, *online marketing*, "digital marketing", search engine marketing, or *desktop advertising*. It attempts to perfect the segmentation strategy used in traditional marketing. It targets its audience more precisely, and is sometimes called personalized marketing or one-to-one marketing. Internet marketing is sometimes considered to be broad in scope, because it not only refers to marketing on the Internet, but also includes marketing done via e-mail, wireless media as well as driving audience from traditional marketing methods like radio and billboard to internet properties or landing page.

Orientation	Profit driver	Western European timeframe	Description
Relationship marketing / Relationship management	Building and keeping good customer relations	1960s to present day	Emphasis is placed on the whole relationship between suppliers and customers. The aim is to provide the best possible customer service and build customer loyalty.
Business marketing / Industrial marketing	Building and keeping relationships between organizations	1980s to present day	In this context, marketing takes place between businesses or organizations. The product focus lies on industrial goods or capital goods rather than consumer products or end products. Different forms of marketing activities, such as promotion, advertising and communication to the customer are used.
Societal marketing	Benefit to society	1990s to present day	Similar characteristics to marketing orientation but with the added proviso that there will be a curtailment of any harmful activities to society, in product, production, or selling methods.
Branding	Brand value	1980s to present day	In this context, "branding" refers to the main company philosophy and marketing is considered to be an instrument of branding philosophy.

4.0 CONCLUSION

There are five competing concepts under which organizations can choose to operate their business; the production concept, the product concept, the selling concept, the marketing concept, and the holistic marketing concept. The four components of holistic marketing are relationship marketing, internal marketing, integrated marketing, and socially responsive marketing. The set of engagements necessary for successful marketing management includes, capturing marketing insights, connecting with customers, building strong brands, shaping the market offerings, delivering and communicating value, creating long-term growth, and developing marketing strategies and plans.

5.0 SUMMARY

This unit served as an introduction to marketing management and has introduced you into marketing mix, marketing models and aspects of marketing.

6.0 TUTOR MARKED ASSIGNMENT

- Discuss product distribution and give distribution examples.
- Explain product promotion and describe the many ways to promote.
- Explain marketing models and list some marketing aspects.

7.0 REFERENCES/ FURTHER READINGS

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UNIT TWO: MARKETING IN A DEVELOPING ECONOMY

CONTENTS

1.0 INTRODUCTION

Marketing is an evolving and dynamic discipline that cuts across every spectrum of life. This explains why contemporary societies are now involved in one form of marketing activity or the other. The recent advancement in technology, has aided the free flow of goods and services as well as information amongst businesses and institutions, thereby turning the marketing environment into a global village. On a general perspective Kotler and Armstrong (2001) described marketing as a social and managerial process whereby individuals and groups obtain what they need and want through creating and exchanging products and value with others. Marketing is intricately linked with the economy of virtually all nations of the world. It is the major factor, especially in developed economies responsible for the wealth of nations and the means of resuscitation during economic depression. For the developed countries as a whole, marketing experience has occurred as part of the evolutionary cultural process and also progress of these nations. Therefore practical problems are profoundly handled as they had arisen, with available resource means at the material time. But the developing countries are evidently operating in an entirely different context today.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- Explain how Marketing is intricately linked with the economy of virtually all nations of the world;
- Discuss the conditions in an economy that favour and compel the full application of marketing activities to achieve the objective of growth and profit;
- Determine when Marketing is most necessary in an economy;
- Discuss the importance of Marketing to any economy;

- Problems of Marketing in developing economies; and
- Prospects of Marketing in Developing Economies.

3.0 MAIN CONTENT

3.1 Characteristics of Developing Economies

Developing countries are characterized by high birth and death rates, poor sanitation and health practices, poor housing, a high percentage of the population in agriculture, low per capita income, high rate of illiteracy, weak and uneven feelings of national cohesion, low status rating for women, poor technology, limited communication and transport facilities, predominantly exports of raw materials. Others include political instability, low savings and low net investment, military or feudal domination of state machinery, wealth in the hands of a very few, poor credit facilities, prevalence of non-monetized production, wealth sometimes exported to save in developed countries, civil unrests such as in the Niger Delta in Nigeria, and a host of others. Therefore countries with these kinds of peculiarities find it difficult to develop their marketing potentials. There are equally conditions in an economy that favour and compel the full application of marketing activities to achieve the objective of growth and profit, while there are conditions which do not favour, or make nonsense of it (Alatise, 1979).

In seeking to ensure that every country designs and implements the best method of achieving socio-economic transformation, marketing can be a veritable vehicle (Aigbiremolen and Aigbiremolen, 2004). Marketing can ensure that the values and environmental opportunities of an economy are taken into consideration with a view to achieving an integrated approach to development (Kinsey, 1988). The new marketing concept is a philosophy of business that states that the customer's want satisfaction is the economic and social justification for the existence of any company or organization. Therefore all companies' activities and effort must be devoted towards achieving this objective, while still making a profit. The changing social and economic conditions in the technologically advanced countries were fundamental in the development and evolution of the marketing concept.

In spite of the fact that the concept evolved in the advance countries, the boundaries of marketing have extended remarkably to different frontiers. Generally, marketing strives to serve and satisfy human insatiable needs and wants. Therefore, marketing can be considered as a strategic factor in the economic structure of any society (either developed or developing). This is because it directly allocates resources and has a great impact on other aspects of economic and social life.

It is pertinent to note that the power of marketing is the same, but there exist qualitative and quantitative differences, depending on the particular situation at hand in a given country. For instance if there is severe inflation in a country and if left uncheck it will reduce the standard of living of the people as a result of the fall in their purchasing power. This situation could have a multiplier effect, because sales may drop, workers may equally be laid off, etc. Globally, the major role of marketing is to ensure the continuance in growth of economies and individual's standard of living. In developing economies marketing can act as a catalyst to institutionalize and propel economic growth and commercial life of the people. It can also lag behind it, depending on whether marketing is practice and used actively, or whether it is allowed to evolve in a passive fashion (Onwuchuruba, 1996). During the oil boom period, the totality of the Nigeria economy expanded rapidly. However, one of the activities that lagged behind was marketing and its auxiliary branches. (This encompasses advertising and distributive trade). The trends and patterns of distributive trade in Nigeria reveal that, some indigenous firms embark on sales promotion, but had not been able to control the channels of distribution because of the chaos in the distributive structure. This lacks of control manifest itself in multiple pricing of products. A report on the survey of management training needs in Nigeria carried out by the centre for management development in 1975 revealed that marketing was one of the problem areas where remedial management effort should be intensified. Poor marketing generally is reflected in poor quality of products, inadequacy and shortages of essential products that would have improved the standard of living of the people. This ugly scenario helped to compound the problems of marketing in Nigeria before now.

3.2 Necessity of Marketing in an Economy

Marketing is most necessary in an economy when:
1) Free Supply of Goods: When there are enough goods for consumers to buy. In other words when supply exceeds demand, warehouses for finished products as well as raw materials are near bursting at the seams.
2) **Competitive Conditions**: The consumer has many choices almost equally well-matched brands. These are equal satisfaction in an economy, such that they do not have cause to complain about scarcity of products as a result of non availability of competing brands.
3) **Competition at Distribution Points:** There is no bottleneck in the distribution chain, and all brands are well represented at all relevant distribution outlets in the entire market.
4) **High Margins for Marketing and Profits:** There are prospects for generating profit and marketing potentials from every business venture. Therefore the more you sell the more profit you make.
5) **Rapid Change in Technology and Consumer Taste:** This keeps marketing managers/executives as well as production managers on their toes to be innovative and creative. There is always the pressing need to sell off what you have today to avoid the obsolescence of tomorrow, and also try to beat your competitors in the game of being the first to offer the product of tomorrow, or at least a better product.
6) **Frequent Purchases by Consumer:** Marketing is most effective in mass consumable goods with quick and continual repeat purchases. It does not function well in an economy where the purchasing power of the people/consumers' is not reasonably appreciable because their demand pattern will be downwardly skewed.
7) **Good Opportunities for Product Differentiation:** This enables producers and sellers to woo and appeal to consumers and buyers in different ways that will give them satisfaction.

3.3 Importance of Marketing to an Economy

The importance of marketing to any economy, include the following;
1) **Marketing Impact on People:** There is no doubt all over the world that marketing activities are affected by people's beliefs, attitudes, life styles, consumption pattern, purchase behaviour, income, etc. Marketers help organizations and businesses to develop products, promote, price and distribute them. Consumers' satisfaction or dissatisfaction with these products and activities will go a long way in determining their consumption behaviour. The importance of marketing

can therefore be felt by the extent to which it affects the earlier mentioned demographic variables.

2) **Improved Quality of Life:** The activities performed by marketers and others in the economy of most countries, especially developed ones, help to identify and satisfy consumers' needs. This is because most consumers can always trace their knowledge and persuasion to patronize the products they feel much dependent on such marketing dominated stimuli as advertising, personal selling, E-commerce, sales promotion, etc, by presenting consumers with new, better and different brands and options of products which can meet their needs and helping them to easily obtain and safely enjoy these products. Marketers principally and functionally help to improve consumers' awareness and quality of life (Stapleton, 1984).

3) **Improved Quality of Product:** The importance of marketing is not being over emphasized, because contemporary firms and multinationals have now seen the need to produce quality products. The business climate is quite different from what it used to be in the past. Competition has become more intense, such that only fast moving companies and multinationals are surviving the heat. This is because they have really capitalized on quality improvement in products to enhance the dynamic consumers' quest for goods and services. The advertising of own brands which began some years back is fast becoming vogue and compels manufacturers to improve on the quality of their products or be prepared to be extinct (Stapleton, 1984).

4) **Contribute to Gross National Product:** The strength of any economy is measured in terms of its ability to generate the required income within a given fiscal year or period. Thus such a country's GNP must appreciate overtime. Marketing is the pivot and life wire of any economy, because all other activities of an organization generate costs and only marketing activities bring in the much needed revenues. Available data showed that advanced countries accounted for 69.1% of world output while developing countries accounted for 30.9%. Nigeria's trade was estimated at U.S. $47,346 million representing 0.8% of the emerging market share (CBN, 2005). Therefore any economy especially, developing that pays lip service to marketing is doing that at its peril.

5) **Acceleration of Economic Growth:** Marketing encourages consumption by motivating people in a country to patronize goods produced to meet their identified needs. When people buy goods that are produced in a country, there is the tendency that producers will equally increase production to meet up with future demands. In so doing, marketing increases the tempo of economic activities, creates wealth for serious minded entrepreneurs and accelerates the economic growth of a nation. Thus, the more marketing philosophy is institutionalized in a country, the more developed and wealthy the country becomes, all things being equal.

6) **Economic Resuscitation and Business Turn- Around:** The economy of most developing countries have suffered a lot, passing through one economic hardship to the next business upheaval, told and untold stories of business distress or economic recession to mention a few. Marketing is the most meaningful means for achieving economic resuscitation and business turn-around strategy when such occur. By practically adopting the modern marketing philosophy (consumer satisfaction through integrative effort), fine-tuning its offerings to meet consumer's changing taste or counter competition, developing new and better products and exploiting new markets at home or abroad, industries and organization can achieve economic resuscitation and a more viable open widows for business prosperity.

7) **Provide Job Opportunities:** Marketing provides job opportunities to millions of people the world over. This is mostly experienced in well industrialized countries and emerging markets. Most people in these economies are engaged in private endeavours as investors and

entrepreneurs. Some of these marketing opportunities are abound in areas like, advertising, retailing, wholesaling, transportation, communication, public relations, services, manufacturing, agents and brokers, to mention a few. It is gratifying to note that the number of jobs being created by marketing has been increasing just as the development process of modern technology is a contributing factor. In Nigeria most of the school leavers (graduates precisely) are self employed, in one area of marketing or the other. The idea of working for the government only is now a thing of the past, though the jobs are equally scanty to meet the needs of the teeming unemployed.

3.4 Problems of Marketing in Developing Economies

There are series of constraints that hinder the performance of marketing in most developing countries. The experience of Nigeria and other Africa countries is worthy of note. These problems include the following;

1) **Low Marketing Education:** A well informed and educated people tend to be prosperous investors and consumers. This is because they will imbibe the culture and tenets of marketing. But marketing education is still generally low in developing countries. Many policy makers and managers of large organizations still do not know what marketing is all about. Even when some people acquire higher degrees in the field of marketing and business administration, they come out doing the contrary, instead of practicing the true marketing concept or relationship marketing for the benefit of the society as a whole. In situations like that, marketing cannot contribute meaningfully to the development of these economies. Nigeria is an example of one of those countries suffering this fate. Most of the people, though educated, yet often compromise ethical marketing practices for worst alternatives such as sharp practices, unwholesome behavior and smuggling that contribute less to gross total earnings of any country.

2) **Preferences for Foreign Products**: Because of the development process of most African countries and their inability to produce most goods (especially technologically sophisticated products), they tend to prefer buying from the more industrialized countries. This makes the development process of local industries and commercial life of the people more impoverished. Developing countries constitute 71% of the world's population, but only contribute about 12% of the world's industrial production that often boost marketing in these economies. Why should this be the case, and who is to be blamed for the structural discrepancy and imbalance? What actions could these countries adopt to accelerate the pace of industrialization and development in order to boost the tempo of marketing? It is generally felt that locally-made goods are only for the poor, uneducated, and those who are not fashionable, while the consumption of imported goods and services is taken as a status symbol for the elite and affluent in developing countries. Even when some countries products are of less quality when compared to similar local brands. This situation makes the growth of marketing and satisfaction of consumers locally difficult.

3) **Low Patronage for Non-essential Products and Services**: The majority of the people in developing countries are poor, and their per capita income is below average. This makes it imperatively difficult for them to buy much of luxury goods. Rather their purchases and expenditure are directed towards satisfying the basic needs for food, clothing, and accommodation. Non essential goods and services receive low patronage. Therefore low patronage for certain category of goods does not present attractive marketing opportunities that will ginger investment overture.

4) **High cost of production**: Marketing has suffered dearly in most developing countries because virtually all production techniques are imported from the developed world. The cost of acquiring equipment and other inputs used for production locally to boost marketing is sometimes extremely exorbitant for the poor developing countries to buy and finance. To worsen matters, the bulk of African's production is mainly in agricultural products that contribute less to GNP or Net National income of their various economies. This is because these products are sold at lesser prices in the world market. The income generated from them can only buy little from all that is needed to encourage domestic production, in order to enhance marketing. Where it is possible to import the equipment, the production techniques and skillful manpower requirement is sometimes too expensive to bear, hence the high cost of some local products when compared to the same foreign brands. This reason strengthens consumer's preference for imported products and results to low demand for locally made goods. This affects the marketing potentials of the home industries and equally has an adverse effect on macro- marketing of developing countries.

5) **Inadequate Infrastructures**: Most developing countries are very poor, such that some of them depend on aids from abroad. There are cases of debt accrual and debt burden hugging on some of the African countries that are yet to be paid. It invariable becomes difficult for some of them to provide the necessary infrastructures that would engender and propel smooth marketing scenario. Ethiopia, Somalia, Rwanda and a few other third world countries rely on aids from abroad to revamp their economies. The present situation where Power Holdings or National Electricity Power Authority (NEPA) is fond of giving epileptic and erratic power supply has made it difficult for businesses to function in Nigeria. Coupled with the poor road network and transport facilities, poor communication, distressed banks, malfunctioning ports and trade zones, among others. Apart from the deliberate embezzlement by some top government officials, the government is yet to provide these infrastructures, and this has made it difficult for marketing activities to be performed effectively and efficiently. Moreover, the inadequacy and poor state of these infrastructures contribute to high cost of doing business in developing countries.

The inability or unwillingness of some developing countries to provide these necessary infrastructural facilities that will facilitate the performance of marketing in these economies is in itself a major problem worthy of note.

6) **Few Competitive Opportunities**: Lucrative competitive businesses are not much in developing countries. What are commonly found within African continent are peasant farmers, petty traders and negligible number of investors that are not engaged in multimillion dollars businesses. In Nigeria one can find competitive businesses mostly in the service industry, which contribute less than two percent of GDP. But in the manufacturing sector nothing can be said of it, because there is no competition. In most developed societies economic policies have long assumed that competition among businesses is the most efficient method of producing and marketing goods and services. Proponents of this philosophy contend that it results in maximum productivity and forces inefficient organizations and businesses to terminate their operations. It gives the consumer or buyer an opportunity to choose from several competing companies rather than buy from a monopolist, and stimulates creativity in seeking solutions to marketing problems especially in developing countries where such problems are more.But marketing in the true sense is usually at its best where and when there is real competition. Unfortunately, competition is at the lower ebb in developing countries, this might not be unconnected with the level of poverty and underdevelopment in the continent. But developed countries like USA, UK, Japan and emerging economies in Asia are competing amongst themselves in the manufacturing and supply

of different types of products to newly found markets in sub-Saharan Africa. This is because they have the technology and financial backing.

7) **Over- Regulation of Business by Government:** Another major problem that has be-deviled the performance of marketing especially in Nigeria has been the issue of government regulations and interferences in the activities of businesses and corporate firms. For instance, the over regulation of the Nigeria economy especially between 1970-1985, including the enactment of the indigenization decree, which excludes foreign interest from certain investment activities as well as the existence of a complex bureaucratic requirements for direct and portfolio investment were among the major constraints that hindered the development of marketing climate and foreign investment inflow. Sometimes in 2004 the then administration of Olusegun Obasanjo banned the importation of certain items into Nigeria, but this is contrary to the tenets of free enterprises. Locally, state governors reserve special areas where businesses are not supposed to operate and if structures, housing corporate firms are erected there, they are bound to be demolished. In developing countries, it is usual to find governments promulgating laws to regulate the prices of consumables, fuel (as in the case of Nigeria), transport fares, exchange values of national currencies, accommodation etc. Nigeria is one of those countries that have passed through one form of regulation or deregulation to another depending on the political class that is in power. Instead of allowing the market forces of demand and supply to operate and determine how much consumers are to pay for the consumption of the goods and services. The haste to get their economies developed and quickly catch-up with advanced Nations often lead developing countries to over- regulate business activities and restrict the activities of free enterprise. This makes marketing difficult, since decisions cannot be taken from a purely economic perspective.

8) **Political Instability and Civil Unrest**: Rapid economic growth and development of marketing techniques cannot be achieved or attained in an environment of political and social instability or political hostility. Political stability implies an orderly system for a positive change in governance and peaceful co- existence amongst the citizenry that, poses a great challenge to marketing. Therefore, marketing does not thrive where there is political instability and insecurity or civil disturbances. The experience of most African countries like Liberia, Sudan, Rwanda, and Nigeria are typical examples of where the political climate and business environment had been in perpetual turbulence over the seat of power and who controls the resources (petroleum product) in the Niger Delta region. For Nigeria the issue in the Niger Delta gives cause to worry because most of the foreign investors and multi-nationals are thinking of relocating based on the continuous molestation and threat by militants, if nothing is done to salvage the situation. Table 4 shows the conflict rating of Nigeria, Ghana, South Africa, Kenya and Egypt. Amongst the five countries Nigeria has the highest figures especially after 1998. The above Situation reinforces uncertainty, instability, and increases the risk of doing business in Nigeria. Thus investment overtures become difficult in such localities or geographical areas and this undermines the performance of marketing.

3.5 Prospects of Marketing in Developing Economies

Despite the numerous problems confronting marketing in developing countries, there exist prospects and opportunities for future growth and development of marketing as the pivot of developing economies. These prospects are explained as follows;

1) **Growing Population**: Before multinational companies establish their hold in any country they expect to have a ready market for their products and services. No business flourishes where

people are not living or where it is not habitable by people. Developed countries with their small population and saturated domestic markets prefer marketing their products and services to emerging markets in developing countries. Nigeria being one of the most populous nations (about 160 million people) in Africa is a ready market for both domestic products and foreign brands. This is because marketing does not operate in a vacuum but requires a large population of people with the willingness to do business and patronize businesses. Therefore the high and growing population of developing countries is an attractive incentive, as they represent large potential markets.

2) **Absence of Competition and Large Unexplored Markets**: By virtue of their large populations and underdevelopment, developing countries have large markets that are not yet served or are partially served. Thus they are not as saturated as those of developed countries. Hence, there is hardly any form of intensive competition especially amongst serious manufacturers like "**ANAMCO**" a motor manufacturing assembly in Nigeria. The economies of these nations hold great opportunities for innovators, investors and marketers to enjoy booms in their markets with much challenge from competitors within and outside.

3) **Attractive Government Incentives**: Trade policies in most developing countries are becoming quite favourable to both local and foreign investors. These incentives include profit tax holidays, reduced or even free customs and excise duties, liberalization of immigration and profit repatriation laws for foreign investors. There are also improvements in infrastructural facilities that will ginger the performance of marketing in these economies. According to Pearce (1998) liberalization encourages the adoption of policies that promote the greatest possible use of market forces and competition to coordinate both marketing and economic activities.

4) **Growing Affluence**: Quite a large number of the consumers in developing countries are becoming affluent. This will enable them to have reasonable discretionary income and purchasing power. This means that a growing number of the consumers in many developing countries can now afford luxuries and other products they could not purchase in the time past. In Nigeria the business climate is expected to improve tremendously with the President Musa Yar Adua's seven points agenda, the people will become more empowered and their purchasing power will be enhanced for both consumption and investment purposes. The government has equally taken the issue of workers/staff remuneration seriously, such that salaries now come as at when due and the take home package of most developing countries these days is quite commendable when compared to what it was few years back. Available data from the Nigeria living Standard survey conducted in 2003/2004 indicated that the incidence of poverty exhibited a downward trend. It declined from 70% in 2000 to 54.4% in 2004 and it is expected to decline more in the years ahead. This of course presents brighter prospects for marketing.

5) **Availability of Cheap Production Inputs**: Most developing countries are endowed with abundant human and material resources that are yet untapped. For example, Nigeria remains endowed with abundant natural resources, good weather conditions and a large population. These will be readily handy for companies and businesses to exploit. Despite the high level of poverty and low exchange values of the national currencies of developing countries, labour and raw materials or inputs are often found to be cheap and it is envisaged that in the nearest future it will be cheaper because of better opportunities and more goods will be produced for consumption. The absence of serious competition also makes it easy to source these production inputs and reach different market segments.

This is why most multinationals are more marketable and profitable in developing countries than their industrialized countries.

6) **Rapid Economic Development**: the economies of developing nations are growing rapidly as a result of the efforts being made by their various governments and the developmental agencies of the United Nations towards this direction. These results to income re-distribution and increased purchasing power and discretionary income are also enhanced. Thus, it is expected that the demand for products to satisfy higher order needs will increase and the general atmosphere of business in the continent will become more conducive and all these mean well for marketing in sub-Saharan Africa and Nigeria in particular.

4.0 CONCLUSION

Despite the numerous problems facing marketing in developing countries, there are good prospects for the future; hence marketing is the answer to the underdevelopment of developing countries. When adopted and practiced, marketing will help to develop appropriate technologies as developing nations provide for the needs of the people and enhance their standard of living, create job opportunities for the unemployed, wealth for entrepreneurs, a means towards affording education and enjoyment of leisure.
Therefore the government and individuals are encouraged to join hands and see to the development and appreciation of marketing in all the economies of developing countries.

5.0 SUMMARY

In this unit, you studied the characteristics of developing economies, necessity of marketing in an economy, importance of marketing to an economy, problems of marketing in developing economies and prospects of marketing in developing economies.

6.0 TUTOR-MARKED ASSIGNMENT

- Identify and discuss the characteristics of developing economies
- List and explain the problems of marketing in developing economies
- Discuss the prospects of marketing in developing economies

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UNIT THREE: MARKETING OF SERVICES

CONTENTS

1.0 INTRODUCTION

Service marketing is a sub field of marketing which covers the marketing of both goods and services. Goods marketing include the marketing of fast moving consumer goods (FMCG) and durables. Service marketing typically refers to the marketing of both business to consumer (B2C) and business to business (B2B) services. Common examples of service marketing are found in telecommunications, air travel, health care, financial services, all types of hospitality services, car rental services, and professional services.

Services are economic activities, rather than tangible products, offered by one party to another. Rendering a service to recipients, objects, or other assets depends on a time-sensitive performance to bring about the desired result. In exchange for money, time, and effort, service customers expect value from access to goods, labor, professional skills, facilities, networks, and systems; but they do not normally take ownership of any of the physical elements involved.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

Describe services marketing;

Discuss the challenges service context creates for the marketing manager;

Explain the characteristics of services;

Discuss the history of services marketing; and

List the 7p's of services marketing.

3.0 MAIN CONTENT

3.1 **What Is Services Marketing**?

A service is the action of doing something for someone or something. It is largely intangible (i.e. not material). You cannot touch it. You cannot see it. You cannot taste it. You cannot hear it. You cannot feel it. So a service context creates its own series of challenges for the marketing manager since he or she must communicate the benefits of a service by drawing parallels with imagery and ideas that are more tangible.

3.2 Characteristics Of Services

A good is tangible (i.e. material) since you can touch it or own it. A service tends to be an experience that is consumed at the point where it is purchased and cannot be owned since it quickly perishes. A person could go to a café one day and enjoy excellent service, and then return the next day and have a poor experience. Marketers talk about the nature of a service as being inseparable, intangible, perishable, homogenous and variable.

Inseparable

Inseparable- from the point where it is consumed, and from the provider of the service. For example, you cannot take a live theatre performance home to consume it (a DVD of the same performance would be a product, not a service).the consumer is actually involved in the production process that they are buying at the same time as it is being produced, for example an eye test or a makeover. One benefit would be that if you are unhappy with your makeover, you can tell the beautician and that instant feedback means that the service quality is improved. You can't do that with a product. Another attribute is that services have to be close to the person consuming them i.e. goods can be made in a central factory location which has the benefits of mass production. This localization means that consumption is inseparable from production.

Intangible

Intangible- cannot have a real, physical presence as does a product. For example, motor insurance may have a certificate, but the financial service itself cannot be touched i.e. it is intangible. This makes it tricky to evaluate the quality of service prior to consuming it since there are fewer attributes of quality in comparison to a product. One way is to consider quality in terms of search, experience and credence.

Search quality is the perception in the mind of the consumer of the quality of the product prior to purchase through making a series of searches. So this is simple in relation to a tangible product because you might look at size or colour for example. Therefore search quality relates more to products and services.

Experience quality is easier to assess. In terms of service you need to taste the food or experience the service level. Therefore your experiences allow you to evaluate the level and nature of the service. You remember a great vacation because of the food or service, but the same token you an awful vacation because of the hopeless food or poor service.

Credence quality is based upon the credibility of the service that you undertake. This is down to the reputation of a dentist or of a decorator. Credence is used where you have little knowledge of the topic and where you rely upon the professionalism of the expert.

Perishable

Perishable –in that once it has occurred it cannot be repeated in exactly the same way. For example, once a 100 meters Olympic final has been run, there will not be another for 4 more years, and even then it will be staged in a different place with many different finalists. You cannot put service in the warehouse, or store in your inventory. An interesting argument about perishability goes like this, once a flight has taken off, you cannot sell that seat again, hence the airline makes no profit on that seat. Therefore the airline has no choice but to price at peak when it sells a seat at busy times in order to make a profit. That's why restaurants offer vouchers to compensate for quieter times, and it is the same for railway tickets and matinees in Broadway during the middle of the week.

Variable

Variability – since the human involvement in service provision means that no two services will be completely identical, they are variable. For example, returning to the same garage time and time again for a service on your car might see different levels of customer satisfaction, or speediness of work. If you watch your favourite music group on DVD the experience will be the same every time you play it, although if you go to see them on tour when they are live no two performances will be identical for a whole variety of reasons. Even with the greatly standardized McDonalds experience, there are slight changes in service, often through no fault of the business itself. Sometimes Saturday lunchtime will be extremely busy, on other days you may have to wait to go via the drive through. So services tend to vary from one user experience to another.

Homogeneous

Homogeneity is where services are largely the same (the opposite of variability above). We considered McDonalds above which is a largely homogenous service, so now let's look at KFC and MR BIGGS. Both of these businesses provide a homogeneous service experience whether you are in Lagos, Abuja or Enugu. Consumers expect the same level of service and would not anticipate any huge deviation in their experience. Outside of the main brands you might expect a less homogeneous experience. If you visit your doctor, he or she might give one interpretation, whereas another doctor might offer a different view. Your regular hairdresser will deliver a style whereas a hairdresser in the next town could potentially style your hair differently. Therefore standardization is largely embodied by the global brands which produce services.

Right of ownership is not taken to the service, since you merely experience it. For example, an engineer may service your air-conditioning, but you do not own the service, the engineer or his equipment. You cannot sell it on once it has been consumed, and do not take ownership of it.

Western economies have seen deterioration in their traditional manufacturing industries, and a growth in their service economies. Therefore the marketing mix has been extended and adapted to create the services marketing mix, also known as the 7p's or the extended marketing mix-physical evidence, process and people.

3.3 History

Services' marketing is a relatively new phenomenon in the domain of marketing. It gained importance as a discipline towards the end of the 20th century. Services marketing first came into force in the 1980s when there was debate of whether the marketing of services was significantly different from that of products, and whether it should be classified as a separate discipline. Prior to this, services were considered as an aid to the production and marketing of goods, and were not deemed as having separate relevance on their own.

The 1980s saw a shift in this thinking. As the service sector started to grow in importance in post-industrial societies and emerged as a significant employer and contributor to those nations' GDPs, academia and marketing practitioners began to look at the marketing of services in a new light. Empirical research was conducted which brought to light the specific distinguishing characteristics of services.

By the mid 1990s, services' marketing was firmly entrenched as a significant sub-discipline of marketing with its own empirical research and data, growing significance in the increasingly service sector dominated economies of the new millennium. New areas of study in the field opened up and were the subject of extensive empirical research. This gave rise to concepts such as the product-service spectrum, relationship marketing, franchising of services, customer retention, and others.

==*Aspects*==

Due to the increasing homogeneity in product offerings, the attendant services provided are emerging as a key differentiator in the mind of the consumers. In case of two fast food chains serving a similar product, it is the service quality that distinguishes the two brands from each other, rather than the product. Marketers are able leverage their service offering to differentiate themselves from the competition and attract consumers.

Relationships are a key factor when it comes to the marketing of services. Since the product is intangible, a large part of the customers' buying decision will depend on the degree to which he trusts the seller. Hence, the need to listen to the needs of the customer, to fulfill them through the appropriate service offering, and to build a long lasting relationship is important because it would lead to repeat sales and positive word of mouth.

Given a highly competitive scenario where multiple providers are vying for a limited pool of customers, retaining customers is even more important than attracting new ones. Since services are usually generated and consumed at the same time, they involve the customer in service delivery process by taking into consideration his expectations and feedback. Thus, they offer a greater scope for customization according to customer requirements, which increase satisfaction, leading to higher customer retention.

When the physical product cannot easily be differentiated, the key to competitive success may lie in adding valued services and improving their quality. Rolls-Royce has ensured its aircraft engines are in high demand by continuously monitoring the health of its 3000 engines for 45 airlines through live satellite feeds. Under its "TotalCare" program, airlines pay Rolls a fee for every hour an engine in flight, and Rolls assumes the risks and costs of downtime and repairs in return.

3.4 The 7 P's of Services Marketing

The first four elements in the services marketing mix are the same as those in the traditional marketing mix. However, given the unique nature of services, the implications of these are slightly different in case of services.

Product: In case of services, the 'product' is intangible, heterogeneous and perishable. Moreover, its production and consumption are inseparable. Hence, there is scope for customizing the offering as per customer requirements and the actual customer encounter therefore assumes particular significance. However, too much customization would compromise the standard delivery of the service and adversely affect its quality. Hence particular care has to be taken in designing the service offering.

Pricing: Pricing of services is tougher than pricing of goods. While the latter can be priced easily by taking into account the raw material costs, in the case of services, attendant costs - such as labor and overhead costs - also need to be factored in. Thus, a restaurant not only has to charge for the cost of the food served but also has to calculate a price for the ambience provided. The final price for the service is then arrived at by including a mark up for an adequate profit margin.

Place: Since service delivery is concurrent with its production and cannot be stored or transported, the location of the service product is important. Service providers have to give special thought to where the service will be provided. Thus, a fine dine restaurant is better located in a busy, upscale market in comparison to the outskirts of a city. Similarly, a holiday resort is better situated in the countryside away from the rush and noise of a city.

Promotion: Since a service offering can be easily replicated, promotion becomes crucial in differentiating a service offering in the mind of the consumer. Thus, service providers offering identical services such as airlines or banks and insurance companies invest heavily in advertising their services. This is crucial in attracting customers in a segment where the services providers have nearly identical offerings.

The final three elements of the services marketing mix - people, process and physical evidence - are unique to the marketing of services.

People: People are a defining factor in a service delivery process, since a service is inseparable from the person providing it. Thus, a restaurant is known as much for its food as for the service provided by its staff. The same is true of banks and department stores. Consequently, customer service training for staff has become a top priority for many organizations today.

Process: The process of service delivery is crucial since it ensures that the same standard of service is repeatedly delivered to the customers. Therefore, most companies have a service blueprint which provides the details of the service delivery process, often going down to even defining the service script and the greeting phrases to be used by the service staff.

Physical Evidence: Since services are intangible in nature most service providers strive to incorporate certain tangible elements into their offering to enhance customer experience. Thus, there are hair salons that have well designed waiting areas often with magazines and plush sofas for patrons to read and relax while they await their turn. Similarly, restaurants invest heavily in their interior design and decorations to offer a tangible and unique experience to their guests.

4.0 CONCLUSION

The services sector is remarkably diverse. It comprises a wide array of industries that sell to individual consumers and business customers, as well as to government agencies and nonprofit organizations. Services make up the bulk of the economy in post-industrial societies and account for most of the growth in new jobs. Unless a person is already predestined for a career in family manufacturing or agricultural business, the probability is high that they will spend their working life in service organizations.

The size of service sector is increasing in almost all economies around the world. As national economy develops, the relative share of employment among the agricultural industry, and the service industry change dramatically. Even in emerging economies, service output is growing rapidly and often represents at least half of the GDP.

5.0 SUMMARY

In this unit you studied, What Is Services Marketing?, Characteristics Of Services, History of service marketing, The 7 P's of Services Marketing and Seven Service Marketing Principles.

6.0 TUTOR MARKED ASSIGNMENT

- List and explain the characteristics of services
- List and discuss the 7p's of services marketing
- Discuss the 7 service marketing principles.

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UNIT FOUR: PLANNING OF MARKETING MIX

Table of Contents

1.0 **INTRODUCTION**

No company can survive in the modern world unless it plans for the future. Marketing planning is the technique that enables a company to decide on the best use of its scarce resources to achieve its corporate objectives.

The marketing plan is the passport to this future.

This unite is a step-by-step practical guide to the marketing planning or planning marketing mix process and to the preparation of types of a marketing plans.

Planning Marketing Mix process involves a full analysis of strengths and weaknesses of the company, its organization and its products. Guidelines are given for the setting of achievable marketing strategies to reach these objectives is explained. The action plans are the all-important programmes for carrying out the strategies.

2.0 **OBJECTIVES**

After studying this unit you should be able to;

a. Define the team “Planning of marketing mix.

b. Classification between marketing and marketing mix

c. Identify the various components of planning marketing mix.

3.0 **MAIN CONTENT**

3.1. **The Role of Marketing Planning**

Marketing Planning is the structured process that leads to a coordinated set of marketing decisions and actions, for a specific organization and over a specific period, based on;

I. An analysis of the current internal and external situation, including markets and customers.

ii. Clear marketing direction, objectives, strategies and programmes for targeted customer segments.

iii. Support through customer service and internal marketing programmes.

iv. Management of marketing activities through implementation, evaluation and control.

The course of action that results from marketing planning is recorded in a marketing plan. This internal document outlines the market place situation and describes the marketing strategies and programmes that will support the achievement of business and organization goals over a specified period, usually one year.

3.1.1 The Benefits of Marketing Planning

Why does an organization need marketing planning?

Such planning enables marketers to examine any number of suitable opportunities for satisfying customers and achieving marketing goals, as well as current and potential threats to overall performance. The process provides a framework for systematically identifying and evaluating different possibility and outcomes.

In particular, marketing planning keeps you focused on your customer's help determine what your organization can do (and what it can't do) for customers helps you examine offerings in the context of competition and the marketing environment; and sets up the rationale for allocating resources to achieves. Marketing planning, in effect, deals with the, whom, what, when where, how and how much of an organizations marketing during a certain period (usually a year).

However, the marketing plan is not simply an account of what you as a marketer hope to accomplish in the coming year. Your plan must allow for measuring progress forward objectives and making adjustment if actual results vary from projections for example, new competitions may enter the market place, regulations may evolve, economic situations can improve or worsen and customer Leads may change, among other shift that can affect marketing performance.

The Dynamic Marketing Plan

A good marketing plan must be dynamic, anticipating likely changes and providing guidelines for how to react with customer relationships in mind. The marketing environment has become so volatile that the most successful companies continually update and revise their marketing plan lasts forever'; even the most effective plan must be adjusted as the marketing situation evolves you may, in fact, want to have several alternative plans in mind that might be implemented if Significant changes occur.

Marketing planning is especially important for start – up business and yours based firms like shop Africa because their margin for error is so small based in Ghana, shop Africa sells high – quality sculptures and other fair – trade African goods to a global customer base.

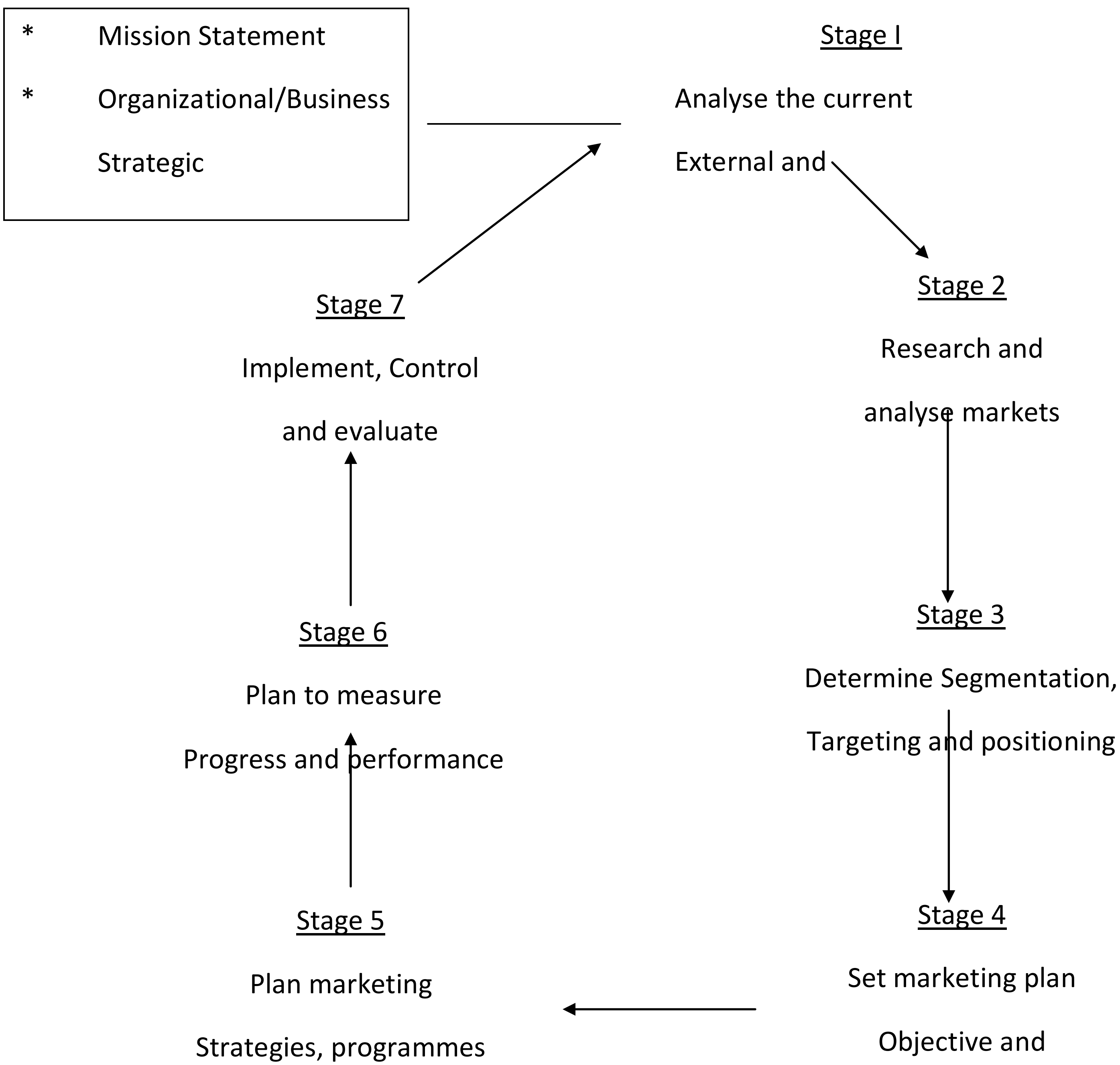
Deposit Significant expenses for web hosting, product sourcing and shipment, founder cordelia salter – nour has a marketing plan to reach interested buyers.

“I want to tap the snobbery market – the people who want to trade stories at dinner parties about the Originality Five Africa Crafts people to build a viable business by selling their goods online.

3.2 The Marketing Planning Process

The Marketing plan document decisions and actions undertaken as a result of the Seven Stage marketing planning process shown in the table below, most Organization begin this process many months before a marketing plan is scheduled to take effect.

Experts warm, however, that marketing planning should not be A Once – a – year exercise. Because the marketing environment can change at any time, managers should spread analysis and planning activities through the year and make strategic decision after examine pressing issues at length


* Mission Statement
* Organizational/Business Strategic
Stage I
Analyse the current External and
Stage 2
Research and analyse markets
Stage 3
Determine Segmentation, Targeting and positioning
Stage 4
Set marketing plan Objective and
Stage 5
Plan marketing Strategies, programmes
Stage 6
Plan to measure Progress and performance
Stage 7
Implement, Control and evaluate

Stage Analyze the current situation

You' use an internal audit to examine the current the organization, including mission statement, resources, Offerings, Capabilities, important business relationships and an important way of learning from the past the result of earlier plans.

Using an external audit, you start to study tends and changes in the broad political legal, economic, social cultural and technological environment (abbreviated as PEST or, If Ordered differently, as STEP). Research any competitive, ecological and demographic changes that might affect marketing and performance. This includes issues, treats and opportunities that might influence your ability to implement the marketing plan and achieve your objectives.

Owing to external changes such as public pressure and internal changes such as forward looking corporate leadership, growing number of complaints are adopting SUSTAINABLE MARKETING, "the establishment, maintenance and enhancement of customer relationship so that the objective of the parties involved are met without compromising the ability of future generation to achieve their own objective.

This entails making commitments to a broader base of publics (also known as stake holders), groups such as stock holders, reporters, Citizen Action group and neighborhood residents that have an interest in or an influence on the organization performance. Royal Dutch/Shell, for instance has committed to sustain ability in the many countries where it operates. "Whatever you do, economic, social or environmental you have to be thinking sustain ability, stresses (live matter, the petrol company's global head of learning.

Stage 2: Research and Analyse Market and customers

Next you should research your market and customers (consumers, business, clients or constituent). Investigate trends in market share, product usage, customer needs and perceptions, demographics, product demand, buying patterns and customer satisfaction. You want to answer question such as: Who is buying or would buy the product being marketed, and why How are buying patterns changing and why what is in demand, when is It in demand, where is it in demand and how is demand expected to change over time what experience service and benefit do customers need, want or expect before, during and after each purchase in certain industries, such as fashion , demand is so changeable that marketers need to exercise judgment when evaluating results of customer research.

During the research and analysis stage, think about what your customers might need tomorrow as well as what they need today. This will help you formulate a plan for RELATIONSHIP MARKETING, building ongoing connections with customers and other key stake holders. Relationship marketing starts from the premises that when organizations look beyond the immediate transaction to build trust and meet customer's long term needs, customers are more likely to remain loyal successfully firms clearly demonstrate a strong customer orientation through their marketing activities, recognizing that satisfying customers will ultimately lead to satisfying share holder and other stake holders. Increasing, top management is holding marketers accountable for rein forcing customer loyalty and long term relationships, purchase by purchase.

Stage 3: Determine segmentation, forgetting and positioning

No organization has the resources (people, money or time) to serve every customer in every market. You will therefore use your research and customer knowledge to identity.

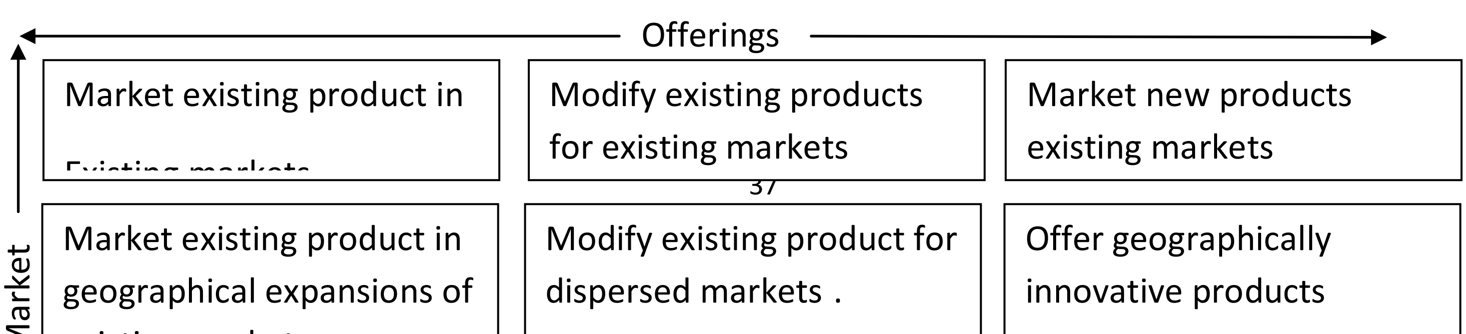
Specific subjects that can be effectively targeted through marketing. To do this, group customers into SEGMENT based on characteristics, behaviors, needs or wants the affect their demand for, or usage of, the product being marketed. A segment may be as small as one consumer or as large as Millions of consumers in multiple nations.

Next you will decide on your TARGETING approach will be Focus a single segment, on two or more segments be covered through marketing Li – Ning sports Goods, Founded by a Chinese Olympic gymnastics champion, began by targeting men aged 14 to 30 in smaller Chinese cities. Now it is expanding by targeting the same segment in other countries, where it competes with major brands such as Adidas and Nike. "if we want to be number one in China, we have to be international as well", says the founder.

You also need to formulate a suitable positioning, which means using marketing to create a competitively distinctive place (position) for the product or brand in the mind of targeted customers. The purpose is to set your products apart from competing products in a way that is meaningful to customers. For example, in consumer markets, prêt A' manager differentiates its sandwiches and other ready to eat foods using the positioning of "made fresh daily".

Stage 4: Set Marketing Plan Direction and Objectives

The direction of a marketing plan is based on your organization's mission Statement and higher – level goals. Most use marketing plans to support a direction growth in one Six way: penetrating exiting market markets, expanding within existing markets, adding new markets, offering existing products, modifying existing products and offering entirely new products. (see the table below) A marketing an for growth will define objective in financial terms (Such as higher turnover) and marketing terms (such as higher market share). High – performing firms may strive to retain or attain the role of MARKET LEADER, holding the largest market share and leading other firms in new product introductions and other activities.



Growth Grid

Source: After Alan R. Andresen and Philip Kotler strategic marketing for Non – profit Organizations, 6^{th} end (upper saddle River, NJJ: Prentice Hall, 2003), P.81

Instead of during for growth, companies trying to protect their current profit situation or their market share may use their marketing plans to sustain the current turnover level their under severe financial strain may develop plans to survive or to retrench. For example, Edesur, the electrical utility serving southern Buenos Aires. Chose not to pursue growth until a government imposed price freeze was lifted, inflation slowed the currency stabilized and equipment thefts were controlled a situation that continued for several years.

Note that goals and objective are not the same, although the words are often used inter changeable. GOALS are longer terms target that help a business unit (or the entire organization) achieve overall performance and fulfill its mission; OBJECTIVES are shorter term performance target that to the achievement of goods.

Stage 5: Plan Marketing Strategies, Programmes and Support

In the stage, you will plan marketing strategies and tactics to achieve the objectives you set earlier value that meets customer's needs but also at the co-ordination of the basic marketing tools of products, price, place and promotion within individual marketing programmes. In addition, you should determine how to support the marketing effort with customer service and internal marketing. For practical reasons, you probably will not finalize all the details of your marketing activities until your plan has been approved and funded and is ready for implementation.

Products and Branding

The product offering may be a tangible good such as a television or an intangible service such as expert tax preparation assistance. Often, however, an offering combine the tangible and the intangible, as when a mobile

– phone company market phones (tangible) along with phone service (intangible) or a manufacture markets robotic assembly equipment (tangible) and provides repair services (intangible).

Tangible elements of the product include: Features, design packaging, labeling and performance.

The brand is another intangible but extremely importer aspect of the product offering. Every product must live up to brand promise, which marketing experts Philip kotter and Kevin keller define as “the marketing vision of what the brand must be and do for consumers” other intangibles to consider in planning product strategy are: benefits, quality perceptions and related services. Process elements important to product planning are: the product mix/line, ecological concerns and similar issue.

Price

What should you charge for your product offering in planning price strategy, marketers, must answer a number of key questions? Some are about external elements, such as: How do customers perceive the value of the good or service what is the competition How might market demand, channel requirements and legal or regulatory issues affect pricing internal elements raise questions such as: How can price be used to reflect the positioning of the product, brand or organization How do cost affect revenue and profitability How does the price fit with other marketing de decisions and planning for other products And how can pricing capture value for the organization and bring it closer to its objectives and goals?

Pricing is a vital ingredient in the marketing plan for nestle. This swiss company, which specializes in food products, looks carefully at income levels and purchasing power to determine appropriate products (and potential profits) in its markets.

Channel and logistics

Channel and logistics strategy – place is concerned with how customers gain access to the product offering, regardless of whether it’s a tangible good or an intangible service. Will you market directly to your customer or make your products available through intermediaries such as wholesalers and retailers? If you market to business, will you go through wholesalers, distributors or agents that serve business buyers – or deals directly with some or your entire business customer?

Other channel decisions involve customer preferences, number channel members, market coverage and ecological impact.

Also consider logistics such as shipping, storage, inventory management, order Fulfillment and related functions.

Current channel and logistical arrangement should be e valuated as part of the internal audit. The need expectations and perseverance of customers should be deciding factors in planning your channels and logistics

Integrated marketing communication

Integrated marketing communication strategy also called promotion strategy cover all the tools you are in reaching out to your targeted segments. Media and online advertising are among the most flamboyant, other tools include: public relations, sales promotion, special event and experiences, personal selling and direct marketing. Given the needs, interests, perceptions, expectations and buying patterns of customers in targeted segments, most organizations allow for a variety of messages and media in their marketing plans However, you should be sure that the content and impact of the entire promotion strategy is consistent, unified and supportive of your positioning and objectives.

External elements to consider include: customer needs and perceptions; legal regulatory, social and ethical issues channel decisions; and clutter. Internal elements to consider include: marketing plan objectives; resources; and co-coordinating with content and delivery your message and media decisions will cover message contents and characteristics; and how to evaluate audience reaction.

Marketing Support

You can plan to support your product, place, price and promotion strategies in two main ways. First, you should decide on an appropriate customer service level, in line with the chosen positioning, resources availability and customers' needs or expectations. Business customers often require service before, during and after a purchase, from tailoring products specification to arranging installation to maintaining and repairing the products years later. For example, Siemens, based in Munich, offers, training and technical support for employees of hospitals and clinic that buy its sophisticated medical equipment.

Second, will need the commitment and cooperation of others to implement and control your plan. This requires internal marketing, activities designed to build relationships with colleagues and staff members backed up by personnel policies that reinforce internal commitment to the marketing effort.

Stage 6: Plan to Measure Progress and Performance

Before implementing the marketing plan, you must decide on measures to track marketing progress and performance towards achieving your objectives. This involves developing and documenting budgets, forecasts, schedules and responsibilities for all marketing programmes on future turnover profitability, market share and other measure that signed progress towards objectives. The purpose is see whether results are better than expected, lagging expectations or just meeting projections and objectives. For perspective, it is important to put recent marketing results into context through comparisons with competitors, the overall market and the organization's previous result.

Stage 7: Implement, Control and Evaluate the Plan

The real test of any marketing plan's effectiveness comes at implementation. For effective control, you will start with the objectives you have set, establish specific standards for measuring progress towards those targets, measure actual marketing performance, analyse the results and take correction action if results are not as expected.

Businesses generally apply several types of marketing control at different levels and intervals. The outcome of this stage feed back to the beginning of the marketing planning paving the way for changes as needed.

3.3 MARKETIN MIX

3.3.1 <u>What is Marketing Mix?</u>

The definition that many marketers learn as they start out in the industry is:

Putting the right product in the right place, at the right price, at the right time.

It's simple! You just need to create a product that a particular group wants, put it on sale some place that those same people visit regularly, and price at it a level which matches the value they feel they get out of it, and do all that at a time they want to buy. Then you've got it made.

There's a lot of truth in this idea. However, a lot of hard work needs to go into finding out what customers want, and identifying where they do their shopping. Then you need to figure out how to produce the item at a price that represent value to them, and get it all to come together at the critical time.

But if you get just one element wrong, it can spell disaster. You could be left promoting a car for exampla with amazing fuel economy in a country where fuel is very cheap; or publishing a textbook after the start of the new school year, or selling an item at a price that's too high-or too low – to attract the people you're targeting.

The marketing mix is a good place to start when you are thinking through your plans for a product or service, and it helps you avoid these kinds of mistakes.

3.3.2 The marketing mix and the 4 PS of marketing are often used as synonyms for each other. Infact, they are not necessary the same thing.

"Marketing mix" is a general phrase used to describe the different kinds of choices organizations have to make in the whole process of bringing a product or service to market. The 4P's is one way-probably the best-known way of defining the marketing mix and was first expressed in 1960 by E.J McCarthy.

The 4P'S are:

* Product (or service)
* Place
* Price
* Promotion

A good way to understanding the 4P'S is by the questions that you need to ask to define your marketing mix. Here are some questions that will help you understand and define each of the four elements.

3.3.3 **<u>Product/Service</u>**

* What does the customer want from the product/service? What need does it satisfy?
* What features does it have to meet these needs?
* Are there any features you've missed out?
* Are you including costly features that the customer won't actually use?
* How and where will the customer use it?
* What does it look like? How will customers experience it?
* What size(s), colour(s), and so on, should it be?
* What is it to be called?
* How is it branded?
* How is it differentiated versus your competitors?

* What is the most it can cost to provide, and still be sold sufficiently profitably?

3.3.4 **<u>Place</u>**

* Where do buyers look for your product or service?
* If they look in a store, what kind? A Specialist boutique or in a supermarket, or both? Or online? Or direct, via a catalogue?
* How can you access the right distribution channels?
* Do you need to use a sales force? Or attend trade fairs? Or make online? Submission? Or send samples to catalogue companies?
* What do your competitors do, and how can you learn from that and/or differentiate?

3.3.5 **<u>Price</u>**

- What is the value of the product or service to the buyer?
- Are there established price points for products or services in this area?
- Is the customer price sensitive? Will a small decrease in price against your extra market share? Or will a small increase be indiscernible, and so gain you extra profit margin?.
- What discount should be offered to trade customers, or to other specific segments of your market?
- How will your price compare with your competitors?

3.3.6 **<u>Promotion</u>**

* Where and when can you get across your marketing messages to your target market?
* Will you reach your audience by advertising in the press, or on TV, or radio or on billboards? By using direct marketing mail shot? Through PR? On the internet?
* When is the best time to promote? Is there seasonality in the market? Are there any wider environmental issues that suggest or dictate the timing of your market launch, or the timing off subsequent promotion?
* How do your competitors do their promotions? And how does that influence your choice of promotional activity?

The 4P'S model is just one of many marketing mix lists that have been developed over the years. And, whilst the questions of the detailed probing that may be required to optimize your marketing mix.

Amongst the other marketing mix models have been developed over the years in Boom and Bitner's 7PS, which include the first 4P'S, plus people, processes and physical layout decisions.

Another marketing mix approach is lauterborn's 4C'S, which presents the elements of the marketing mix from the buyer's, rather than the seller's perspective. It is made up of Customer needs and wants (the equivalent of product) cost (price), convenience (place) and communication (promotion). In their article, we focus on the 4P'S model as it is the well-recognized, and contains the core elements of a good marketing mix.

3.3.7 Using the 4P'S Marketing Mix Model

The marketing mix model can be used to help you decide how to take a new offer to market. It can also be used to test your existing marketing strategy. Whether you are considering new or existing offer, follow the steps below, it will help you define and improve your marketing mix.

1. Start by identifying the product or service that you want to analyze.

2. Now go through and answer the 4P'S questions – as define in detail above.

3. Try asking "Why" and "What if" questions too, to challenge your offer for example, ask why your target audience needs a particular feature. What if you drop your price by 5%? What if you offer more colours? What if you wholesalers rather than direct channels? What if you improve PR rather than rely on TV advertising?

Tip:

Check through your answers to make sure they are based on sound knowledge and facts. If there are doubts about your assumptions, identify any market research, or facts and figures that you may need to gather.

4. Once you have a well-defined marketing mix, try "testing" the overall offer from the customer's perspective, by asking customer focused questions.

    1. Does it meet their needs? (Product)
    2. Will they find it where they shop (place)
    3. Will they consider it's priced favorably? (Price)
    4. And will the marketing communication reach them? (Promotion)

5. Keep on asking questions and making charges to your mix until you are satisfied that you have optimized your marketing mix given the information and facts and figures you have available.

6. Review you marketing mix regularly, as some elements will need to change as the project or service, and its market, grow, mature and adapt in an ever-changing competitive environment.

Key Points

The marketing mix helps you define the marketing elements for successfully positioning your market offer.

One of the best known models is the four Ps, which helps you define your marketing options in terms of product, place, price and promotion. Use the model when you are planning a new venture, or evaluating an existing offer, to optimize the impact with your target market.

4.0 CONCLUSION

Planning of Marketing Mix is a good place to start when you are thinking through your plans for a product or service, and it helps you avoid mistakes.

5.0 SUMMARY

Marketing planning is the structured process that leads to a coordinated set of Marketing decision and actions, for a specific organization and period. This process consists of seven stages. Marketing planning is used to examine opportunities and potential threats, identify and evaluate a variety of outcome, focus on customers, assess offerings in a competitive and environmental context, and allocate resources for marketing.

The marketing plan outlines the market place situation and describes the marketing strategies and programmes that will support the achievement of business and organizational goals. Organizational (corporate) strategy sets the organization's overall purpose, long term direction, goals, businesses and approach to providing value. The mission statement outlines the organization's fundamental purpose, the future vision of what it can become and its priorities, guiding the overall development of the marketing planning mix.

6.0 TUTOR MARKED ASSIGNMENT

(1) What is the different between marketing mix and marketing?

(2) Mention 3 components of planning marketing mix?

7.0 Further Reading

Ferrell, O.C Michael, D.H (2005) marketing strategy 23rd Edition Thomson – South Western

Woods, M.B (2007) Essential Guide to marketing planning Pearson Education

UNIT FIVE: MARKETING SEGMENTATION AND PLANNING

TABLE OF CONTENT

1.0 **INTRODUCTION**

The strategy of Market Segmentation, for example; recognizers that few vacation destination areas are universally acceptable and desire. Therefore, rather than dissipate promotion resources by trying to please all customers, once aim should be the promotional efforts specifically to the wants and needs of likely prospects. One of the early steps in marketing is to divide the present and potential market on the basis of meaningful characteristics and concentrate promotion, product and pricing efforts on serving the most prominent portions of the market – ***The Target Market***.

An effective market strategy will determine exactly what the market will be an attempt to reach only those markets. The target market is that segment of a total potential market to which the product would be most salable. Target market are define geographically, demographically (age, income, Education, race, nationality, family size, family life cycle, gender, religion, occupation) or psychographically (values, motivations, interests attitudes, desire).

Once target market has been determined, appropriate media are chosen to reach these markets. For example, if tennis players are a target market, advertising in tennis magazines would give comprehensive coverage of this market. This "rifle approach" allows one to zero in exactly on the market of interest. In contrast, a "shotgun approach" would be to advertise in time magazine, which would reach only a small number of the target market and result in large waste circulation.

Market segmentation must be employed the marketing programs if a shotgun approach is to be avoided. Every product can appeal to a multitude of market segments, and market segments can overlap a great deal. The marketing manager must look at market segments and determine which ones offer the most promising potential for his of her services. An excellent example of target marketing to a particular segment is provided by courtyard by Marriott. The moderate price and attractive rooms were designed to appeal to the business travelers. For example, Marriott has been very successful in attracting this market segment.

2.0 OBJECTIVES

After studying this unit, you should be able to;

(a) Define the team "Marketing Segmentation"

(b) Understand the psychographic market segmentation

3.0 MAIN CONTENT

Definition of Marketing Segmentation

The process of defining and subdividing a large homogenous market into clearly identifiable segments having similar needs wants or demand characteristics. Its objective is to design a marketing mix that precisely matches the expectations of customers in the targeted segments.

Few companies for exampla are big enough to supply the needs of an entire market; most must breakdown the total demands into segments and choose those that the company is best equipped to handle.

3.1.1 Four Basic Factors that Affect Market Segmentation are:

1. Clear identification of the segment
2. Measurability of its effective size
3. Its accessibility through promotional efforts, and
4. Its appropriateness to the policies and resources of the company.

3.1.2 The Four Basic Market Segmentation Strategies are based on.

1. Behavioural
2. Demographic
3. Psychographic, and
4. Geographical Differences

3.2 Market Segmentation Theory

3.2.1 **Definition**

An interest rate related theory stating there is essentially to correlation between short term and long term interest rates. Furthermore, each segment with a different maturity has its own variation of interest rates depending on supply and demand the risk associated with the security.

3.2.2 Criteria for Segmentation

An ideal Market Segment meets all of the following criteria,

- It is possible to measure
- It must be large enough to earn profit
- It must be stable enough that it does not vanish after some time

- It is possible to reach potential customers via the organization's promotion and distribution channel
- It is internally homogenous, that is potential customers from different segments have different quality preferences
- It is responds consistently to a given market stimulus
- It can be reached by market intervention in a cost effective manners.
- It is useful in deciding on the market mix.

3.3 Method for Segmenting Consumer Markets

3.3.1 Geographic Segmentation

Marketer can segment according to geographic criteria nations, states, regions, countries, cities, neighborhoods or postal codes. The geo-cluster approach combines demographic data with geographic data to create a more accurate or specific profile. With respects to region in vainly regions merchants can sell things like raincoats, umbrellas and gumboots. In hot regions, one can sell warm summer wear. In cold regions, someone can sell warm clothes. A small business commodity store may target only customers from the local neighborhood, while a larger departments store can target its marketing towards several neighborhoods in a larger city or area, while ignoring customers in other continents.

3.3.2 Behavioural Segmentation

Behavioural Segmentation divides consumers into groups according to their knowledge of, attitude towards, usage rate or response to a product.

3.3.3 Segmentation by Occasions

Segmentation can take place according to benefits sought by the consumer or according to perceived benefits which a product/service may provide

3.3.4 Using Segmentation in Customer Retention

The basic approach to retention based segmentation is that a company tags each of its active customers with three values:

- Is this customer at risk of canceling the company's service? One of the most common indicators of high risk customers is a drop off in usage of the company's service. For example, in the credit card industry that could be signated through a customer decline in spending on his her card.

- Is this customer work retaining? This determination boils down to whether the post retention profit generated from the customer is predicted to be greater than the cost incurred to retain the customer.

- What retention tactics should be used to retain this customer? For customers who are deemed worthy of saving, it is essential for the company to know which save tactics are most likely to be successful. Tactics commonly used range from providing special customer discounts to sending customers communications that reinforce the value proposition of the given service.

CONCLUSION

Effective market segmentation determines exactly what the target market is and also attempt to reach only those markets.

SUMMARY

Marketing can be defined as the performance of business activities that direct the flow of goods and services from the producer to the consumer or user. Such activities are vital to major product. The finest, most satisfying product would be unprofitable without marketing.

Basic to the marketing effort are the marketing concept, the marketing mix, product planning and development, pricing branding, distribution channels, promotion, market research, personal selling, public relations and market segmentation.

TUTOR MARKED ASSIGNMENT

1. What value do you see in Market Segmentation?

   Give an example of "Experience Segmentation"

2. What do you understand by Market Segmentation Theory?

UNIT SIX: MARKETING ORGANIZATION

Table of Contents

3.1 Marketing organization

Marketing organization is the foundation of effective sales planning and sales policies. It enable systematic execution of plans, policies, programs for controlling all sales activities in order to achieve maximum efficiency, profitability without sacrificing the level of customer services and satisfaction.

The need for improved methods of distribution and to keep pace with the expanding production capacity and competition has made sales administration and marketing management one of the most important functions of business.

3.1.1 Role of marketing in an organization

The role of marketing in an organization is to please and win the loyal support of their customers. Marketing involves planning, product development, packaging, pricing, distribution, etc. The marketing department has responsibilities such as identifying target markets, identifying the most appropriate strategies, developing new products, creating a sustainable competitive advantage and establishing management information systems to identify progress.

3.2 Six Types of Marketing Organizations

3.2.1 Growth champion;

This organization is highly valued within the company for its ability to drive revenue. It is considered as important as other major departments, such as finance and sales. It drives the company's priorities and leads product innovation and new business development

3.2.2 senior counselor;

Functioning as a high-level advisor on marketing strategy to the chief executive officer and the individual businesses, the senior counselor leads major advertising, promotion, and public relations campaigns'.

3.2.3 Brand foreman;

Above all, the brand foreman is an efficient provider of marketing services, ranging from communication strategy to creative output and campaign execution, in support of the company's key brands. It serves as the central manager of agency relationship, and is considered among the company's most important support organizations.

3.2.4 Growth facilitator;

The growth facilitator has the authority and skills to develop and lead large, company-wide marketing efforts and help as set the business overall priorities. These marketing organization coordinators with other major functions, such as sales and product development.

3.2.5 Best Practices Advisor;

The best practices advisor work with the individual businesses to identify internal and external best practices and incorporate them into all marketing activities. This organizations goal is helping the businesses achieve maximum effectiveness and efficiency, and it has expertise across all elements of the marketing toolkit

3.2.6 Service provider;

This organization supplies marketing services such as adverting, promotion and public relations at the request of the company's brand and product teams. The service provider is effective at executing specific task and is responsive to time sensitive requests.

3.3 Four Types of marketing Organization

There are four types of marketing organization structure which may be on the basis of function, territory and product basis; According to Peter Druncker,- organization is not an end in itself it is a means to an end.

3.3.1 Functional organization;

It is one of the common forms of organization. All the activities are divided into line and staff functions. For example; under staff function, sales manager, marketing manager, production manager act as specialist and the line functions are given to sales department. The manager most times looks after the work of line and staff functions, and the main drawback of the activities of the company.

3.3.2 Product oriented or brand management organization;

In this type of organization, the companies producing multiple products have individual manager to look after the product and he develop the strategy related to the product, responsible for the product, do advertising, promotion, distribution only for the product

3.3.3 Geographical or market or territory organization;

This type of organization is made in case the company is selling the product worldwide. In this case the people are assigned the job to a particular location, country, region, state, district which depends upon the area. It may be three tier, two tier etc.

3.3.4 Divisional or complex organization;

Usually big organizations have combination of all the above there types of the organization that's why such type of organization is called complex organization.

3.4 The Three Types of Organizational Markets

Organizational markets are markets in which companies and individual purchase goods for purposes other than personal consumption. These markets are characterized by having fewer buyers, but larger purchase volumes, than consumer market do. Their marketing is focused on corporate goals, return on investment and technical suitability, rather than the styles, fads and perceived values found in consumer markets. The main organizational market types are producers, resellers and institutions;

3.4.1 Producers;

Producers buy raw materials and machinery, often from other producers but sometimes from resellers. Marketing to producers requires technical expertise and knowledge of the producers operations. Typical marketing strategies involve identifying problem in the producers industry or particular operations and proposing solutions that are cost-effective. Producers have a long term view of markets since their needs change slowly. As a result, marketing to producers is usually based on long term relationships.

3.4.2 Resellers;

Resellers include wholesale companies and retailers, as well as niche suppliers that specialize in particular area where they have expertise. The key factor for marketing to reseller is to be aware of their added-value proposition. If the reseller is a wholesale company offering low prices for high volume, marketers must develop proposal which address the characteristic. If the company buys specialized equipment according to specifications and re-sells it to customers based on high quality and reliability, the marketing will be different

3.4.3 Institution

The institutional market includes governments and non profits. Marketing to these organizations is highly specialized, with marketers relying on long term relationships as well as large, one-time opportunities. The purchasing process for governments tends to be highly bureaucratic and a familiarity with government procedures is a prerequisite. Where the idea of value in the other two market segments tends towards the economic, value for these institutions exists more in terms of benefits rather than economic. Marketers must structure proposals keeping this in mind.

4.0 CONCLUSION

Marketing organization is practically the foundation of any effective sales planning and sales policies in any organization.

5.0 SUMMARY

Marketing organization is the need for improved methods of distribution and to keep pace with the expanding production capacity and competition made sales administration and marketing management one of the most important function of business.

6.0 TUTOR MARKED ASSIGNMENT

What are the differences between the types of organizational markets and marketing organization structure?

7.0 References/ Further Readings

Ferrell, O.C, Michael, D.H (2005) Marketing strategy 23rd Edition Thomson-south western.

Woods, M.B (2007). "Essential Guide to marketing planning". Pearson education.

UNIT SEVEN: Marketing Research and its Application

CONTENTS

1.0 Introduction

It has been said that information is power. This simple cliché underscores the market control and business success that information yields. Marketing research is about collecting information. While it applies to a wide range of situations, marketing research gives decision-makers the information they need to find solutions to business problems, such as the following

- How satisfied are customers with your product and service offering?
- How will customers react to a decision to change a price or product?
- What are service representatives hearing from customers?
- What responses to competition will bring you success in a given market?

Simply put, the solution to most business problems can be found through marketing research.

2.0 Objectives

At the end of this unit, students should be able to:

- Definition of Marketing Research
- Describe stages of Marketing Research

- Highlights the importance of Marketing Research, and
- Explain research and marketing strategy

3.0 Main Content

3.1. Defining Marketing Research

Marketing research is the function which links the consumer, customer, and public to the marketer through information – information used to identify and define marketing opportunities and problems; generate, refine and evaluate marketing actions; monitor marketing performance; and improve our understanding of marketing as a process. Marketing research specifies the information required to address these issues, designs the method for collecting information, manages and implements the data collection process, analyzes the results, and communicates the findings and their implications.

This definition may be meaningful to a marketing professional but equally may be difficult for someone studying marketing to understand. The definition is easier to comprehend if the four ways research can be used are explained individually:

1. 'Identify and define marketing opportunities and problems' means using research to explore the external environment.
2. 'Generate, refine and evaluate marketing actions' means using research to determine whether the company is meeting consumer needs.
3. 'Monitor marketing performance' means using research to confirrm whether the company is meeting the goals it has set.
4. 'Understanding marketing as a process' means using research to learn to market more effectively.

Although the AMA definition is a useful summary of all that marketing research can accomplish, a simpler definition can be constructed. According to the dictionary, the word 'research' means to search or investigate exhaustively or in detail. The thesaurus gives as a synonym for 'research' the word 'inquiry', which means the act of seeking truth, information or knowledge. So market research can be defined as a detailed search for the truth. Marketing has always had the function of connecting the internal structure of the organization with the external world. Marketing research is a formalization of this role.

Research that is conducted can be divided into two types. Basic, or pure research, is conducted to discover new knowledge. When the research is planned and conducted, its application or how the knowledge might be used is not of major importance. What is important is that new information is discovered. After the research has been conducted, how the information can be used is then considered. Universities or very large corporations conduct most basic marketing research.

In applied research, the research is planned so that the findings can be used to solve a specific problem. This is the type of research conducted by marketing professionals working either within an organization or for an external marketing research provider. After all, if a business is paying for research to be conducted, it needs results that will show how to solve a problem. Most businesses do not have the time or money to pay for basic research. The box below provides additional information on the differences between basic and applied research.

The important fact to remember about applied research is that the information gathered will be used to assist in making decisions. The decision might be critical and costly, such as which new product to introduce. Or the decision might be of lesser importance, such as what color should be used in a brochure. Whatever the decision, the rationale of all applied marketing research is to help organizations to limit risk, because making mistakes is expensive.

Decisions that carry a great deal of risk, such as new product introduction, will require a great deal of research. In fact a full-scale research project combining more than one research method and a large number of participants may be needed. Conducting the research will be costly but the expense is acceptable because making the wrong decision will result in a very expensive mistake. A small decision, such as what color to use in a brochure, still needs marketing research to eliminate risk – but the research can be on a much smaller scale because the risk, which here is only the cost of reprinting the brochures, is less.

3.1.1 Research and Marketing Strategy

Marketing is a new field of academic study in comparison to subjects such as chemistry or philosophy. However, marketing is not a new human activity. People have always produced goods that they wished to barter or sell for either another needed product or money. To do so they need to find a buyer. The field of marketing simply takes this basic human behavior and plans its strategic implementation.

While there are many definitions of marketing, the definition used by the American Marketing Association on their website (www.marketingpower.com) describes marketing as:

Marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders. This definition describes marketing as an exchange that satisfies both the seller (organization) and the individual (buyer).

Marketing is sometimes misunderstood as only selling, with the organization convincing the buyer to purchase something they don't want or need. While selling is an important part of promotion, there would be no long-term gain for any organization to focus only on selling their product. Even if they could use high pressure sales techniques to convince buyers to purchase, business success relies on repeat customers. Such customers would most likely feel manipulated and be unlikely to purchase again. The definition also states that an organization should only provide products that fulfill its goals. Thus the organization has a mission and a strategic plan and marketing exists to help the organization meet both, while at the same time meeting the needs of customers.

Therefore, marketing is much more than just the promotion of a product. The field can be described as a circle with the customer in the middle surrounded by the four 'Ps' of promotion, price, product and place. All four of these components of marketing must provide the customer with a wanted or needed product at an acceptable price, in an appropriate place, and with effective promotion. However, to accomplish this goal the organization must first listen to the customer's wants and needs.

3.1.2 Stages of marketing development

Marketing has developed and evolved as social and business conditions have changed. An early approach to marketing was focused only on the production of goods. When consumer goods became more plentiful, the approach changed to selling as a means of convincing consumers to buy. Although these two approaches still exist in some industries, the current recommended approach is the marketing concept that instructs companies to first focus on consumer wants or needs.

Companies using the production concept will emphasize the most efficient way to produce products that provide high quality and low price. When using this approach companies see the marketplace of consumers as a single group with similar needs who will purchase any well made, reasonably priced product. When Isaac Singer invented the home sewing machine there was a great need for his product. Its successful introduction to the marketplace is an example of the production approach (see the case study below). The problem with this approach today is that people can choose from so many products with high quality and low price. Therefore, consumers also want the products they purchase to provide additional benefits. The production approach does not address this issue. To determine what additional benefits are desired, it is necessary to conduct product research.

The sales concept focuses on using the right sales technique. When companies were able to produce more mass-produced goods then were immediately needed by consumers, they started to focus on how to sell products. A company using this approach will assume that customers will not purchase their product without considerable persuasion. This approach is still used today in certain industries. For example, life insurance is a product that is needed but that consumers do not usually enjoy buying. A salesperson needs considerable skill in sales techniques to overcome this resistance. If the sales concept is used consumer research is still needed to determine which approach will be most successful. Even with research, the sales concept usually does not lead to repeat purchases and therefore is generally not recommended for consumer goods.

The marketing concept starts by taking into consideration what benefits consumer desires, and whether the approach is recommended by most marketing experts. This is recommended because there are now so many products available in the marketplace that only those products that provide consumers with the benefits they desire will be purchased.

For example, the Toyota Sienna minivan is one of many minivans on the market targeted at families. To differentiate their vehicle from the competition's, Toyota conducted research to find what features would make traveling with children easier. As a result they included such features as a passenger-side power sliding door and a rear seat DVD entertainment system. The research succeeded, as *Consumer Reports* rates the Sienna as having the most family-friendly features (CR Quick Take, 2004).

The marketing concept, where the needs and desires of the consumer are taken into consideration when the product is designed, is considered the best approach to marketing. However, in order to follow this concept an organization must know what consumers need and desire. In fact marketing research is needed equally by both those businesses that sell tangible goods and those companies that sell intangible services. An example of how a financial institution can use research is given in the box below. Once again, the only way for companies to know what consumers desire is through marketing research. For this reason research can no longer be considered an optional activity which the organization engages in if it has the time and money. If research is not conducted, there is a good possibility that the time and money an organization does have will be wasted.

3.1.3 Importance of Marketing Research

The importance of marketing research in management extends to intelligent decision making, maximizing profits, increasing the sales, minimizing the risks and ascertaining whether a new product will be profitable in a given market at a given time.

Toying with a new product idea, wanting to boost up your sales or planning to launch a new product, the importance of marketing research has grown unprecedentedly, especially in the times of recession. In fact, Philip Kotler, the marketing guru, acknowledges that it is only by marketing research, planning, implementation and control that effective marketing management can be accomplished. Let us therefore highlight the benefits of this marketing research in management; viz:

a) To Make Marketing Decisions: This research helps the marketers to make a decision about the product or service. Sometimes a marketer might believe that the new product or service is useful for the customers. However, research may show that customers do not need a product or are meeting their needs with a certain competitor product and so on. Similarly good research strives to provide options for the successful introduction of new products and services. This makes the market entry of a new product or service less risky.

b) Survive the Competition: Marketing research helps in ascertaining and understanding competitor information such as their identity, marketing network, customer focus and scale of operations. This helps in surviving and in certain cases, even leaving behind the competition. Moreover, with market research you can also help understand the under-served consumer segments and consumer needs that have not been met.

c) Helps to Decide Target Markets: Research helps provide customer information in terms of their location, age, buying behavior and gender. This helps the marketers zero in on the target markets and customers for their products and services.

d) Maximize Profits: Apart from profit maximizing steps such as item optimization, customer profitability analysis, and price elasticity, marketing research allows you to find out methods that can help you maximize profits. For example, a product's price elasticity research can help you ascertain the impact of an increased price on the sales and the profits of a product. This emphasis on profitability also helps the company's focus to shift from maximizing sales to increasing the profits of a company. This helps the company survive in the long run and maximize its profits.

e) Increasing the Sales: Increasing the sales of your products or services helps a company in maximizing its profits. By understanding the customer's needs, wants and attitude towards the products and determining whether your products fit the bill, marketers can increase their sales. This helps in not only increasing the sales to the target customers and people already using the product but also converting the non users into customers for the product.

With an understanding of the customer, competitors, products and the overall industry needs, this research can equip the management with the power to make better decisions. However, the importance of marketing research is limited to just being a marketing tool that helps you make an informed decision. So rather than basing all your management decisions on a customer survey, use this tool as a guide and supplement it with intelligent decision making.

3.2 The Development of Marketing Research as a Profession

At the beginning of the twentieth century there was a growth both in the number of universities and also in the number of academic fields being taught. These new academic subjects, including psychology and sociology, were interested in applying scientific methods to social problems in ways that would help to explain human behaviour. However, this interest in applying scientific methods did not apply to purchase behavior and there is, as yet, no academic area of study called ‘marketing’ or ‘marketing research’.

Yet during the same time span in the business world, marketing research became a recognized professional field. Throughout this period of economic history businesses were starting to grow from small local or regional companies to larger national companies. Since they were now selling their products over a wider geographic area it became more difficult for companies to identify and understand their customers.

Such an early marketing problem was faced by auto manufactures. Once people who had the desire and money to purchase cars had done so, the manufacturers needed to know how to use advertising to reach additional consumers. As a result, the research method of surveying was borrowed from the social sciences. However, early research survey studies confronted the key problem of identifying the appropriate consumers to include as participants.

So once again researchers turned to scientific method and researchers adopted sampling to identify the appropriate consumers to include in studies. This new method was useful when the potential consumer group was large in number, which was indeed the case for auto manufacturers. However, the research conducted was limited to focusing on finding customers for existing products rather than finding out about the consumer desire to improve products.

Market researchers soon discovered that besides surveying and sampling, they could also borrow additional techniques from the social sciences. In 1931 a manual for marketers, *Marketing Research Technique*, described not only how to use surveys but also discussed interviewing and focus groups as ways of conducting marketing research. Because of the successful use of these new techniques, interest in marketing research continued to grow during the 1930s.

After the end of World War II, there was a pent-up demand from people for the consumer goods they could not purchase during the war years. However, once production caught up with demand, companies realized their need to learn sales techniques. When such sales techniques did not sell enough products, they then tried to find additional customers and so started to focus on meeting consumer desires for products. Marketing research was now needed to determine these desires and specialized marketing firms developed to provide marketing research services to companies. As a result, universities started to teach marketing research as an academic field to provide the necessary professionals.

Academic research continues to play a role in the development of marketing science to solve management problems. In fact as marketing, including marketing research, is becoming more common in emerging markets, academic researchers have proposed new models that will help businesses gain needed information (Burgess et al., 2006).

4.0 Conclusions

Marketing research is the function which links the consumer, customer, and public to the marketer through information. If this is all marketing research entails, then, there is little or no point in studying this unit. The only way to learn is to go and do it. The key premise that underlies this unit is that, there are concepts, frameworks and techniques that are immensely useful in doing this.

5.0 Summary

This unit presents definition of marketing research, describes the stages of marketing research and highlights its importance and explains research and marketing strategy in Nigerian economy.

6.0 Tutor-Marked Assignment

1. Explain the importance of marketing research?
2. Analyze the importance of Marketing Research to Nigerian economy

7.0 Reference/Further Reading

Scott, M. S., Gerald S. A. (2012) Basic Marketing Research: Volume 1, Handbook for Research Professionals. Qualtrics Labs, Inc

UNIT EIGHT: DETERMINANTS OF CONSUMER BEHAVIOUR

CONTENTS

1.0 Introduction

The most important issue for the marketers is to identify the needs of the consumers because customer and consumer make the marketing process complete. This unit introduces consumer behavior, the types of consumer behaviour, efforts will be made to give a precise explanation of these types through detailed analysis.

2.0 Objectives

At the end of this unit, students should be able to:

- Explain the meaning of Consumer behaviour
- Analyse different types of consumer behaviour
- Recall the individual determinants of consumer behavior

3.0 Main Content

3.1 Consumer Behaviour: Definition

Consumer behaviour is the study of individuals, groups, or organizations and the processes they use to select, secure, and dispose of products, services, experiences, or ideas to satisfy needs and the impacts that these processes have on the consumer and society. It blends elements from Psychology, Sociology, Social Anthropology and Economics. It attempts to understand the decision-making processes of buyers, both individually and in groups. It studies characteristics of individual consumers such as demographics and behavioral variables in an attempt to understand people's wants. It also tries to assess influences on the consumer from groups such as family, friends, reference groups, and society in general.

Customer behavior study is based on consumer buying behavior, with the customer playing the three distinct roles of user, payer and buyer. Research has shown that consumer behaviour is difficult to predict, even for experts in the field (Armstrong, 1991).

3.1.2 Different Types of Consumers' Behaviour

The different types of consumer behaviour determine how consumers make purchasing decisions. Though there are many influences on buyer behaviour, four main categories are often cited as the primary factors in a purchasing decision. The four major types of consumer behavior are habitual, variety, complex, and dissonance-reduction. Each of the different types of consumer behaviour may be motivated by a variety of influences, including need, cultural influence, and psychological factors.

Habitual buying habits are the most common and the simplest purchasing decisions for most consumers. Choosing to buy a bunch of bananas rarely requires much extensive research on brands and product offering, and may be done on a regular or habitual basis. Since a bunch of bananas from one brand is likely to be quite similar to one from another brand, there is not a high level of distinction between product choices. Habitual buying behaviour is most often found with low-cost products for which a consumer has a regular need; price, convenience, and brand loyalty may sometimes affect habitual purchasing decisions.

Varietal buying, also called limited decision making, involves a little more thought than habitual behaviour. This type of behaviour also requires little research on the part of the buyer, but may exist in markets where there is a high level of product variety. When buying ice cream, for instance, a consumer may have to choose between a hundred different flavors, often from different brands. Varietal buying is frequently motivated by the desire for a change from habits, or the search for a better product.

Complex or extensive decision making behaviour requires research and significant difference exist between products. Dissonance-reduction decisions, by contrast, also may require research, but occur in markets where there is little difference between products. Both of the categories tend to apply to markets where products are high value and irregular purchases, such as houses or jewelry. Buying a car is often a complex decision, because there are many different brands and models that offer distinct features. Buying a one-carat pair of diamond earrings, however, might be a dissonance-reduction decisions, since most one-carat earrings will be roughly similar, regardless of brand.

The motivating factors behind the different types of consumer behavior can be extremely complex. Need typically motivates most habitual purchases, such as food and gasoline. Cultural or social influence may affect decisions by giving a consumer a set frame of reference by which purchases are judged; for instance, a person may buy a certain style of jacket because it is said to be “in style” for the season. Personal and psychological attitudes or preconceptions may significantly alter some types of consumer behaviour: a person who is against pesticides will likely buy only organic produce, for instance, there are such pesticides as raids, bagon, etc, individual consumers may buy based on odor or other types of reason.

3.1.3 Individual determinants of consumer behaviour

Under this sub-heading, there are five major groups of individual determinants: personality and self concept, motivation and involvement, information processing, learning and memory, and, attitudes and can be further explain as follows:

Personality and **self concept** provide the consumer with a central theme. That is, they provide structure for the individual so that a consistent pattern of behavior can be developed. Several major personality theories are examined for their usefulness in understanding consumers. How the self concept develops, its role in influencing purchase decisions and the practical relevance of the subject to the marketer are reviewed.

Motives are internal factors that energize behavior and provide guidance to direct the activated behavior. **Involvement** describes the per6sonal relevance or importance that the consumers perceives in a given purchase situation. High involvement will lead to a motivated state. Various types of involvement and motive situation factors that influence them, and their influence on the behavior of consumer

The term **Information Processing** refers to the activities that consumers engage in when acquiring integrating and evaluating information. These activities involve actively seeking information or passively receiving it, attending to only certain parts of the information, integrating that which has been attended to with information from other sources, and evaluating the information for the purposes of making decisions. Such activities are varied and occur at all stages of the decision process. They also strongly involve some individual factors, including motivation, learning and attitudes. Information processing, introduces these issues and also discuss several marketing strategy areas in which an understanding of the progress can be of considerable benefit to the marketer. However, because of their importance, treatment of these issues is not within the scope of this unit.

Learning and Memory -What consumers learn, how they learn, and what factors govern the retention of learned material in memory are all issues of considerable importance for understanding consumers. Not only do consumers acquire and remember product names and characteristics, but they also learn standards for judging products, places to shop, problem solving abilities, behaviour patterns, and tastes. Such learned material stored in memory significantly influences how consumers react to each situation that they confront.

Attitudes guide our basic orientation toward objects, people, events, and our activities. As such, attitudes strongly influence how consumers will act and react to products and services, and how they will respond to communications that marketers develop to convince them to purchase their products. After a review of the nature and function of attitudes, attention is turned to how attitudes are formed and how they are related to purchase behavior.

3.1.4 Politics and Religion as determinants of consumer behaviour

The political environment can play a large part in consumer decision-making. For instance, in the aftermath of the terrorist attacks on September 11, 2001, sales of American flags and products with patriotic messages soared. Also, in Nigeria of today, broom has suddenly become very expensive in major south-western States due to Action Congress of Nigeria (CAN), a political party that is widely accepted by them. Consumer tastes can also be modified by the important political topic of the day.

Additionally, a person's religious beliefs can be a huge factor in his decision-making process. The Catholic Church bans members from seeing certain movies or reading certain books, while atheists are probably less likely to buy a self-improvement book steeped in spirituality. Understanding your consumers is a challenge, but necessary for improving your business and every organizational products.

3.1.5 Culture and Society as determinants of consumer behaviour

Culture is the values, beliefs, preferences and taste transfer from one generation to the next generation. Besides that, the subculture is a group with their own distinct modes of behaviour. As culture shifts its perception on certain topics, consumers follow. This can be good or bad for business, depending on what you sell. When movie stars and commercials glorified smoking as a way to look cool, cigarette sales surged. Now that more people are aware of the risks of smoking and society looks down on smokers, less people are smoking. Spotting culture shifts is an important skill in protecting your business, especially if you sell goods like clothing or entertainment products.

4.0 CONCLUSION

This unit presents determinants of consumer behaviour, it opens your eyes and enlarge on why customers react in their own way to company’s or market products; it now rest on you to explore these avenues and ensure your organization succeeds in this world of business competition

5.0 SUMMARY

Consumer behaviour is the study of individuals, groups, or organizations and the processes they use to select, secure, and dispose of products, services, experiences, or ideas to satisfy needs and the impacts that these processes have on the consumer and society. Consumers are responsible factor for the sales of any product or services. So, when a new product is launched in the market, understanding consumer's buying behaviour becomes very essential. For this unit has to lecture and enables you to understand the various factors which influences the customers thoughts while buying any product or services. In simple words, the various reasons which govern and finally force the customer to go for that particular product and services are well discussed in this unit

6.0 TUTOR-MARKED ASSIGNMENT

1) Differentiate different types of consumers' behaviours
2) In your own way briefly explain how politics can affect consumer behaviours

7.0 REFERENCES/FURTHER READINGS

Kuester, S. (2012). *Strategic Marketing & Marketing in Specific Industry Contexts*, University of Mannheim, p. 110.

Bowerman, T. 92013). eHow Contributor on What Are Important Determinants of Consumer Behaviour?

Scott Armstrong, J. (1991). "Prediction of Consumer Behavior by Experts and Novices". *Journal of Consumer Research* (Journal of Consumer Research Inc.) 18: 251–256.

UNIT NINE: MODELS OF CONSUMER BEHAVIOUR

CONTENTS

1.0 Introduction

This unit introduces different models of consumer behaviour. These includes the black box model, Howard-Sheth Model, Nicosia Model, Engel-Blackwell-Kolat Model, Consumer behaviour and consumer decision making, theoretical approaches to the study of consumer behaviour, Economic Man, Psychodynamic Approach, Behaviourist Approach, Cognitive

Approach, Cognitive Models of Consumer Behaviour and Critique of model. Effort will be made to give a precise explanation of these types through detailed analysis.

2.0 Objectives

At the end of this unit, students should be to:

- Explain different model in this unit
- Recall Howard-Sheth Model three levels of decision making
- Analyze customers' behaviour towards selected product in the Nigerian market.

3.0 Main Content

3.1 Understanding the "Terms" Models in relation to Consumer Behaviour

A model is an abstract conception of the real world situation; real world situation is very complex, where many forces work simultaneously. As a result it is difficult to understand the working of the process and hence, predicting future course of action. Models are use to simplify these problem. They give the researcher a guide line to work with, clarifying the relation between the various factors and their 'likely' impact on the main process. For example what role market plays on consumers? If we can formalize it, appropriate marketing strategies can be formed to shape up consumer's buying behaviour. Consumer behaviour is a multistage process, and actual buying comes at a much later stage. It becomes crucial for the marketer to understand the initial stage so that they are able to predict the buying stage, this makes the study of consumer behaviour models almost mandatory. Consumer behaviour model serve two distinct functions:

(a) They explain the factors that affect purchase of a particular type of goods and services.

(b) They allow future prediction to be made and are able to assess the likely outcomes of various marketing strategies.

In order to perform the above mention functions, the consumer behaviour model must be relevant (must be as much as possible near to the market situation). Comprehensive (they should not be vague and poorly constructed) and valid (the outcome predicted by the model should be testable and verifiable). If these Qualities are maintained in the model, and then the model becomes not only useful tools but essential tools for the market. This is what this unit is all about.

Consumer behavior models are essential tools that marketers can use to help understand why consumers do or do not buy a product. The different types of models are the black box model, the personal variable model, and the comprehensive model, and each model has a specific focus. The black box model concentrates on external stimuli, the personal variable model focuses on internal stimuli within the consumer, and the comprehensive model studies a combination of external and internal stimuli. Few of these models shall be discussed below:

3.2 Models of consumer behaviour

Consumer behavior models vary in terms of the complexity of the behavior that is being studied. The primary purpose of studying consumer behavior is for marketers to better understand and therefore better target consumers in their marketing strategies. It is a very complicated science, and marketers can observe and make some correlations between advertising and consumer response, but the main question of what makes a person buy or not buy a product is too individual and cannot be explained with one or even several behavior models.

3.2.1 The black box model, also called the stimulus-response model, is one of the most simple types of consumer behaviour models. The black box can be thought of as the region of the consumer's brain that is responsible for purchasing decisions. Environmental stimuli, such as economics, technology, and culture, combine with marketing stimuli, like the product, price, and promotion, inside the black box, where decisions are made. This model ignores variables within the consumer and focuses on marketing and environmental variables that produce the desired response

3.2.3 Howard-Sheth Model

This model suggests three levels of decision making:

1. The first level describes the extensive problem solving. At this level the consumer does not have any basic information or knowledge about the brand and he does not have any preferences for any product. In this situation, the consumer will seek information about all the different brands in the market before purchasing.

2. The second level is limited problem solving. This situation exists for consumers who have little knowledge about the market, or partial knowledge about what they want to purchase. In order to arrive at a brand preference some comparative brand information is sought.

3. The third level is a habitual response behavior. In this level the consumer knows very well about the different brands and he can differentiate between the different characteristics of each product, and he already decides to purchase a particular product. According to the Howard-Sheth model there are four major sets of variables; namely:

(a). **Inputs:** These input variables consist of three distinct types of stimuli(information sources) in the consumer's environment. The marketer in the form of product or brand information furnishes physical brand characteristics (significative stimuli) and verbal or visual product characteristics (symbolic stimuli). The third type is provided by the consumer's social environment (family, reference group, and social class). All three types of stimuli provide inputs concerning the product class or specific brands to the specific consumer.

(b). **Perceptual and Learning Constructs:** The central part of the model deals with the psychological variables involved when the consumer is contemplating a decision. Some of the variables are perceptual in nature, and are concerned with how the consumer receives and understands the information from the input stimuli and other parts of the model. For example, stimulus ambiguity happened when the consumer does not understand the message from the environment. Perceptual bias occurs if the consumer distorts the information received so that it fits his or her established needs or experience. Learning constructs category, consumers' goals, information about brands, criteria for evaluation alternatives, preferences and buying intentions are all included. The proposed interaction In between the different variables in the perceptual and learning constructs and other sets give the model its distinctive advantage.

(c). **Outputs:** The outputs are the results of the perceptual and learning variables and how the consumers will response to these variables (attention, brand comprehension, attitudes, and intention).

(d). **Exogenous (External) variables:** Exogenous variables are not directly part of the decision-making process. However, some relevant exogenous variables include the importance of the purchase, consumer personality traits, religion, and time pressure.

The decision-making process, which Howard-Sheth Model tries to explain, takes place at three Inputs stages: Significance, Symbolic and Social stimuli. In both significative and symbolic stimuli, the model emphasizes on material aspects such as price and quality. These stimuli are not applicable in every society. While in social stimuli the model does not mention the basis of decision-making in this stimulus, such as what influence the family decision? This may differ from one society to another. Finally, no direct relation was drawn on the role of religion in influencing the consumer's decision-making processes. Religion was considered as external factor with no real influence on consumer, which give the model obvious weakness in anticipation the consumer decision.

3.2.3 Nicosia Model

This model focuses on the relationship between the firm and its potential consumers. The firm communicates with consumers through its marketing messages (advertising), and the consumers react to these messages by purchasing response. Looking to the model we will find that the firm and the consumer are connected with each other, the firm tries to influence the consumer and the consumer is influencing the firm by his decision. The Nicosia model is divided into four major fields, namely:

Field 1: The consumer attitude based on the firms' messages. The first field is divided into two subfields. The first subfield deals with the firm's marketing environment and communication efforts that affect consumer attitudes, the competitive environment, and characteristics of target market. Subfield two specifies the consumer characteristics e.g., experience, personality, and how he perceives the promotional idea toward the product in this stage the consumer forms his attitude toward the firm's product based on his interpretation of the message.

Field 2: search and evaluation. The consumer will start to search for other firm's brand and evaluate the firm's brand in comparison with alternate brands. In this case the firm motivates the consumer to purchase its brands.

Field 3: The act of the purchase the result of motivation will arise by convincing the consumer to purchase the firm products from a specific retailer.

Field 4: Feedback. This model analyses the feedback of both the firm and the consumer after purchasing the product. The firm will benefit from its sales data as a feedback, and the consumer will use his experience with the product affects the individuals attitude and predisposition's concerning future messages from the firm.

The Nicosia model offers no detail explanation of the internal factors, which may affect the personality of the consumer, and how the consumer develops his attitude toward the product. For example, the consumer may find the firm's message very interesting, but virtually he cannot buy the firm's brand because it contains something prohibited according to his beliefs. Apparently it is very essential to include such factors in the model, which give more interpretation about the attributes affecting the decision process.

3.2.4 Engel-Blackwell-Kolat Model

This model was created to describe the increasing, fast-growing body of knowledge concerning consumer behavior. This model, like in other models, has gone through many revisions to improve its descriptive ability of the basic relationships between components and sub-components; this model consists also of four stages;

1. First stage: decision-process stages. The central focus of the model is on five basic decision-process stages: Problem recognition, search for alternatives, alternate evaluation (during which beliefs may lead to the formation of attitudes, which in turn may result in a purchase intention) purchase, and outcomes. But it is not necessary for every consumer to go through all these stages; it depends on whether it is an extended or a routine problem-solving behaviour.

2. Second stage: Information input. At this stage the consumer gets information from marketing and non-marketing sources, which also influence the problem recognition stage of the decision-making process. If the consumer still does not arrive to a specific decision, the search for external information will be activated in order to arrive to a choice or in some cases if the

consumer experience dissonance because the selected alternative is less satisfactory than expected.

3. Third stage: information processing. This stage consists of the consumer's exposure, attention, perception, acceptance, and retention of incoming information. The consumer must first be exposed to the message, allocate space for this information, interpret the stimuli, and retain the message by transferring the input to long-term memory.

4. Fourth stage: variables influencing the decision process. This stage consists of individual and environmental influences that affect all five stages of the decision process. Individual characteristics include motives, values, lifestyle, and personality; the social influences are culture, reference groups, and family. Situational influences, such as a consumer's financial condition, also influence the decision process.

This model incorporates many items, which influence consumer decision-making such as values, lifestyle, personality and culture. The model did not show what factors shape these items, and why different types of personality can produce different decision-making? How will we apply these values to cope with different personalities? Religion can explain some behavioural characteristics of the consumer, and this will lead to better understanding of the model and will give more comprehensive view on decision-making.

3.3 Consumer behaviour and consumer decision making

Consumer decision making has long been of interest to researchers. Beginning about 300 years ago early economists, led by Nicholas Bernoulli, John von Neumann and Oskar Morgenstern, started to examine the basis of consumer decision making (Richarme 2007). This early work approached the topic from an economic perspective, and focused solely on the act of purchase (Loudon & Della Bitta 1993). The most prevalent model from this perspective is 'Utility Theory' which proposes that consumers make choices based on the expected outcomes of their decisions. Consumers are viewed as rational decision makers who are only concerned with self interest (Schiffman & Kanuk 2007, Zinkhan 1992).

Where utility theory views the consumer as a 'rational economic man' (Zinkhan 1992), contemporary research on Consumer Behaviour considers a wide range of factors influencing the consumer, and acknowledges a broad range of consumption activities beyond purchasing. These activities commonly include; need recognition, information search, evaluation of alternatives, the building of purchase intention, the act of purchasing, consumption and finally disposal. This more complete view of consumer behaviour has evolved through a number of discernable stages over the past century in light of new research methodologies and paradigmatic approaches being adopted.

While this evolution has been continuous, it is only since the 1950's that the notion of consumer behaviour has responded to the conception and growth of modern marketing to encompass the more holistic range of activities that impact upon the consumer decision (Blackwell, Miniard *et al.* 2001). This is evident in contemporary definitions of consumer behaviour:

"consumer behaviour…… is the study of the processes involved when individuals or groups select, purchase, use or dispose of products, services, ideas or experiences to satisfy needs and desires." (Solomon, Bamossy et al. 2006, p6).

(Schiffman & Kanuk 2007) take a similar approach in defining consumer behaviour:

> *"the behavior that consumers display in searching for, purchasing, using, evaluating, and disposing of products and services that they expect will satisfy their needs" (p.3).*

While most contemporary definitions of consumer behaviour are similar in scope, section 1.2 will identify and discuss the differing psychological approaches that have been applied to research in this area.

3.4 Theoretical approaches to the study of consumer behaviour

A number of different approaches have been adopted in the study of decision making, drawing on differing traditions of psychology. Writers suggest different typological classifications of these works with five major approaches emerging. Each of these five approaches posit alternate models of man, and emphasise the need to examine quite different variables (Foxall 1990); they will briefly be introduced in turn.

- Economic Man
- Psychodynamic
- Behaviourist
- Cognitive
- Humanistic

3.4.1 Economic Man

Man is regarded as entirely rational and self interested, making decisions based upon the ability to maximise utility whilst expending the minimum effort. While work in this area began around 300 years ago (Richarme 2007), the term ‘economic man’ (or even *Homo economicus* (Persky 1995)) was first used in the late 19th century (Persky 1995) at the start of more sustained research in the area.

In order to behave rationally in the economic sense, as this approach suggests, a consumer would have to be aware of all the available consumption options, be capable of correctly rating each alternative and be available to select the optimum course of action (Schiffman & Kanuk 2007). These steps are no longer seen to be a realistic account of human decision making, as consumers rarely have adequate information, motivation or time to make such a ‘perfect’ decision and are often acted upon by less rational influences such as social relationships and values (Simon 1997). Furthermore, individuals are often described as seeking satisfactory rather than optimum choices, as highlighted by Herbert Simons Satisficing Theory (Simon 1997), or Kahneman and Tversky’s Prospect Theory (Kahneman & Tversky 1979) which embrace bounded rationality (Simon 1991).

3.4.2 Psychodynamic Approach

The psychodynamic tradition within psychology is widely attributed to the work of Sigmund Freud (1856-1939) (Stewart 1994). This view posits that behaviour is subject to biological influence through ‘instinctive forces’ or ‘drives’ which act outside of conscious thought (Arnold,Robertson *et al.* 1991). While Freud identified three facets of the psyche, namely the Id, the Ego and the Superego (Freud 1923), other theorists working within this tradition, most notably Jung, identified different drives (Ribeaux & Poppleton 1978).

The key tenet of the psychodynamic approach is that behaviour is determined by biological drives, rather than individual cognition, or environmental stimuli.

3.4.3 Behaviourist Approach

In 1920 John B. Watson published a landmark study into behaviour which became known as *‘Little Albert’* (Watson & Rayner 1920). This study involved teaching a small child (Albert) to fear otherwise benign objects through repeated pairing with loud noises. The study proved that behaviour can be learned by external events and thus largely discredited the Psychodynamic approach that was predominant at the time.

Essentially Behaviourism is a family of philosophies stating that behaviour is explained by external events, and that all things that organisms do, including actions, thoughts and feelings can be regarded as behaviours. The causation of behaviour is attributed to factors external to the individual. The most influential proponents of the behavioural approach were Ivan Pavlov (1849-1936) who investigated classical conditioning, John Watson (1878-1958) who rejected introspective methods and Burrhus Skinner (1904-1990) who developed operant conditioning. Each of these developments relied heavily on logical positivism purporting that objective and empirical methods used in the physical sciences can be applied to the study of consumer behaviour (Eysenck & Keane 2000).

There are a number of branches of research that conform to the major tenets of behaviourism, but differ subtly in other ways. Initially 'Classical Behaviourism', established by John Watson, required the entirely objective study of behaviour, with no mental life or internal states being accepted. Human thoughts were regarded by Watson as 'covert' speech (Sternberg 1996), and strict monism was adhered to (Foxall 1990). Between 1930 and 1950 Skinner founded 'Radical Behaviourism' which acknowledges the existence of feelings, states of mind and introspection, however still regards these factors as epiphenomenal (Skinner 1938);(Nye 1979). The assumed role of internal processes continued to evolve in subsequent decades, leading to more cognitive approaches with a new branch of study 'Cognitive Behaviourism' claiming that intrapersonal cognitive events and processes are causative and the primary irreducible determinants of overt behaviour (Hillner 1984, p107).

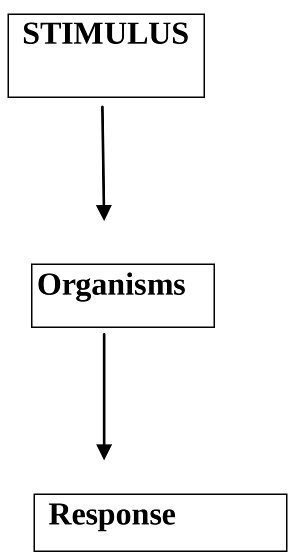
While behavioural research still contributes to our understanding of human behaviour, it is now widely recognised as being only part of any possible full explanation (Stewart 1994). Behaviourism does not appear to adequately account for the great diversity of response generated by a population exposed to similar, or even near identical stimuli.

3.4.4 Cognitive Approach

In stark contrast to the foundations of Classical Behaviouralism, the cognitive approach ascribes observed action (behaviour) to intrapersonal cognition. The individual is viewed as an ‘information processor’ (Ribeaux & Poppleton 1978). This intrapersonal causation clearly challenges the explicative power of environmental variables suggested in Behavioural approaches, however an influential role of the environment and social experience is acknowledged, with consumers actively seeking and receiving environmental and social stimuli as informational inputs aiding internal decision making (Stewart 1994).

The Cognitive approach is derived in a large part from Cognitive Psychology which can trace its roots back to early philosophers such as Socrates who was interested in the origins of knowledge (Plato 360 B.C.), Aristotle who proposed the first theory of memory (Aristotle 350 B.C.) and Descartes who explored how knowledge is represented mentally in his Meditations (Descartes 1640) (Sternberg 1996). It was not until the middle of the 21st Century however, that Cognitive Psychology truly emerged as a mainstream and useful field of study with the development of the Stimulus-Organism-Response model by Hebb during the 1950’s (Figure 1.1) (Cziko 2000) and the publication of the landmark text by Ulric Neisser in 1967 (Neisser 1967). From this point many writers suggested that Cognitivism had taken over from Behaviourism as the dominant paradigmatic approach to decision research (Furedy & Riley 1987).

Figure 1.1: Stimulus-Organism-Response Model of Decision Making



Source: (Cziko 2000) Stimulus Organism Response

While there are distinct branches of cognitive psychology, they all share an abiding interest in exploring and understanding the mental structures and processes which mediate between stimulus and response (Kihlstrom 1987). Contemporary Cognitive Psychology has identified and developed a wide range of factors which are thought fundamental to these intrapersonal processes including: perception, learning, memory, thinking, emotion and motivation (Sternberg 1996). While this is far from a complete list of the possible constructs at play, it does serve to outline the complexity and multiplicity of issues inherent with this approach.

Early Stimulus-Organism-Response models (as depicted in Figure 1.1) suggest a linear relationship between the three stages with environmental and social stimuli acting as external antecedents to the organism. This approach assumes that stimuli act upon an inactive and unprepared organism (Eysenck & Keane 2000). Most modern theorists now, however, acknowledge that information processing is conducted by an active organism whose past experience will influence not only the processing of such information but even what information is sought and received. Information processing will be both stimulus driven and concept driven (Moital 2007); (Groome, Dewart *et al.* 1999). This development has resulted in more recent depictions of consumer decision making being circular in fashion (Peter & Olson 2008), or drawn through a Venn diagram (Jacoby 2002).

Despite coming from a Radical Behavioural perspective, Foxall (1990 p.18) identifies four key strengths of cognitivism as a means of explaining consumer behaviour: Stimulus Organism Response

1. Its closeness to the common-sense explanations of everyday discourse make it an intuitively attractive means of offering explanations of everyday behaviours such as purchasing and consuming;

2. The ability of consumers to describe their experiences in terms of their attitudes, wants, needs and motives ensures that an explanation proceeds in the same terms as the description of what is explained;

3. It brings a measure of unity and consensus to a still young field of inquiry;

4. The extensive use made by other social science and humanity disciplines of cognitive explanation has assisted the conceptual development of this line of consumer research by making possible the borrowing of theoretical and methodological inputs.

Furthermore, Cognitivism has the capacity to explain complex behaviours, an acknowledged deficiency of the competing Behavioural perspective where it is impossible to ascertain the contingencies that control response (Foxall 1993). However, the cognitive approach is also criticised for a number of reasons. Foxall comments that the cognitive approach "…relies extensively upon the use of abstract and unobservable explanatory variables which seldom prove amenable to empirical investigation and evaluation" (1990 p. 96). Additionally, cognitivism assumes the consumer is rational, discerning, logical and active in decision making; assumptions that have been questioned by a number of writers (Bozinoff 1982) (Solomon, Bamossy *et al.* 2006) (Schiffman & Kanuk 2007).

Despite these criticisms, a cognitive approach is more appropriate in the examination of ethical purchasing behaviour. Firstly, the complexity of such actions cannot be accommodated through behavioural models and secondly, the benefits of ethical consumption are largely vicarious in nature, requiring extensive intrapersonal evaluation. Key existing studies into ethical purchasing have all accepted the role of intrapersonal examination (Hines & Ames 2000, Nicholls & Lee 2006, Ozcaglar-Toulouse,Shiu *et al.* 2006).

3.4.5 Cognitive Models of Consumer Behaviour

Two major types of Cognitive models can be discerned. Firstly, *analytical* models which provide a framework of the key elements that are purported to explain the behaviour of consumers. These models identify a plethora of influencing factors, and intimate the broad relationships between factors in consumer decision making. Due to their wide ranging scope such models are often labelled the "grand models" (Kassarjian 1982). Typically they tend to follow the traditional five step classification outlining problem recognition, information search, alternative evaluation, choice and outcome evaluation as the key stages in consumer decision processes (Erasmus, Boshoff *et al.* 2001, Schiffman & Kanuk 2007). The Theory of Buyer Behaviour (Howard & Sheth 1969) and the Consumer Decision Model (Blackwell, Miniard *et al.* 2001) are two of the most widely cited analytical models. Secondly, *prescriptive* models “provide guidelines or frameworks to organise how consumer behaviour is structured” (Moital 2007). These models include the order in which elements should appear and prescribe the effect that should be observed given certain causal factors. As such they promise to be useful to practitioners who can ‘measure’ what stimuli should be modified or emphasised to attract a certain consumer response. The most widely referenced and used prescriptive models are the Theory of Reasoned Action (Fishbein & Ajzen 1975) and the Theory of Planned Behaviour (Ajzen 1985).

3.5 Critique of the models

Meta-analytic reviews of the TPB provide strong support for the predictive validity of the theory (Conner, & Armitage 1998). The theory provides a ‘parsimonious explanation of the informational and motivational influences on behaviour’ (Conner, & Armitage 1998 p. 1430); it is easy to comprehend, and can be applied to a wide range of research scenarios. There are, however, a number of limitations which limit the scope of use and the extent to which it can be deemed to be a complete model of consumer purchase decisions.

The predictive ability of the TRA and TPB relies on the researcher’s ability to accurately identify and measure all salient attributes that are considered by the consumer if forming their attitude (Solomon, Bamossy *et al.* 2006). Clearly many consumption situations are highly complex, and influenced by a plethora of both conscious and sub-conscious factors rendering this premise optimistic. The models rely upon the assumption that the consumer undertakes comprehensive cognitive processing prior to purchase behaviour, an assumption that is challenged by other philosophical approaches (Bagozzi, Gurhan-Canli *et al.* 2002). The reliance on cognition appears to neglect any influence that could result from emotion, spontaneity, habit or as a result of cravings (Hale, Householder *et al.* 2002). Solomon *et al.* comment (2006) that behaviour in certain circumstances may result not from attitude evaluation, but overall affective response in a process called *‘affect-referral’*. These are thought to be important limitations in the context of clothing shopping where overall affective evaluation and hedonistic impulses are thought to influence some purchases.

The TRA and TPB have been widely applied in Western cultures, however it is not clear that the assumptions underpinning it are well suited to other cultures (Solomon, Bamossy *et al.* 2006).

Very few cross-cultural studies have been undertaken; however the limited findings suggest that the theories are not equally effective in different cultures (Bagozzi, Wong *et al.* 2000).

Finally, it is thought that intention is likely to be a dynamic concept, constantly under re-evaluation by the consumer as situations change, or as more information becomes available. This will make it difficult for the model to accurately predict behaviour prior to the purchase event as intentions are only likely to be provisional (Sutton 1998). Similarly the model does not well cater for any inhibiting factors to purchase, for example the retail store being out of stock of the intended item.

4.0 Conclusion

As this discussion has shown, a number of different approaches to modelling consumer decision making can be adopted. The area is subject to ongoing dynamic research and it is expected that new insights and approaches still lie unexplored providing a potentially rich area for study. With a few notable exceptions, the role of ethics, social responsibility and altruism have been largely ignored by the models and theories reviewed here; which, given the dramatic rise in such concerns suggests that research attempting to integrate such considerations would make a valuable contribution.

The review of the decision making models undertaken here highlights the complexity of consumer choices and identifies the key processes that lead to behaviour. A wide range of variables have been posited across the models, and each has evidence to justify its inclusion in attempts to explain behaviour. It is, of course, difficult for one model to claim to include all the considerations and factors that influence consumer choice, however the conceptual model proposed and adopted by this research has reflected upon the work falling into each of the philosophical approaches in an attempt to provide a holistic view of the decision making process for consumers.

5.0 Summary

This unit explains different models of customers' behaviour, it begins with understanding the "Terms" Models in relation to Consumer Behaviour, Models of consumer behaviour such as the black box model, Howard-Sheth Model, Nicosia Model and Engel-Blackwell-Kolat Model were fully discussed; consumer behaviour and consumer decision making were also explained as well as cognitive Models of Consumer Behaviour and critique of model.

6.0 TUTOR - MARKED ASSIGNMENTS

1. Identify any two models of customers' behaviour

2. Differentiate between Howard-Sheth Model and cognitive Models of Consumer Behaviour

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Unit 10: PRODUCT DECISIONS, PLANNING AND DEVELOPMENT.

1.0 INTRODUCTION.

The unit is basically meant to prepare students in the analysis of the decisions and activities associated with the developing and maintaining of effective marketing mix. The idea of the marketing mix, otherwise known as the 4P'S was popularized by McCarthy (1996). Marketing mix is a set of controllable variables that a marketer blends together to elicit the cherished response from the target market These controllable variables includes; Product, Price, Place and Promotion.

2.0 Objectives.

At the end of this unit, you should be able to;

*Define what a product is?

*classify products

*State the levels of products.

*Explain the new product development process.

3.0 Main Content.

3.1 What is a Product?

A product can be seen as anything that is offered for acquisition, use and disposal, and that satisfies the needs of the target market. The term product is broad and covers both physical goods and the intangible goods. Physical products include such items as vehicles, mobile handsets, processed food items and equipments, while intangible products like haircuts, financial services, accounting service and the hospitality industry. Products can also be seen in terms of functional, social and psychological utilities and benefits'.

Levitt (1976) has argued that products need to be seen in terms of the benefits they provide rather than the function they perform. Marketers need to be aware that every product has both objective and subjective elements. Competitors, in no time copy such objective elements as physical specification and price. On the other hand, subjective elements like image and reputation are generally more difficult to copy and , in many markets , provide the most effective basis for differentiation.

3.2 LEVELS OF PRODUCTS.

Levitt(1980) suggested that the marketer , in planning his market offering , needs to think through the following five levels of the product: core benefit, basic product , expected product, augmented product and the potential . Each level adds more customer value, and constitutes a customer value hierarchy.

- Basic Product.

  A marketer needs to convert the core benefit into a basic product. The product of petroleum jelly should be made in a substance that makes it possible to achieve the desired effect especially in the harmattan period.

- Core benefit.

  This is the fundamental service or benefit that the customer is really buying. For instance, a detergent buyer is buying cleanliness.

*Expected Product.

This set of attributes and conditions buyers normally expect when they purchase a product. A buyer of detergent expects that it should be well packaged, reasonably priced and widely available.

*Potential Product.

This encompasses all the possible argumentations and transformations a product might undergo in the future. Here, companies search for new ways to satisfy customers and distinguish their offers.

*Augmented Product.

This is the improvement on the product that makes it possible for customers' expectations to be augmented.

An example, a petroleum jelly that is meant to retain oil moisture especially during the harmattan period, in addition to body beautification represents an argumentation of the core product. Levitt cautions that the new competition is not between what companies produce in their factories but in the form of packaging , services and financing.

Exercise 1

Define and classify products.

3.3 **CLASSIFICATION OF PRODUCTS**.

Products fall into one of two general categories; products purchased to satisfy personal and family needs are CONSUMER products. Those bought to use in a firms operation to resell, or to make other products are BUSINESS products. Consumer buy products to satisfy the goals of their organizations Products classification are important because they may influence pricing, distribution and promotion decisions.

***CONSUMER PRODUCTS.**

The most widely accepted approach to classify consumer products is based on characteristics of consumer buying behaviour. It divides products into four categories; convenience, shopping, specialty, and unsought products. However, not all buyers behave in the same way when purchasing a specific type of product. Thus a single product can fit into several categories. To minimize this problem, marketers think in terms of how buyers generally behave when purchasing a specific item. Examining the four traditional categories of consumer products can provide further insight.

1) Convenience Goods.

This type of products are relatively inexpensive, frequently purchased items for which buyers exert only minimal purchasing effort. They range from bread, soft drinks and chewing gum to gasoline and newspapers. The buyer spends little time planning the purchase or comparing available brands or sellers. Even a buyer who prefers a specific brand will readily choose a substitute if the preferred brand is not conveniently available A convenience product is normally marketed through many retail outlets. Because sellers experience high inventory turnover, per unit gross margins can be relatively low. Producers of convenient products expect little promotional effort at the retail level and thus must provide it themselves with advertising and sales promotion. Packaging is also important , because many convenience goods are available only on a self -service basis at the retail level , and thus the package plays a major role in selling the product.

2) Shopping Products.

Shopping products are items which buyers are willing to expend considerable effort in planning and making the purchase. Buyers spend much time comparing scores and brands with respect to prices , product features , qualities , services and perhaps warranty .These products are expected to last for a fairly long time and thus are purchased less frequently than convenience items. Even though shopping products are more expensive than convenience products, few buyers of shopping products are particularly brand loyal.

If they were, they would be unwilling to shop and compare among brands. Shopping products are purchased less frequently, inventory turnover is lower and marketing channel members expect to receive higher gross margins. In certain situations, both shopping products and convenience products may be marketed in the same location.

Specialty Products.

These type of products possess one or more unique characteristics , and generally buyers are willing to expend considerable effort to obtain them. Buyers actually plan the purchase of a specialty product ; they know actually what they want and will not accept a substitute When searching for specialty products ,buyers do not compare alternatives. They are concerned primarily with finding an outlet that has the pre selected product available.

Like shopping products, they are [purchased infrequently, causing lower inventory turnover and thus requiring relatively high gross margins.

4) Unsought Products

These types of products are purchased when sudden problem must be solved, products of which customers are unaware, and products that people do not necessarily think of purchasing. Emergency medical services and automobile parts are the typical examples.

Exercise 2

Compare and contrast consumer and business products.

BUSINESS PRODUCTS

Business products are usually purchased on the basis of an organizations goals and objectives. Generally, the functional aspects of the product are more important than the psychological rewards sometimes associated with consumer products. Business products can be classified into seven(7) categories according to their characteristics and intended uses; installations; accessory equipments; raw materials; maintenance, component parts; process materials; repairs and operating supplies ; and business services.

1) Installations.

These include facilities, such as office buildings, factories and warehouses, and major equipment that are non portable, such as production lines and very large machines. Normally, installations are expensive and typically involve a long term investment of capital, purchase decisions often are made from high level management. Marketers of installations frequently must provide a variety of services , including training, repairs , maintenance assistance , and even aid in financing such purchases.

2) Accessory Equipments.

These types of equipments does not become part of the final product but is used in production or office activities. Examples include the file cabinets, fractional –horse power motors, calculators or office activities. Compared with major equipments , accessory items usually are much cheaper, purchased routinely with less negotiation , and treated as expense items rather than capital items because they are not expected to last as long as . More orders are required for distributing accessory equipment than for installations , but sellers do not have to provide the multitude of services expected of installations marketers.

3) Raw Materials.

Raw materials are the basic natural materials that are actually become part of a physical [product

These include minerals, chemicals, agricultural products, and materials from forests and oceans.

4) Component Parts.

These items become part of the physical product and are either finished items ready for assembly or products that need little processing before assembly. Although they become part of a larger product, component often can be identified and distinguished easily. Buyers purchase such items according to their own specifications or industry standards. They expect the parts to be of specified quality and delivered on time so that production is not allowed or stopped. Producers that are primarily assemblers, such as most lawn mowers and computer manufacturing depend heavily on suppliers of component parts.

5) Process Materials.

Process materials are used directly in the production of other products. Unlike component parts, however, process materials are not readily identifiable. Example, salad dressing manufacturer that includes vinegar in its salad dressing. The vinegar is a process material because it is included in the salad dressing, but it is not identifiable. As with components parts, process materials are purchased according to industry standards or the purchaser's specifications.

6) MRO Supplies.

MRO Supplies are maintenance, repair and operating items that facilitate production and operations but do not become part of the finished products. Examples includes papers, pencils ,oils , cleaning agents and paints.MRO supplies are commonly sold through numerous outlets and are purchased routinely . To ensure supplies are available when needed, buyers often deal with more than one's seller.

7) Business Services.

The last but not the least are the business services which are intangible products that many organizations use in their operations. They include financial, legal, marketing research and information technology .Firms must decide whether to provide their own services internally or obtain them from outside the organization. This decision depends on the costs associated with each alternative and how frequently the services are needed. An example is the delivery services.

4. CONCLUSION.

This unit was able to clarify major issues about product decision and classifications. To be successful in the market place as regards product decision, a firm should deploy its resources in such ways as to meet customer needs economically and conveniently and with effective communications.

5) SUMMARY

The unit was about product decision, planning and development. The unit was able to define products, the levels and classifications of product and product services.

6) TUTOR-MARKED ASSIGNMENTS.

Define the 'terminology' Product.

How can you classify products?

7) **REFERENCES/FURTHER READINGS**.

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UNIT 11: PRODUCT LIFE CYCLE AND NEW PRODUCT DEVELOPMENT.

CONTENTS

1.0 INTRODUCTION

Most products have limited profitable life. This unit will give a student a complete picture of what happens from a time a new product is introduced until it declines , and furthermore, will exhibit to the student to a certain extent can be postponed.
Product development involves careful planning and implementation. Sometimes revive declining products by modification or else they follow several steps ranging from identification of market opportunity to launching of new products . The greater the competitiveness of the markets, the greater the need for product development.

2.0 OBJECTIVES

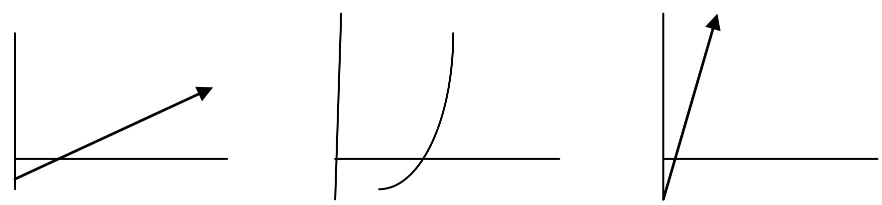
After studying this unit, a student should be able to explain the following;
*Concept of a product life cycle.
*Stages in the product life cycle.
*Need for product Modifications.
*Need for new product development and the process through which a product has to pass before it is finally launched into the market.

3.0 **MAIN CONTENT**

3.1 The Product Life Cycle Concept.

A company which introduces a new product naturally hopes that the product will contribute to the profits and provide consumer satisfaction. This however, does not always happen in practice. So progressive organizations try to remain aware of what is happening throughout the life of the product in terms of the sales and the resultant profits.

SALES TREND ---INTRODUCTORY STAGE. Figure 1



THE INTRODUCTORY STAGE.

Figure 1 gives three optimistic alternatives as to the likely sales trend. If the product is well designed, the sales would not increase slowly but would shoot up after some time as in (a). Rarely would there be a case experience a slow take off as shown in (b). A poorly designed product may experience a slow take off as shown in (a). Thus, (b) represents a suitable sales trend for a new product. This stage is called the 'introduction' or innovation' stage in the life cycle of a product.

Since the product has just been introduced, it is natural to expect that it will take some time before the sales pick up.
There are some prerequisite for that too. The product must be brought to the notice of the customer. It must be available at the distribution at the distribution outlets and all this takes some time. Therefore, a likely picture of the sales trend in this stage would be (b) as given in Figure 1.

THE GROWTH STAGE.

In case the product launched is successful, the sales must start picking up or rise more rapidly. The next stage is then reached which is known as the 'growth'. Here, the sales would climb up fast and profit picture will also improve considerably. This is because the cost of distribution and promotion is now spread over a larger volume of sales. As the volume of production is increased, the manufacturing cost per unit tends to decline. Thus, from the point of view of product strategy, this is a very critical stage.

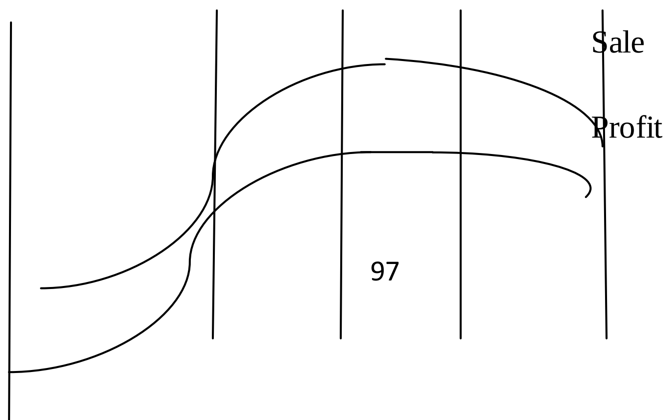
THE MATURITY STAGE.

It is too optimistic to think that sales will keep shooting up. At this stage, it is more likely that the competitors become more active. In case your product is a novel one , by now competitors will come out with a similar product in the market to compete with yours. Therefore, the sales are likely to be pushed downwards by the competitors while your promotional efforts would have to be increased to try and sustain the sales Thus , the sales reaches a plateau. This is called the ‘maturity stage’ or ‘saturation’. At this point, it is difficult to push sales up. With regard to the ‘profit ‘picture., the profits are likely to stabilize or start declining as more promotional effort has to be made now in order to meet competition. Unless, of course, an organization has the largest market share with your product and it needs no extra push in the market.

THE DECLINE OR OBSOLESCE STAGE.

Thereafter, the sales are likely to decline and the product could reach the obsolesce stage. Steps should be taken to prevent this obsolesce and avoid the decline. This decline that generally follows would be due to several reasons such as consumer changes and taste, improvement in technology and the introduction of better substitutes. This is the stage where the profits drop rapidly and ultimately, the last stage emerges. Retaining such profit after this stage may be risky, and certainly not profitable to the organisation.

Figure 2 shows the ‘product life cycle ‘and the different stages .



3.2 MARKETING MIX AT DIFFERENT STAGES

At the introductory stage, the organization has to increase and thus spend a lot on physical distribution and promotion. This is because the organization has to increase awareness and acceptance of the product. The organisation must also increase its availability. Very often it is noticed that a product is advertised but it is not available at the distribution outlets. This constitutes a waste of promotional resources of the organization. Thus, distribution should be arranged before the product is launched.

In any case, in these two areas, substantial amounts would have to be spent. The reluctance of customers to change their established patterns, and make them purchase the product particularly if it is of a novel nature. As against this, if it is novel one, people may even buy it out of sheer curiosity.

Next is the growth stage , when the sales shoot up and the organization is satisfied with the profit generated by the product ; competitors will now enter the market and perhaps offer new product features . Therefore the organization must begin to think of how the product can be improved upon. The promotional expenditure is maintained at the same level or is raised slightly in order to meet competition.

Then comes the maturity stage. This stage is generally lasts longer than the other stages and poses problems for the management in maintaining the sales level. Actually , there is a slowdown in the growth rate of sales in case of such mature products . The decline can be arrested by improvements in the product and promotion.

Finally, the declining stage catches up. The decline may be slow or rapid. It may be due to better substitute products, better competition, technological advances with which the organization has not kept up and several other reasons. Such a product now proves expensive for the organization. Such a product now proves expensive for the organization. One must, therefore be willing to consider the elimination of such marginal or unprofitable products. Eventually the last weapon is to reduce the price. This is dangerous because this is a very crucial time when extra promotional effort is required to be put in to prop up the product sales. Reducing the price may soon land the company in a loss situation.

3.3 OPTIONS IN THE DECLINE STAGE.

Having considered the product life cycle and the inevitability of [product decline , the question which comes to one's mind is what should be done to avoid or postpone this decline.

Consider some of the following points to avoid DECLINE.

1 Improve product quality.

2 Add new product features resulting in extra benefits.

3 Penetrate new market.

4 Give incentives to distribution channels.

5Expand the number of your distribution channels.

6 Improve advertising and sales effort.

Here innovation is the lifeblood of marketing. Innovation can be in any of the 4p's of marketing. In connection with the product, it would mean quality improvement or improvement in features. Ultimately, a time may come when the product will have to be removed.

Exercise 1.

Name any product of your choice and segment them in all the stages of the production process.

3.4 NEW PRODUCT DEVELOPMENT STRATEGY.

Many products fail, and in order to keep expanding company sales, there is need for a new product. These stages are; ideas generation, screening of ideas, concept texting, product designing and evaluation, product texting and product launching.

Figure 3 Stages in New Product Development.

Ideas Generation

Screening of Ideas

Concept Testing

Product Designing & Evaluation

Product Testing

Product Launching

GENERATION OF NEW PRODUCT IDEAS.

The first step obviously is to get ideas with regard to possible new products.

As marketing is aimed at satisfaction of consumer needs, an alert marketer can get some ideas from the customers for possible new products by keeping his eyes and ears open and more particularly the mind to perceive even needs which are so far unexpressed . Thus new ideas can come from the customer needs or problems.

EVALUATION OR SCREENING OF THE IDEAS.

This stage deals with the screening of the several ideas now available. This is known as the evaluation or screening of ideas process. Here the ideas must be consistent with the company's philosophy, objectives and strategies and be in terms of the resources available to the organization.

PRODUCT CONCEPT DEVELOPMENT AND EVALUATION.

Particularly when the product idea is rather revolutionary, the concept itself must be tested and this must be done in the environment in which the product is sought to be introduced.

PRODUCT DESIGNING AND EVALUATION.

If the product idea or the concept passes the test then the organization proceeds to production stage.

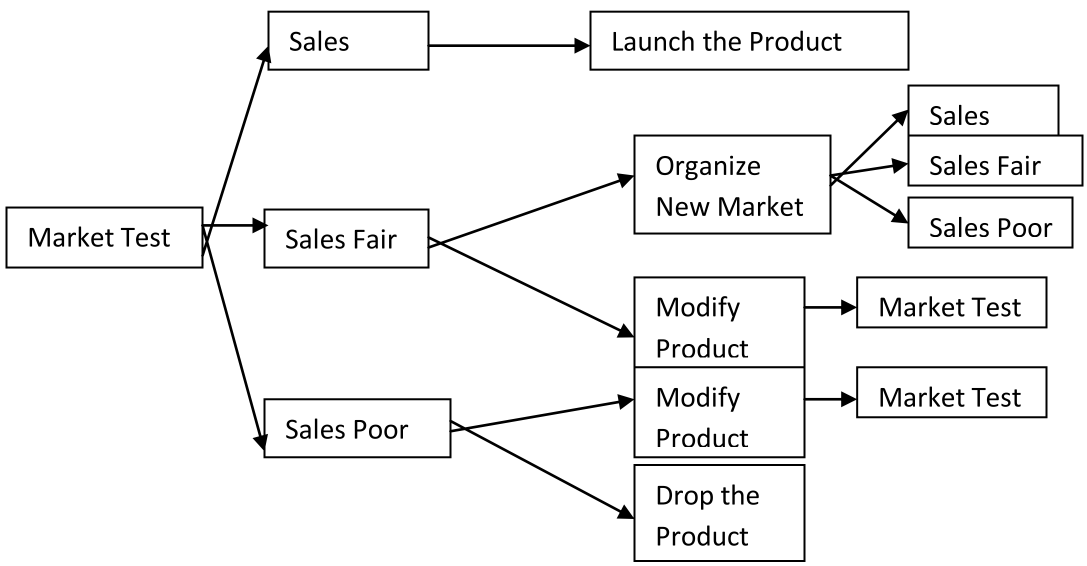
Here prototypes are developed and tested. The test can be done under a laboratory or field conditions. At this stage of the product development, the technical problems if any must be solved. This is because the product must not suffer from complaints regarding quality in use. Here even a small defect might shorten the life cycle of the product as well as spoil the company's image.

PRODUCT TESTING.

Here a market test should therefore be conducted before launching the product .This will help to find out about the product quality and whether the product can be launched successfully on a commercial scale or not.

LAUNCHING THE NEW PRODUCT.

The test marketing may show up something as depicted in Figure 4.



It may show that the sales are excellent, in which case the decision of the organization is easy and can now proceed for the product launch. As against this, if it shows that the sales are poor, the product launch can be stopped.

4.0 **CONCLUSION**

The introduction of a new product is not an easy decision. It has to be weighed very carefully in terms of possible markets, the costs involved and potential profits.

5.0 SUMMARY

In this unit, the student was informed about the product life cycle concept, marketing mix at different stages, options in decline stage and the new product development strategy.

6.0 TUTOR MARKED ASSIGNMENT.

What are the available marketing strategies at the decline stage of a product life cycle?

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UNIT 12: BRANDING AND PACKAGING DECISIONS

CONTENTS

1.0 INTRODUCTION

Perhaps, the most distinctive skill of professional marketers is their ability to create, maintain, enhance, and protect brands. Branding has become a marketing priority. Successful brands command a price premium and elicit much loyalty. Marketers of successful 21st Century brands must excel at the strategic brand management process, which involves the design and implementation of marketing activities and programmes to build, measure, and manage brands to maximize their value. The strategic brand management process involves four main steps:

- Identifying and establishing brand positioning;

- Planning and implementing brand marketing;
- Measuring and interpreting brand performance;
- Growing and sustaining brand value.

In this Unit, therefore, we shall attempt to answer these basic questions:

- What is a brand and how does branding work?
- What is brand equity?
- How is brand equity built, measured, and managed?
- What are the important decisions in developing a branding strategy?
- What are the major functions of packaging?

2.0 OBJECTIVES

After a careful study of this unit, you should be able to:

- Differentiate between a brand, branding, and brand equity;
- Explain the role of brands, and the scope of branding;
- Discuss how brand equity is built, measured, and managed;
- Discuss the important decisions in developing a branding strategy;
- Explain the major functions of packaging.

3.0 MAIN CONTENT

3.1 BRANDING AND BRAND EQUITY

The American Marketing Association defines a **brand** as "a name, term, sign, symbol, or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors." A brand is, thus, a product or service that adds dimensions that differentiate it in some way from other products services designed to satisfy the same need. These differences may be functional, rational, or tangible – related to product performance of the brand. They may also be more symbolic, emotional or intangible – related to what the brand represents.

Branding has been around for centuries as a means to distinguish the goods of one product from those of another. The earliest signs of branding in Europe were the medieval guild's requirement that craftsmen put trademarks on their products to protect themselves and consumers against inferior quality. In the fine arts, branding began with artists signing their works.

3.1.1 EXPLANATION OF RELEVANT TERMS

The following relevant terms have to be explained:

- **Brand** – word, mark, symbol, device or combination thereof, used to identify the product.
- **Brand name** – word, letter, group of words or letters comprising a name to identify the product and to identify the seller.
- **Brand mark** – symbol for identification (mark, design, logo, type, colouring scheme, picture or combination thereof).
- **Trademark** – the legalized version of the brand, to protect it from being used by others.

3.1.2 THE ROLE OF BRANDS

Brands today play a number of important roles that improve consumers' lives and enhance the financial value of firms. Brands identify the source or maker of a product and allow consumers – either individuals or organizations – to assign responsibility to a particular manufacturer or distributor. Consumers may evaluate the identical product differently depending on how it is branded. Consumers learn about brands through past experiences with the product and its marketing programme. They find out which brands satisfy their needs and which ones do not. As consumers' lives become more complicated, rushed, and time-starved, the ability of the brand to simplify decision making and reduce risk is invaluable.

Brands also perform valuable functions for firms. First, they simplify product handling or tracing. Brands help to organize inventory and accounting records. A brand also offers the firm legal protection for unique features or aspects of the product. The brand name can be protected through registered trademarks; manufacturing processes can be protected through patents; and packaging can be protected through copyrights and designs. These intellectual property rights ensure that the firm can safely invest in the brand and reap the benefits of a valuable asset.

Brands can signal a certain level of quality so that satisfied buyers can easily choose the product again. Brand loyalty provides predictability and security of demand for the firm and creates barriers to entry that make it difficult for other firms to enter the market. Loyalty can also translate into a willingness to pay a higher price. Although competitors may easily duplicate manufacturing processes and product designs, they cannot easily match lasting impressions in the minds of individuals and organizations from years of marketing activity and product experience. In this sense, branding can be seen as a powerful means to secure a competitive advantage.

SELF-ASSESSMENT EXERCISE 1

Differentiate between a brand, brand name, brand mark and a trade mark.

3.1.3 THE SCOPE OF BRANDING

Although firms provide the impetus to brand creation through marketing programmes and other activities, ultimately a brand is something that resides in the minds of customers. A brand is a perceptual entity that is rooted in reality but reflects the perceptions and perhaps even the idiosyncrasies of consumers.

Branding is endowing products and services with the power of a brand. Branding is all about creating differences. To brand a product, it is necessary to teach consumers 'who' the product is – by giving it a name and using other brand elements to help identify it – as well as 'what' the product does and 'why' consumers should care. Branding involves creating mental structures and helping consumers organize their knowledge about products and services in a way that clarifies their decision making and, in the process, provides value for the firm.

For branding strategies to be successful and brand value to be created, consumers must be convinced that there are meaningful differences among brands in the product or service category. The key to branding is that consumers must not think that all brands in the category are the same.

3.1.4 DEFINING BRAND EQUITY

According to Kotler & Keller (2006), brand equity is the added value endowed to products and services. This value may be reflected in how consumers think, feel, and act with respect to the brand, as well as the prices, market share, and profitability that the brand commands for the firm. Brand equity is an important intangible asset that has psychological and financial value to the firm.

Marketers and researchers use various perspectives to study brand equity. Customer-based approaches view brand equity from the perspectives of the consumer. The premise of customer-based brand equity models is that the power of a brand lies in what customers have seen, read, heard, learned, thought, and felt about the brand overtime. In other words, the power of a brand lies in the minds of existing or potential consumers and what they have experienced directly and indirectly about the brand.

Customer-based brand equity can be defined as the differential effect that brand knowledge has on consumer response to the marketing of that brand. A brand is said to have positive customer-based brand equity when consumers react more favourably to a product and the way it is marketed when the brand is identified as compared to when it is not. A brand is said to have negative customer-based brand equity if consumers react less favourably to marketing activity for the brand under the same circumstances.

There are three key ingredients to this definition.

1. Brand equity arises from differences in consumer response. If no differences occur, then the brand name product can essentially be classified as a commodity or generic version of the product. Competition would then probably be based on price.

2. These differences in response are a result of consumer's knowledge about the brand. Brand knowledge consists of all the thoughts, feelings, images, experiences, beliefs, and so on that become associated with the brand. In particular, brands must create strong, favourable, and unique brand associations with customers.

3. The differential response by consumers that makes up the brand equity is reflected in perceptions, preferences, and behaviour related to all aspects of the marketing of the brand.

Therefore, the challenge for marketers in building a strong brand is ensuring that customers have the right type of experiences with products and services and their marketing programmes to create the desired brand knowledge structures for the brand.

3.1.5 BUILDING, MEASURING, AND MANAGING BRAND EQUITY

Marketers build brand equity by creating the right brand knowledge structures with the right consumers. This process depends on all brand-related contacts – whether marketer-initiated or not. From a marketing management perspective, however, there are three main sets of brand equity drivers:

1. The initial choices for the brand elements or identities making up the brand (e.g., brand names, URLs, logos, symbols, characters, spokespeople, slogans, jingles, packages, and signage).

2. The product and service and all accompanying marketing activities and supporting marketing programmes.

3. Other associations indirectly transferred to the brand by linking it to some other entity (e.g., person, place, or thing).

Given that the power of the brand resides in the minds of consumers and how it changes their response to marketing, there are two basic approaches to measuring brand equity. An indirect approach assesses potential sources of brand equity by identifying and tracking consumer brand knowledge structures. A direct approach assesses the actual impact of brand knowledge on consumer response to different aspects of the marketing.

The two general approaches are complementary, and marketers can employ both. In other words, for brand equity to perform a useful strategic function and guide marketing decisions, it is important for marketers to fully understand the sources of brand equity and they affect outcomes of interest, as well as how these sources and outcomes change, if at all, over time. Brand audits are important for the former; brand tracking is important for the latter.

Effective brand management requires a long-term view of marketing decisions. Because consumer responses to marketing activity depends on what they know and remember about a brand, short-term marketing actions, by changing brand knowledge, necessarily increase or decrease the success of future marketing actions. Additionally, a long-term view results in proactive strategies designed to maintain and enhance customer-based brand equity over time in the face of external changes in the marketing environment and internal changes in a firm's marketing goals and programmes.

3.1.6 THE BENEFITS OF BRANDS

Brands generate value for companies in four ways:

1. Strong brands usually obtain price premiums from either consumers or resellers.

2. Strong brands obtain higher market shares.

3. Successful brands generate more stable and less risky earning streams because of customer loyalty.

4. Successful brands offer avenues for further growth.

Let us equally highlight the importance of branding. Branding is important because:

- The company selling the product is known;
- Consumers are confident of a certain level of quality;
- Product identification is easier;
- A quality brand may command a higher price;
- A brand image can be created through advertising;
- Segments can be targeted by a company with different brands;
- Many feel less risk in buying brand-name products;
- Retailers prefer to stock well-known, top-selling brands;
- A brand may be added to new products.

SELF-ASSESSMENT EXERCISE 2
Explain 'brand equity'.

3.2 PACKAGING

Distinctive or unique packaging is one method of differentiating a relatively homogeneous product. To illustrate, shelf-stable microwave dinners, and different sizes and designs of tissue packages are attempts to differentiate a product through packaging changes and to satisfy consumer needs at the same time. In other cases, packaging changes have succeeded in creating new attributes of value in a brand. Also, packaging changes can make products urgently salable to a targeted segment.

The basic functions of packaging are:

- Containment and protection of the product;
- Communication of the image, ingredients and direction;
- The ability for use and re-storing of the product;
- Convenient for channel members to stock and display;
- To provide a promotional tool.

There are innovations in packaging. Throughout the world, many products are identified by a unique Universal Product Code (UPC). Universal product bar codes were originally created to help grocery stores speed-up the check-out process and keep better track of inventory, but the system quickly spread to all other retail products because it was so useful. UPCs originate with a company called Uniform Code Council (UCC). The manufacturer pays an annual fee for the privilege. In return, the UCC issues the manufacturer a 6-digit manufacturer identification number and provides guidelines on how to use it. You can see the manufacturer identification number in any standard 12-digit UPC code.

Another innovation throughout the world is the 'Tetra Pak'. The tenet of Dr. Ruben Rausing, the father of Tetra Pak, was that "a package should save more than it costs."

Market managers must consider both the consumer and costs in making packaging decisions. On one hand, the package must be capable of protecting the product through the channel of distribution to the consumer. In addition, it is desirable for packages to have a convenient size and be easy to open for the consumer. The marketing manager must determine the optimum protection, convenience, positioning, and promotional strengths of packages, subject to cost constraints.

3.3 DECISIONS IN DEVELOPING A BRANDING STRATEGY

A branding strategy for a firm reflects the number and nature of common and distinctive brand elements applied to the different products sold by the firm. In other words, devising a branding strategy involves deciding the nature of new and existing brand elements to be applied to new and existing products.

The decision as to how to brand new products is especially critical. When a firm introduces a new product, it has three main choices:

- It can develop new brand elements for the new product;
- It can apply some of the existing brand elements;
- It can use a combination of new and existing brand elements.

When a firm uses an established brand to introduce a new product, it is called a brand extension. When a new brand is combined with an existing brand, the brand extension can also be called a sub-brand. An existing brand that gives birth to a brand extension is referred to as the parent brand. If the parent brand is already associated with multiple products, through brand extensions, then it may also be called a family brand.

The first branding strategy decision is whether to develop a brand name for a product. Assuming a firm decides to brand its products or services, it must then choose which brand names to use. Four general strategies are often used:

- Individual names
- Blanket family names
- Separate family names for all products
- Corporate name combined with individual product names

4.0 CONCLUSION

Brands have different value in the market place – some are very well known while others are known by very few. Brand equity is related to its degree of recognition, perceived quality, emotional connotations and other assets, such as its logo. The highest level of brand equity is a customer devoted to a brand – he would leave a store if it were out of stock and purchase the brand elsewhere. Some companies purchase brand equity to grow.

5.0 SUMMARY

In this Unit, we have been able to:

- Discuss branding and brand equity, with particular emphasis on the role of brands, the scope of branding, building, measuring, and managing brand equity, and the benefits of brands;
- Discuss packaging, and explained the unique Universal Product Code (UPC);
- Highlighted the decisions in developing a branding strategy.

6.0 TUTOR-MARKED ASSIGNMENT

1. Describe the major functions of packaging.

2. What are the important decisions in developing a branding strategy?

3. How does the Universal Product Code help retailers?

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UNIT 13: PRICING POLICIES AND PRACTICES

CONTENTS

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3.5 Pricing Strategies

4.0 Conclusion

5.0 Summary

6.0 Tutor- marked Assignment

7.0 References/ Further Reading

1.0 INTRODUCTION

One of the most important and complex decisions a firm has to make relates to pricing its products or services. If consumers perceive a price to be too high, they may not buy the company's products, instead they may buy other company's products or close substitute products, thereby leading to loss of sales and profits for the firm. On the other hand, if prices are too low, sales might increase, but profitability may suffer. It therefore follows that pricing decisions must be given careful consideration when a firm is introducig a new product or planning a short or long term price change. This unit discusses the various pricing policies and practices that a firm might consider.

2.0 OBJECTIVES

By the end of this unit, you should be able to:

> Know the meaning of pricing policies and practices;

> Demand, supply and environmental influences on pricing decisions; and

> Types of pricing strategy.

3.0 MAIN CONTENT

3.1 The Meaning of Pricing Policies and Practices

Pricing policies and practices may be defined as the set of standard procedures used by a firm to set its wholesale or retail prices for its products or services. It refers to the method of decision making that is used to set prices for a company's goods or services. The policy assists in determining prices based on various social and economic factors such as cost of production. It also relies on provision with a margin for profit.

Factors That Influence Pricing Decisions

A number of factors influence pricing decisions. According to Peter and (2011), these factors are Demand, supply, and environmental influences.

3.2 Demand Influences on Pricing Decisions

Demand Influences on pricing decisions concern primary the nature of target market and expected reactions of consumers to a given price or change in price. There are three primary considerations here, demographic factors, psychological factors, and price elasticity.

Demographic factors

In the initial selection of the target market that a firm intends to serve, a number of demographic factors are usually considered. Demographic factors that are particularly important for pricing decisions include the following:

1. Number of potential buyers
2. Location of potential buyers
3. Position of potential buyers (organizational buyers or final consumers)
4. Expected consumption rates of potential buyers
5. Economic strength of potential buyers.

These factors help determine market potential and are useful for estimating expected sales at various price levels.

Psychological Factors

Psychological factors related to pricing concern primarily how consumers will perceive various prices or price changes. For example, marketing managers should be concerned with such questions as these,

1. Will potential buyers use price as an indicator of product quality?
2. Will potential buyers be favourably attracted by odd pricing (e.g 99k, N2,999)

3. Will potential buyers perceive the price as too high relative to the service the product gives?

4. Are potential buyers' prestige oriented and therefore willing to pay higher prices to this fulfils need?

5. How much will potential buyers be willing to pay for the product?

Price Elasticity

Both demographical and psychological factors affect price elasticity. Price elasticity is a measure of consumers' price sensitivity, which is estimated by dividing relative changes in quantity sold by the relative changes in price:

$$e = \text{Percent change in quantity} / \text{Percent change in price}$$

Although price elasticity is difficult to measure, two basic methods are commonly used to estimate it . First, price elasticity can be estimated from historical data or from price/ quantity data across different sales districts. Second, price elasticity can be estimated by sampling a group of consumers from the target market and polling them concerning various price/quality relationships.

3.3 Supply Influences on Pricing Decisions

Supply influences on pricing decisions can be discussed in terms of three basic factors. These factors relate to the objectives, cots, and nature of the product.

Pricing Objectives

Pricing objectives should be derived from overall marketing objectives, which in turn should be derived from corporate objectives. Since it is traditionally assumed that business firms operate to maximize profits in the long run, it is often thought that the basic pricing objective is solely concerned with long-run profits. However, the profit maximization norm does not provide the operating marketing manager with a single, unequivocal guideline for selecting prices. In addition, the marketing manager does not have perfect cost, revenue, and market information to be able to evaluate whether or not this objective is being reached. In practice, then, many other objectives are employed as guidelines for pricing decisions. In some cases, these objectives may be considered as operational approaches to achieve long-run profit maximization.

Research has found that the most common pricing objectives are (1) pricing to achieve a target return on investment, (2) stabilization of price and margin, (3) pricing to achieve a target market share, and (4) pricing to meet or prevent competition.

Cost Considerations in Pricing

The price of a product usually must cover costs of production, promotion, and distribution, plus a profit, for the offering to be of value to the firm. In addition, when products are priced on the basis of costs plus a fair profit, there is an implicit assumption that this sum represents the economic value of the product in the marketplace.

Cost-oriented pricing is the most common approach in practice. There are at least three basic variations: markup pricing, cost-plus pricing, and rate-of-return pricing. *Markup pricing* is commonly used in retailing: A percentage is added to the retailer's invoice price to determine the final selling price. Closely related to markup pricing is *cost-plus pricing,* in which the costs of producing a product or completing a project are totaled and a profit amount or percentage is added on. Cost-plus pricing is most often used to describe the pricing of jobs that are non routine and difficult to "cost" in advance, such as construction and military weapon development. *Rate-of-return* or *target pricing* is commonly used by manufacturers. The price is determined by adding a desired rate of return on investment to total ally, a break-even analysis is performed for expected production and sales level of return is added on. For example, suppose a firm estimated production and sales to be 75,000 units at a total cost of N300,000. If the firm desired a before-tax return of 20 percent, the selling price would be (300,000 + 0.20)< 300,000) + 75,000 = N4.80 per unit. Cost-oriented approaches to pricing have the advantage of simplicity, and many practitioners believe that they generally yield a good price decision. However, such approaches have been criticized for two basic reasons. First, cost approaches give little or no consideration to demand factors. For example, the price determined by markup or cost-plus methods has no necessary relationship to what people will be willing to pay for the product. In the case of rate-of-return pricing, little emphasis is placed on estimating sales volume. Even if it were, rate-of-return pricing involves circular reasoning, since unit cost depends on sales volume but sales volume depends on selling price. Second, cost approaches fail to reflect competition adequately. Only in industries where all firms use this approach and have similar costs and markups can this approach yield similar prices and minimize price competition. Thus, in many industries, cost-oriented pricing could lead to severe price competition, which could eliminate smaller firms. Therefore, although costs are a highly important consideration in price decisions, numerous other factors need to be examined.

Product Considerations in Pricing

Although numerous product characteristics can affect pricing, three of the most important are (1) perish ability

ability, (2) distinctiveness, and (3) stage in the product life cycle.

Perishability Some products, such as fresh meat, bakery goods, and some raw materials are physically perishable and must be priced to sell before they spoil. Typically, this involves discounting the products as they approach being no longer fit for sale. Products can also be perishable in the sense that demand for them is confined to a specific time period. For example, high fashion and fad products lose most of their value when they go out of style and marketers have the difficult task of forecasting demand at specific prices and judging the time period of customer interest. While the time period of interest for other seasonal products, such as rain coats or Christmas trees, is easier to estimate, marketers must still determine the appropriate price and discount structure to maximize profits and avoid inventory losses.

Marketers try to distinguish their products from those of competitors and if successful, can often charge higher prices for them. While such things as styling, features, ingredients, and service can be used to try to make a product distinctive, competitors can copy such physical changes. Thus, it is through branding and brand equity that products are commonly made distinctive in customers' minds. For example, prestigious brands like Rolex, Tiffany's, and Lexus can be priced higher in large measure because of brand equity. Of course, higher prices also help create and reinforce the brand equity of prestigious products.

Life Cycle

The stage of the life cycle that a product is in can have important pricing implications. With regard to the life cycle, two approaches to pricing are skimming and penetration price policies. A *skimming* policy is one in which the seller charges a relatively high price on a *new* product. Generally, this policy is used when the firm has a temporary monopoly and when demand for the product is price inelastic. In later stages of the life cycle, as competition moves in and other market factors change, the price may then be lowered. Flat screen TV's and cell phones are examples of this. A *penetration* policy is one in which the seller charges a relatively low price on a new product. Generally, this policy is used when the firm expects competition to move in rapidly and when demand for the product is, at least in the short run, price elastic. This policy is also used to obtain large economies of scale and as a major instrument for rapid creation of a mass market. A low price and profit margin may also discourage competition. In later stages of the life cycle, the price may have to be altered to meet changes in the market.

3.4 Environmental Influences on Pricing Decisions

Environmental influences on pricing include variables that the marketing manager cannot control. Two of the most important of these are competition and government regulation.

In setting or changing prices, the firm must consider its competition and how competition will react to the price of the product. Initially, consideration must be given to such factors as

1. Number of competitors.
2. Market shares, growth, and profitability of Competitors.
3. Strengths and weaknesses of competitors.
4. Likely entry of new firms into the industry.
5. Degree of vertical integration of competitors.
6. Number of products sold by competitors.
7. Cost structure of competitors.
8. Historical reaction of competitors to price changes.

These factors help determine whether the firm's selling price should be at, below, or above competition. Pricing a product at competition (i.e., the average price charged by the industry) is called *going-rate pricing* and is popular for homogeneous products, since this approach represents the collective wisdom of the industry and is not disruptive of industry harmony. An example of pricing below competition can be found in *sealed-bid pricing,* in which the firm is bidding directly against competition for project contracts. Although cost and profits are initially calculated, the firm attempts to bid below competitors to obtain the job contract. A firm may price above competition because it has a superior product or because the firm is the price leader in the industry.

Government Regulations
Prices of certain goods and services are regulated by state and federal governments.

3.5 Pricing Strategies

There are several strategies that are available to marketing managers which he may to arrive at a price that reflects market realities, costs, consumer perceptions, and other considerations. According to Zikmund and d'Amico (2002), pricing strategies may be broadly categorized under five headings:

1. Differential pricing strategies
2. Competitive pricing strategies
3. Product-line pricing strategies
4. Psychological and image pricing strategies
5. Distribution-based pricing strategies

Differential Pricing Strategy; A differential pricing strategy is used by an organization that sells the same product to different buyers at different prices. The type of industry strongly influences whether an organization uses differential pricing strategy.

One-price policy versus variable pricing
Determining whether to maintain a fixed price for all customers or to *vary* the prices from buyer to buyer is a basic pricing decision. Holding the price the same for all buyers is termed a one-price strategy (or a one-price policy, if it is routinely used for all pricing decisions).

In Nigeria, most retailers follow a one-price policy. Whether a billionaire or a child with only N50.00 enters the same store, the price is the same. Some marketers defend this strategy on the grounds that it is fair and democratic not to charge prices that might favor one customer over another.

A one-price policy provides the advantage of simplicity of administration, which leads, in turn, to lower personnel expenses. This is the main reason most retailers use it. Salespeople and clerks need not debate the price of a loaf of bread or a yard of cloth with each customer.

Variable pricing appears to be the most popular differential pricing strategy, in variable pricing, marketers allow customers to negotiate in an attempt to secure a favorable price. In the Nigeria, car and real estate purchases often present such an opportunity.

Internet auctions and *reverse auctions* on the Internet are a new form of variable pricing. Companies such as eBay (http://www.ebay.com) consider themselves online trading communities. Auctions on the Internet operate in a manner similar to the way traditional auctions work: When the auction closes, the highest bidder gets to purchase the good or service for sale. In a reverse auction, a buyer who wants to get the best price on an item indicates a willingness to buy and then allows sellers to compete for his or her business. Typically the buyer picks a maximum price he or she would pay for the item and does not accept sellers' bids higher than this price.

Second-market discounting
Second-market discounting is a differential pricing strategy designed to sell a brand at one price in the core target market and at a reduced price in a secondary market segment.

Skimming
A Skimming price is a high price intended to "skim the cream off the market". It is best employed at the start of a product's life, when the product is novel and consumers are uncertain about its value.

In skimming, the practice is to price high and systematically reducing price over time. This method enables companies to establish a flow of revenue that covers research and development expenses, as well as the high initial costs of bringing the product to market. A skimming strategy assumes the existence of a relatively strong inelastic demand for the product, often because the product has status value or because it represents a true breakthrough. Price is used as a means to segment the market on the basis of discretionary income or degree of need for the product. As the product life cycle progresses, prices are reduced in response to competitive pressures, and new market segments become the key targets.

Marketing managers are most likely to embrace a skimming strategy when production capacity limits output or when competitors face some barrier to market entry. The NutraSweet brand name to solidify brand loyalty.

Periodic Discounting
Like skimming, **periodic discounting** uses price reductions that are predictable over time. The basic strat
Systematically as time elapses. For example, long-distance telephone calls
are cheaper on week-ends.
The price changes associated with periodic discounting take place over shorter time periods than those associated with skimming. Further prices may be expected to rise in subsequent periods.

Random discounting
The **random discounting** pricing strategy involves lowering the
Price of a product occasionally and randomly to entice new customers. It is designed so that customers do not anticipate the reduced prices and therefore do not postpone purchases at the regular price. In its simplest form, the strategy is designed so that regular and high-income customers routinely buy at the normal (high) price and price-conscious shoppers purchase at the sale price. The key to implementing this strategy is to ensure that consumers can't predict the timing of the discounts.

Competitive Pricing Strategies
Competitive pricing strategies are used by organizations that have competitive pricing objectives. Dominant firms may use pricing to exploit their positions. Weak firms may opt for the role of follower.

Meeting the competition
Organizations concerned with meeting competition quite naturally set prices at levels equal to those of competitors—the going rate. Many Nigeria firms choose a meeting-the-competition strategy to

avoid price competition and price-cutting wars. This approach tends to shift competition to areas other than price. Setting prices for organizational products may be considerably different from setting prices for consumer products. An organizational buyer may solicit competitive bids, asking various suppliers to submit independent price quotations for a specific order. This permits the buyer to obtain the lowest possible price for products that meet certain predetermined specifications. When they must submit price quotes, many marketers adopt competitive pricing strategies.

For many custom-made products, the supplier may request a proposal from the buyer indicating the exact nature of the product or service that will be sold. Often, the buyer and the seller will then negotiate a price

Undercutting the competition

An undercutting-the-competition strategy emphasizes offering the lowest price among available choices. Marketers implementing this approach often use price as the focal point of the entire marketing strategy. For instance, most discount stores highlight undercutting the competition (traditional retailers). Their lower markup helps generate a higher volume of merchandise sales.

Many large organizations, especially those that compete in the global marketplace, also favor this strategy. Multinational organizations and others that price to undercut the competition often have certain advantages because of production costs. For example, many Asian electronics manufacturers pay relatively low wages, and their low labor costs allow them to undercut prices in many of their export markets. Organizations experienced in producing a product often find that their know-how and technical expertise provide economies of scale, which allow them to undercut competition with a discount strategy.

.**Price Leadership and followers**

Price leadership strategies are generally implemented by organizations that have *large* shares of the market and of the production capacity in their industries. Such organizations have enough market information and enough control over their distribution systems to determine a price level that others will follow. Price leader typically are able to make price adjustments without starting price wars and can make their announced prices stick. Price leaders are often sensitive to the price and profit needs of the rest of the industry. Some organizations, especially those in weak competitive positions, adopt a follow-the--leader strategy by simply pricing as the market leader does.

Penetration pricing

A penetration price is a low introductory *price.* In the short run, it may even result in a loss. A penetration pricing strategy is implemented when a competitive situation is well established (or soon will be) and a low *price* in the introductory stage of the product life cycle will be necessary to break into the market. Penetration pricing is an alternative to skimming. Its objective is to enable a new product to become established arid survive in the long run. A company achieves this objective by *pricing* so low that a profit is possible only if the company sells a relatively high volume and obtains a large market share. Penetration pricing is likely to be the most effective and desirable approach under one or more of the following conditions:

1. When demand for the product is very sensitive to price (elastic demand)

2. When it is possible to achieve substantial economies in the unit cost of manufacturing and/or distributing the product by operating at high volume (economies of scale)
3. When a brand faces threats of strong competitive imitation soon after introduction because there is no patent protection, no high capital requirement for production, and no other factors to keep competition out of the market (strong competitive threat)
4. When market segments do not appear to be meaningful and there is mass market acceptance of the product (mass market acceptance)
5. When acquiring a customer leads to a relationship and additional purchases (customer acquisition and retention)

The logic of penetration pricing is that the strategy will reduce or slow the threat of competitive imitation because the small profit margin will discourage low-cost imitators from entering the market. Furthermore, by increasing the size of the total market or of its market share, the marketer starts a customer relationship, establishes strong brand loyalty, and increases the brand's dominance in consumers' minds.

Traditional pricing

Certain prices are set largely by tradition rather than by individual marketers. These customary prices may remain unchanged for long periods.

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Inflationary Pricing

Executives focus increased attention on pricing strategies when inflation rates are high. During periods of inflation, buying power declines for consumers as well as for many organizational buyers and most buyers become more price conscious and sensitive to price changes.

Increased price awareness heightens price competition. Products may be altered to permit the offering of lower-priced alternatives. For example, during an inflationary period, an airline may continue to offer dependable air service while cutting some of the "free" frills and extra services rather than increasing price.

Organizations may react to inflation by changing the size or amount of the product sold.

Product-Line Pricing Strategies

Many pricing strategists consider the product line, rather than individual product items to be the appropriate unit of analysis. The objective of product-line pricing is to maximize profits for the total product line rather than to obtain the greatest profits for any individual item in the line. Marketers who do this are said to focus on *total-profit pricing* rather than on *item profit pricing*

Captive pricing

A camera manufacturer may set low prices on cameras in the hope of making significant profits on film. Firms such as Schick and Gillette sell their razors at low prices to encourage long-term purchase of blades that fit the razors. In a captive pricing strategy, the basic product is priced low, often below cost, but the high markup on supplies required to operate the basic product makes up for that low price.

Leader Pricing And Bait Pricing

A common pricing strategy that sacrifices item profit for total profit is *leader pricing.* Most consumers are familiar with the concept of the loss leader, the product that the seller prices at a loss so as to attract customers, who may then buy other goods or services. Consumers are perhaps less aware of similar strategies involving *cost leaders* and *low-profit leaders.* Here again, products are priced to attract bargain-hunting customers, who may make additional purchases. The leader items, however, are sold not at a loss but at the seller's cost (the cost leader) or at a very small profit (the low-profit leader). Such pricing strategies can be quite effective.

Bait pricing involves attracting customers by advertising low-priced models of, for example, televisions. Although the bait item is available for sale in sufficient quantity, the marketer's expectation is to trade the customer up to a higher-margin model that is also available for sale. This strategy may be an effective means to sell higher-margin items.

The term *bait and switch*, however, is used when the merchant has no intention of selling the bait merchandise but only intends to convince the customer to buy more expensive goods.

Price lining

A marketer using a price-lining strategy prices the products in a product line according to a number of "price points." Price points are simply specific prices. A marketer selling a full product line establishes certain price points to differentiate the items in the line.

Many retailers, especially clothing retailers, practice price lining. A dress store ordinarily does not stock dresses priced at $299.99, $299.87, $299.76, and so on, down to $55. Instead, the prices offered are $299, $249, $199, and the like. These prices are believed by the store owner to be "strong price points," or prices that are greatly attractive to buyers. The assumption is that a good number of dresses will be sold at $249 but that not many more will be sold at prices lower than $249 until the price reaches the next strong price point, $199. Similarly, if the price is raised from $249, there will be a rapid drop in sales until the next strong price point is reached.

Price lining simplifies consumers' buying decisions. Shoppers can first select a price point and then choose from the assortment in the price line based on color, style, or other product characteristics. It also simplifies the retailer's decisions about what specific prices should be selected.

Price bundling and multiple-unit pricing

With a price-bundling strategy, a group of products is sold as a bundle at a price lower than the total of the individual prices. The bargain price for the "extras" provides an incentive for the consumer. Selling a car with an "options package" is an example of a price-bundling strategy.

The marketer using a price-bundling strategy benefits by increasing total revenues and, in many instances, reducing manufacturing costs. Inventory costs may also be reduced when marketers bundle slow-selling items with popular items to deplete inventory.

Price bundling differs from multiple-unit pricing (as in a two-for-one sale) and quantity discounts because "enhanced" products or multiple Multiple-unit pricing, in addition to attracting new customers through lower prices, may increase overall consumption of the product. Consumers who bring home two six-packs rather than a single six-pack may increase consumption, for example. The major disadvantage of multiple-unit pricing is that regular customers may stock up on the product and postpone future purchases until other "specials" appear.

Psychological And Image Pricing Strategies

Like any other stimulus, a price may be selectively perceived by consumers. Consumers may infer something about a brand's value or image from its price. When customers choose brands because their prices send a message, they are responding to a psychological or image pricing strategy.

Reference pricing

Retailers often use a reference pricing strategy, in which they choose a moderate price for a version of a product that will be displayed next to a higher-priced model of the same brand or a competitive brand.

This strategy is based on the isolation effect, which suggests that a choice looks more attractive next to a high-priced alternative than it does something about a brand's in isolation. Reference pricing is also used by cat- alog retailers such as Service Merchandise to convey the idea that they offer bargain prices. The catalog may show "reference price," "store price," and sometimes "sale price."

Odd versus even pricing

One seldom sees consumer packaged goods priced at N2.00, N5.00, or N10.00. Instead, they are normally priced at odd amounts such as N1.87, N4.98, and N9.99. Odd prices have, in fact, become traditional.

The use of odd prices is based on the belief that, for example, a price of N1.95 is seen by consumers as only a kobo plus some small change. Advocates of odd pricing assume that more sales will be made at certain prices than at prices just one or two cents higher.

Even prices are often used to good effect by the marketers of services and high-quality merchandise. A physician charges N175 for your annual check-up. A sapphire ring costs N1,000. Even prices are said to be most effective when the objective is to create an image of high quality or to appeal to upscale consumers.

Prestige pricing

For many products, consumers use price to infer quality, especially when it is difficult to determine quality by inspection. Certain products are demanded in part because of their high prices. Perfumes, furs, and gems are among them. These products are high-status goods, and marketers often charge a prestige price for them to portray an image of high quality.

Distribution-Based Pricing Strategies

Many prices are based on the geographic distance separating the buyer from the point of sale or the point of production. Prices are not always higher as the buyer gets farther from the seller. However, in most cases, geographic pricing policies reflect management's attempt to recover some or all of the costs involved in shipping products long distances.

F.O.B.

A common form of geographic pricing is F.O.B., which stands for either "freight on board" or "free on board." The letters never stand alone but are always followed by the name of a specific place, as in "F.O.B, factory" or "F.O.B. Baltimore." This place name tells the buyer the point to which the seller will ship the goods. At that point, the buyer takes title to the goods and becomes responsible for shipping charges. A consumer in Kansas City might buy a Swedish auto "F.O.B. New York." This means that the price quoted includes shipment to New York; all other transportation costs are extra.

Delivered pricing

When a department store advertises that the price of a bed is "N15,000 delivered in our area," that store is practicing delivered pricing, or *freight-allowed pricing.* The delivery charges are built into the price paid by the consumer. Occasionally, ill will may develop when customers located just beyond the delivery zone lines are charged a price higher than the advertised price.

A variation on delivered pricing is zone pricing, whereby geographic zones are delineated and prices increase as the zone lines crossed in completion of the transaction accumulate.

A company that views the entire country as its delivery zone and charges the same prices in every location is practicing a special form of delivered pricing called uniform delivered pricing.

Basing-point pricing

Another distribution-based pricing system involves the selection of one or more locations to serve as basing points. Customers are charged prices.

4.0 CONCLUSION

Pricing policies and practices are standard procedures that firms use in pricing their products or services. There are different factors that influence pricing decisions. A firm might use a number of strategies to determine its product or service prices.

5.0 SUMMARY

Pricing policies and practices represent a set of standard procedures that firms use to price the products or services which they produced. The factors that influenced pricing strategies were discussed under demand, supply and environmental factors. Firms may use differential, competitive, product, psychological and distribution based strategies in pricing its products.

6.0 TUTOR MARKED ASSIGNMENT

Discuss the various strategies that firms may use in pricing their products or services.

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UNIT 14 – INDIAN CONSUMER ENVIRONMENT

CONTENTS

1.0 INTRODUCTION

India's total population stands at 1.21billion, which is 17.7% more than the last decade, and the population growth of females was higher than that of the males. There was an increase of 181.96 million in absolute number of population during 2001-2011. There was an increase of 90.97 million males and increase of 90.99 females. In this Unit, we shall review the 2011population census result of India, and how it impacts on the consumer environment.

2.0 OBJECTIVES

After a careful study of this Unit, you should be able to:

- Review the 2011population census result of India;
- Assess the impact on the consumer environment.

3.0 MAIN CONTENT

3.1 THE INDIAN CENSUS

The Indian Census is the largest single source of a variety of statistical information on different characteristics of the people of India. With a history of more than 130 years, this reliable, time tested exercise has been bringing out a veritable wealth of statistics every 10 years, beginning from 1872 when the first census was conducted in India non-synchronously in different parts. To scholars and researchers in demography, economics, anthropology, sociology, statistics and many other disciplines, the Indian Census has been a fascinating source of data. The rich diversity of the people of India is truly brought out by the decennial census which has become one of the tools to understand and study India.

The responsibility of conducting the decennial Census rests with the Office of the Registrar General and Census Commissioner, India under Ministry of Home Affairs, Government of India. It may be of historical interest that though the population census of India is a major administrative function; the Census Organisation was set up on an ad-hoc basis for each Census till the 1951 Census. The Census Act was enacted in 1948 to provide for the scheme of conducting population census with duties and responsibilities of census officers. The Government of India decided in May 1949 to initiate steps for developing systematic collection of statistics on the size of population, its growth, etc., and established an organization in the Ministry of Home Affairs under Registrar General and ex-Officio Census Commissioner, India. This organization was made responsible for generating data on population statistics including Vital Statistics and Census. Later, this office was also entrusted with the responsibility of implementation of Registration of Births and Deaths

3.2 2011 CENSUS OF INDIA

The 15th Indian census was conducted in two phases, house listing and population enumeration. House listing phase began on 1 April 2010 and involved collection of information about all buildings. Information for National Population Register was also collected in the first phase, which will be used to issue a 12-digit unique identification number to all registered Indians by Unique Identification Authority of India. The second population enumeration phase was conducted from 9 to 28 February, 2011. Census has been conducted in India since 1872 and 2011 marks the first time biometric information was collected. According to the provisional reports released on 31 March 2011, the Indian population increased to 1.21 billion with a decadal growth of 17.64%. Adult literacy rate increased to 74.04% with a decadal growth of 9.21%. The motto of census 2011 was 'Our Census, Our future'.

Spread across 28 states and 7 union territories, the Census covered 640 districts, 5,767 tehsils, 7,933 towns and more than 600,000 villages. A total of 2.7 million officials visited households in 7,933 towns and 600,000 villages, classifying the population according to gender, religion, education and occupation. The cost of the exercise was approximately ₹2200 crore (US$340 million) – this comes to less than $ 0.5 per person, well below the estimated world average of $4.6 per person. Conducted every 10 years, this census faced big challenges considering India's vast area and diversity of cultures and opposition from the manpower involved.

Information on castes was included in the census following demands from several ruling coalition leaders including Lalu Prasad Yadav, Sharad Yadav and Mulayam Singh Yadav supported by opposition parties Bharatiya Janata Party, Akali Dal, Shiv Sena and Anna Dravida Munnetra Kazhagam. Information on caste was last collected during the British Raj in 1931. During the early census, people often exaggerated their caste status to garner social status and it is expected that people downgrade it now in the expectation of gaining government benefits.

Earlier, there was speculation of conduction caste-based census in 2011, first time after 80 years since 1931, to find the exact population of Other Backward Class (OBCs) in India, but later the proposal was dropped. Mandal Commission report of 1980 quoted OBC population at 52%, though National Sample Survey Organization (NSSO) survey of 2006 quoted OBC population at 41%.

There is only one instance of a caste-count in post-independence India. It was conducted in Kerala in 1968 by the Communist government under E. M. S. Namboodiripad to assess the social and economic backwardness of various lower castes. The census was termed Socio-Economic Survey of 1968 and the results were published in the Gazetteer of Kerala, 1971.

Census

C. Chandramauli is the Registrar General and commissioner of 2011 Indian census. Census data was collected in 16 languages and training manual was prepared in 18 languages. The census was conducted in two phases. The first house listing phase began on 1 April 2010 and involved collection of data about all the buildings and census houses. Information for National population register was also collected in the first phase. The second population enumeration phase was conducted from 9–28 February 2011 all over the country. The eradication of epidemics (2) availability of more effective medicines for the treatment of various types of diseases and the improvement in the standard of living these are the main reason for the high growth of population in INDIA.

House listing

The House listing schedule contained 35 questions.

Building number *Census house number* Predominant material of floor, wall and roof of the census house Ascertain use of actual house Condition of the census house Household number Total number of persons in the household Name of the head of the household Sex of the head Caste status (SC or ST or others)	Ownership status of the house Number of dwelling rooms Number of married couple the household Main source of drinking water Availability of drinking water source Main source of lighting Latrine within the premises Type of latrine facility Waste water outlet connection Bathing facility within the premises	Availability of kitchen Fuel used for cooking Radio/Transistor Television Computer/Laptop Telephone/Mobile phone Bicycle Scooter/Motor cycle/Moped Car/Jeep/Van Availing Banking services

Population enumeration

The Population enumeration schedule contained 30 questions.

Name of the person Relationship to head Sex Date of birth and age Current marital status Age at marriage Religion Scheduled Caste/Scheduled Tribe Disability Mother tongue	Other languages known **Literacy status** Status of attendance (Education) Highest educational level attained Working any time during last year Category of economic activity Occupation Nature of industry Trade or service Class of worker Non economic activity	Seeking or available for work Travel to place of work Birthplace Place of last residence Reason for migration Duration of stay in the place of migration Children surviving Children ever born Number of children born alive during last one year

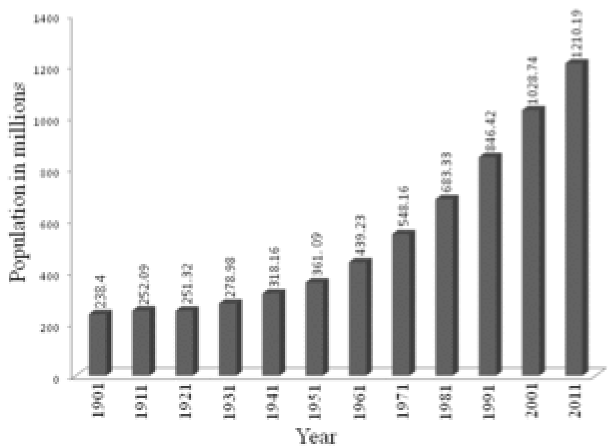
National Population Register

The National Population Register household schedule contained 9 questions.

Name of the person and resident status Name of the person as should appear in the population register Relationship to head gender Date of birth Marital status Educational qualification Occupation/Activity Names of father, mother and spouse

Once the information will be collected and digitalized, fingerprints and photos will be collected. Unique Identification Authority of India will issue a 12-digit identification number to all individuals and the first ID was to be issued in 2011.

Census report



Decadal growth of Indian population (1901–2011).

Provisional data from the census was released on 31 March 2011(Updated 20 May 2013). Complete results are expected to be released in 2012.

Population	Total	1,210,193,422
	Males	623,724,248
	Females	586,469,174
Literacy	Total	74.04%
	Males	82.14%
	Females	65.46%
Density of population	per km^2	382
Sex ratio	per 1000 males	943 females
Child Sex ratio (0–6 age group)	per 1000 males	914 females

The Error

The Census-2011 missed 50 million (5 crore) slum dwellers. Thus population as of 2011 should be reported as **1,260 million** (126 crore).

Population

The population of India on 1 March 2011 was 121,01,93,422 (or 1,210,193,422). India added 181.5 million to its population since 2001, slightly lower than the population of Brazil. India with 2.4% of the world's surface area accounts for 17.5% of its population. Uttar Pradesh is the most populous state with roughly 200 million people. A little over 5 out of 10 Indians live in the six states of Uttar Pradesh, Maharashtra, Bihar, West Bengal, Andhra Pradesh and Madhya Pradesh. India is the homeland of major belief systems such as Islam, Hinduism, Buddhism, Sikhism and Jainism, while also being home to several indigenous faiths and tribal religions which have survived the influence of major religions for centuries.

Ever since its inception, the Census of India has been collecting and publishing information about the religious affiliations as expressed by the people of India. In fact, population census has the rare distinction of being the only instrument that collects this diverse and important characteristic of the Indian population.

SN	Union Territory/ State Name	Type	Total Population	Percent(%) of Total Population	Males	Females
1	Andaman and Nicobar Islands	Union Territory	379,944	0.03	202,330	177,614
2	Andhra Pradesh	State	84,665,533	7.00	42,509,881	42,155,652
3	Arunachal Pradesh	State	1,382,611	0.11	720,232	662,379
4	Assam	State	31,169,272	2.68	15,954,927	15,214,345
5	Bihar	State	103,804,637	8.48	54,185,347	49,619,290
6	Chandigarh	Union Territory	1,054,686	0.09	580,282	474,404
7	Chhattisgarh	State	25,540,196	2.11	12,827,915	12,712,281
8	Dadra and Nagar Haveli	Union Territory	342,853	0.03	193,178	149,675
9	Daman and Diu	Union Territory	242,911	0.02	150,100	92,811
10	Delhi	Union Territory	16,753,235	1.38	8,976,410	7,776,825
11	Goa	State	1,457,723	0.12	740,711	717,012
12	Gujarat	State	60,383,628	4.99	31,482,282	28,901,346
13	Haryana	State	25,353,081	2.09	13,505,130	11,847,951
14	Himachal Pradesh	State	6,856,509	0.57	3,473,892	3,382,617

SN	Union Territory/ State Name	Type	Total Population	Percent(%) of Total Population	Males	Females
15	Jammu and Kashmir	State	12,548,926	1.04	6,665,561	5,883,365
16	Jharkhand	State	32,966,238	2.72	16,931,688	16,034,550
17	Karnataka	State	61,130,704	5.05	31,057,742	30,072,962
18	Kerala	State	33,387,677	2.76	16,021,290	17,366,387
19	Lakshadweep	Union Territory	64,429	0.01	33,106	31,323
20	Madhya Pradesh	State	72,597,565	6.00	37,612,920	34,984,645
21	Maharashtra	State	112,372,972	9.29	58,361,397	54,011,575
22	Manipur	State	2,721,756	0.22	1,369,764	1,351,992
23	Meghalaya	State	2,964,007	0.24	1,492,668	1,471,339
24	Mizoram	State	1,091,014	0.09	552,339	538,675
25	Nagaland	State	1,980,602	0.16	1,025,707	954,895
26	Orissa	State	41,947,358	3.47	21,201,678	20,745,680
27	Pondicherry	Union Territory	1,244,464	0.10	610,485	633,979
28	Punjab	State	27,704,236	2.29	14,634,819	13,069,417
29	Rajasthan	State	68,621,012	5.67	35,620,086	33,000,926
30	Sikkim	State	607,688	0.05	321,661	286,027
31	Tamil Nadu	State	72,138,958	5.96	36,158,871	35,980,087
32	Tripura	State	3,671,032	0.30	1,871,867	1,799,165
33	Uttarakhand	State	10,116,752	0.84	5,154,178	4,962,574
34	Uttar Pradesh	State	199,581,477	16.49	104,596,415	94,985,062
35	West Bengal	State	91,347,736	7.55	46,927,389	44,420,347
	TOTAL		**1,210,193,422**	**100**	**623,724,248**	**586,469,174**

SELF-ASSESSMENT EXERCISE 1

Explain the house listing schedule of the India’s population result.

4.0 CONCLUSION

The population of India as per the provisional figures of Census 2011 is 1210.19 million, of which 623.7 million (51.54%) are males and 586.46 million (48.46%) are females.

The major highlights of the Census 2011 (Provisional figures) are as under:

*The population of India has increased by more than 181 million during the decade 2001-2011.

*Percentage growth in 2001-2011 is 17.64; males 17.19 and females 18.12.

*2001-2011 is the first decade (with the exception of 1911-1921) which has actually added lesser population compared to the previous decade.

*Uttar Pradesh (199.5 million) is the most populous State in the country followed by Maharashtra with 112 million.

*The percentage decadal growth rates of the six most populous States have declined during 2001-2011 compared to 1991-2001:

-Uttar Pradesh (25.85% to 20.09%)

-Maharashtra (22.73% to 15.99%)

-Bihar (28.62% to 25.07%)

-West Bengal (17.77 % to 13.93%)

-Andhra Pradesh (14.59% to 11.10%)

-Madhya Pradesh (24.26% to 20.30%)

5.0 SUMMARY

In this Unit, we have been able to:

- Explain how the 2011 Indian census was conducted;
- Review the report of the census.

6.0 TUTOR-MARKED ASSIGNMENT

Assess the India's consumer environment.

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UNIT FIFTEEN: MARKETING COMMUNICATIONS

CONTENTS

1.0 INTRODUCTION

Marketing communications are the means by which firms attempt to inform, persuade, and remind customers – directly or indirectly – about the products and brands that they sell. In a sense, marketing communications represent the voice of the brand and are a means by which it can establish a dialogue and build relationships with customers.

Marketing communications perform many functions for consumers. Consumers can be told or shown how and why a product is used, by what kind of person, and where and when; consumers can learn about who makes the product and what the company and brand stand for; and consumers can be given an incentive or reward for trial or usage. Marketing communications allow companies to link their brands to other people, places, events, brands, experiences, feelings, and things. Marketing communications can contribute to brand equity by establishing the brand in memory and crafting a brand image.

In this Unit, therefore, we shall discuss the strategic goals of marketing communications as well as the marketing communications mix. We shall conclude with an exploration of the integrated marketing communications and its implementation as well as the factors in setting the marketing communications mix.

2.0 OBJECTIVES

After a careful study of this unit, you should be able to:

- Explain the strategic goals of marketing communications;
- Discuss the elements of the marketing communications mix;
- Explain the integrated marketing communications, and discuss its channels;and
- Discuss the factors in setting the marketing communications mix.

3.0 MAIN CONTENT

3.1 STRATEGIC GOALS OF MARKETING COMMUNICATIONS

Marketers seek to communicate with target customers for the obvious goal of increased sales and profits. Accordingly, they seek to accomplish several strategic goals with their marketing communications efforts. We shall look at the following goals:

1) Create Awareness

Obviously, we cannot purchase a product if we are not aware of it. An important strategic goal must be to generate awareness of the firm as well as its products. Marketing communications designed to create awareness are especially important for new products and brands in order to stimulate trial purchases. As an organization expands, creating awareness must be a critical goal of marketing communications.

2) Build Positive Images

When products or brands have distinct images in the minds of customers, the customers better understand the value of what is being offered. Positive images can even create value for customers by adding meaning to products. Retail stores and other organizations also use communications to build positive images. A major way marketers create positive and distinct images is through marketing communications.

3) Identify Prospects

Identifying prospects is becoming an increasingly important goal of marketing communications because modern technology makes information gathering much more practical, even in large consumer markets. Marketers can maintain records of consumers who have expressed an interest in a product, then more efficiently direct future communications. Technology now enables marketers to stay very close to their customers. Websites are used to gather information about prospects, and supermarkets use point-of-sale terminals to dispense coupons selected on the bases of a customer's past purchases.

4) Build Channel Relationships

An important goal of marketing communications is to build a relationship with the organization's channel members. When producers use marketing communications to generate awareness, they are also helping the retailers who carry the product. Producers may also arrange with retailers to distribute coupons, set up special displays, or hold promotional displays in their stores, all of which benefit retailers and wholesalers. Retailers support manufacturers when they feature brands in their advertisements to attract buyers. All members of the channel benefit because of such efforts. Cooperating in these marketing communication efforts can build stronger channel relationships.

5) Retain Customers

Loyal customers are a major asset for every business. It costs far more to attract a new customer than to retain an existing one. Marketing communications can support efforts to create value for existing customers. Interactive modes of communication – including salespeople and websites – can play an important role in retaining customers. They can serve as sources of information about product usage and new products being developed. They can also gather information from customers about what they value, as well as their experiences using the products. This two-way communication can assist marketers in increasing the value of what they offer to existing customers, which will influence retention.

SELF-ASSESSMENT EXERCISE 1

1. Marketing communications perform many functions for consumers. What are they?
2. Mention and explain the strategic goals of marketing communications.

3.2 MARKETING COMMUNICATIONS MIX

The marketing communications mix concept refers to the combination and types of non-personal and personal communication the organization puts forth during a specified period. Although advertising is often a central element of a marketing communications programme, it is usually not the one – or even the most important one – in terms of building brand equity. According to Kotler and Keller (2006), the marketing communications mix consists of six major modes of communication:

1) **Advertising** – Any paid form of non-personal presentation and promotion ideas, goods, or services by an identified sponsor.

2) **Sales promotion** – A variety of short-term incentives to encourage trial or purchase of a product or service.
3) **Events and experiences** – Company-sponsored activities and programmes designed to create daily or special brand-related interactions.
4) **Public relations and publicity** – A variety of programmes designed to promote or protect a company's image or its individual products.
5) **Direct marketing** – Use of mail, telephone, fax, e-mail, or internet to communicate directly with or solicit response or dialogue from specific customers and prospects.
6) **Personal selling** – Face-to-face interaction with one or more prospective purchasers for the purpose of making presentations, answering questions and procuring orders.

Peter and Donnelly (2011), on the other hand, recognized five elements of the marketing communications mix, four of which are non-personal forms of communication (advertising, sales promotion, public relations, and direct marketing), and one, personal selling, which is a personal form of communication.
Obviously, marketers strive for the right mix of the elements to ensure that their product is well received. For example, if the product is a new soft drink, promotional effort is likely to rely more on advertising, sales promotion, and public relations (publicity) in order to:

- Make potential buyers aware of the product;
- Inform these buyers about the benefits of the product;
- Convince buyers of the product's value, and
- Entice buyers to purchase the product.

If the product is more established but the objective is to stabilize sales during a non-peak season, the mix will likely contain short-run incentives (sales promotions) for people to buy the product immediately. Also, if the product is a new complex technology that requires a great deal of explanation, the mix will likely focus heavily on personal selling so that potential buyers can have their questions answered.
As seen by the above examples, a firm's communication's mix is likely to change over time. The mix must be continually adapted to reflect changes in the market, competition, the product's life cycle, and the adoption of new strategies. In essence, the firm should take into account three basic factors when devising its mix:

- the role of promotion in the overall marketing mix;
- the nature of the product, and
- the nature of the market.

However, we shall consider and discuss the marketing communications mix under four headings:

- Advertising
- Sales Promotion

- Public Relations and Publicity
- Personal selling

3.2.1 ADVERTISING

Advertising is paid form of non-personal communications about an organization, its products, or its activities that is transmitted through a mass medium to a target audience. The mass medium might be television, radio, newspapers, internet, magazines, outdoor displays, car cards, or directories. Thus, advertising seeks to promote the seller's product by means of printed and electronic media. This is justified on the grounds that messages can reach large numbers of people and make them aware and persuade and remind them about the firm's offerings.

From a marketing management perspective, advertising is an important strategic device for maintaining a competitive advantage in the marketplace. Advertising budgets represent a large and growing element in the cost of goods and services. Clearly, advertising must be carefully planned.

Advertising can be used to build up a long-term range for a product (Coca-cola ads) or trigger quick sales. Advertising can efficiently reach geographically dispersed buyers. Certain forms of advertising (TV) can require a large budget whereas other forms do not. Just the presence of advertising might have an effect on sales: consumers might believe that a heavily advertised brand must offer 'good value'. It is difficult to make generalizations because of the many forms and uses of advertising. Kotler and Keller (2006) noted the following qualities:

- **Pervasiveness** – Advertising permits the seller to repeat a message many times. It also allows the buyer to receive and compare the messages of various competitors. Large-scale advertising says something positive about the seller's size, power, and success.
- **Amplified expressiveness** – Advertising provides opportunities for dramatizing the company and its products through the artful use of print, sound, and colour.
- **Impersonality** – The audience does not feel obligated to pay attention or respond to advertising. Advertising is a monologue in front of, not a dialogue with, the audience.

According to Peter and Donnelly (2011), there are at least three different viewpoints about the contribution of advertising to the economic health of the firm. The generalist viewpoint is primarily concerned with sales, profits, return on investment, and so forth. At the other extreme, the specialist viewpoint is represented by advertising experts who are primarily concerned with measuring the effects of specific adverts or campaigns; here primary attention is given to organizations that offer services that measure different aspects of the effects of advertising. A middle view, one that might be classified as more of a marketing management approach, understands and appreciates the other two viewpoints but, in addition, sees advertising as a competitive weapon. Emphasis in this approach is given to the strategic aspects of the advertising function.

Thus, objectives for advertising can be assigned that focus on creating awareness, aiding comprehension, developing conviction, and encouraging ordering. Within each category, more specific objectives can be developed that take into account time and degree of success desired. Obviously, compared to the large number of people that advertising makes aware of the product or service, the number actually motivated to purchase is usually quite small.

In the long run and often in the short run, advertising is justified on the bases of the revenue it produces. Revenue in this case may refer to either sales or profits. Economic theory assumes that firms are profit maximizers, and the advertising outlays should be increased in every market and medium up to the point where the additional cost of gaining more business equals the incremental profits.

The point to be made here is that the ultimate objective of the business advertiser is to make sales and profits. To achieve this objective, customers must purchase and repurchase the advertised product. Towards this end, an approach to advertising is needed that provides for intelligent decision making. This approach must recognize the need for measuring the results of advertising, and these measurements must be as valid and reliable as possible. Marketing managers must also be aware that advertising not only complements other forms of communication but is subject to the law of diminishing returns. This means that for any advertised product, it can be assumed a point is eventually reached at which additional advertising produces little or no additional sales.

3.2.2 SALES PROMOTION

Sales promotion, a key ingredient in marketing campaigns, consists of a 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 trial, warranties, cross-promotions, point-of-purchase displays, and demonstrations;
- Trade promotion – prices off, advertising and display allowances, and free goods; and
- Business and sales-force promotions – trade shows and conventions, contests for sales representatives, and specialty advertising.

Thus, companies use sales promotion tools to draw a stronger and quicker buyer response. Sales promotion can be used for short-run effects such as to highlight product offers and boost sagging sales. Sales promotion tools offer three distinctive benefits:

- **Communication** – They gain attention and may lead the consumer to the product.
- **Incentive** – They incorporate some concession, inducement, or contribution that gives value to the consumer.
- **Invitation** – They include a distinctive invitation to engage in the transaction now.

Sales promotion tools vary in their specific objectives. A free sample stimulates consumer trial, whereas a free management-advisory service aims at cementing a long-term relationship with a retailer.

Sellers use incentive-type promotions to attract new triers, to reward loyal customers, and to increase the repurchase rates of occasional users. Sales promotions often attract brand switchers, who are primarily looking for low price, good value, or premiums. Sales promotions generally are unlikely to turn them into loyal users, although they may be induced to make some subsequent purchases. Sales promotions used in markets of high brand similarity can produce a high sales response in the short run but little permanent gain in market share. In markets of high brand dissimilarity, sales promotions may be able to alter market shares permanently. In addition to brand switching, consumers may engage in stockpiling – purchasing earlier than usual (purchase acceleration) or purchasing extra quantities. But sales may then hit a post-promotion dip.

A number of sales promotion benefits flow to manufacturers and consumers. Sales promotions enable manufacturers to adjust to short-term variations in supply and demand. They enable manufacturers to test how high a list price they can charge, because they can always discount it. They induce consumers to try new products instead of never straying from current ones. They lead to more varied retail formats, such as the everyday-low-price store and the promotional-pricing store. For retailers, promotions may increase sales of complementary categories as well as induce some store-switching by consumers. They promote greater consumer awareness of prices. They permit manufacturers to sell more than they would normally sell at the list price. They help the manufacturer adapt programmes to different consumer segments. Consumers themselves enjoy some satisfaction from being smart shoppers when they take advantage of price specials.

Service marketers also employ sales promotions to achieve marketing objectives. Some service firms use promotions to attract new customers and establish loyalty.

3.2.3 PUBLIC RELATIONS AND PUBLICITY

Public relations and publicity refers to a variety of programmes designed to promote or protect a company's image or its individual products. Doyle (2011) defined public relations (PR) as "those activities that the organization undertakes to communicate to its public that are not paid for directly". Most medium and larger organizations will have a public relations department in their head office. The biggest companies also typically retain a specialist independent public relations firm to handle the most difficult and important assignments. Not only must the company relate constructively to customers, suppliers, and dealers, it must also relate to a large number of interested publics.

The wise company takes concrete steps to manage successful relations with its key publics. Most companies have a public relations department that monitors the attitudes of the organization's publics and distributes information and communications to build goodwill. The best PR departments spend time counselling top management to adopt positive programmes and to eliminate questionable practices so that negative publicity does not arise in the first place. They perform the following functions:

- **Press relations –** Presenting news and information about the organization in the most positive light.
- **Product publicity –** Sponsoring efforts to publicize specific products.
- **Corporate communications –** Promoting understanding of the organization through internal and external communications.
- **Counselling –** Advising management about public issues and company positions and image during good times and bad.

Marketers tend to underuse public relations, yet a well-thought-out programme coordinated with the other communications-mix elements can be extremely effective. The appeal of public relations and publicity is based on three distinctive qualities:

- **High credibility** – News stories and features are more authentic and credible to readers than adverts.
- **Ability to catch buyers off guard** – Public relations can reach prospects that prefer to avoid salespeople and advertisements.
- **Dramatization** - Public relations has the potential for dramatizing a company or product.

3.2.4 PERSONAL SELLING

Personal selling refers to face-to-face interaction with one or more prospective purchasers for the purpose of making presentations, answering questions, and procuring orders.

The importance of personal selling function depends partially on the nature of the product. As a general rule, goods that are new and different, technically complex, or expensive require more selling effort. The sales person plays a key role in providing the consumer with information about such products to reduce the risks involved in purchase and use. Insurance, for example, is a complex and technical product that often needs significant amounts of personal selling. In addition, many organizational products cannot be presold, and the salesperson has a key role to play in finalizing the sale.

It is important to remember that, for many companies, the salesperson represents the customer's main link to the firm. In fact, to some, the salesperson is the company. Therefore, it is imperative that the company take advantage of this unique link. Through the efforts of the successful salesperson, a company can build relationships with customers that continue long beyond the initial sale. It is the salesperson who serves as the conduit through which information regarding product flaws, improvements, applications, or new uses can pass from the customer to the marketing department.

In summary, personal selling is an integral part of the marketing system, fulfilling two essential duties (in addition to the core sales task itself):

- The salesperson dispenses knowledge to buyers – lacking relevant information, customers are likely to make poor buying decisions.
- Salespeople act as a source of marketing intelligence for management.

Marketing success depends on satisfying customer needs. If present products do not fulfill customer needs, then profitable opportunities may exist for new or improved products. If problems with a company's product exist, then management must be quickly apprised of the fact. In either situation, salespeople are in the best position to act as the intermediary through whom valuable information can be passed back and forth between product providers and buyers.

Personal selling is the most effective tool at later stages of the buying process, particularly in building up buyer preference, conviction, and action. Personal selling has three distinctive qualities:

- **Personal interaction** - Personal selling involves an immediate and interactive relationship between two or more persons. Each party is able to observe the other's reactions.
- **Cultivation** - Personal selling permits all kinds of relationships to spring up, ranging from a matter-of-fact selling relationship to a deep personal relationship.
- **Response** - Personal selling makes the buyer feel under some obligation for having listened to the sales talk.

SELF-ASSESSMENT EXERCISE 2

Explain the benefits of sales promotions to manufacturers and consumers.

3.3 INTEGRATED MARKETING COMMUNICATIONS

As defined by the American Association of Advertising agencies, **integrated marketing communications (IMC)** is a concept of marketing communications planning that recognizes the added value of a comprehensive plan. Such a plan evaluates the strategic roles of a variety of communications disciplines – for example, general advertising, direct response, sales promotion and public relations – and combines these disciplines to provide clarity, consistency, and maximum impact through the seamless integration of messages.

IMC is the use of coordinated messages and media on regular bases to consumers. The messages are consistent and clear in all the channels of communication. Databases are used to keep in touch with consumers. Repeat sales, customer attitudes and related purchases are some of the tools used to measure the effectiveness of IMC. Thus, IMC is the integrating and coordinating of a company's communications, so that the message delivered is consistent and clear in all channels used. These channels include:

- **Advertising** - AV material, brochures, cinema, company vehicles, directories, displays, leaflets, logos, packaging, package inserts, posters, point of purchase displays, print advertisements, radio, symbols, television, transit, outdoor (billboards), videotape;
- **Direct marketing** – Bill inserts, catalogues, direct mail, e-mail, internet, TV shopping, telemarketing;
- **Public Relations** – Annual reports, community relations, company magazine, donations, internet sites, press releases, lobbying, publications, seminars, speeches, sponsorships;
- **Personal Selling** – Fairs, incentive programmes, presentations, trade shows;
- **Sales Promotion** – Allowances, contests, coupons, demonstrations, exhibits, financing, incentive programmes, lotteries, premiums and gifts, rebates, sampling, trade shows, trade discounts.

The advocates of integrated marketing communications tend to agree on the following:

- there needs to be a consistent message in all communication vehicles;
- product design and packaging are integrated in the IMC plan;
- primary consumer research is key for targeting the right audience and message;
- a customer database can also be used to target.

3.4 FACTORS IN SETTING THE MARKETING COMMUNICATIONS MIX

In this last segment, we have to consider how and what determines the marketing communications mix. The manager has to allocate his or her budget amongst the elements of the communications mix. He or she will want to pursue an integrated communications strategy. What factors should determine the mix? In principle, the answer is to switch expenditure between the categories to equalize the marginal returns on the investments. In practice, measuring such marginal returns is a pretty impossible task, so commonsense rules-of-thumb have to be applied.

The promotional mix varies even between firms in the same industry. The mix has changed overtime, with movements in the costs and effectiveness of different media. In many countries, for example, the size of sales forces has declined due to their relative cost, whereas promotion and PR have increased. But these alternative vehicles are normally complements rather than substitutes. They have to appeal to more than one target market with multiple messages and multiple media. Each of the communications elements has a different but complementary role to play.

The weight that any vehicles receive depends upon a number of factors, including the following:

- **The company's objectives and resources.** If the company's objective is to increase awareness in the mass market, then advertising is the obvious medium. On the other hand, if it wants an immediate boost to sales, promotion is relatively attractive. Resources available also influence the choice.

- **Characteristics of the target market.** If the target market consists of hundreds of customers, direct selling will be an attractive vehicle. If the market consists of millions, then mass media will be more efficient.
- **Type of product and market.** In general, personal selling is the most effective vehicle for products that are expensive, complex and high risk, and for markets with few, large buyers. For products that are cheaper and routine and where emotions play an important role in the choice process and for large markets, advertising and sales promotion are more important.
- **Push versus pull strategy.** A major factor affecting the choice is whether the manufacturer is pursuing a push or a pull strategy. A pull strategy focuses promotional activities (mainly advertising and consumer promotion) at the end customers with the aim of getting them to induce the retailer or other intermediary to stock the product. Advertising and promotion encourage customers to pull the product through the distribution chain by creating the demand. A push strategy directs promotion (mainly sales force and trade promotions) at retailers and the trade with the aim of incentivizing them to carry the product and in turn promote it to consumers.
- **Stage of market evolution.** At the early stage of the market, advertising and public relations are usually the most appropriate tools to build awareness of the new product. In the mature phase, sales promotion and personal selling become relatively more important. In the decline stage, advertising, PR, and direct selling are cut back as there is little to say about the product. Then sales promotion becomes more important for stimulating the trade and customers.

SELF-ASSESSMENT EXERCISE 3

How do you explain the concept of integrated marketing communications?

4.0 CONCLUSION

The idea of IMC is easy to understand and certainly has a great deal of commonsense validity. But like so many concepts in marketing, it is difficult to implement. The goal of IMC is to develop marketing communications programmes that coordinate and integrate all elements of promotion – advertising, sales promotion, personal selling, and publicity – so that the organization presents a consistent message. IMC seeks to manage all sources of brand or company contacts with existing and potential customers.

5.0 SUMMARY

In this Unit, we have been able to:

- Explain the strategic goals of marketing communications, which are to create awareness, build positive images, identify prospects, build channel relationships as well as retain customers;
- Discuss the elements of the marketing communications mix such as advertising, sales promotion, public relations and publicity, and personal selling;
- Explain the integrated marketing communications as a concept of marketing communications planning that recognizes the added value of a comprehensive plan;
- Discuss the channels of the integrated marketing communications; and
- Discuss the factors in setting the marketing communications mix.

6.0 TUTOR-MARKED ASSIGNMENT

1. Explain integrated marketing communications and its implementation.

2. Describe the components of the communication mix.

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UNIT SIXTEEN: SALES FORCASTING;

CONTENTS

1.0 Introduction

1.0 INTRODUCTION

Sales forecasting is an important aspect of business ventures. Without sales forecasting, it will be difficult to steer the company in the right direction. In this section, you will learn about the meaning of sales forecasting, levels of sales forecasting, forecasting by time periods, forecasting options and factors that determine good sales forecasting.

2. OBJECTIVES

By the end of this unit, you should be able to ;

- Explain the meaning of sales forecasting
- Understand levels of sales forecasting
- Understand conditional forecasting, what if?
- Explain forecasting options

- Understand factors that determine good forecasting.

3.0 MAIN CONTENT

3.1THE MEANING OF SALES FORECASTING

Let us first of all consider the meaning of forecasting which will help us to understand the term sales forecasting. Forecasting is the process of making statements about events whose actual outcomes have not yet been observed. It is simply an estimate of what will happen in future. We can therefore view sales forecasting as the process of estimating what a business sales are going to be in the future. It is basically a projection of achievable sales revenue, based on historical sales data, analysis of market surveys and trends and salespersons' estimates. It tells us what our future sales will be, compared with the past. The purposes of sales forecasting is to provide information that can help a marketing manager make intelligence business decisions.

Marketing managers need information about the future to make decisions today that will guide their company's Market. They need to ask; "What will be the size of the market next year?" "How large a share of the market will we have in five years?" "What changes can we anticipate?" Sales forecasting involves applying research techniques to answer questions like these. According to Zikmund and d, Amico, (2002), Sales forecasting is the process of predicting sales totals over some specific future period of time. An accurate sales forecast is one of the most useful pieces of information a marketing manager can have, because the forecast influences so many plans and activities. Peter and Donnelly,(2011) defined sales forecast as an estimate of how much of the company's output, either in naira or in units, can be sold during a specified future period under a proposed marketing plan and under an assumed set of economic conditions. A sales forecast has several important uses; (1) It is used to establish sales quotas; (2) it is used to plan personal selling efforts as well as other types of promotional activities in the marketing mix; (3) it is used to budget selling expenses; and (4) it is used to plan and coordinate production, logistics, inventories, personnel and so forth. Sales forecasts are focused on company sales, but they may also make use of forecasts of general economic conditions, industry sales, and market size.

3.2 LEVELS OF SALES FORECASTING

There are three levels of *forecasting which are discussed below*:

- Market potential; this refers to the upper limit of industry demand, or the expected sales volume for all brands of a particular product type during a given period. Market potential is usually defined for a *given* geographical area or market segment under certain assumed business conditions. It reflects the market's ability to absorb a type of product.
- Sales *potential; this* is an estimate of an individual company's maximum share of the market, or the company's maximum sales volume for a particular product during a given *period.* Sales potential reflects what demand would be if the company undertook the maximum sales-generating activities possible in a *given* period under certain business conditions.
- The sales forecast, or expected actual sales volume, is usually lower than sales Potential because the organization is constrained by resources or because management emphasizes the highest profits rather than the largest sales volume.

3.3 CONDITIONAL FORECASTING—"WHAT *IF?"*

Forecasters often assume the upcoming time period will be like the past. However, marketing is carried on in a dynamic environment an *effective* forecaster recognizes that a forecast *will* be accurate only *if* the assumptions behind it are accurate.

Therefore, organizations often create three versions of each forecast: one based on optimistic assumptions, one based on pessimistic assumptions, and one based on conditions thought to be "most likely" The most likely forecast is not always halfway between the other two. In bad times, "most likely" might be awfully close to disaster. The advantage of this threefold forecasting approach is that the forecaster clearly distinguishes between what *is* predicted and what is possible.

3.4 FORECASTING BY TIME PERIODS

A good forecast specifies the time frame during which the forecasted goal is to be met. Managers frequently use expressions like "short term," "long term," and "intermediate term" to describe these time periods. Such expressions can mean almost anything, depending on the marketing problem under discussion. For novelty items such as snap bracelets, the difference between the short and the long term may be very short, indeed. Such products may have a life of only a month and then disappear from the market. Established products like Honda motorcycles and Lawn Boy lawn mowers may survive for years or even decades.

Though situations vary, there is general agreement that a short-term forecast covers a period of a year or less and that long-term forecasts cover periods of 5 to 10 years. The intermediate term is anywhere in between.

Generally, forecasting time frames do not go beyond 10 years. For some products, such as automobile tires, it should be safe to assume that a market will exist 10, 20, or even 50 years into the future. But it is not safe to assume that any product will be around "forever." Some forecasters do make such long-range forecasts. The problem is that the longer the time period, the greater the uncertainty and risk involved. The level of uncertainty increases immensely for each year of the forecast.

As time frames become longer, what starts as a forecast can become a fantasy. The history of business is littered with stories of managers who encountered disastrous failure because they assumed that an existing market situation would remain unchanged indefinitely. Marketing's dynamic environment does not offer the safety long-term planners would like to have. Thus, many forecasters revise sales forecasts quarterly, monthly, or weekly, as the situation warrants.

3.5 FORECASTING OPTIONS

There is no best way to forecast sales. This does not mean that the marketing manager faces total chaos and confusion. It does mean that there are many different methods, ranging from simple to complex, for forecasting. Some methods that have been used to forecast sales are executive opinion, analysis of sales force composites, surveys of customer expectations, projection of trends, and analysis of market factors.

Surveys of Executive Opinion; Top-level executives with years of experience in an industry are generally well informed. Surveying executives to obtain estimates of market potential, sales potential, or the direction of demand may be a convenient and inexpensive way to forecast. It is not a scientific technique, however, because executives may be biased, either consciously or unconsciously, and thus overly pessimistic or overly optimistic. Used in isolation, executive opinion has many pitfalls. But the opinions of seasoned industry executives may be a useful supplement to one or more of the other forecasting methods.

Analysis of Sales Force Composite; asking sales representatives to project their own sales for the upcoming period and then combining all these projections is the sales force composite method of forecasting. The logic underlying this technique is that the sales representative is the person most familiar with the local market area, especially the activity of competitors, and therefore is in the best position to predict local behavior. However, this method may yield subjective predictions and forecasts based on a perspective that is too limited.

Surveys of Customer Expectations; Surveying customer expectations simply involves asking customers if they intend to purchase a service or how many units of a product they intend to buy. This method is best for established products. For a new product concept, customers' expectations may not indicate their actual behavior.

Projection of Trends; Identifying trends and extrapolating past performance into the future is a relatively uncomplicated quantitative forecasting technique. Time series data are identified and even plotted on a graph, and the historical pattern is projected onto the upcoming period. Thus, if sales have increased by 10 percent every year for the last 5 years, the trend suggests that next year's sales should also increase by 10 percent An advantage of projecting past sales trends is that the company's accounting records can provide the needed data. This common method of forecasting can work well in mature markets that do not experience dynamic changes, since the underlying assumption is that the future will be somewhat like the past. However, if environmental change is radical or if new competitors are entering the market, blindly projecting trends may not be useful and may even be detrimental.

Analysis of market factors; The market factor method of forecasting is used when there is an association between sales and another variable, called a market factor. For example, population is a general market factor that will help determine whether sales potential for Coca-Cola is higher in Albany, New York, or Salt Lake City, Utah. Similarly, new housing starts may predict lumber sales. When a number of factors are combined into an index, the result is referred to as a multiple market factor index. Or market index, Correlation methods and regression methods are mathematical techniques that may be used to identify the degree of association between sales and a market factor.

6. FACTORS THAT DETERMINE GOOD SALES FORECASTING

Good sales strategy; A good sales strategy is essential for a sales forecasting in that it takes into account the outcomes that need to occur in order to be successful in business. A good strategy may include a SWOT analysis, or a clear understanding of the customer criteria for decision and how one can rank against the criteria, but most importantly, it will direct the tactics and help to determine the logical series of next steps.

Understanding buyers' behaviour: Too many forecasts are simply lists or histories of what the seller has done without taking into consideration what the buyer is doing.   The sales process, however, only moves forward when the buyer takes action, so it is incumbent on the sales organization to get clear on how the buyer is making decision. What is the process they will use? What stages of the decision cycle are ahead? And what should be done differently at each stage.

Continuous improvement: A forecast is a snapshot not a movie. At any given time there is the need to remember that if done well, forecasting represents a movement in time, and since the environment is constantly changing, forecasts need to be continually refined. The marketing manager may experience changes in the business or in the market place that indicate an additional milestone be added to the process.

4.0 CONCLUSION

In this unit, we have learned the meaning of sales forecasting, levels of forecasting, understanding conditional forecasting, what if. We also learned about sales forecasting options, and factors that determine sales forecasting. We saw that sales forecasting is an important aspect of any business.

5.0 SUMMARY

Sales forecasting refers to the process of predicting sales totals over some specific future period of time. The levels of sales forecasting are market potential, sales potential, and sales forecast or expected actual sales volume. Forecasting options available are surveys of customer expectations. Projections of trends, analysis of market factors. The factors that determine good sales forecasting are Good sales strategy, understanding buyers' behavour and continous improvement.

TUTOR-MARKED ASSIGMENT

Discuss any four forecasting options you know.

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UNIT SEVENTEEN: MANAGING SALES PERSONNEL

CONTENTS

1.0 INTRODUCTION

In daily life, a layman deals with different transaction in terms of selling and purchasing of goods and services. In these transactions the second one persuades the first person. Therefore, selling may be defined as persuading people to satisfy the want of first one. The person, who does this act, is called as the salesman, the result of this action as sales, while these activities of the person, are supervised and controlled by sales-management. In the present scenario sales executives are professionals. They plan, build and maintain effective organisations and design and utilize efficient control procedures. The professionals approach requires thorough analysis, market-efficient qualitative and quantitative personal-selling strategy. It calls for skilful application of organisational principles to the conduct of sales operations. In addition, the professional approach demands the ability to install, operate, and use control procedures appropriate to the firm's situation and its objectives. Executives capable of applying the professional approach to sales management are in high demand today. The quality of selling is referred to as salesmanship. In other words, 'management' is synonymous with leadership. Managers do the same thing in industry, as ministers do in states and at the centre, i.e., they have to plan, forecast, direct and control their personnel. Here success lies in running together, hand in hand. Managers are the captains of the army of their followers.

Sales management, as the term implies, means management of sales. Often it is considered synonymous with the management of personal sales. It involves an understanding of the effort that goes into the management of the sales force and the various processes of sales. Sales management initially was meant to be the direction of sales force personnel. Later the term took on a broader significance apart from personal selling and the term "sales management" included managing of all the sales related activities including below the line advertising, sales promotion, physical distribution, pricing and product merchandising. The Definitions Committee of the American marketing association defined sales management as " the planning , direction and control of personal selling, including recruiting, selecting, equipping, assigning, routing, supervising, paying and motivating as these tasks apply to the personal sales force". However, we shall also include indirect sales through channels within the ambit of sales management.

2.0 OBJECTIVES

After studying this unit, you will be able to:

1. Explain the job characteristic model
2. Narrate the significance of a well executed recruitment and selection process on the organization.
3. Understand the steps in sales training process
4. Understand the role of a sales manager in developing the motivation levels of the employees in the organization
5. Explain the benefits of non-monetary reward system in sustaining the motivation levels in the employees
6. Identify the role of job description in objective settings
7. Explain the procedure for evaluating the sales force

3.0 MAIN CONTENT

3.1 JOB ANALYSIS, RECRUITMENT AND SELECTION

3.1.1 Job Characteristic Model

The aim of any company is to optimize its resources and get the maximum out of them. Resources may include not only capital, office space, computers, software etc., but it also includes the employees of the organization. Employees are critical for an organization survival. Taking care of employees is an important task for any company. The job of the employee must be promising for his/her career growth and if it is not the employee might leave the company. Let us now look at the Job Characteristic Model and then define Job analysis and design. This model aims at describing any job in terms of different dimensions which measure the nature and requirements of the job. The Hackman and Oldham's Job Characteristic model explains five important job factors which would explain about the job. Let us now discuss them in detail:-

a) Skill variety:

Skill variety refers to the usage of different skills which the job requires. It might not always be essential to use different skill set in every job. For example, if your job involves fixing an automobile part in the assembly line, you would keep doing the same type of fitting all the day and this job doesn't require a variety of skills. In contrast, a sales representative job demands the use of different skills based upon the nature of the sale. So the first step in defining or understanding the job would be identifying the variety of skill set required for the job. Identification of greater variety of skill set is usually associated with the complete understanding about the nature of job. Therefore, it is advisable for the companies to prepare jobs which demand greater variety of skill set.

b) Task identity:

Task identity refers to the completion of a whole and identifiable piece of work. Employees in a job would love to improve their skill set. The only way to improve the skill set practically is by performing the entire piece of work assigned to him/her. For instance, if you are the sales representative handling the personal sales, you would like to complete the entire sales process until the deal has been done. You wouldn't like to just describe the product benefits and then handover the selling process to other representative. Even when you are handling any project in the company, you would like to take part and work from the start to finish. It might not be always possible for the companies to assign the entire project from start to finish to the employees but companies have to design and create jobs with significant task identity and visible outcome for the employee and organization. In many ways, task identity is an important factor for job satisfaction of the employees and decreased attrition rate.

c) Task Significance:

Task significance is about understanding the impact of an employee work on the lives or work of other employees or the organization. Understanding task significance can immensely motivate the employees to perform their duties effectively and efficiently. For example, if you are involved in a software project which automates the working of government hospitals and helps the patients to know about the bed availability, blood stock, medicines and doctor availability and if the employees working on the project were informed about the task significance of the project and their work, it would definitely motivate them to work on the project more sincerely and on time. The sales representatives must understand that the organization will survive and be able to provide employment only if they perform their duties well and get more leads to the company. The work timings for a sales representative would not be fixed many a times and especially in industrial sales where the meetings would be held according to the client's availability. If you have to interact with the clients in other countries like UK and USA, then the timings to do a teleconferencing or a video chat would be in the night. The sales representatives should be motivated enough to before his task with dedication in odd timings. Hence, the sales representative should be informed about their task significance which can motivate them to work with dedication.

d) Autonomy

Autonomy in this unit refers to the freedom which an employee can have at the work place. It is the degree to which the employee can schedule his tasks and procedures to perform according to his/her convenience. It is believed that jobs with higher autonomy would create a greater responsibility and job satisfaction for employees, although it might not be true in all the cases. Greater job autonomy might encourage the employees to bring the work to their home and just not restrict it to work place. This gives a benefit for the company as the employee will be able to work from home whenever it is required. This is common practice nowadays among employees in managerial positions and the trend of working from home is seen more among sales representatives in the company. In Industrial sales if the client availability to discuss about the sale is after the office hours then the sales representative would like to arrange the call from the home and even the organizations are providing with all the facilities to do a teleconferencing from the home. Some of the disadvantages of increased autonomy are little control over the employees work and monitoring their performance. It is the decision of the company about the degree of autonomy that should be provided to the employees. It also depends upon the nature and level of job assigned.

e) Feedback

Feedback is the information that is conveyed to the employee about his/her performance in the job. Feedback may come directly from the job assigned to them or verbally by his/her manager. A system for giving the feedback must be developed and be well informed to the employee about the time and procedure to receive the feedback. Feedback shouldn't come as a surprise to the employees. It might lower their satisfaction level when given at times the employees are not expecting. For example, in many call centers the feedback will be given at the start of the day. All the employees will be assembled at a place where the previous day's work will be reviewed and the level of error rates will be discussed. The employees will be informed about their error rates and the ways to decrease it. If required the employees will be given some training before allowing them to work. Every employee knows that the feedback and the suggestion will be given how to rectify the problems. In personal sales, feedback might be possible on a day-to-day business. But, in industrial sales where the sales process can run into months for a single sale, it wouldn't be possible to provide feedback daily. Hence the companies have to find out the right time for feedback may be once in a month or quarter. It is always advisable not to judge the employee in the feedback but only give the recommendations on his/her work. Companies take every care while giving the feedback so that it doesn't become a de-motivating factor for the employees and their satisfaction levels. Let us now look at the job analysis of the sales representative and the nature of work he performs.

3.1.2 Job Analysis and Design

Job analysis deals with collection of detailed information about the job. The information collected would include the necessary skill set, duties and responsibilities a job requires to be performed. Various definitions of job analysis have been stated by numerous scholars. Some of them include:-

"Job analysis is the process of critically evaluating the operations, duties and responsibilities of the job", Scott clothier and Spriegal

"Job analysis is the process of studying and collecting information relating to the operations and responsibilities of a specific job", Edwin B. Flippo

"Job analysis is the procedure by which the facts with respect to each job are systematically discovered and noted" , Dale Yeder

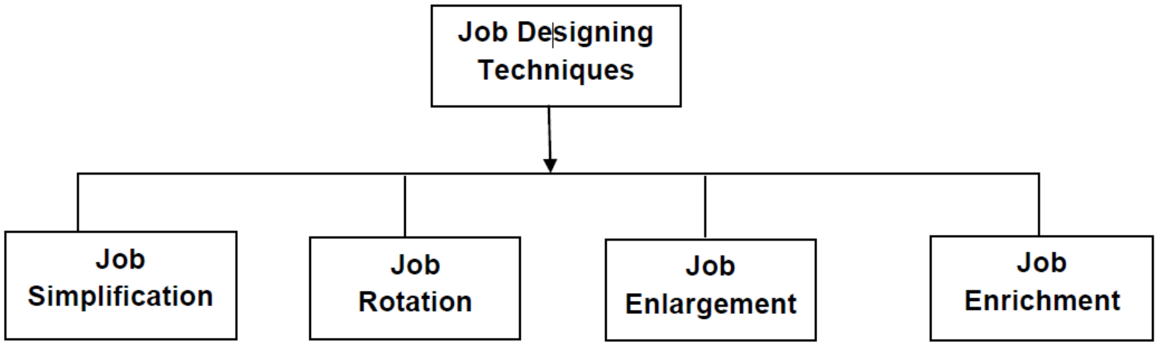
Job analysis activities include understanding the nature of the sales job and making the list of skill set required.

Job design activity serves the purpose of creating a set of tasks or processes which the employee has to perform and also deals with aligning the right work to the employees to achieve the desired level of productivity from them. Aswathappa (2005) defines job design as "the effort to integrate the work content (tasks, functions, relationships), the rewards (extrinsic and intrinsic), and the qualifications required (skills, knowledge, abilities) for each job in a way that meets the needs of employees and the organizations".

Steps for job design:

Aswathappa (2005) defined three steps that involves in job design. They are:-

1) The specification of individual tasks
2) The specification of method(s) of performing each task
3) The combination of tasks into specific jobs to be assigned to individuals



3.1.3 Recruitment and Selection

The objective of recruitment and selection process is to select the right candidate for the required job description. There are many ways in performing the recruitment process depending upon the nature of job description. In this section we shall understand about the key parameters the recruiter should be looking at in the recruitment and selection process.

The Recruitment Process:

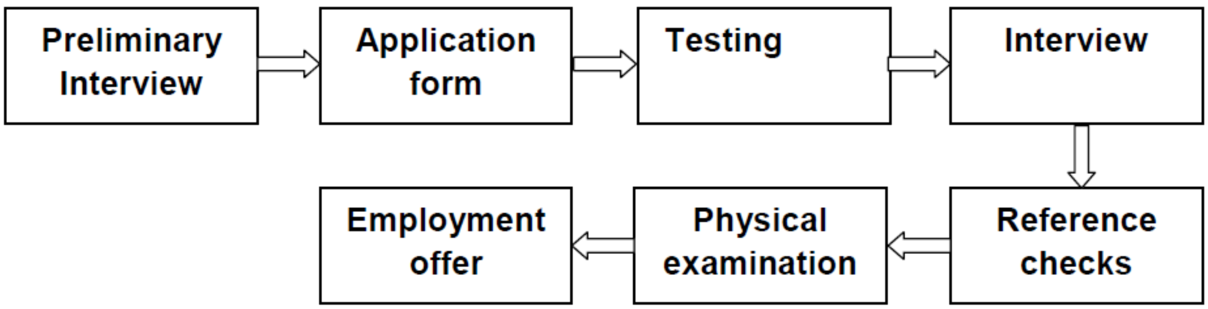
One of the activities of recruitment process is to select the candidates and short list them for the interview. The list of candidates can come from many sources. In broad the sources are referred to:-

a) Internal Sources: Identifying employees within the company who can take care of job. Here the employees from various departments may shift into the department where the vacancies are available or a promotion will be given within the same department and fill the vacancy.

b) External Sources: Here the candidates will be selected from outside the company i.e. who are not currently working with the organization. Companies might advertise in newspapers, job portals, magazines etc to attract the talent available. Most of the times companies go to well known reputed educational institutes to get the list of candidates who are eligible for the section process. A successful recruitment process enables the highly talented list of candidates who could be employees of the organization. Recruitment process should be done carefully in short-listing the candidates for the selection process. Selection process should be done in such a way that the candidates skill set is matching with the required skill set as mentioned by the job description activity. There can be various parameters which the recruitment process would look at before short-listing the candidates such as the family background, employment history, educational qualifications, hobbies and interests. All these factors play important role in judging the candidate for the suitability for the job.

The Selection Process:

A typical selection process which is explained by the following diagram:-



The preliminary interview is done as a process to filter out the candidates who do not fit the job description. Application form should be designed in such a way that it captures the necessary information which is required to evaluate the candidate across the skill set required by the job description. For sales representatives, attitude, communication skills and analytical skills are very important; hence the testing phase should be prepared so that it captures these skills. The testing phase can be just an interview or can have a written test and a group discussion. After the test has been completed, the candidates will be short-listed according to their performance for an interview round. During the interview much emphasis should be given in the attitude of the candidate rather than the skills. Two basic ways in which the interview can take place are:-

a) In a comfortable mode, where the recruiter would bring the atmosphere to the comfort level of the candidate and then start observing the behaviour of the candidate.

b) In a stressed mode, where the recruiter would put the candidate under a lot of stress by asking a lot of questions and then observe the candidates reactions.

Doing an interview in these two ways is important in order to judge the candidate forsales job as the sales representative would have to encounter both the serene and pressure environment while making the sale. Previous work experiences and references should be cross checked before selecting the candidate for the job. Physical examination is important to ensure the candidate is in good state of health as he/she requires traveling during the sales job. Finally after all the selection process and the candidate qualifies for it he/she will be given the employment offer which describes the nature of work, job title, salary, any contract period etc.

3.2 TRAINING OF SALES FORCE

After the successful recruitment process you will have the best talent your organization requires. It is now the duty of the organization to conduct the necessary training program and make use of the talent in increasing the revenue for the organization.

3.2.1 Sales Training Process

Let us understand the typical sales training process as explained by Ingram (2009):-

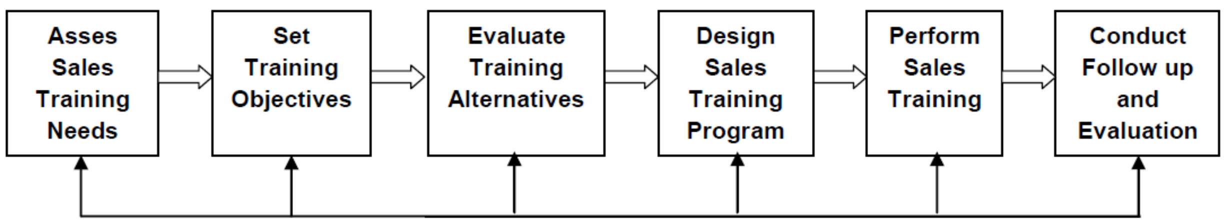


Fig: Sales Training Process

The 1st step sales training need assessment deals with identifying the necessary skills, attitudes, perceptions and behaviours of the sales representatives. The 2nd step deals with setting up the training objectives i.e. the necessary measurable outcome of the training program. The 3rd step deals with identifying various alternatives to conduct the training. The 4th step deals with the design part of the training program which involves identifying the training program period and modules and the necessary skills to be imparted, logistics arrangements etc. The 5th step performing the sales training is the actual implementation of the sales training program which deals with the way how the training is conducted and the methodologies adopted by the trainer in imparting the necessary skill set. Once the entire training process is completed, follow-up and evaluation dealing with analyzing the quality of training program held and the benefit received by the candidates and the organization need to be conducted. We shall learn more about the individual steps in the training process in subsequent sections in this unit.

3.2.2 Training Program Objectives

Training is a continuous process in the employer's career. Training might be required whenever a new designation is given in the appraisal system. So having the set of objectives in place for any training program is an important task. Let us now look at some of the common objectives which most of the training programs would try to achieve:-

Imparting Attitude Skills:

We have already studied in the earlier units about the importance of positive attitude for a sales representative. Sales job is a challenging one which requires positive attitude and continuous self motivation. For a candidate who has passed out from college, imparting attitude skills is a significant task. Apart from positive attitude, there will be necessity to impart professional behaviour skills as well. Sales representatives may notice other employees advance in their career by shortcuts. It is therefore very important that the training program highlights the importance of hard work. Hence, in brief some of the objectives in imparting the right attitude skills would include:-

- Imparting positive behavioural attitude
- Encourage the candidates to depend on hard work rather than shortcuts
- Inculcate the willingness to work even in difficult times
- Recognizing the importance of self motivation
- Understand the importance of value system
- Improving the leadership qualities i.e. ability to take challenges

Notifying organization policies:

Clear understanding about the organization policies will decimate any future misunderstandings between the employees and the organization. Every training program should make it clear about the organization policies to the employees. In brief, Organization policies may include the following:-

- Dress code of the employees
- Work schedules and facilities when working overtime

- Logistics provided like internet, telephone connections, faxes etc.
- Rules and regulations as per the government laws for proper behaviour with employees, smoking regulations etc.
- Salary structure, designation, employment type i.e. regular or contract and other benefits like Insurance, LTA etc.

Bestowing organization culture and values:

It is important that the employees/ candidates who have joined the organization are imparted with the organization culture and values. This is done as an attempt to increase the loyalty towards the organization. During the training programs a lot of importance is given in this activity. The main objective in doing so is to create a sense of feeling that the company is for the employees and the employees are an important

- The complete set of features of the product/ service
- The benefits the product/ service provides to the customer
- The key competitive advantages of the product/ service over the competitors
- The price and the maximum allowable discount for the product/ service
- The installation time and after sales service available with the product/ service

In this section we have understood the training objectives and the necessary skill set required by the sales representatives. The following diagram helps in understanding

3.3 SALES PERSONNEL COMPENSATION AND MOTIVATION

3.3.1 Role of a Sales Manager

The sales for a product or service are carried out by different sales representatives. Hence, a sales manager is required to monitor the growth of sales, achievement target in time, coordinate various sales activities and controlling the staff to perform as expected by the company. Yet another important duty or responsibility of the sales manager is to take care of his employees at all times. Sales monthly involve field work i.e. going to the market place or to the customers and making the sale. Sales job involves less work at the office and more work in the field. Hence the level of interaction between various employees is quite less while compare to other job like software, testing etc. To keep up the team spirit within the company, it's important that the sales manager interacts with all the employees socially after the office hours at regular intervals. He should be a boss in office, and a mentor/ philosopher outside office. Most of the sales people run into problems like family or health. A good sales manager should be able to understand the problems which the employees are facing and help in solving them.

In most of the good organizations the sales manager would behave like one of the team members and help in leading the team to reach the targets and demonstrate leadership skills whenever required. Sales manager should also help in facilitating a proper feedback mechanism among employees and keep updating about the situation in their department. Sales manager has to find any training requirements required for the team and help to be provided with the same.

The challenging task for the sales manager is to keep up the motivation levels of his employees. As we have already understood sales job is mostly a lonely and challenging job; it requires a lot of self motivation to sustain. Sales manager has to indentify the motivational factors for the employees. Since these factors can be different for different employees identifying the right factor is an important task. In next section we shall learn about various motivational factors such as incentives, awards, recognition etc. and the way they alleviate the motivational levels of sales representatives. Another important task of the sales manager apart from finding out the right motivational factor for the representatives is to find out the various de-motivating factors which are prevailing at the work place. The ultimate objective of the using the motivational factor like incentives, recognitions, awards etc. is to ensure that the sales representatives work with enthusiasm all the times.

It is observed that the employees are having enough motivation levels when they join the organization and as the time progresses, due to various de-motivating factors they lose out their enthusiasm to work irrespective of the decent salary structure and incentives. Hence, identifying the de-motivating factors and eradicating them from the work place is an important task of the sales manager. In the subsequent sections we shall understand various de-motivating factors which can lower the enthusiastic levels of the sales representatives. Hence, in brief the role of a sales manager would include the following:

- Leading the team from the front on every challenge faced by the sales representatives

- Facilitating proper communication channels either in the work place or off the work place to ensure that at least minimum level of interaction taken place between the sales representatives
- Understanding the problems and needs of the employees and help in resolving them
- Keep up the motivational levels of sales representative all the time
- Indentifying the de-motivating factors
- Identifying training needs and areas of improvement for the sales representatives

3.3.2 Motivational Factors

There was a time when employees were not given enough consideration and more emphasis was laid down in the production process. But it was later recognized that companies who retained talented employees have a greater survival rate in the industry and the market place. Employees are not treated as just another component in conducting business, but are considered as the prime resource for every business activity and as an important asset of the organization. Various studies have been done on the fact that success of organization depends upon the satisfaction levels of the employees. In an organization, sales representatives may vary across the spectrum of which satisfy them to keep up the motivational levels. So, in this section let us analyze various motivational factors which are used by the organizations to sustain enough enthusiastic levels among their sales representatives.

Compensation scheme/ package:

One of the most attractive and encouraging factor for motivation among most of the sales representatives would be the compensation scheme or package there are entitled to receive at the start of the job. Organizations tend to pull in the best talent by offering effective compensation packages. The sales manager has to understand that often compensation is seen as a level of loftiness among the representative within the same hierarchy level. Hence enough care has to be taken in designing the compensation package for the sales representatives.

3.3.3 Role of Incentives

Incentives play an important role in keeping up the motivation levels of the employees. Incentives may include yearly bonuses, commission rates based on the individual sales figures and commission rates based on the group or team sales figures, stock options etc. Zoltners (2006) describes that the sales force incentive plans effective the sales people and in turn on the sales force activities followed by customer results and finally the company results.

Fig: Effects of sales incentive plan

a) **Bonuses:** These are one time payments provided as a reward for the level of work done or objective achieved. This type of incentive system is often used to encourage the sales representative to work much better and harder in future. The sales manager has to understand certain issues when dealing with bonuses.

b) **Commission plans:** Commission is the percentage of total sales amount given to the sales representative for successfully making the sale. Often sales representative participate to push the products/ service for sale which offers them more commission rates.

c) **Profit or gain share:** Companies may share their increased profits or gains for the year or quarter among the employees of the organization. Depending upon the basic pay of the employee the gains can be distributed. Such incentive gives a sense of feeling that the employee is working in a growing organization and he/she has a bright future in the organization.

3.3.4 Non-Monetary Reward Systems

Whenever a monetary reward fails, non-monetary reward system may achieve success in sustaining motivation and dedication of the employees towards the work place. Let us understand some of the non monetary rewards as stated below:-

a) **Stock options:** The employee stock option is usually a call option which is given as a non cash reward or incentive system. A lot of employee would like to have the stocks instead of the cash rewards like bonuses. There are a lot of advantages in giving the stock options to the employees. Some of the advantages include getting a feel of his/her own company once the stock options are given. Employees tend to work better to generate more sales and in turn increase the value of their company and the stocks. Care should be taken such that all the deserving employees in the group should be given the choice of choosing the cash reward or the stock options.

b) **Better working conditions:** The sales representatives who work well and achieve the targets might be given options to work from home and visit the workplace once or twice in a week to report. Other examples of better working conditions include providing the necessary logistics like better variety of food, increased cabin space, free telephone and internet services at home to a certain limit of usage, free insurance policy, better training facilities etc

c) **Recognition and awards:** Recognition and awards help the sales representatives to gain respect and help in creating a unique identity in the work place. This type of reward works effective for the managerial level employees who don't depend upon the monetary rewards for survival. This system also highlights the mile stones achieved by an individual in his/her career and also encourage fellow employees to achieve it and hence they work much enthusiastically.

3.4 MONITORING AND PERFORMANCE EVALUATION

3.4.1 Role of Job Description in Objective Settings

Job description as discussed earlier units informs the employees about their duties and responsibilities at the work place. One must identify the set of tasks he/she needs to perform according to the job description. Objectives have to be set and employees have to work towards achieving them. In most of the job descriptions the nature of work and various accountability factors will be mentioned. In some of the job descriptions you may find the working conditions also such as extensive travelling, working on the net all the time, taking continuous phone calls etc. In this section let us understand about the job description which helps in setting the objectives for the employees. Company makes a practice that monitoring and performance evaluation would be on the objectives set according to the job description. Let us now look at the direct and indirect sales force job description or activities they need to perform.

Direct sales force:

Direct sales force involves mainly a one to one selling scenario. Several tasks need to be performed in order to effectively handle the sales such as:-

a) Contacting the prospect
b) Communicating with the prospect
c) Ensuring logistics during the sales process
d) Performing after sales service activities
e) Building rapport and keep in touch

Indirect sales force:

In direct sales, the sales force are not directly employed by your organization but are entitled by a contract to sell your product/ services. Indirect sales force can be resellers, whole sellers, retailers etc. to whom your company sales force sells the product. Let's us now understand some of the factors which needs to be analyzed in making up the conclusion on performance evolution of the sales force who sell the products/ services to the indirect sales force. Some of the factors are:-

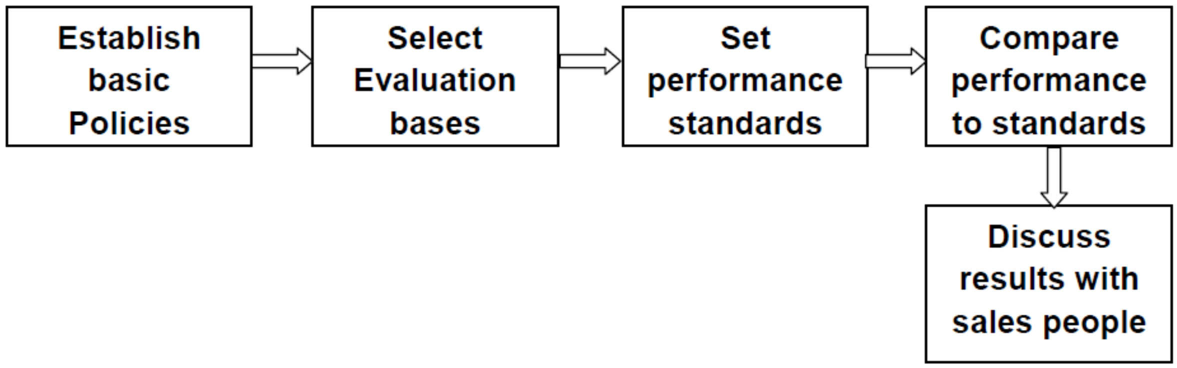
- Availability of stock
- Visibility of stock
- Stock piling in the pipeline

3.4.2 Role of a Sales Manager in Monitoring and Performance Evaluation

One of the main objectives of the recruitment process is to hire a sales team which performs well as per the organization expectations. Once the recruitment process is finished it is the role of the sales manager to duties to various sales representatives within the team. Once the jobs are assigned, they need to be monitored and evaluated to identify the true performance of the sales representatives. Identifying the true performance of the sales force is an important task because of the following factors:-

- Identifying the performance helps in identifying the areas of strengths and weakness in the sales force
- Proper training can be provided to improve the performance of the sales force

- When performance evaluation identifies the true potential of the sales force, it would be easy to identify the ideal goal setting
- Unrealistic goal setting can be avoided and the motivation levels can be kept high
- The attrition rate of the organization can also be decreased if realistic goals are set and the sales force could achieve them with their efforts



Sales force monitoring guidelines and objectives:

Sales manager has to be clear about the objectives he/she wants to achieve through the monitoring process. Monitoring process may vary from company to company, but all the monitoring processes have some common guidelines and objectives. Let us look at some of them in the following:-

a) Don't monitor too closely and frequently

Monitoring would be done at regular time intervals by the sales manager. The time interval depends upon the product/ service, the frequency of sales and organization policies. Most of the companies make a habit of reviewing the performance at least once in every quarter. Quarterly reviews would be done and performance sheets will be prepared for every department. We have discussed in earlier units the salary component includes a variable component whose amount is determined by the individual/ team/ department performance. In many companies the quarterly linked pay performance is determined and given once in every quarter. Too close monitoring might result in a decreased motivation levels when the target are not achieved by the sales representatives. Such cases of decreased motivation levels are seen frequent in telephone sales at the call center. Mostly the sales representatives at the call center will be monitored at the end of the day and their performance chart will be prepared and reviewed in the morning next day. Any representative who misses the target by small margin shouldn't be treated as a low performer. Hence too close monitoring should be mostly avoided and the sales manager has to work with the sales force for improvement in the sales process.

b) Identifying the gap in skill set

After identifying the low performers in the sales force by monitoring and performance evaluation, the next is to identify the real problem for low performance. One of the main reasons could be lack of skill set required to perform well. In such cases a proper training process should be identified to improve the individual skill set. Hence, identifying the gaps in skill sets is a very important objective of the monitoring and performance evaluation process. Converting the process to mentoring or training should be the primary objective in such cases.

c) Identifying other problems at the work place like poor working conditions, trade conflicts etc.

The reason for low performance might be due to several de-motivating factors as discussed in the earlier unit. The sales manager should have to work in identifying such factors and try to remove them. One of the important factors for low performance in direct or indirect sales is "trade conflicts". This is a major problem in many companies and the sales manager has to clearly identify them and resolve. The entire region such as city of a country would be divided into different regions for easy monitoring. Every region will be assigned a sales force for selling in that region. As per the company policies, most of the times the sales force are not allowed to get into another region and promote sales activities. Whenever such cases arise where the sales representative of one region entering into another region and sells, it might lead to the higher sales figure for that representative and also the conflicts between the sales representatives who are authorized to sell in that region. This results in problems such as improper performance evaluation of the sales force, unethical practices and trade conflicts. Hence the sales manager has to identify such reasons in the monitoring process and try to resolve them to identify the true performance of the sales force of different regions. The sales manager should identify the points of sale and look for any violation in following the terrestrial jurisdiction by the sales force.

Quantitative and qualitative factors of monitoring:

To determine the performance of the sales force, sales managers make use both the qualitative and quantitative factors. Most of the time quantitative factors play a major role in deciding the performance of the sales force. There are many reasons why the sales manager prefers the numbers. One of the reasons is that the quantitative factors lead to an unbiased way of performance evaluation process. It should be understood that the evaluation process shouldn't just rely on the quantitative factors and we also need to analyze certain qualitative factors as well in determining the true performance of the sales force.

a) Qualitative factors

Some of the quantitative factors monitoring and performance evaluation include the following:-

- Number of sales
- Revenue generated
- Expenses incurred
- Percentage growth in sales compared to last week, month, quarter, year etc.
- Net profit generated

b) Qualitative factors

Some of the qualitative factors monitoring and performance evaluation include the following:-

- Improved customer satisfaction levels
- Improved team management skills like taking responsibilities, being accountable etc.
- Improved behavioural skills within the team
- Decreased conversion rate i.e. improved success rate in gaining the customer
- Improved time management skills

It is important that both the qualitative and quantitative factors must be analyzed before making a conclusion about the performance of the sales force. It is observed that the team management skills and better team work would have a direct affect on the performance of the sales force. Hence, let us understand in the final section of the unit about the steps in developing a better team work in the organization.

4.0 CONCLUSION

Sales force is directly responsible for generating sales revenue. Managing sales personnel is therefore a critical facet of an organization.

Establishing sales force objective is similar to other promotional objectives. It is demand oriented or image oriented. The major objective is persuasion, converting consumer interest into sales. Sales objectives are expected to be accomplished within a certain period of time.

Organizing the sales force could be done in-house or by independent agents (manufacturer's sales agents). Organization is done by geography (simplest, but not suitable if product(s) are complex or customers require specialized knowledge), customer (different buyers have different needs), product (specific knowledge of products is needed) and size (marginal analysis, or determine how many sales calls/year are needed for an organization to effectively serve its customers and divide this total by the average # of sales calls that a person makes annually). Also, one should use subjective judgement.

Recruiting and selecting salespeople come next. There is need to establish a set of required qualifications before beginning to recruit. Prepare a job description that lists specific tasks the salesperson should perform and analyze traits of the successful salespeople within the organization.
One may use assessment centers - intense training environment that places candidates in realistic problem settings in which they give priorities to their activities, make and act on decisions.
Recruitment should be a continual activity aimed at reaching the best applicants.
Go for applicants that most match the demographics of the target market.

Training sales personnel involves the use of formal programs, or Informal on-the-job training. It can be complex or simple. Training should focus on the company, products, and selling techniques. It should be aimed at new hires *and* experienced personnel. It can be held in the field, educational institutions or company facilities.

Compensating sales people is used to attract, motivate and retain sales people, that facilitate and encourage good treatment of the customers. One needs to understand personalities of sales people. One should strive for proper balance of freedom, income and incentives. There is need to determine the best level of compensation required, and the best method of calculating it e.g.

straight salary**,** straight commission (selling insurance)--single percentage of sales or sliding rate**,** combination plan.

Motivating sales people requires a systematic approach. Non-financial needs like job security, working conditions, and opportunities to succeed. Sales contests increase sales. So does symbolic awards--plaques, rings etc. One can also use negative motivational methods for under performers.
Due to burn out--even the best need motivating.

Compensation packet that rewards quality salesmanship and extra effort should be in place. Make sure of recognition of extra effort of sales force. Goals must be realistic and achievable and changeable. Determine what they want and give it to them

Controlling and evaluating sales force performance should rely on information from call reports, customer feedback and invoices. Performance is determined by objectives. One may compare with predetermined performance standards or with other sales people working under similar conditions.

5.0 SUMMARY

Sales force supervision and evaluation help every salesperson achieve his or her full potential. Supervision and evaluation of sales force are instruments of achieving sales control. Its objective is to improve the job performance of sales personnel. There are two important facets of supervision i.e., how much supervision and who should supervise. The evaluation process consists of comparing actual performance with planned performance. It's a process of uncovering deviations between goals and accomplishments. The quantitative performance standards include sales quota, selling expense ratio, call frequency ratio, order call ratio etc. the qualitative performance criterion are used for appraising performance characteristics that affect sales result, especially over the long run, but whose degree of excellence can be evaluated only subjectively. It includes product knowledge, handling sales presentations, customer satisfaction, communication skills, decision making ability etc. The sales reports are used for measuring performance and they also provide additional information. If performance and standards are in alignment the decision may be no action needed, but corrective actions are taken in case of deviation between the two.

6.0 TUTOR MARKED ASSIGNMENT (TMA)

1. Explain the importance of providing feedback to the employees of the organization
2. Describe the ways in which the candidates can be obtained during the recruitment process for selection.
3. Explain the need of developing organization culture and values in the training program.
4. Explain the role of the sales manager in maintaining the motivation level of the employees.
5. Explain the procedure for evaluation sales people.

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UNIT EIGHTEEN: MARKETING AND PUBLIC RELATIONS

CONTENTS

1.0 INTRODUCTION

Many organizations, both for-profit and nonprofit, use public relations tools to stimulate demand, launch new products, promote current brands, improve organizational images, or boost awareness of public issues. In this unit, we discuss the nature of public relations and how public relations is used. We examine various public relations tools and ways to evaluate the effectiveness of public relations. And finally, we focus on how companies deal with unfavorable public relations.

Both marketing and public relations went through such dramatic growth and evolution during the first half of the twentieth century that at least one business historian has referred to this period as their "teen-age years." They both experienced surprising growth spurts and, as they gained increasing influence in the business world, they experimented with new strategies and frequently flexed their muscles as they adjusted to what they were becoming and tried to project a positive and confident self-image.

As marketing and public relations expanded their spheres of activities and as they became more aggressive in communicating with more and more and ever-larger publics, they often ended up talking to the same publics, and they sometimes used the same techniques to do it. But, even when their actions appeared to be similar to outsiders such as the consuming public, the practitioners themselves knew that their two disciplines were conceptually very different. Many took pride in these distinctions and were quick to explain them to anyone who asked. Ray Simon, for instance, expressed them very concisely in his second edition of *Public Relations: Concepts and Practices* when he wrote:

"Marketing and public relations ... both are major external functions of the firm and both share a common ground in regard to product publicity and consumer relations. At the same time, however, they operate on different levels and from different perspectives and perceptions.

The traditional view ... is that marketing exists to sense, serve, and satisfy customer needs at a profit.

Public relations exists to produce goodwill in the company's various publics so that the publics do not interfere in the firm's profit-making ability."

2.0 OBJECTIVES

At the end of this unit, you will be able to:

- Understand the meaning of public relations and how it applies to marketing
- Recognize the tools used in public relations
- Understand how public relations is used and evaluated

3.0 MAIN CONTENT

3.1 MEANING OF PUBLIC RELATIONS

Public relations is a broad set of communication efforts used to create and maintain favorable relationships between an organization and its stakeholders. An organization communicates with various stakeholders, both internal and external, and public relations efforts can be directed toward any and all of these. A firm’s stakeholders can include customers, suppliers, employees, stockholders, the media, educators, potential investors, government officials, and society in general.

Public relations can be used to promote people, places, ideas, activities, and even countries. It focuses on enhancing the image of the total organization. Assessing public attitudes and creating a favorable image are no less important than direct promotion of the organization's products. Because the public's attitudes toward a firm are likely to affect the sales of its products, it is very important for firms to maintain positive public perceptions. In addition, employee morale is strengthened if the public brands, or activities, it also can create specific company images, such as innovativeness or dependability. By getting the media to report on a firm's accomplishments, public relations helps the company maintain positive public visibility.

3.2 TOOLS OF PUBLIC RELATIONS

Companies use various public relations tools to convey messages and create images. Public relations professionals prepare written materials, such as brochures, newsletters, company magazines, news releases, websites, blogs, and annual reports that reach and influence their various stakeholders. Public relations personnel also create corporate identity materials, such as logos, business cards, stationery, and signs, which make firms immediately recognizable. Speeches are another public relations tool. Because what a company executive says publicly at meetings or o the media can affect the organization's image, his or her speech must convey the desired message clearly.

Event sponsorship, in which a company pays for part or all of a special event, such as a benefit concert or a tennis tournament, is another public relations tool. Sponsoring special events can be an effective means of increasing company or brand recognition with relatively minimal expenditures. Event sponsorship can gain companies considerable amounts of free media coverage. An organization tries to make sure that its product and the sponsored event target a similar audience and that the two are easily associated in customers' minds. Public relations personnel also organize unique events to "create view" about the company. These may include grand openings with celebrities, prizes, hot-air balloon rides, and other attractions that appeal to a firm's audience.

Publicity is part of public relations. Publicity is communication in news story form about the organization, its products, or both transmitted through a mass medium at no charge. Although public relations has a larger, more comprehensive communication function than publicity, publicity is a very important aspect of public relations. Publicity can be used to provide information about goods or services; to announce expansions, acquisitions, research, or new-product launches; or to enhance a company's image.

The most common publicity-based public relations tool is the news release, sometimes called a press release, which is usually a single page of typewritten copy containing fewer than 300 words and describing a company event or product. A news release gives the firm's or agency's names, address, phone number, and contact person. News releases can tackle a multitude of specific issues. A featured article is a manuscript of up to 3,000 words prepared for a specific publication. A captioned photograph is a photograph with a brief description explaining the picture's content. Captioned photographs are effective for illustrating new or improved products with highly visible features.

There are several other kinds of publicity-based public relations tools. A press conference is a meeting called to announce major news events. Media personnel are invited to a press conference and are usually supplied with written materials and photographs. Letters to the editor and editorials are sometimes prepared and sent to newspapers and magazines. Videos and audiotapes may be distributed to broadcast stations in the hope that they will be aired.

Publicity-based public relations tools offer several advantages, including credibility, news value, significant word-of-mouth communications, and a perception of being endorsed by the media. The public may consider news coverage more truthful and credible than an advertisement because the media are not paid to provide the information. In addition, stories regarding a new-product introduction or a new environmentally responsible company policy, for example, are handled as news items and are likely to receive notice. Finally, the const of publicity is low compared with the cost of advertising.

Publicity-based public relations tools have some limitations. Media personnel must judge company messages to be newsworthy if the messages are to be published or broadcast at all. Consequently, messages must be timely, interesting, accurate, and in the public interest. Many communications do not qualify. It may take a great deal of time and effort to convince media personnel of the news value of publicity releases. Although public relations personnel usually encourage the media to air publicity releases at certain times, they control neither the content nor the timing of the communication. Media personnel alter length and content of publicity releases to fit publishers or broadcasters' requirements and may even delete the parts of messages that company personnel view as most important. Furthermore, media personnel use publicity releases in time slots or positions most convenient for them. Thus messages sometimes appear in locations or at times that they may not reach the firm's target audiences. Although these limitations can be frustrating, properly managed publicity-based public relations tools offer an organization substantial benefit.

3.3 EVALUATING PUBLIC RELATIONS EFFECTIVENESS

Because of the potential benefits of good public relations, it is essential that organizations evaluate the effectiveness of their public relations campaigns. Research can be conducted to determine how well a firm is communicating its messages or image to its target audiences. Environmental monitoring identifies changes in public opinion affecting an organization. A public relations audit is used to assess an organization's image among the public or to evaluate the effect of a specific public relations program. A communications audit may include a content analysis of messages, a readability study, or a readership survey. If an organization wants to measure the extent to which stakeholders view it as being socially responsible, it can conduct a social audit.

One approach to measuring the effectiveness of publicity-based public relations is to count the number of exposures in the media. To determine which releases are published in print media and how often, an organization can hire a clipping service, a firm that clips and sends news releases to client companies. To measure the effectiveness of television coverage, a firm can enclose a card with its publicity releases requesting that the television station record its name and the dates when the news item is broadcast (although station personnel do not always comply). Although some television and radio tracking services exist, they are extremely costly.

Counting the number of media exposures does not reveal how many people actually have read or heard the company's message or what they thought about the message afterward. However, measuring changes in product awareness, knowledge, and attitudes resulting from the publicity campaign does. To assess these changes, companies must measure these levels before and after public relations campaigns. Although precise measures are difficult to obtain, a firm's marketers should attempt to assess the impact of public relations efforts on the organization's sales.

3.4 UNFAVORABLE PUBLIC RELATIONS

Companies have to deal with unexpected and unfavorable publicity resulting from an unsafe product, an accident, controversial actions of employees, or some other negative event or situation. Today's mass media, including online services and the Internet, disseminate information faster than ever before, and bad news generally receives considerable media attention.

To protect its image, an organization needs to prevent unfavorable public relations or at least lessen its effect if it occurs. First and foremost, the organization should try to prevent negative incidents and events through safety programs, inspections, and effective quality-control procedures. Experts insist that sending consistent brand messages and images throughout all communications at all times can help a brand maintain its strength even during a crisis. However, because negative events can befall even the most cautious firms, an organization should have predetermined plans in place to handle them when they do occur. Firms need to establish policies and procedures for reducing the adverse impact of news coverage of a crisis or controversy. In most cases, organizations should expedite news coverage of a crisis or controversy. In most cases, organizations should expedite news coverage of negative events rather than trying to discourage or block it. If news coverage is suppressed, rumors and other misinformation may replace facts and be passed along anyway. An unfavorable event easily can balloon into serious problems or public issues and become quite damaging. By being forthright with the press and public and taking prompt action, firms may be able to convince the public of their honest attempts to deal with the situation, and news personnel may be more willing to help explain complex issues to the public. Dealing effectively with a negative event allows an organization to lessen the unfavorable impact on its image. Experts generally advise that companies confronting negative publicity respond quickly and honestly to the situation and keep the lines of communications with all stakeholders open.

4.0 CONCLUSION

Marketing is creating, communicating and delivering value to customers and managing customer relationships in ways that benefit the organization and its stakeholders. It involves identifying customer needs and wants, creating strategies for the development and design of products and services, and making decisions about their pricing, promotion and distribution to satisfy customer and organizational objectives.

Public relations deals with the creation, maintenance and improvement of relationships between organizations and the people they deal with. It involves managing the flow of information between an organization and its publics. Common activities include publications, events, speeches, public-service activities, working with the press, and employee communication.

The unit reviewed the meaning of public relations in relation to marketing, the tools used in public relations, and the uses and evaluation of public relations. Unfavorable public relations and how to minimize them were also tackled in this unit.

5.0 SUMMARY

Public relations is a broad set of communication efforts used to create and maintain favorable relationships between an organization and its stakeholders. Public relations can be used to promote people, places, ideas, activities, and countries and to create and maintain a positive company image. Public relations tools include written materials, such as brochures, newsletters, and annual reports; corporate identity materials, such as business cards and signs; speeches; event sponsorships; and special events. Publicity is communication in news-story form about an organization, its products, or both transmitted through a mass medium at no charge. Publicity-based public relations tools include news releases, feature articles, captioned photographs, and press conferences. Problems that organizations confront in using publicity-based public relations include reluctance of media personnel to print or air releases and lack of control over timing and content of messages.

To evaluate the effectiveness of their public relations programs, companies conduct research to determine how well their messages are reaching their audiences. Environmental monitoring, public relations audits, and counting the number of media exposures are all means of evaluating public relations effectiveness. Organizations should avoid negative public relations by taking steps to prevent negative events that result in unfavorable publicity. To diminish the impact of unfavorable public relations, organizations should institute policies and procedures for dealing with news personnel and the public when negative events occur.

6.0 TUTOR MARKED ASSIGNMENTS (TMA)

1. What is public relations? and whom can an organization reach through public relations?
2. Explain the problems and limitations associated with publicity-based public relations.
3. In what ways is the effectiveness of public relations evaluated?

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